TRANSFORMING BUSINESS UTILITY SUPPLY

YÜ GROUP PLC
Annual report and financial statements 2021

yü GROUP PLC

WE ARE THE LEADING CHALLENGER SUPPLIER OF GAS, ELECTRICITY AND WATER, WITH THE CAPABILITY TO SERVICE EVERY BUSINESS IN THE UK

WE ARE PROUD TO BE SUPPORTING UK BUSINESSES WITH A UNIQUE CUSTOMER OFFER AND FOCUS ON DIGITAL TRANSFORMATION

We have delivered **strong profitable growth** in a year of significant market disruption, cementing our position as a **leading challenger supplier** to the Big Six.

Our **strong processes and robust hedging strategy** have allowed us to successfully navigate market conditions and emerge stronger.

Underpinned by these foundations we are **poised for continued strong growth** in 2022 and beyond.

OUR STRATEGY

More detail on **page 18**

BIGGER

Strong organic growth and, where value accretive, strategic acquisitions

BETTER

Robust financial and commercial discipline to deliver our financial plan to improve results as we scale

FASTER

Digital by Default and providing innovative solutions to increase market share and enhance operational efficiency

STRONGER

Deliver great customer experience with an experienced, capable team and strong corporate governance

WHAT MAKES US DIFFERENT

More detail on **page 16**

- **Digital:** A simple digital-first experience
- **Agile:** Flexibility, speed and innovation
- **Multi-utility:** Differentiated customer offer, including sustainable solutions
- **Robust:** Strong people, processes, systems and hedging strategy

FINANCIAL & OPERATIONAL HIGHLIGHTS

- Strong revenue growth, up 53%, to £155.4m (FY20: £101.5m), driven by high organic growth and the integration of AmpowerUK's customer book
  - Further SoLR awards of Whoop Energy and Xcel Power since period end
- Profit after tax of £4.5m up from a £1.2m loss in FY20
- Underlying profitability continues to improve, with adjusted EBITDA increasing to £1.7m from a £1.7m loss
- Average annualised monthly bookings of £13.8m, an increase from £8.3m in FY20
- Total meter points stood at 31,862, an increase of 83% from the end of FY20
- Navigated global commodity market price increases via our robust hedging policy
- Launch of 'Digital by Default' strategy and new customer portal to increase scale, drive efficiency and create further value
- Cash of £7.0m (FY20: £11.7m), following investment into 'Digital by Default' strategy including the opening of the new Leicester innovation centre

CURRENT TRADING

- Good revenue visibility with significant forward contracted revenues book in excess of £290m, of which £157m due to deliver in FY22 (an increase of 69% on FY21)
- Positive FY21 momentum carried into the start of the year with strong bookings, revenue and profit performance in January and February 2022
- Maintained strict hedging policy to mitigate against volatile market conditions

OUTLOOK

- Significant confidence in high revenue growth based on increased forward contract book
- Despite turbulence in the wider external market, we remain strong and focused on delivering continued profitable and controlled growth
- Well positioned given different regulatory framework to B2C suppliers and value of hedge book
- Excited about the long term benefits we will unlock from our 'Digital by Default' strategy

Visit our website to find out more about Yü Group PLC

CONTENTS

ACCELERATING GROWTH IN A HUGE MARKET

OUR SOLUTIONS

WE SUPPLY BUSINESSES ACROSS THE UK – A £50+ BILLION MARKET OFFERING MASSIVE SCOPE FOR GROWTH

WE SERVE

- Small and medium-sized businesses
- Multi-site, complex industrial and commercial companies
- Third-party intermediaries ("TPIs")
- Other partners

OUR CHANNELS

- Online
- Inbound
- Outbound

GAS, ELECTRICITY AND WATER SUPPLY

We are a licensed supplier of gas, electricity and water, offering great value, customer service and easy access.

- Up to three years' fixed prices
- Multi-fuel savings

METER INSTALLATIONS

We provide smart meters and meter installations to connect properties under construction to a new utility supply, or to change the utility configuration in an existing building.

- New connections
- Smart meters

SUSTAINABLE SOLUTIONS

We offer a range of sustainable solutions to support businesses on their journey towards net zero.

