2021 INTERIM RESULTS

Results for the six months to
30 June 2021

yü

GROUP PLC

Yü Group PLC
(the "Group")

Results for the six months to 30 June 2021

CONTINUED STRONG PERFORMANCE DRIVING PROFITABLE GROWTH AHEAD OF MARKET EXPECTATIONS

Yü Group PLC (AIM; YU.), the independent supplier of gas, electricity and water to the UK corporate sector, announces its unaudited half year results for the six months to 30 June 2021.

Bobby Kalar, Group Chief Executive Officer, said:

"*I am delighted to report a solid H1 performance with positive momentum continuing into H2. I'm especially pleased to be delivering profitable growth as promised.*

With better than expected results for H1 2021, it is clear our business model is more than delivering and we're on track to exceed market profitability forecasts. The Group's strength, maturity and discipline is now firmly stamped into its fabric and our drive to transform into a data driven, 'digital by default', business will further accelerate our growth and profitability. Building on the significant progress made over the past few years, our laser focus remains on gross margin improvement, lowering operational costs and further commercialising the order book.

Our hedging strategy is solid and in line with our risk policies. The recent gas price and industry turbulence have had no material impact on the Group to date due to our robust hedging policy. We continue to explore acquisition opportunities that sit in our sweet spot and will further accelerate our growth strategy.

I'd like to thank my amazing team and I look forward to the future with excitement and confidence."

Financial Highlights

	Six months to 30 June	
	2021	**2020**
Financial		
£'000 unless stated		
Revenue	65,816	45,873
Adjusted EBITDA[1]	478	(1,846)
Profit / (loss) for the period	920	(1,711)
Cash	11,473	17,886
Profit / (loss) per share:		
Adjusted	0.5p	(10)p
Statutory	6p	(11)p
Operational		
Average monthly bookings	£9.6m	£6.2m
Meter points (#'000)	20.8	9.8

- Revenue growth of 43% to £65.8m (H1 2020: £45.9m) driven by strong organic growth and recovery of customer demand.
- Profit for the period after tax of £0.9m, an increase of £2.6m year-on-year (H1 2020: £1.7m loss).
- Underlying profitability continues to see significant improvement, with adjusted EBITDA of £0.5m (H1 2020: £1.8m loss):
  - Gross margin increasing by 2.1% to 7.8% (H1 2020: 5.7%).
  - Strong customer collection performance driving lower provision for bad debt.
- Ambitious organic growth strategy delivering results:
  - Average monthly bookings increased by 55% to £9.6m (H1 2020: £6.2m).
  - Number of meter points on supply or contracted to start has increased by 112% from 30 June 2020.
- Continued progress on our digital programme as we transform the business to be 'digital by default'.
- Strong cash position and strong balance sheet remains:
  - Cash held at 30 June 2021 of £11.5m (31 December 2020: £11.7m).
  - Group remains debt free[2]. Capital expenditure of £2.4m for the new innovation centre in Leicester remains funded from cash reserves.

Current Trading

- Contracted revenue of £90.5m secured for 2022 at 31 August 2021 providing good forward revenue visibility.
- Further enhancement to gross margin as the Group prioritises higher margin contracts and customer collections remains strong.
- Strong bookings in July and August continue to support high organic growth rates.
- Exposure to record high global commodity prices continues to be mitigated by Smartest Energy agreement and robust hedging strategy albeit with some delay in customers 'locking-in' renewals at increased prices.
- The Group's current cash position remains robust and in line with management expectations.

[1] *Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, and also before non-recurring items, share based payments and unrealised gains or losses on derivative contracts.*

[2] *Debt excludes £314,000 of operating lease liabilities recognised under IFRS16*.

Outlook

- Revenue for FY 2021 expected to be in line with market expectations with strong organic growth expected to continue for H2 2021.
- Adjusted EBITDA for FY 2021 expected to be ahead of market expectations based on strong net customer contribution performance.
- Further increase in monthly bookings expected in H2, following exceptional performance in July and August 2021 and continued focus on digital routes to market.
- Customer book acquisitions continue to be assessed against the Group's strict criteria to allow further potential value enhancement with supportive market consolidation expected to continue in the short and medium term.

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Analyst presentation

A presentation for analysts will be held at 9am BST today, Wednesday 29 September 2021. Anyone wishing to attend should please contact yugroup@tulchangroup.com for further information.

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 corporate 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.

