2019 INTERIM RESULTS

Results for the six months to
30 June 2019

GROUP PLC

Yü Group PLC
(the "Group")

Results for the six months to 30 June 2019

Yü Group PLC, the independent supplier of gas and electricity to the UK corporate sector, announces its half year results for the six month period to 30 June 2019.

Financial Review:

		Six months to 30 June		Year to 31 December
		2019	**2018 (1)**	**2018 (1)**
Revenue (£'000)		56,561	33,220	80,635
Gross margin %		3.2%	6.7%	4.0%
Overheads % (charged to adjusted EBITDA)		7.9%	9.9%	11.8%
Adjusted EBITDA (£'000) (2)		(2,674)	(1,045)	(6,283)
Loss for the period (£'000)		(2,716)	(895)	(6,267)
Operating cash inflow/(outflow) (£'000)		3,177	1,980	(1,320)
Cash		17,421	18,207	14,612
(Loss)/earnings per share:				
Adjusted		(14.8)p	(7.7)p	(37.0)p
Statutory		(16.7)p	(5.9)p	(42.0)p
Dividend per share		-	1.2p	1.2p

Notes

1 - 2018 is after certain prior year restatements, consistent with the methodology applied in FY 2018 annual accounts and as further disclosed in note 3 of the interim results. Net assets at 30 June 2018 have reduced by £4.9m. Payments to third party intermediaries have also been reclassified from overheads to cost of sales.

2 - Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and also before non-recurring costs, share based payments and unrealised gains or losses on derivative contracts. For FY 2018, it also excludes the impact of first-time adoption of IFRS 9.

- Revenue increased by 70 per cent. to £56.6m (H1 2018: £33.2m following restatement)
- Adjusted EBITDA loss of £2.7m, an improvement of £2.6m on H2 2018 loss of £5.3m (H1 2018: £1.0m loss following restatement)
- Cash and cash equivalents of £17.4m at 30 June 2019, despite energy commodity market volatility resulting in £3.4m of cash prepayments to trading counterparties. H2 2019 cash expected to reduce due to a planned industry payment falling due
- Contracted revenue of £45m for H2 2019. Revenues for FY 2019 expected to be approximately £105m
- At 31 August 2019, contracted revenue for FY 2020 in excess of £65m

Yü Group PLC | CPK House | 2 Horizon Place | Nottingham Business Park | Mellors Way | Nottingham | NG8 6PY
Tel: 0115 975 8258 Fax: 0115 975 8259 Email: ir@yugroupplc.com www.yugroupplc.com
Registered in England and Wales no 10004236 ICO: 00042989337

- Higher gross margins on new contracts being achieved, targeting a blended gross margin in high single digits as legacy contracts expire
- Overheads reduced to 7.9 per cent. of revenues (H1 2018: 9.9 per cent. and FY 2018: 11.8 per cent.)

Operational Review:

- Reviewed business plan, to reconfirm strategic priorities following a period of reset
- Senior management team strengthened with recruitment of a new Sales and Marketing Director and Head of Debt and Commercial Operations
- New sales office in Leicester, increasing the team to 40 people; and investment in a new automated sales platform. Plans to extend sales operation further with the development of a new purpose-built office
- Embedded various internal control improvements and processes, supported by a second health-check by PwC, readying the Group for an acceleration in its growth profile
- Successfully rolled out energy efficiency reporting to customer base
- Maintained strong customer service levels

Bobby Kalar, Chief Executive Officer, said:

"I'm pleased to report that our sales expansion is going to plan and the compliance and governance measures introduced are performing well. While low margin legacy contracts are still being washed through our accounts, we have taken action to improve our positioning. I look forward to updating the market on our performance and growth ambitions.

"The investment case for the business remains the same and market opportunities remain high. I still believe that Yü offers a fresh approach for small and medium sized businesses who have not been traditionally engaged in the utilities market. As founder, majority shareholder and CEO, I am more confident than ever that our Group is ready and able to take advantage of the enormous market opportunity available to us."

The information communicated in this announcement would have constituted inside information for the purposes of Article 7 of Regulation 596/2014.

For further information, please contact:

Yü Group PLC
Bobby Kalar
Paul Rawson

+44 (0) 115 975 8258

Shore Capital
Edward Mansfield
Anita Ghanekar
James Thomas

+44 (0) 20 7408 4090

Alma PR
Josh Royston
John Coles
Hilary Buchanan
Helena Bogle

+44 (0) 7780 901 979

Notes to Editors

Information on the Group

Yü Group PLC, trading as Yü Energy, is an independent supplier of gas, electricity and water focused on servicing the business sector throughout the UK. It has no involvement in the domestic retail market. The Group was listed on the AIM market of the London Stock Exchange in March 2016.

CHIEF EXECUTIVE OFFICER'S STATEMENT

The Board is pleased with the progress made in the first six months of the year. The business has been reset following the accounting issues discovered last year, we have bolstered the management team and are confident in the governance and controls now in place. With continued development of the contract book and a focus on quality of business and margins, the Board's objective is returning the Group to profit as soon as possible.

Group revenues for the period were £56.6m (2018, as restated: £33.2m) with contracted revenue of £45m, as at 30 June 2019, which is expected to be recognised in H2 2019. The EBITDA loss to 30 June 2019 was £2.7m, being a material reduction on the £5.3m EBITDA loss in H2 2018. The Board anticipates incremental improvement with EBITDA loss in H2 2019 expected to be significantly lower and continued progression in FY 2020 as the historic contract book continues to expire. We made a decision to temper the rate of revenue growth as we implemented the new processes and focussed on improving margins. We are now in a position to resume our focus on growth utilising the solid foundations in place.