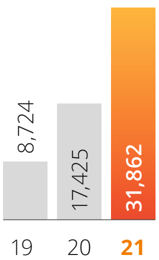
- Energy data insight
- Green electricity and carbon neutral gas
- Electric vehicle ("EV") charging and supply

ACCELERATING GROWTH

Meter points

31,862

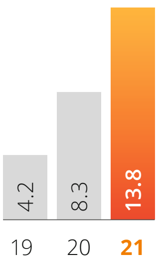
+83%



Average monthly bookings
£m

£13.8m

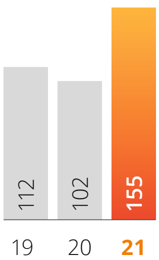
+66%



Revenue
£m

£155m

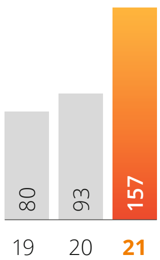
+53%



Contracted revenue
(one year forward)
£m

£157m

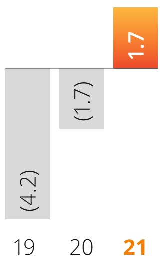
+69%



Adjusted EBITDA
£m

£1.7m

+£3.4m



KEY EVENTS IN 2021

Launched Leicester innovation centre
The Energy Centre opened in May 2021, the first commercial development in Leicester's Waterside Enterprise Zone. It is purpose built to house our digital transformation, sales and marketing teams.

Created new digital transformation team
We assembled a market-leading team to drive our Digital by Default agenda, with expertise spanning technology, digital development, business transformation, digital marketing and customer experience. Delivering the initial phase of our customer portal is the first of many exciting transformational projects for the team.

Appointed as AmpowerUK Supplier of Last Resort ("SoLR") by Ofgem
We successfully integrated a portfolio of 8,158 predominantly electricity business sites from AmpowerUK, increasing our meter portfolio by 38% and immediately generating additional earnings for the Group.

Continued forward financial trajectory
We navigated global commodity market price increases via our robust hedging policy. We also increased adjusted EBITDA by £3.4m in 2021, as we implement our clear financial framework.

The Group's business model is described on page 16

See detail on the Group's strategic priorities on page 18

OUR INVESTMENT CASE

YÜTILITY SIMPLICITY
Differentiated offer to UK businesses based on ease, value and trust and the only supplier providing multi-utility bundles for gas, electricity and water

DEMONSTRABLE STRATEGY FOR GROWTH
Accelerating organic growth with predictable subscription model revenues complemented by strategic M&A

SIGNIFICANT OPPORTUNITY
The leading challenger in a £50bn+ addressable market

FINANCIALLY ROBUST
Clear financial framework to unlock shareholder value as the Group scales

CONSTANTLY INNOVATING
An agile, digital-first entrepreneurial business supporting customers in lowering their carbon footprint

EXPERT AND VESTED MANAGEMENT TEAM
Capable of taking the business to meet its £0.5bn+ revenue ambition

CASH EFFICIENT AND HEDGED POSITION
Strong operational cash generation and favourable commodity trading arrangements

STRONG SYSTEMS AND GOVERNANCE
A scalable digital platform to deliver operational cost efficiency and support growth

KEY NUMBERS

Trustpilot rating
4 stars

Net customer contribution
6.7%

Average contract term
30 months

Average employees in 2021
145

B2B market share
0.9%

Overdue customer receivables
7 days

DIGITAL BY DEFAULT PROGRAMME

NEW SALES

SIMPLIFIED CUSTOMER SERVICE

REDUCED COSTS THROUGH EFFICIENCY

DATA LED DECISIONS

See further information on the Group's Digital by Default actions from page 11

STRONG GROWTH AND FURTHER STRATEGIC PROGRESS

STRENGTH OF BUSINESS HAS ALLOWED THE GROUP TO SUCCESSFULLY MANAGE MARKET VOLATILITY

THE GROUP REMAINS WELL PLACED TO TAKE ADVANTAGE OF MARKET OPPORTUNITIES AND TO DELIVER SIGNIFICANT AND PROFITABLE GROWTH

Robin Paynter Bryant
Chairman

Passing the tests of a volatile market
I am pleased to introduce our 2021 annual results after what has been a challenging yet fruitful year for the Group.

When I was appointed in January 2020 the Group prepared to set out on a new and exciting stage in its evolution. This was to scale up rapidly in a controlled manner, and to increase the maturity of its governance, enabling it to become a large player in a growing market.

Since then our country, industry and Group have together faced significant challenges, which as a Group we have successfully overcome. The Covid-19 pandemic and more recently the "energy crisis" and a European war have brought unprecedented increases in the volatility of global commodity prices. This has led to some high profile business failures within the wider domestic supply sector.