Regulatory information

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ('MAR') which has been incorporated into UK law by the European Union (Withdrawal) Act 2018. Upon the publication of this announcement via Regulatory Information Service ('RIS'), this inside is now considered to be in the public domain.

Chief Executive Officer's Statement

The Board is pleased to report its significant growth during the six months to 30 June 2021 which highlights a strong improvement on financial performance in H1 2021 driven by a continued increase in organic growth.

Business Review

The team continue to deliver on the business strategy:

- **Bigger**: via strong organic growth and, where value accretive, strategic acquisitions.

- **Better**: with robust financial and commercial discipline to deliver our financial plan to improve net customer contribution, to reduce overheads as we scale, and manage our cash position.

- **Faster**: digital by default and innovative solutions provided to improve market share and the ability to unlock scale benefits.

- **Stronger**: to ensure our organisation is able to deliver a great customer experience, delivered by an experienced and capable team with strong corporate governance.

Our strategic growth plan is achieving results, with revenues increasing by 43% year-on-year. With continued momentum in Q3 2021, we see further growth ahead as we take advantage of our strength and discipline in a significant target market available to us.

The Group's average monthly bookings (being the annualised revenue booked on new contracts) significantly increased in H1 2021 to £9.6m - a 55% increase on H1 2020 bookings of £6.2m. Monthly bookings in Q3 have been very strong and we are confident we will at least meet our target forecasts.

Booked contracted revenue to positively impact FY 2022 was already £90.5m at 31 August 2021, representing a 26% increase on the £71.7m contacted at the same time (for FY 2021) last year. This 'subscription model' forward revenue provides the Board with confidence that our sales strategy is working and we will continue to deliver growth into FY 2022 and beyond.

Profitability has also increased significantly, and we are confident that we will unlock further value as we scale the business.

Operational Review

From our position of strength, I'm very excited to be embarking on our '*digital by default*' programme, designed to bring disruptive innovation to this sector. Our digital by default self-service platform will give greater control to our business customers whilst quoting, onboarding and ongoing management simply and quickly, 24/7. This digital programme covers three core areas:

- Driving and scaling new digital sales channels whilst simplifying customer service;

- Driving cost efficiency by using efficient systems and RPA to automate business processes to reduce overheads (cost to acquire and cost to serve); and

- Utilising data science and technology to identify opportunities to create value and provide a 'single lens' for the business.

As part of this programme, we have successfully launched our new innovation centre in Leicester. This hub provides us with a new, state-of-art, centre to drive our sales, marketing and digital initiatives. I am convinced this new space will further enhance our growth and innovation focus - already a differentiator for the Group. I look forward to updating investors on performance in due course.

I believe this fully budgeted and defined project will enable further sales channels, offers and benefits to be unlocked for the Group, which will provide the potential for significant enhancement of value.

The Group has seamlessly integrated the two book acquisitions made in H2 2020 which have delivered results. We continue to assess other M&A opportunities which meet our strict criteria to further enhance our strong organic growth ambition.

High global commodity markets have been experienced during 2021, leading to significant public comment on the position of energy suppliers. We note that a number of domestic energy suppliers have failed, largely a result of limited hedging of their portfolio (due to constraints on credit limits or cash) and the consequence of the domestic focussed price cap. Whilst these issues are impacting the domestic market, the Board are confident in the Group's hedging strategy and positioning. We continue to assess the regulatory consequences in relation to certain industry mutualisation costs because of domestic supplier failures.

The Group's mature and stable hedging strategy is mitigating impact of the high commodity prices, and its arrangements with trading counterparties have placed the Group in a good position. The Board monitors a risk mandate with the purpose of being largely 'back-to-back' between the contracts secured with customers and our hedge performance. Whilst Covid-19 impacted customer demand during 2020, it has now broadly returned to *'pre-pandemic'* levels and the risk position is being proactively managed.

The high global commodity markets have also led to some increased competition on renewals of contracts as customers 'shop around' for a better deal. Whilst a risk to Yu Group's own contract renewal rate, which stood at 45% for H1 2021, it does provide additional new business opportunity which is assisting in the increased bookings being achieved.

In short, the Group is well positioned to continue in its business objectives despite the increased commodity markets.

Customer experience metrics have remained positive, positioning us as one of the leaders in the B2B supply sector. Our 4-star Trustpilot score provides a good indication of our focus in this area, based on existing systems.