The business and investment case for Yü Group has not changed. We are a one-stop-shop for businesses gas, electricity and water needs with a focus on excellence of service and providing innovative solutions. With a strong order book and clear market opportunity, we are confident in the long-term prospects for the Group. Our cash position is robust and we are exploring opportunities to make greater use of this cash to drive our growth strategy.

Business Priorities

The Board has reviewed the Group's strategy and direction and have commenced implementation of various initiatives.

The Group's purpose is to make it easier for businesses to manage their utilities and, through Yü innovation and simplicity, we make this happen. We differentiate ourselves from the competition through great service, bundling solutions in innovative ways, and accessing the market through new channels. In an enormous gas and power market across Great Britain, the Group is well positioned to scale rapidly.

The Board has revalidated its four key strategic focus areas, all with the objective to drive shareholder value over the five-year business plan horizon:

1. **Growth:** by scaling our gas and power supply services in what is a significant market; a focus on retention of good customers; and by layering on new services and products. The recent increased investment in our Leicester sales office will drive continued controlled growth to reap benefits of scale.

2. **Cost Efficiency:** through close management of bad debts and the operating cost base, and utilisation of digital tools to automate processes. Improvements have already been made, and the Board are committed to continually refining the systems and processes to enable economies of scale and drive down the level of overheads as a percentage of revenues.

3. **Cash Generation:** via increasing gross margin, the minimisation of debtors and accrued income, and monitoring cash volatility caused by the Group's trading arrangements. The Group currently benefits from a strong cash position and is already seeing benefits from improved credit and debt collection processes, and a more commercial approach to its operations.

4. **Solid Foundations:** to continually improve the business to provide a great experience to customers and internal teams, whilst ensuring good governance and the management of risks (including commodity exposures). New processes, third party reviews and development of key teams, whilst retaining industry leading customer service levels has taken significant effort in H1 2019. These actions enable a solid and robust foundation for the Group to build on.

The Board are fully committed to executing this plan and look forward to updating the market on progress at regular intervals.

Yü Group PLC | CPK House | 2 Horizon Place | Nottingham Business Park | Mellors Way | Nottingham | NG8 6PY
Tel: 0115 975 8258 Fax: 0115 975 8259 Email: ir@yugroupplc.com www.yugroupplc.com
Registered in England and Wales no 10004236 ICO: 00042989337

Operational Review

The key focus during H1 2019 was to conduct a full review of the systems and controls supplemented with a second health check report from PwC. The period under review confirmed the completion and routine operations of key control and process improvements across financial and operational functions, and the benefits have started to materialise through improved Management Information with greater visibility of our profitability. The Board is confident that the Group has established strong business foundations and systems from which to scale the business, in line with the available market opportunity.

The overall vision of delivering energy requirements to the B2B SME sector with best-in-class customer service support throughout the customer journey remains the Group's core ethos. During the current and previous periods, refinements were made to the execution of this vision. The initiatives implemented around sales acquisition and customer lifecycle strategy, including improved onboarding processes, credit checks and process automation, have resulted in better margin and lower credit risk customer acquisitions. As a result, average monthly bookings for the six-month period under review are at a higher margin compared to last year, albeit revenue booked is at a lower level.

In addition, a greater focus on customer retention process has been established. The improvements these measures are expected to deliver will flow through in due course. Retention levels in the near term will be impacted as the Group actively manages out legacy low margin contracts as they wash through the book.

The Board is confident in scaling up the business, and investment in the business platform continues. The Group recently announced the expansion of its Leicester sales operations to drive sales and customer retention, as well as the appointment of a Group Sales and Marketing Director to strengthen the senior management team and sales operation. Our new Leicester office currently has 40 people utilising new systems and processes to gain market share.

Continued implementation of certain technology and systems is a core priority with process automation in both sales and the back-office driving efficiency and control. The Board is also progressing integration of proven tools, used in different ways, to drive new disruptive sales channels, providing customer's access to quotes quickly and enabling the Group to engage otherwise disengaged segments of the market. The Group is excited to be developing these solutions and will update the market more fully in due course.

New products and services have been added, including the provision of energy efficiency reports and consultancy to customers to reduce their energy bill. Whilst such new services are not yet contributing significantly to the Group's revenue and EBITDA, the Board remain committed to enhancing its offering to build on the existing multi-utility (gas, power and water) supply to business customers, differentiated by great customer service.

Market

The market opportunity remains substantial. Our sole focus is on providing energy and related services to small and medium sized businesses. We have not seen any new entrants into the space and the competitive landscape remains dominated by large energy companies that do not have the flexibility, quality of customer service and range of innovative products that we are able to offer our target sector.

Energy prices have declined significantly over the period, which provides the Group with the ability to extend contracts beyond the existing term whilst ensuring an 'inflation proof' price for the end customer. The Group has also continued to hedge its forward gas and power requirement in line with an agreed risk mandate.

Financial Review

The Group had revenues of £56.6m in H1 2019, a 70% increase from H1 2018. With good visibility of future revenue, the Group anticipates revenues in excess of £105m for the full year to 31 December 2019.

Despite significantly reduced bookings (in revenue terms) in H1 2019, as management took time to reset business processes around sales and onboarding, there remains a strong contract book for FY 2020, with £65m already contracted at 31 August 2019. Whilst the level of revenue growth has reduced from that previously experienced, the gross margin percentage achieved from bookings in 2019 are significantly above the bookings in 2018, which will lead to a positive impact on gross margin in future periods. The legacy contracts will continue to dilute margins in until FY 2021, at which time the majority of low margin contracts will have expired.