Despite this, my summary statement from our 2020 annual report still holds true: "The Group is now ready to launch a period of accelerated and sustainable growth as it scales up to address and increase its rightful share of a £50bn+ market." The tests set by unpredictable increases in energy costs and the subsequent consolidation in our industry have shown clearly that our systems and management team are both robust and resilient.

As an agile challenger and post the headwinds of 2020 and 2021, we now operate in a larger, less competition-filled market. We remain concentrated on and determined in both maintaining margin and increasing our market share.

Delivering on our strategic priorities: Bigger, Better, Faster and Stronger
The Group's strategy is delivering profitable results. Our Bigger, Better, Faster and Stronger priorities – delivering significant growth, organic and inorganic, leveraging economies of scale to improve financial results, providing digitally led innovation, and maintaining robust risk management – are consistently applied by our management and are well understood throughout the organisation.

Our results show a 53% year on year increase in revenue. Basic earnings per share is 27p/share, up from a 7p/share loss in 2020. Net profit after tax is £4.5m, up from a £1.2m loss in the previous year; adjusted EBITDA increased to £1.7m, from 2020's £1.7m loss.

We finished 2021 with £157m of revenue already contracted for the current year, providing further evidence of our growth potential and the opportunities available in a consolidating market. I look forward to reporting further revenue growth in 2022 as we take advantage of the available market opportunity. We anticipate playing an active role in the consolidation process as well as exploiting our advantages as an agile challenger whose customer service remains second to none.

The Group's investment in our Digital by Default programme is set to deliver significant benefit to future results. Innovation that allows us to attract and serve customers better, understanding their behaviour and anticipating their needs, gives us a competitive advantage that will further enhance growth and increase profitability.

See page 27 for our section 172 statement, and page 28 for our approach to sustainability

See the summary of our approach to governance from page 36

As Chairman, I am particularly pleased by the mature, robust and balanced approach to governance which is now embedded throughout the organisation. We have an experienced Board that provides the necessary combination of challenge and oversight while supporting agile operational decision making and the performance culture needed to innovate and excel in a competitive industry. The Board is ensuring that the Group's growth journey from the opportunities presented by the market is conducted within a sustainable and profitable framework.

Our Audit Committee, working closely with the Executive Committee ("ExCo"), has continued to refine the framework for our robust risk and opportunity management processes.

Our Remuneration Committee, in a difficult market, has maintained the alignment of incentives with Group strategy and shareholder interests.

Engaging with key stakeholders as we grow

As the Group matures, the Board and I are mindful of our commitments to all stakeholders.

Ofgem appointed us as Supplier of Last Resort ("SoLR") for AmpowerUK's circa 8,200-meter-point business, along with two further customer books in February 2022 (Whoop Energy Limited and Xcel Power Limited), demonstrating the regulator's trust in the ability of our people and systems to implement such projects. This followed successful integrations of two other customer books during 2020; we now have a clear, replicable process to follow as we identify further opportunities, allowing us to bring in and be ready to onboard thousands of new customers in a matter of hours.

Our approach to the environment and sustainability is covered later in this annual report.

We are convinced that key drivers of the Group's performance are the wellbeing of our people, the continual innovation of our product offerings, and the reduction of our impact on our planet. We have made strides in all three areas and will continue to do so as our business evolves.

We continue to seek improvement in our stakeholder engagement processes and this is an area receiving constant attention. We remain highly conscious of the need to ensure that our equity proposition reaches the widest possible audience of institutions and investors that may wish to join us on our growth journey.

Summary – relishing challenges and maturely treating risks as opportunities

Over the past two years the Group has more than passed the tests that have been set by a series of "black swan" events which have given rise to abnormally extended and exceptional "macro-market" conditions.

The Group's well-proven resilience is the direct result of increased maturity and of an intelligently inculcated positive, "can-do" attitude to challenges. This has nurtured colleagues' proven abilities in identifying and extracting advantage and upside from the risks and opportunities presented.

The combination of these qualities has, yet again, led to a very marked improvement in the Group's results.

As a key independent disruptor- challenger your Board expects the Group to continue to benefit from a period of accelerated and sustainable growth, enhancing performance via its digital programme, and increasing its share of a £50bn+ market.

Robin Paynter Bryant
Chairman
22 March 2022

WELL-PROVEN RESILIENCE IS THE DIRECT RESULT OF INCREASED MATURITY AND OF AN INTELLIGENTLY INCULCATED POSITIVE, "CAN-DO" ATTITUDE TO CHALLENGES."