Our experienced and passionate team remain motivated an able to execute our plan and we have made great strides in strengthening throughout the organisation to meet our strategic aims.

Financial Review

£'000 / % of revenue	**Six months to 30 June 2021**	**2020**
Revenue	65,816	45,873
Adjusted EBITDA[1]	478	(1,846)
Profit / (loss) for the period	920	(1,711)
Gross margin %	7.8%	5.7%
Bad debt %	(0.9%)	(3.4%)
Net customer contribution %[2]	6.9%	2.3%
General overheads %[3]	(6.2%)	(6.3%)
Adjusted EBITDA %	0.7%	(4.0%)
Cash	11,473	17,886
Operating cash inflow	2,296	16,476
Overdue customer receivables[4]	7 days	9 days
Net current assets / (liabilities)	219	(573)
Net assets	5,624	3,753

[1] *Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, and also before non-recurring items, share based payments and unrealised gains or losses on derivative contracts.*

[2] *Net customer contribution represents, as a percentage of revenue, gross margin less bad debt. For FY 2020, this includes the impact of Covid-19. Excluding Covid-19 impact, the net customer contribution for the period would have been c.5.8%.*

[3] *General overheads represent the overheads (excluding bad debt) charged to adjusted EBITDA as a percentage of revenue.*

[4] *Overdue Customer Receivables ("OCR") represents the amounts outstanding and overdue, net of provisions and deferred income, to key customer receivables balances, compared with the revenue recognised.*

The Group achieved revenues of £65.8m, up from £45.9m for H1 2020. This £19.9m increase in revenues achieved includes approximately £3.0m impact of the two customer book acquisitions made during H2 2020, and c.£8.0m recovery of energy consumption post the impact of the first lock-down due to Covid-19.

Strong organic growth has driven the remainder of the revenue increase. Average monthly bookings from H2 2020 have resulted in a 16.5% growth rate on an organic basis for H1 2021. The increased level of average monthly bookings achieved in H1 2021 is expected to contribute to continued strong organic growth into H2 2021 and beyond.

The Board continues to refocus activities on smaller and medium sized businesses which provide a greater value opportunity and further diversifies exposure to bad debt. Management have reviewed its product offers and has successfully negotiated an exit of a high consuming, low margin contract which provided some energy volatility risk. Whilst this contract exit will reduce revenue growth in H2 2021 by c.£4m (replaced by new bookings of new contracts), the Group's gross margin % is expected to be improved.

Adjusted EBITDA of £0.5m is ahead of management expectations for the period and represents a significant increase on the previous year H1 loss of £1.8m.

Gross margin has increased from 5.7% in H1 2020 to 7.8% in H1 2021, following the strategy to improve the quality of customer contracts secured, and the one-off impact in H1 2020 from the initial Covid-19 lock-down.

Net customer contribution has also increased from 2.3% in H1 2020 to 6.9%, with bad debt lower based on strong customer cash collection performance. General overheads for the period have reduced slightly to 6.2% of revenue, from 6.3% in H1 2020.

Whilst the Board are pleased to report adjusted EBITDA of 0.7% of revenues, ambitious targets remain to increase profitability further. In summary, the Group targets overhead reductions to be achieved as economies of scale and benefit of the digital programme support are factored in; whilst continuing to improve net customer contribution as the mix of contracts develops.

Statutory profit after tax increased to £1.0m for the period, an increase of £2.7m from the £1.7m loss in H1 2020. This profit includes the non-cash benefit of a gain on derivatives due to significant increases in commodity markets.

Cash remains robust, with £11.5m held as at 30 June 2021 (30 June 2021: £17.9m, 31 December 2021: £11.7m). The Group continues to have no debt. Cash has remained relatively flat during H1 2021, though has decreased by £6.4m from 30 June 2020. The reduction is partially due to a total investment of £3.5m in the new innovation centre in Leicester, for which £2.4m cash was invested in H1 2021. In addition, the Group took advantage of its cash position to prepay certain industry obligations which would otherwise be due in H2 2021, and acquired two customer books in H2 2020 to accelerate growth.

In line with expectations the Group settled the balance of its industry obligations, on schedule, during Q3 2021 which will, as normal, reduce operating cashflow for H2 2021.The Group's current cash position remains robust and in line with management expectations.

Operating cash inflow has decreased from £16.5m in H1 2020 to £2.3m in H1 2021 largely as a result of the prepayment of industry regulatory liabilities described above, and the one-off benefit from returned cash collateral deposits in H1 2020 from our trading agreement with SmartestEnergy signed in late December 2019.