Having made the appropriate adjustments to sales and onboarding processes, the Group is now scaling its sales activities in its core markets and therefore anticipates increased bookings at higher margins. Due to the contract acquisition and "go-live" cycle, such future bookings will largely crystallise in revenues and gross margin from FY 2021.

Consistent with the adjustments disclosed in the FY 2018 annual report, and other market announcements, the Board has restated the H1 2018 results as disclosed in note 3. The Group has also adopted IFRS 16 (Leases) and as such has recognised a £0.6m asset and corresponding lease liability related to the Nottingham head office, as disclosed in note 1 to these half-year results. In addition, the Board has also decided to reclassify certain payments to Third-Party Intermediaries to cost of sales, as opposed to overheads, leading to reduced gross margin and an equal reduction to operating costs.

Gross margin, after adjustment, is 3.2% of revenues for the period, a reduction from historic levels (4% for FY 2018; 6.7% in H1 2018). This decline is a consequence of the previously signed low margin contracts as described above, which will continue to dilute margin, albeit at a reducing impact across the contract portfolio in H2 2019 and FY 2020.

For H1 2019, the priority has been on securing new bookings, and optimising other commercial activity, so as to achieve an overall blended gross margin in high single digits over the customer lifecycle. The Board has also performed various actions to manage overheads more closely. Such overheads charged to Adjusted EBITDA (which includes bad debts) reduced to 7.9% of revenues (11.8% for FY 2018; 9.9% in H1 2018). The operational investment in sales that has recently mobilised will cause some increase in overheads in the short term, though the Board believes that other overheads can benefit from significant economies of scale due to its utilisation of certain systems.

Trade receivables, net of provision, increased to £5.7m at 30 June 2019 (an increase of £2.6m from 31 December 2018) mainly as a result of some sales invoices not falling due at the balance sheet date, and due to the application of new charges to overdue debts. This increase was mitigated by a £3.3m reduction in accrued income (£6.4m at 30 June 2019; £9.7m at 31 December 2018). In addition, accruals increased significantly to £22.9m (31 December 2018: £15.6m) due to the growth of the business and for certain industry payments which fall due in H2 2019.

Cash at 30 June 2019 was £17.4m (£18.2m at 30 June 2018; £14.6m at 31 December 2018). Whilst this level of cash was broadly in line with expectation, and is sufficient to meet a large industry payment due in H2 2019, the decrease in energy commodity markets has led to some temporary volatility caused by cash margin calls (£3.4m at 30 June 2019) on hedging arrangements with third parties. Such margin calls arise when commodity markets decrease when compared to the traded price of the Group's hedging position, being the Mark to Market position ("MtM"), and results in the requirement to post cash collateral where such MtM exceeds agreed credit lines. This cash collateral is recovered as the MtM position changes and as the forward hedge trades out. The Board continues to assess options to consider how to use its cash to drive greater value, whilst ensuring there is sufficient cash to manage future energy commodity market volatility.

The Group has also entered into a conditional agreement to purchase a newly developed office building and land at a site in central Leicester, in line with its business plan to continue to invest in expanding its sales operations. It is envisaged that this office will become operational in early 2021.

GROUP PLC

Outlook

The results for the first half of the financial year demonstrate a resetting of the business operations with a renewed emphasis on profitability and clarity of contract book. The Group made good progress against its core strategic growth objective in the B2B SME segment of the energy market.

The Group expects revenue of approximately £105m for the full year to 31 December 2019 as a result of the existing contract book, combined with incremental bookings growth from new accounts and additional revenue, beyond that contracted, from existing customers.

Revenues in FY 2020 are anticipated to be broadly flat due to the Board taking time to reset certain sales processes in H1 2019 and active management to exit the Group from lower margin legacy contracts. Longer term, the Group expects revenues to grow significantly with a renewed emphasis on sales.

Gross margins are expected to increase as the legacy contracts time expire, and the Group benefits from its positive commercial actions. EBITDA loss in the second half of 2019 is therefore anticipated to be significantly lower than H1 2019 and will continue to fall in 2020.

The Group's balance sheet is robust, providing the necessary capital to support the Group's ambitions.

The market opportunity is as attractive as ever. The Group now has the platform and processes in place from which to scale the operations and investment in the teams, infrastructure and portfolio of products has continued. While these initiatives will take time to deliver an acceleration in growth, the Board is confident in the long-term outlook for the Group.

Condensed consolidated statement of profit and loss and other comprehensive income for the six months ended 30 June 2019

	6 months ended 30 June 2019 (Unaudited)	6 months ended 30 June 2018 (Unaudited - Re-stated)	12 months ended 31 December 2018 (Audited)
	£'000	£'000	£'000
Revenue	**56,561**	33,220	80,635
Cost of Sales	**(54,775)**	(30,984)	(77,387)
Gross profit	**1,786**	2,236	3,248
Operating costs before nonrecurring items, unrealised gains on derivative contracts and IFRS 2 charges	**(4,657)**	(3,463)	(11,963)
Operating costs – non-recurring items	**(67)**	-	(441)
Operating costs - unrealised (losses)/gains on derivative contracts	**(367)**	727	(125)
Operating costs - IFRS 2 share option charge	**57**	(370)	(314)
Total operating costs	**(5,034)**	(3,106)	(12,843
Loss from operations	**(3,248)**	(870)	(9,595)
Finance Income	**19**	8	21
Finance Costs	**(27)**	(33)	(63)
Loss before tax	**(3,256)**	(895)	(9,637)
Taxation	**540**	-	3,370
Loss for the period	**(2,716)**	(895)	(6,267)
Other comprehensive income	**-**	-	-
Total comprehensive income for the period	**(2,716)**	(895)	(6,267)
Earnings per share			
Basic	**£(0.17)**	£(0.06)	£(0.42)
Diluted	-	-	-

Amounts payable to Third-Party Intermediaries of £1,719,000 have been included in cost of sales in the 6 months ended 30 June 2019. The comparative periods have been restated to reclassify amounts that had previously been included in operating costs (6 months ended 30 June 2018: £970,000; Year ended 31 December 2018: £2,625,000).