STRENGTHENING OUR POSITION IN A CHANGING MARKET ENVIRONMENT

See risks and uncertainties related to the "energy crisis" on page 33

HIGH GLOBAL COMMODITY MARKET PRICES AND A NUMBER OF WELL-PUBLICISED SUPPLIER FAILURES HAVE GENERATED WHAT SOME REFER TO AS AN "ENERGY CRISIS". THE BOARD IS CONFIDENT IN THE GROUP'S ABILITY TO MANAGE AND IMPROVE PERFORMANCE DURING THIS WIDER MARKET TURMOIL

HIGH GLOBAL GAS AND ELECTRICITY MARKET PRICES

We are successfully navigating a period of highly volatile and increasing global commodity market prices.

Gas and electricity are traded commodities, with international influences on the price paid. During 2021 and to now, unprecedented increases in global gas and electricity markets have been experienced, caused by a variety of factors, from increased demand for gas in China and wider Asia, through to restrictions in supply and more recently geopolitical tension and the impact of a new European war impacting on supply.

The chart below demonstrates the extent of the increases observed.

YÜ GROUP'S POSITION

The Group has successfully "weathered the storm" of a challenging market environment:

- continued positive financial momentum, with increasing profitability;
- exposure to commodity price movements is mitigated via a robust hedging policy; and
- no price cap restrictions, enabling market reflective prices for customers.

A CHANGE IN THE COMPETITIVE ENVIRONMENT

We are a key independent challenger, providing business customers with a fresh and reliable supply of energy. We expect to take further market share, both organically and through acquisition of other suppliers' customer books.

The period from 1 January 2021 to 28 February 2022 saw 31 suppliers fail, of which the vast majority (26) were predominantly active in serving the domestic market; this has different market characteristics to the business-to-business market which we serve.

Many domestic suppliers have been unable to increase the prices of their variable tariffs as a result of the domestic price cap.

In addition, the greater competition and lower barriers to entry in the domestic market resulted in numerous smaller suppliers which may not have the standing or capability to effectively hedge forward.

Unfortunately certain industry costs incurred as a result of supplier failures have been "mutualised" (i.e. spread) across remaining industry participants. The Group's share of such mutualisation costs is estimated at £0.6m, relating to costs to be borne by a business-to-business supplier.

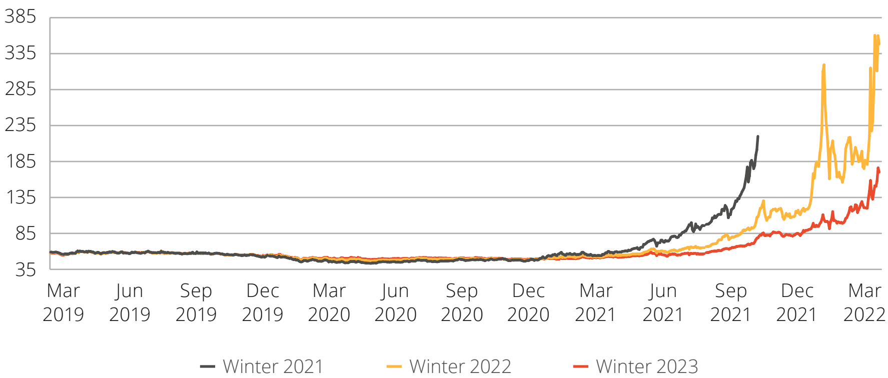
With some business-to-business suppliers exiting the market, and other domestic and non-domestic suppliers looking to scale back their operations, the Group is well poised to take advantage of the market opportunity provided and is a leading independent challenger.

YÜ GROUP'S POSITION

Consolidation in the market provides the Group with increased opportunity:

- a key independent challenger in a consolidated market;
- the Group was appointed by Ofgem to supply AmpowerUK's customer book in November 2021; and
- our acquisition and integration processes are proven, allowing efficient transfer of further customer books.