Net assets of £5.6m as at 30 June 2021 are up £1.9m from 30 June 2020, further strengthening the balance sheet. Net Current Assets of £0.2m have also significantly increased (£0.6m net current liabilities at 30 June 2020). The Group continues to benefit from good working capital management, with customer receivables at controllable levels (with overdue customer receivables performing well at 7 days) coupled with the benefit of the annual industry payment paid in arrears.

Summary

In summary, and in keeping with our cornerstones of being bigger, better, faster and stronger I'm pleased with the Group's performance in H1 and beyond. I would like to extend huge gratitude to all my team who have a vested interest in the Group's success. I'm pleased the Group maintains high standards of Corporate Governance at all times, complemented with entrepreneurial flair. I'm excited and confident in the Group's future and look forward to updating the market in due course.

Condensed consolidated statement of profit and loss and other comprehensive income

For the six months ended 30 June 2021

	6 months ended 30 June 2021 (Unaudited) £'000	**6 months ended 30 June 2020 (Unaudited) £'000**	**12 months ended 31 December 2020 (Audited) £'000**
Revenue	**65,816**	45,873	101,527
Cost of sales	**(60,673)**	(43,246)	(93,858)
Gross profit	**5,143**	2,627	7,669
Operating costs before non-recurring items, unrealised gains on derivative contracts and IFRS 2 charges	**(5,032)**	(4,660)	(9,934)
Operating costs - non-recurring items	**-**	-	-
Operating costs - unrealised gains on derivative contracts	**1,248**	137	1,011
Operating costs - IFRS 2 charges	**(191)**	(166)	(320)
Total operating costs	**(3,975)**	(4,689)	(9,243)
Profit/(loss) from operations	**1,168**	(2,062)	(1,574)
Finance income	**1**	7	74
Finance costs	**(25)**	(31)	(39)
Profit/(loss) before tax	**1,144**	(2,086)	(1,539)
Taxation	**(224)**	375	374
Profit/(loss) for the period	**920**	(1,711)	(1,165)
Other comprehensive income	**-**	-	-
Total comprehensive income for the period	**920**	(1,711)	(1,165)
Earnings per share			
Basic	**£0.06**	£(0.11)	£(0.07)
Diluted	**£0.05**	£(0.11)	£(0.07)

Condensed consolidated balance sheet

At 30 June 2021

	30 June 2021 (Unaudited) £'000	**30 June 2020 (Unaudited) £'000**	31 December 2020 (Audited) £'000
ASSETS			
Non-current assets			
Property, plant and equipment	**3,776**	**1,429**	1,377
Right-of-use asset	**233**	**415**	273
Intangible assets	**359**	**51**	606
Deferred tax	**4,566**	**4,730**	4,789
	8,934	**6,625**	7,045
Current assets			
Trade and other receivables	**19,185**	**10,985**	18,267
Cash and cash equivalents	**11,473**	**17,886**	11,740
	30,658	**28,871**	30,007
Total assets	**39,592**	**35,496**	37,052
LIABILITIES			
Current liabilities			
Trade and other payables	**(30,439)**	**(29,444)**	(31,430)
Non-current liabilities	**(3,564)**	**(2,299)**	(1,109)
Total liabilities	**(34,003)**	**(31,743)**	(32,539)
Net assets	**5,589**	**3,753**	4,513
EQUITY			
Share capital	**82**	**82**	82
Share premium	**11,690**	**11,690**	11,690
Merger reserve	**(50)**	**(50)**	(50)
Retained earnings	**(6,133)**	**(7,969)**	(7,209)
	5,589	**3,753**	4,513

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021	82	11,690	(50)	(7,209)	4,513
Total comprehensive income for the period					
Profit for the period	-	-	-	920	920
Other comprehensive income	-	-	-	-	-
	-	-	-	920	920
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	-	-	-	156	156
Deferred tax on share based payments	-	-	-	-	-
Proceeds from share issues	-	-	-	-	-
Equity dividend paid in the year	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	156	156
Balance at 30 June 2021	**82**	**11,690**	**(50)**	**(6,133)**	**5,589**
Balance at 1 January 2020	82	11,690	(50)	(6,424)	5,298
Total comprehensive income for the period					
Loss for the period	-	-	-	(1,711)	(1,711)
Other comprehensive income	-	-	-	-	-
	-	-	-	(1,711)	(1,711)
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	-	-	-	166	166
Deferred tax on share based payments	-	-	-	-	-
Proceeds from share issues	-	-	-	-	-
Equity dividend paid in the year	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	166	166
Balance at 30 June 2020	82	11,690	(50)	(7,969)	3,753