Condensed consolidated balance sheet as at 30 June 2019

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited - Restated)	1 January 2018 (Audited - Restated)	31 December 2018 (Audited)
	£'000	£'000	£'000	£'000
ASSETS				
Non-current assets				
Property, plant and equipment	**364**	632	539	395
Right-of-use asset	**562**	-	-	-
Intangible assets	**53**	55	56	54
Deferred tax	**3,866**	1,631	1,568	3,325
	4,845	2,318	2,163	3,774
Current assets				
Trade and other receivables	**16,139**	11,694	10,165	13,569
Cash and cash equivalents	**17,421**	18,207	4,887	14,612
	33,560	29,901	15,052	28,181
Total assets	**38,405**	32,219	17,215	31,955
LIABILITIES				
Current liabilities				
Trade and other payables	**(30,493)**	(14,428)	(10,458)	(21,517)
Non-current liabilities	**(441)**	(492)	(371)	-
Total liabilities	**(30,934)**	(14,920)	(10,829)	(21,517)
Net assets	**7,471**	17,299	6,386	10,438
Equity				
Share capital	**81**	81	70	81
Share premium	**11,690**	11,689	-	11,689
Merger reserve	**(50)**	(50)	(50)	(50)
Retained earnings	**(4,250)**	5,579	6,366	(1,282)
	7,471	17,299	6,386	10,438

GROUP PLC

Condensed consolidated statement of changes in equity for the six months ended 30 June 2019

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2019	81	11,689	(50)	(1,282)	10,438
Total comprehensive income for the period					
Profit for the period	-	-	-	(2,716)	(2,716)
Other comprehensive income	-	-	-	-	-
	-	-	-	(2,716)	(2,716)
Transactions with owners of the company					
Contributions and distributions					
Equity-settled share based payments	-	-	-	(57)	(57)
Deferred tax on share based payments	-	-	-	-	-
Proceeds from share issues	-	1	-	-	1
Equity dividend paid in the year	-	-	-	(195)	(195)
Total transactions with owners of the Company	-	1	-	(252)	(251)
Balance at 30 June 2019	**81**	**11,690**	**(50)**	**(4,250)**	**7,471**
Balance at 1 January 2018 (as previously reported)	70	-	(50)	8,793	8,813
Impact of prior period adjustment (note 3)	-	-	-	(2,427)	(2,427)
Balance at 1 January 2018 (restated)	70	-	(50)	6,366	6,386
Total Comprehensive Income for the period					
Loss for the period (restated)	-	-	-	(895)	(895)
Other comprehensive income	-	-	-	-	-
	-	-	-	(895)	(895)
Transactions with owners of the company					
Contributions and distributions					
Equity-settled share based payments	-	-	-	249	249
Deferred tax on share based payments	-	-	-	-	-
Proceeds from share issues	11	12,079	-	-	12,090
Share issue costs	-	(390)	-	-	(390)
Equity dividend paid in the year	-	-	-	(141)	(141)
Total transactions with owners of the Company	11	11,689	-	108	11,808
Balance at 30 June 2018 (restated)	81	11,689	(50)	5,579	17,299

Yü Group PLC | CPK House | 2 Horizon Place | Nottingham Business Park | Mellors Way | Nottingham | NG8 6PY
Tel: 0115 975 8258 Fax: 0115 975 8259 Email: ir@yugroupplc.com www.yugroupplc.com
Registered in England and Wales no 10004236 ICO: 00042989337

GROUP PLC

Condensed consolidated statement of cash flows for the six months ended 30 June 2019

	6 months ended 30 June 2019 (Unaudited)	6 months ended 30 June 2018 (Unaudited - Restated)	12 months ended 31 December 2018 (Audited)
	£'000	£'000	£'000
Cash flows from operating activites			
Loss for the financial period	**(2,716)**	(895)	(6,267)
Adjustments for:			
Depreciation of property, plant and equipment and right of use assets	**196**	152	291
Amortisation of intangible assets	**1**	1	2
Finance income	**(19)**	(8)	(21)
Finance costs	**27**	33	63
Taxation	**(540)**	-	(3,370)
Share based payment charge	**(57)**	249	685
Increase in trade and other receivables	**(2,570)**	(1,528)	(3,404)
Increase in trade and other creditors	**8,855**	3,855	11,072
(Decrease)/increase in provisions for employee benefits	**-**	121	(371)
Net cash from/(used in) operating activity	**3,177**	1,980	(1,320)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(105)**	(244)	(147)
Net Interest	**(9)**	8	(42)
Net cash from investing activities	**(114)**	(236)	(189)
Cash flows from financing activities			
Net proceeds from share placing and option exercises	**1**	11,717	11,700
Dividend paid during the year	**(195)**	(141)	(466)
Payment of lease liabilities	**(60)**	-	-
Net cash (used in)/from financing activities	**(254)**	11,576	11,234
Net increase/(decrease) in cash and cash equivalents	**2,809**	13,320	9,725
Cash and cash equivalents at start of the period	**14,612**	4,887	4,887
Cash and cash equivalents at end of the period	**17,421**	18,207	14,612

Notes to the condensed consolidated half yearly financial statements

1. Reporting entity

Yü Group PLC (the "Company") is a public limited company incorporated and domiciled in the United Kingdom. The Company's ordinary shares are traded on AIM. These condensed consolidated half yearly financial statements ("Half yearly financial statements") as at and for the six months ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the supply of electricity, gas and water to SMEs and larger corporates in the UK.

Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with the presentation, recognition and measurement requirements of applicable International Financial Reporting Standards adopted by the European Union ('IFRS') except that the Group has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK Companies listed on AIM, in the preparation of the condensed consolidated interim financial information.

The unaudited condensed consolidated interim financial report for the six months ended 30 June 2019 does not include all of the information required for full annual financial statements, and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. This report should therefore be read in conjunction with the Group financial statements for the year ended 31 December 2018, which is available on the Group's investor website. The comparative figures for the year ended 31 December 2018 have been audited. The comparative figures for the half year ended 30 June 2018 are unaudited.

The accounting policies adopted in these condensed consolidated half yearly financial statements are consistent with the policies applied in the 2018 group financial statements.

The condensed consolidated financial information is presented in British pounds sterling (£) and all values are rounded to the nearest thousand (£000) except where otherwise indicated.

Going concern

At 30 June 2019 the Group had net assets of £7.5m (31 December 2018: net assets of £10.4m). Management prepares detailed budgets and forecasts of financial performance and cash flow over the coming 12 to 36 months.

The Group's hedging strategy and cash collateral requirements for its trading arrangements are principal considerations of the Board when assessing the Group's ability to continue as a going concern, as are the timing of certain material payments to industry in H2 2019. Management has also considered the material losses incurred in FY 2018 and any subsequent impact on the potential to control the level of bad debt incurred by the Group, the ability to enhance gross margin on customer contracts, and the control of key financial data in the business.

Based on the current projections the Directors consider it appropriate to continue to prepare the financial statements on a going concern basis.

Use of estimates and judgements

The preparation of the financial information in conformity with adopted IFRSs requires the use of estimates and assumptions. Although these estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The key areas of estimation and judgement are the level of accrual for unbilled revenue, the inputs to the IFRS 2 share option charge calculations and the recoverability of deferred tax assets and trade receivables.

Revenue recognition

The Group enters into contracts to supply gas, electricity and water to its customers. Revenue represents the fair value of the consideration received or receivable from the sale of actual and estimated gas, electricity and water supplied during the period, net of discounts, Climate-change levy and value-added tax. Revenue is recognised on consumption.

Revenue is recognised when the associated risks and rewards of ownership have been transferred, to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and where the revenue can be measured reliably.

Due to the nature of the energy supply industry and its reliance upon estimated meter readings, both gas and electricity revenue includes the Directors' best estimate of differences between estimated sales and billed sales. The Group makes estimates of customer consumption based on available industry data, and also seasonal usage curves that have been estimated through historical actual usage data.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits (monies held on deposit are accessible with one month's written notice). Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Derivative financial instruments

The Group uses commodity purchase contracts to hedge its exposures to fluctuations in gas and electricity commodity prices. The majority of commodity purchase contracts are expected to be delivered entirely to the Group's customers and therefore the Group classifies them as "own use" contracts and outside the scope of IFRS 9. This is achieved when:

- a physical delivery takes place under all such contracts;
- the volumes purchased or sold under the contracts correspond to the Group's operating requirements; and
- no part of the contract is settled net in cash.

This classification as "own use" allows the Group not to recognise the commodity purchase contracts on its balance sheet at the period end.

The commodity purchase contracts that do not meet the criteria listed above are recognised at fair value under IFRS 9. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Share based payments

Share based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Changes in Accounting Policies – IFRS 16 Leases

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted IFRS 16 retrospectively from 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2%.

The Group doesn't have any leases that were previously classified as finance leases under IAS 17.

Yü Group PLC | CPK House | 2 Horizon Place | Nottingham Business Park | Mellors Way | Nottingham | NG8 6PY
Tel: 0115 975 8258 Fax: 0115 975 8259 Email: ir@yugroupplc.com www.yugroupplc.com
Registered in England and Wales no 10004236 ICO: 00042989337

	£'000
Operating lease commitments disclosed at 31 December 2018	**669**
Less:	
Impact of Discounting	(40)
Short term leases recognised as an expense on a straight-line basis	(6)
Lease liability recognised at 1 January 2019	**623**
Of Which	
Current lease liabilities	125
Non-current lease liabilities	498

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group leases its head office premises and a number of cars. Rental contracts are typically made for fixed periods of 3 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straightline basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2. Segmental analysis

Operating segments

The Directors consider there to be one operating segment, being the supply of electricity, gas and water to SMEs and larger corporates.

Geographical segments

100 per cent of the Group revenue is generated from sales to customers in the United Kingdom (2018: 100 per cent).

The Group has no individual customers representing over 10 per cent of revenue (2018: nil).

3. Prior Period Adjustment – Correction of an error

Following a detailed accounting review carried out by the Board and the audit committee in Quarter 4 of 2018, there have been prior period adjustments. The adjustments relate to errors that impact the annual financial statements previously reported for the years ended 31 December 2016 and 31 December 2017, and the interim statement for the 6 months ended 30 June 2018.

The errors arose as a result of the incorrect measurement of accrued income (based on an inaccurate data set being utilised) and due to the impairment of trade receivables.