Evolution of forward gas price
pence/therm



249%
year on year increase in forward gas prices[1]

1 Increase in price refers to the price quoted for Winter 2022 gas as quoted at 31 December 2020 and 31 December 2021.

£248m
Yü Group value of forward gas and electricity hedges[2]

2 Based on the value of trades in place at 31 December 2021.

31
reduction in gas and electricity suppliers[3]

3 Number of supplier failures from 1 January 2021 to 28 February 2022.

IN REVIEW:

OUR APPROACH TO HEDGING

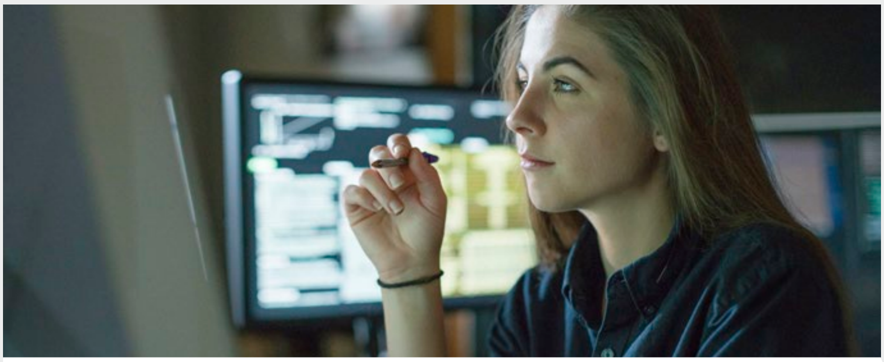
The Group operates under a tight risk mandate to trade forward products in gas and electricity to match, as close as possible, our customers' expected demand.

In practice, this results in a constant reforecasting of customer demand based on the best available information.

This demand is promptly matched to forward commodity products at varying levels of granularity. We procure energy in products ranging from half-hourly periods within each day, through to daily, monthly and seasonal products.

The Group prices new contracts based on the available forward commodity market costs, and hedges as soon as practicable after securing contracts. Certain premia are included to take into account balancing and liquidity risks related to trading customer demand (which can't be matched precisely).

Our prices are updated regularly so that we can quote contracts based on available market prices.



MARKET REFLECTIVE PRICES

- Regular price book refreshes to reflect forward commodity market prices
- Inclusion of premia for appropriate risks in trading and balancing

CUSTOMER DEMAND FORECASTING

- Regular refresh of customer demand
- Consider new business, industry information and portfolio trends, weather and out of contract business

PURCHASING FORWARD ENERGY

- Trading of various products (Half Hourly, daily, monthly and seasonal)
- Align trading position with customer demand to hedge risks
- Trade only for "own use" (not speculatively)

RISK MANAGEMENT

- Board approved risk mandate (e.g. volume and financial risk limits)
- Appropriate customer terms and conditions
- Sensitivities and risk modelling
- Mark to Market credit analysis

IN REVIEW:

AWARD OF AMPOWERUK'S CUSTOMER BOOK

Ofgem appointed Yü Group plc as Supplier of Last Resort ("SoLR") to serve AmpowerUK's customers

We successfully secured appointment as SoLR for AmpowerUK's customers in November 2021. The SoLR process, administered by Ofgem, ensures continued gas and electricity supply to the 8,158 meters supplied by AmpowerUK. The SoLR process entails a bidding process against other suppliers and Ofgem assess bids strictly against criteria including financial resilience, operational excellence and ability to risk manage the portfolio.

Ensuring continued supply and clear communication to impacted customers was a priority which was delivered. The Group's previous experience of integrating significant customer numbers (following on from the two acquisitions and successful integrations of customer books in 2020) paid dividends in its bid to be appointed as SoLR.

The significant majority of customers acquired from AmpowerUK's customer book are small and medium-sized businesses, mirroring the customer base of the Group.

Following appointment as SoLR, customers transfer on a "deemed" basis, on revised tariffs to reflect prevailing market rates. Since transfer to the Group, customers have been offered a new contract in order to fix their prices, leading to circa.4,000 meters being retained on supply at 28 February 2022.

We have since been appointed as SoLR for two other customer books, Whoop Energy Limited and Xcel Power Limited, further demonstrating our credibility in the industry and our ability to integrate customers quickly and efficiently into our scalable platforms.

£24m
the Group set its record average monthly bookings in Q4 2021 as a result of increased market opportunity

~4,000 meters
remaining on supply at 28 February 2022

1 day
timescale to onboard customers onto the Group's platform

OUR BUSINESS MODEL IS MORE THAN DELIVERING AS WE CONTINUE RAPID GROWTH

Bobby Kalar
Chief Executive Officer

It's been an incredible year not just for the Group but for the industry domestically and globally. Significant events continue to change the landscape of the energy industry which I'll expand on later in this report. In terms of the Group (during what I consider to be a once in a generation event) it has been an exceptional year in which we have exceeded operational KPIs and analysts' forecasts.