Condensed consolidated statement of cash flows

For the six months ended 30 June 2021

	6 months ended 30 June 2021 (Unaudited)	6 months ended 30 June 2020 (Unaudited)	12 months ended 31 December 2020 (Audited)
	£'000	**£'000**	**£'000**
Cash flows from operating activities			
Profit/(loss) for the financial period	**920**	(1,711)	(1,165)
Adjustments for:			
Depreciation of property, plant and equipment	**72**	186	215
Depreciation of right of use assets	**48**	-	204
Amortisation of intangible assets	**247**	1	132
Finance income	**(1)**	(7)	(74)
Finance costs	**25**	31	39
Taxation	**224**	(375)	(374)
Equity settled share based payment charge	**156**	166	320
Unrealised gain on derivative contracts	**(1,248)**	(137)	(1,011)
Decrease in cash collateral deposits lodged with trading counterparties	**-**	9,358	10,158
Decrease in trade and other receivables	**330**	5,680	63
Increase in trade and other creditors	**1,523**	3,284	3,595
Net cash from operating activities	**2,296**	16,476	12,102
Cash flows from investing activities			
Purchase of property, plant and equipment	**(2,479)**	(878)	(921)
Purchase of customer books	**-**	-	(1,673)
Net cash used in investing activities	**(2,479)**	(878)	(2,594)
Cash flows from financing activities			
Net proceeds from share placing and option exercises	**-**	-	-
Net interest	**(24)**	(24)	35
Dividend paid during the period	**-**	-	-
Repayment of borrowings and lease liabilities	**(60)**	(65)	(180)
Net cash used in financing activities	**(84)**	(89)	(145)
Net (decrease)/increase in cash and cash equivalents	**(267)**	15,509	9,363
Cash and cash equivalents at the start of the period	**11,740**	2,377	2,377
Cash and cash equivalents at the end of the period	**11,473**	17,886	11,740

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 2021 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 2021 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 2021 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 2020, which is available on the Group's investor website. The comparative figures for the year ended 31 December 2020 have been audited. The comparative figures for the half year ended 30 June 2020 are unaudited.

The accounting policies adopted in these condensed consolidated half yearly financial statements are consistent with the policies applied in the 2020 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 2021 the Group had net assets of £5.6m (30 June 2020: £3.8m) and net cash of £11.2m (30 June 2020: £17.5m). Net current assets of £0.2m have increased significantly (30 June 2020: £0.6m net current liabilities) and the Group benefits from a positive working capital cycle due to some annual industry payments.

Management prepare detailed budgets and forecasts of financial performance and cash flow (including capital commitments as disclosed in note 12) over the coming 12 to 36 months. The Board has confidence in achieving such targets and forecasts and has performed comprehensive analysis of various risks and sensitivities in relation to performance.

The Group has demonstrated significant progress in its results due to various actions taken by the Board over the last three years. Losses have decreased significantly from 2018, notwithstanding the initial impact of Covid-19 particularly experienced in H1 2020. This strong momentum continues and is evident in the return to profitability in H1 2021. The turnaround has been as a result of clear commercial action to focus on contract lifecycle value, including the termination of low margin legacy contracts which are now replaced by higher margin contracts with more robust customers.

The Group continues to have no debt other than £0.2m (at 30 June 2021) recognised from IFRS 16 as a consequence of operating leases for the Group's premises.

Recently well publicised domestic supplier failures have been noted, though the Board have reviewed the Group's business model and note significant differences in the B2B and B2C markets. The increase in global and UK commodity forecasts is also mitigated by the Group's hedging strategy.

The Group benefits from a hedging strategy to consider commodity market volatility and has a trading agreement with SmartestEnergy Ltd which enables competitive access to forward commodity markets. As part of the arrangement, SmartestEnergy Ltd holds security over the trading assets of the Group. In return, a variable commodity trading limit is provided, which scales with the Group, having the benefit of significantly reducing the need to post cash collateral from cash reserves. The Board carefully monitors covenants associated with this agreement to assess the likelihood of the credit facility being reduced.