The impairment of trade receivables is a result of ledger reconciliation issues between the Group's accounting and billing systems, and the non-recoverability of amounts due from customers who had entered administration or liquidation at the relevant balance sheet date. The Group has therefore not restated the prior periods in relation to any provision against trade receivables on customer balances due at 31 December 2017 and 30 June 2018 which had, in many cases, not been paid during FY 2018. Such balances resulted in a bad debt charge for FY 2018 and were therefore included the FY 2018 reported loss for the year.

The Board and audit committee have implemented various control and improvement measures as a result of the identification of the prior period errors.

The net impact in relation to the errors identified is to reduce the level of trade and other receivables reported in the previously reported financial statements and a resulting impact on tax. The cumulative impact at 30 June 2018 is to reduce trade and other receivables by £5,751,000 (of which £2,905,000 reduces the profit before tax for the 6 month period ending 30 June 2018) and to reduce the corporation tax liability by £801,000.

The total impact on equity is to reduce the 31 December 2017 balance by £2,427,000 and to reduce the 30 June 2018 balance by £4,950,000.

Impact on equity (Increase/(decrease) in equity)

	30 June 2018 £'000	1 January 2018 £'000
Trade and other receivables	(5,751)	(2,846)
Total Assets	**(5,751)**	**(2,846)**
Corporation tax payable	801	419
Total liabilities	**801**	**419**
Net impact on equity	**(4,950)**	**(2,427)**

Impact on statement of profit or loss (increase/(decrease) in profit)

	30 June 2018 £'000
Revenue	(2,617)
Operating costs	(288)
Corporation tax expense	382
Net impact on profit for the year	**(2,523)**

Impact on basic, diluted and adjusted Earnings Per Share (EPS) (Increase/(decrease) in EPS)

	30 June 2018 pence
Basic EPS attributable to ordinary shareholders	(16.5)
Diluted EPS attributable to ordinary shareholders	-
Adjusted EPS attributable to ordinary shareholders	(16.6)

4. Reconciliation to Adjusted EBITDA

A key alternative performance measure used by the Directors to assess the underlying performance of the business is adjusted EBITDA.

	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
Adjusted EBITDA Reconciliation			
Loss from operations	**(3,248)**	(870)	(9,595)
Add back:			
Non-recurring items	**67**	-	441
Impact of first time adoption of IFRS 9	**-**	150	1,768
Unrealised loss/(gain) on derivative contracts	**367**	(727)	125
Depreciation of property, plant and equipment and right-of-use assets	**196**	152	291
Amorisation of intangibles	**1**	1	2
Equity-settled share based payment charge	**(57)**	**249**	685
Adjusted EBITDA	**(2,674)**	**(1,045)**	(6,283)

The non-recurring items of £67,000 (year ended 31 December 2018: £441,000) consists of restructuring payroll costs and legal and professional fees in relation to the Q4 2018 accounting review and subsequent regulatory investigation.

5. Earnings per share

Basic (loss)/earnings per share

Basic (loss)/earnings per share is based on the (loss)/profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
Loss for the year attributable to ordinary shareholders	**(2,716)**	(895)	(6,267)

	30 June 2019	30 June 2018	31 December 2018
Weighted average number of ordinary shares			
At the start of the period	**16,267,555**	14,054,055	14,054,055
Effect of shares issued in the period	**8,727**	1,237,016	787,370
Number of ordinary shares for basic earnings per share calculation	**16,276,282**	15,291,071	14,841,425
Dilutive effect of outstanding share options	**737,120**	971,302	768,025
Number of ordinary shares for diluted earnings per share calculation	**17,013,402**	16,262,373	15,609,450

	30 June 2019 £	30 June 2018 £	31 December 2018 £
Basic loss per share	**(0.17)**	(0.06)	(0.42)
Diluted earnings per share	**-**	-	-

Adjusted earnings per share

Adjusted earnings per share is based on the result attributable to ordinary shareholders before exceptional items and the cost of cash and equity-settled share based payments, and the weighted average number of ordinary shares outstanding:

	30 June 2019	30 June 2018	31 December 2017
	£'000	£'000	£'000
Adjusted earnings per share			
Loss for the year attributable to ordinary shareholders	**(2,716)**	(895)	(6,267)
Add back:			
Non-recurring items after tax (see note 4)	**54**	-	357
Unrealised loss/(gain) on derivative contracts after tax	**297**	(589)	101
Share based payment charge after tax	**(46)**	300	254
Adjusted basic earnings for the year	**(2,411)**	(1,184)	(5,555

	30 June 2019 £	30 June 2018 £	31 December 2018 £
Adjusted basic earnings per share	**(0.15)**	(0.08)	(0.37)

6. Taxation

The tax charge for the period has been estimated using a blended rate of 19.0% on taxable profits, and 17% on deferred tax items.

7. Dividends

The directors do not propose the payment of an interim dividend in relation to 2019 (2018: 1.2p per share).

8. Trade and other receivables

	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
Gross trade receivables	**12,033**	5,996	7,898
Provision for doubtful debts and expected credit loss	**(6,313)**	(722)	(4,803)
	5,720	5,274	3,095
Accrued income	**6,431**	4,406	9,688
Prepayments	**186**	643	245
Other receiveables	**3,802**	385	406
Financial derivative asset	**-**	986	135
	10,419	6,420	10,474
Total trade and other receiveables	**16,139**	11,694	13,569

Movements in the provision for doubtful debts and expected credit loss are as follows:

	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
Opening balance	**4,803**	272	272
Additional provisions recognised	**1,510**	450	4,531
Provision utilised in the year	**-**	-	-
Unused amounts reversed	**-**	-	-
Closing balance	**6,313**	722	4,803

In addition to the £1,510,000 (year ended 31 December 2018: £4,531,000) provision recognised in relation to trade receivables, there was a reduction in the provision made against accrued income of £534,000 (year ended 31 December 2018: increase of £875,000).