The Group has successfully managed its financial position throughout the Covid-19 lockdown period, and the Board remain confident in the ability to grow market share and manage its cost base, despite the wider economic context caused by the pandemic.

The Group has seen strong performance in cash collection since the pandemic began. The Board remains vigilant, however, over the short to medium term, on the basis of the increased risk of business failures in some markets.

The Board has adequate visibility, based on the outcome from previous lockdowns, of scenarios to consider when assessing risks to the Group from Covid-19 and has assessed such risks in its assessment of the ability of the Group to continue as a going concern.

These financial statements do not include any adjustments that would result from the basis of preparation as a going concern being inappropriate.

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 being the point at which the transfer of the goods or services to the customer takes place and based on an assessment of the extent to which performance obligations have been achieved.

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.

Leases

The Group as a lessee

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in the non-current assets balance and lease liabilities have been included in trade and other payables.

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 (2020: 100 per cent).

The Group has no individual customers representing over 10 per cent of revenue (2020: nil).

3. 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 2021 **£'000**	**30 June 2020** **£'000**	31 December 2020 £'000
Adjusted EBITDA Reconciliation			
Profit/(loss) from operations	**1,168**	(2,062)	(1,574)
Add back:			
Unrealised gain on derivative contracts	**(1,248)**	(137)	(1,011)
Depreciation of property plant and equipment	**72**	96	215
Depreciation of right-of-use assets	**48**	90	204
Amortisation of intangibles	**247**	1	132
Share based payment charge	**191**	166	320
Adjusted EBITDA	**478**	(1,846)	(1,714)

4. Earnings per share

Basic earnings per share

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

	30 June 2021	**30 June 2020**	31 December 2020
	£'000	**£'000**	£'000
Profit/(loss) for the year attributable to ordinary shareholders	**920**	(1,711)	(1,165)

	30 June 2021	**30 June 2020**	31 December 2020
Weighted average number of ordinary shares			
At the start of the period	**16,281,055**	16,281,055	16,281,055
Effect of shares issued in the period	**-**	-	-
Number of ordinary shares for basic earnings per share calculation	**16,281,055**	16,281,055	16,281,055
Dilutive effect of outstanding share options	**1,303,043**	813,414	929,830
Number of ordinary shares for diluted earnings per share calculation	**17,584,098**	17,094,469	17,210,885

	30 June 2021	**30 June 2020**	31 December 2020
	£	**£**	£
Basic earnings/(loss) per share	**0.06**	(0.11)	(0.07)
Diluted earnings per share	**0.05**	(0.11)	(0.07)

Adjusted earnings per share

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

	30 June 2021	30 June 2020	31 December 2020
	£'000	£'000	£'000
Adjusted earnings per share			
Profit/(loss) for the period attributable to ordinary shareholders	**920**	(1,711)	(1,165)
Add back:			
Non-recurring items after tax	**-**	-	-
Unrealised gain on derivative contracts after tax	**(1,011)**	(111)	(819)
Share based payments after tax	**155**	134	259
Adjusted basic earnings/(loss) for the period	**64**	(1,688)	(1,725)

	30 June 2021	30 June 2020	31 December 2020
	£	£	£
Adjusted earnings/(loss) per share	**0.005**	(0.10)	(0.11)

5. Taxation

The tax charge for the period has been estimated using a rate of 19.0% on taxable profits and losses. The Group has incurred a charge against deferred tax in the period, rather than a current tax charge.

6. Dividends

The directors do not propose the payment of an interim dividend in relation to 2021 (2020: £nil per share).

7. Trade and other receivables

	30 June 2021	**30 June 2020**	31 December 2020
	£'000	**£'000**	£'000
Gross trade receivables	**11,017**	7,909	8,129
Provision for doubtful debts and expected credit loss	**(6,272)**	(5,381)	(5,162)
	4,745	2,528	2,967
Accrued income - net of provision	**8,569**	5,338	11,169
Prepayments	**2,094**	783	1,355
Other receivables	**1,901**	2,336	2,148
Financial derivative asset	**1,876**	-	628
	14,440	8,457	15,300
Total trade and other receivables	**19,185**	10,985	18,267

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

	30 June 2021	**30 June 2020**	31 December 2020
	£'000	**£'000**	£'000
Opening balance	**5,162**	4,901	4,901
Additional provisions recognised	**1,110**	1,902	2,420
Provision utilised in the period	**-**	(1,422)	(2,159)
Closing balance	**6,272**	5,381	5,162

In addition to the £1,110,000 (30 June 2020: £1,902,000) provision recognised in relation to trade receivables, there was a reduction in the provision made against accrued income of £478,000 (30 June 2020: reduction of £300,000). The net bad debt and expected credit loss charge for the 6 months ended 30 June 2021 was therefore £632,000 (30 June 2020: £1,602,000).