The net bad debt and expected credit loss charge for the period was therefore £976,000 (year ended 31 December 2018: £5,406,000).

None of the Group's receivables fall due after more than one year.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Other receivables mainly comprises cash collateral posted to trading counterparties as cash collateral, as a result of margin calls based on a reduction in energy commodity markets.

9. Cash and cash equivalents

	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
Cash at bank and in hand	**13,921**	14,707	11,112
Short term deposits	**3,500**	3,500	3,500
Total cash and cash equivalents	**17,421**	18,207	14,612

The short-term deposit relates to cash held at bank which is utilised to support collateral, in the form of letters of credits, with trading counterparties. Subsequent to the period end, the Directors decided to remove the short-term deposit of £3,500,000, with the letters of credits cancelled and replaced with direct cash collateral.

10. Trade and other payables

	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
Current			
Trade Payables	**2,457**	901	1,231
Accrued expenses	**22,894**	12,101	15,603
Corporation tax	**16**	92	16
Derivative financial liability	**232**	-	-
Lease liabilities	**121**	-	-
Other payables	**4,773**	1,334	4,667
Total current trade and other payables	**30,493**	14,428	21,517
Non-current			
Group share bonus liabilities	**-**	492	-
Lease liabilities	**441**	-	-

Details of the Group share bonus scheme are included in note 12.

Following the adoption of IFRS 16 Leases, the Group now recognises lease liabilities on its balance sheet, along with a corresponding right-of-use asset. Further details on this change in accounting policy are given in note 1.

11. Financial instruments and risk management

The Group's principal financial instruments are cash, trade receivables, trade payables and derivative financial assets and liabilities.

The Group has exposure to the following risks from its use of financial instruments:

(a) Fair values of financial instruments

Fair values

Derivative financial instruments are measured at fair value through profit and loss. The derivative instruments are level 1 financial instruments and their fair value is therefore measured by reference to quoted prices in active markets for identical assets or liabilities. All derivatives are held at a carrying amount equal to their fair value at the period end.

(b) Market risk

Market risk is the risk that changes in market prices, such as commodity and energy prices, will affect the Group's income.

Commodity and energy prices

The Group uses commodity purchase contracts to manage its exposures to fluctuations in gas and electricity commodity prices. The Group's objective is to reduce risk from fluctuations in energy prices by entering into back to back energy contracts with its suppliers and customers, in accordance with a board approved risk mandate. Commodity purchase contracts are entered into as part of the Group's normal business activities.

The majority of commodity purchase contracts are expected to be delivered entirely to the Group's customers and are therefore classified as "own use" contracts. These instruments do not fall into the scope of IFRS 9 and therefore are not recognised in the financial statements. A proportion of the contracts in the Group's portfolio are expected to be settled net in cash where 100 per cent of the volume hedged is not delivered to the Group's customers and is instead sold back to the grid in order to smooth demand on a real time basis. An assumption is made based on past experience of the proportion of the portfolio expected to be settled in this way and these contracts are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

As far as possible, in accordance with the risk mandate, the Group attempts to match new sales orders with corresponding commodity purchase contracts. There is a risk that at any point in time the Group is over or under hedged. Holding an over or under hedged position opens the Group up to market risk which may result in either a positive or negative impact on the Group's margin and cash flow, depending on the movement in commodity prices.

The Board continues to evaluate the use of commodity purchase contracts and whether their classification as "own use" is appropriate. The key requirements considered by the Board are as listed below:

- whether physical delivery takes place under the contracts;
- the volumes purchased or sold under the contract correspond to the Group's operating requirements; and
- whether there are any circumstances where the Group would settle the contracts net in cash.

All commodity purchase contracts are entered into exclusively for own use, to supply energy to business customers. However as noted above, a number of these contracts don't meet the stringent requirements of IFRS 9, and so are subject to fair value measurement through the income statement.

The fair value mark to market adjustment at 30 June 2019 is a loss of £367,000 (6 months ended 30 June 2018: gain of £727,000). See note 10 for the corresponding derivative financial liability.

Liquidity risk from commodity trading

The Group's trading arrangements can result in a cash call being made by counter-parties when commodity markets are below the Group's traded position. A significant reduction in electricity and gas markets could lead to a material cash call from the Group's trading counter-parties. Whilst such a cash call would not impact the Group's profit, it would have an impact on the Group's cash reserves.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

These trading exposures are monitored and managed at Group level. All customers are UK based and turnover is made up of a large number of customers each owing relatively small amounts. New customers have their credit checked using an external credit reference agency prior to being accepted as a customer.

Credit risk is also managed through the Group's standard business terms, which require all customers to make a monthly payment predominantly by direct debit. At the period end there were no significant concentrations of credit risk. The carrying amount of the financial assets represents the maximum credit exposure at any point in time.

At 30 June 2019 the Group held a provision against doubtful debts and expected credit loss of £6,654,000 (31 December 2018: £5,678,000). The provision is a combined provision against both trade receivables (£6,313,000) and accrued income (£341,000).

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board is responsible for ensuring that the Group has sufficient liquidity to meet its financial liabilities as they fall due and does so by monitoring cash flow forecasts and budgets. In order to enter into the necessary commodity purchase contracts, the Group is required to lodge funds on deposit with its bank. These funds (£3.5m at 30 June 2019) are used as collateral, allowing the bank to issue letters of credit ("LOCs") to the relevant trading counterparties in the wholesale energy market. The Board has considered the cash flow forecasts, along with the collateral and LOC requirements, for the next 12 months, which show that the Group expects to operate within its working capital facilities throughout the period. The Board have also taken steps to remove certain LOC's to replace by pure cash collateral, to reduce the costs incurred.