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.

Included in other receivables at 30 June 2021 is £500,000 relating to a bank cash deposit. The cash deposit does not fulfil the criteria of being classified as cash and cash equivalents in view of the balance being secured for operational activities of the Group. (30 June 2020: £500,000).

8. Cash and cash equivalents

	30 June 2021	30 June 2020	31 December 2020
	£'000	£'000	£'000
Cash at bank and in hand	**11,473**	17,886	11,740
Total cash and cash equivalents	**11,473**	17,886	11,740

9. Trade and other payables

	30 June 2021	**30 June 2020**	31 December 2020
	£'000	**£'000**	£'000
Current			
Trade payables	**2,272**	350	2,319
Accrued expenses and deferred income	**17,589**	20,453	19,250
Corporation tax	**-**	-	-
Derivative financial liability	**-**	246	-
Lease liabilities	**80**	149	102
Other payables	**10,498**	8,246	9,759
Total current trade and other payables	**30,439**	29,444	31,430
Non-current			
Lease liabilities	**234**	374	448
Accrued expenses and deferred income	**3,330**	1,925	-
Other payables	**-**	-	843
Total Non-current trade and other payables	**3,564**	2,299	1,109

At 30 June 2021 £3,330,000 of accrued industry liabilities are due for settlement in more than 1 year, and so have been identified separately as non-current liabilities (30 June 2020: £1,925,000 of industry liabilities previously classified as current have now been categorised and re-stated as non-current). There were no equivalent industry liabilities falling due for payment after more than 1 year at 31 December 2020.

10. 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. Accessing such commodity forward markets can also increase liquidity risk.

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.

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 2021 is a gain of £1,248,000 (6 months ended 30 June 2020: gain of £137,000). See note 7 for the corresponding derivative financial asset.

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 materially impact the Group's profit, it would have an impact on the Group's cash reserves. The new structured trading arrangement with SmartestEnergy has reduced this liquidity risk, by providing a significant credit facility secured on the customer contracts, accounts receivable and other assets of the Group which should scale with the Group. This facility also contains covenants, which the Group must meet, to maintain the credit facility. This trading facility is secured on the main operating assets of the Group and failure to adhere to covenants may reduce the credit line, which could result in cash calls which the Group would have to lodge cash collateral to meet. The Board monitors its compliance with covenants, and the level of credit line and forward market movements which could increase liquidity risk.

(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 2021 the Group held a provision against doubtful debts and expected credit loss of £6,661,000 (30 June 2020: £5,832,000). The provision is a combined provision against both trade receivables (£6,272,000) and accrued income (£389,000).

(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 2019 the Group announced a new structured trading arrangement with SmartestEnergy Limited. This arrangement provides a significant trading credit facility and as such reduces the need to lodge cash collateral. At 30 June 2021 the Group had £0.25m lodged as cash collateral with trading counterparties (31 December 2020 and 30 June 2020: £0.25m). This balance and credit line is at a manageable and appropriate level. The Board continue to assess required credit lines and use of such credit lines to monitor liquidity risk caused by commodity trading arrangements.

Any excess cash balances are held in short-term deposit accounts which are either interest or non-interest accounts. At 30 June 2021 the Group had £11.5m of cash and bank balances, as per note 8.

(e) Foreign currency risk

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

(f) Impact from the COVID-19 virus outbreak

The Covid-19 pandemic continues to have a significant impact on the UK economy. Businesses have been able to take advantage of various Government incentive schemes to help them through 2020 and the first half of 2021; however there is a risk that once this Government support ends there could be an increase in customer payment defaults and a reduction in the recoverability of customer receivables (being trade receivables and accrued income).

The total customer receivable balance (comprising trade receivables and accrued income) at 30 June 2021, net of provision for doubtful debts and expected credit losses, is £13,314,000 (30 June 2020: £7,866,000). The Directors assess the level of provision as adequate after consideration of cash received post 30 June 2021.

The risk of the Government re-introducing enforced lockdowns or removing previous support, impacting the recoverability of customer receivables balances in the future is being monitored closely by the Board. The Board also continues to monitor any impact on the reduction of customer volume and therefore the revenue of the Group.

In assessing sensitivity to the level of credit risk on customer receivables, a 10% increase in the level of bad debt will result in approximately £110,000 of additional expected credit loss in the 6 months ended 30 June 2021.

11. 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.

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 at 30 June 2021**
17 February 2016	3	17 February 2019	17 February 2026	£0.09	1	27,000
22 December 2016	3	22 December 2019	22 December 2026	£3.25	1	13,500
6 April 2017	3	6 April 2020	6 April 2027	£0.005	1	79,110
6 April 2017	6.5	6 April 2020	6 April 2027	£2.844	1	158,220
28 September 2017	6.5	28 September 2020	28 September 2027	£5.825	1	40,500
9 April 2018	6.5	9 April 2021	9 April 2028	£10.38	1	78,351
26 September 2018	6.5	26 September 2021	26 September 2028	£8.665	1	6,539
25 February 2019	6.5	25 February 2022	25 February 2029	£1.090	1	53,333
25 February 2019	3	25 February 2022	25 February 2029	£0.005	1	250,000
18 June 2019	3	1 August 2022	1 February 2023	£1.400	2	86,138
4 October 2020	3	30 April 2023	4 October 2030	£0.005	3	287,312
4 October 2020	3	30 April 2024	4 October 2030	£0.005	3	210,696
2 June 2021	3	30 April 2024	2 June 2031	£0.005	3	76,616
						1,367,315

The following vesting schedules apply:

1. 100 per cent of options vest on third anniversary of date of grant.

2. 100 per cent of options vest on third anniversary of savings contract start date.

3. Level of vesting is dependent on a vesting condition, being the Group's share performance at a pre-determined date in the future.

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

	30 June 2021	30 June 2020	31 December 2020
Balance at the start of the period	**1,290,699**	830,468	830,468
Granted	**76,616**	-	498,008
Forfeited	**-**	(33,921)	(37,777)
Lapsed	**-**	-	-
Exercised	**-**	-	-
Balance at the end of the period	**1,367,315**	796,547	1,290,699
Vested at the end of the period	**396,681**	250,830	318,330
Exercisable at the end of the period	**396,681**	250,830	318,330
Weighted average exercise price for:			
Options granted in the period	**£0.005**	-	£0.005
Options forfeited in the period	**-**	£1.34	£1.35
Options exercised in the period	**-**	-	-
Exercise price in the range:			
From	**£0.005**	£0.005	£0.005
To	**£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 2021	30 June 2020	**31 December 2020**
Dividend yield	**0%**	-	0%
Risk-free rate	**1.5%**	-	1.5%
Share price volatility	**114.6%**	-	117.1%
Expected life (years)	**3 years**	-	3 years
Weighted average fair value of options granted during the period	**£2.30**	-	£0.90

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

The Group also operates a share bonus plan for certain key employees of the Group. The plan will be settled in cash and is subject to certain financial and share price performance targets being achieved.

The total expense recognised for the period arising from share based payments is as follows:

	30 June 2021	30 June 2020	31 December 2020
	£'000	£'000	£'000
Equity-settled share based payment expense	**156**	166	320
Cash-settled share based payment expense	**35**	-	-
	191	166	320

On 12 July 2021 an employee exercised 35,160 ordinary shares at par value.

12. Commitments

Capital commitments

The Group has no outstanding capital commitments at 30 June 2021 (at 30 June 2020 the Group had a capital commitment of £2,250,000 in relation to the new office building in Leicester city centre).

Security

As part of the Group's structured trading arrangement with SmartestEnergy Limited, entered in to in December 2019, Smartest has a fixed and floating charge over the main trading subsidiaries of the Group, Yü Energy Holding Limited and Yü Energy Retail Limited.

Included in other receivables is an amount of £500,000 held in a separate bank account over which the Group bankers have a fixed and floating charge.

Contingent liabilities

The Group had no contingent liabilities at 30 June 2021 (30 June 2020: £nil).

13. 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 Yü Energy Retail Limited under an operating lease. During H1 2021 the Group paid £60,000 in lease rentals and service charges to CPK Investments Limited (H1 2019: £60,000). The amount owing to CPK Investments at 30 June 2021 was £nil.

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

14. Post-balance sheet events

There are no significant or disclosable post balance sheet events.