Any excess cash balances are held in short-term, interest bearing deposit accounts. At 30 June 2019 the Group had £17.4m of cash and bank balances, as per note 9.

(e) Foreign currency risk

The Group trades entirely in pounds sterling and therefore it has no foreign currency risk.

12. Share based payments

The Group operates a number of share option plans for qualifying employees of the Group. Options in the plans are settled in equity in the Company. The options are subject to a vesting schedule, but not conditional on any performance criteria being achieved. The only vesting condition is that the employee is employed by the Group at the date when the option vests.

On 18 June 2019, the Group made its first round of awards under the new SAYE plan. This plan is available to all employees of the Group. The terms and conditions of the grants made under the schemes are as follows:

		Exercisable between				
Date of grant	Expected term	Commencement	Lapse	Exercise price	Vesting schedule	Amount outstanding 31 December 2018
17 February 2016	2	17 February 2018	17 February 2026	£0.09	1	-
17 February 2016	3	17 February 2019	17 February 2026	£0.09	2	27,000
22 December 2016	3	22 December 2019	22 December 2026	£3.25	2	13,500
6 April 2017	3	6 April 2020	6 April 2027	£0.005	2	79,110
6 April 2017	6.5	6 April 2020	6 April 2027	£2.844	2	158,220
28 September 2017	6.5	28 September 2020	28 September 2027	£5.825	2	54,000
9 April 2018	3	9 April 2021	9 April 2028	£0.005	2	-
9 April 2018	6.5	9 April 2021	9 April 2028	£10.38	2	85,351
26 September 2018	6.5	26 September 2021	26 September 2028	£8.665	2	6,539
25 February 2019	6.5	25 February 2022	25 February 2029	£1.090	2	70,000
25 February 2019	3	25 February 2022	25 February 2029	£0.005	2	250,000
18 June 2019	3	1 August 2022	1 April 2023	£1.400	3	117,248
						860,968

The following vesting schedules apply:

1. 50 per cent of options vest on first anniversary of date of grant and 50 per cent vest on second anniversary.
2. 100 per cent of options vest on third anniversary of date of grant.
3. 100 per cent of options vest on third anniversary of savings contract start date.

The number and weighted average exercise price of share options were as follows:

	30 June 2019	30 June 2018	31 December 2018
Balance at the start of the period	**573,290**	1,464,310	1,464,310
Granted	**437,248**	147,778	154,317
Forfeited	**(136,070)**	-	(31,837)
Lapsed	**-**	-	-
Exercised	**(13,500)**	(1,000,000)	(1,013,500)
Balance at the end of the period	**860,968**	612,088	573,290
Vested at the end of the period	**27,000**	-	-
Exercisable at the end of the period	**27,000**	-	-
Weighted average exercise price for:			
Options granted in the period	**£0.55**	£7.35	£7.41
Options forfeited in the period	**£1.62**	£-	£5.67
Options exercised in the period	**£0.09**	£0.09	£0.09
Exercise price in the range:			
To	**£0.005**	£0.005	£0.005
From	**£10.380**	£10.380	£10.380

The fair value of each option grant is estimated on the grant date using a Black Scholes option pricing model with the following fair value assumptions:

	30 June 2019	30 June 2018	31 December 2018
Dividend yield	**0%**	0.3%	0.29-0.35%
Risk free rate	**1.5%**	1.5%	1.5%
Share price volatility	**36.0%**	30.4-33.4%	36.0-36.7%
Expected life (years)	**3-6.5 years**	3-6.5 years	3-6.5%
Weighted average fair value of options granted during the period	**£0.85**	£5.57	£5.67

The share price volatility assumption is based on the actual historical share price of the Group since IPO in March 2016.

The Group had previously operated a share bonus plan for all qualifying employees of the Group. The plan was intended to be settled in cash if certain financial targets were met. The value of the bonus pool was to be determined by the number of notional shares contributed to the pool (50,000 per year based on achievement of certain financial targets) and the share price growth of each tranche of shares. However, given the financial performance of the Group in 2018, the restatement of prior year financial figures and the subsequent decline in the Group share price, the scheme has been closed.

The total (credit)/expense recognised for the period arising from share based payments, is as follows:

	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
Equity settled share based payment (credit)/expense	**(57)**	249	685
Cash settled share based payment (credit)/expense	**-**	121	(371)
	(57)	370	314

13. Commitments

Capital commitments

The Group has entered into a conditional agreement to purchase a newly developed office building and associated land at a site in Leicester city centre. The total cost is anticipated to be £3.4m, with the cash outflow anticipated to be staggered between 2020 and H1 2021 (30 June 2018: £nil).

Contingent liabilities

The Group had no contingent liabilities at 30 June 2019 (30 June 2018: £nil).

14. Related parties and related party transactions

The Group has transacted with CPK Investments Limited, an entity owned by Bobby Kalar, during the current and prior financial period.

CPK Investments Limited owns the Nottingham property from which the Group operates and rents it to Kensington Power Limited under an operating lease. During H1 2019 the Group paid £60,000 in lease rentals and service charges to CPK Investments Limited (H1 2018: £60,000). The amount owing to CPK Investments at 30 June 2019 was £nil.

All transactions with related parties have been carried out on an arm's length basis.

15. Post-balance sheet events

There are no significant or disclosable post-balance sheet events.