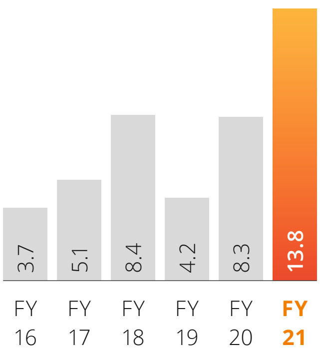
The hard work and discipline knitted into the fabric of the business over the past few years continue to serve us well against the volatile gas markets and the tailwinds of the pandemic. Our people, processes and systems have enabled us to unlock opportunities which have been gross margin enhancing. The last two years have tested our ability to operate well in such a complex market and I am pleased our performance continues to go from strength to strength at a time when the competitive landscape map has been clearly redrawn and narrowed.

Our strategy is simple, do it better and faster to become bigger and stronger. Testament to this is the double-digit growth in meter points on supply, revenues increasing by over 50%, the forward contracted revenue book in excess of £290m, profitability extensively ahead of market expectations and average customer contract terms at 30 months.

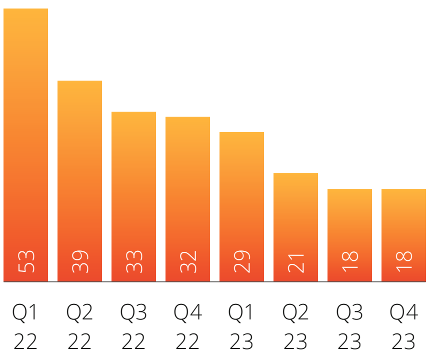
Last year the Group demonstrated its appetite and ability to complement its organic growth by successfully acquiring Bristol Energy's business-to-business ("B2B") customer book, a wholly owned subsidiary of Bristol City Council, and a smaller customer gas book from a Midlands-based supplier. This year we have reviewed some significant B2B customer book acquisition opportunities which were within our sweet spot, and we continue to remain disciplined and selective. It's my view that we will see further significant opportunities to grow by acquisition.

In November, through a selective tender process, Ofgem awarded the Group its first Supplier of Last Resort B2B book. AmpowerUK, which operated in the small and medium sized business space and had approximately 8,200 meter points. A smooth transition onboarded these customers onto our scalable operating platform and the sales teams have been moving these contracts from standard variable to fixed rate contracts at current market prices. A further two small books were awarded to the Group via this process by Ofgem in February 2022. I am incredibly pleased in our ability to migrate such books onto our platforms without losing value. Our relationship with Ofgem remains strong.

Average bookings
£m



Contracted revenue
£m



"A PLEASING PERFORMANCE THAT ONCE AGAIN UNDERSCORES THE FUNDAMENTAL STRENGTH AND MATURITY OF OUR BUSINESS AS WE CONTINUE TO SECURE PROFITABLE GROWTH"

The ongoing energy volatility and its effects on UK energy suppliers have created confusion that somehow Ofgem's regulatory framework of B2C suppliers is the same as B2B suppliers. Nothing can be further from the truth. There are two major factors that have resulted in a record number of energy suppliers ceasing to operate in the market this year:

1. **The price cap** which applies to B2C suppliers to help protect domestic customers from inflation busting tariffs once their contracted tariff had ended. This sensible approach has spectacularly backfired as the current global gas price hikes were not factored in and B2C suppliers, which effectively were being forced to operate a loss-making business, failed. No such restriction applies to B2B suppliers and, despite the gas price hikes, B2B suppliers can pass those increased commodity costs onto customers very quickly.
2. **Forward hedging** contracted commodity de-risks market volatility shock and preserves gross margin at the point of sale. Suppliers which have not adopted this strategy run the risk of being exposed if wholesale commodity markets move away from them. Very quickly, unhedged suppliers can end up servicing loss-making contracts which is unsustainable. This is even more of a risk for domestic suppliers, where (unlike in the B2B segment) customers can typically leave a fixed price contract by giving 30 days' notice.

A combination of one or both the above scenarios has caused 31 energy suppliers to cease trading since 1 January 2021 with all but five being B2C suppliers. While I see opportunities in a shrinking market, the impact of stubbornly high commodity prices and the uncertainty of the Russian conflict will indeed impact bills for customers who will still be recovering from the devastating financial effect of the pandemic.

Yü Group has a risk adverse hedging policy in place and therefore has not been affected materially by commodity volatility shock. In current times we keep a close eye on the significant asset we hold on our long-term hedge book.

SUPPORTING OUR CLIENTS' NET-ZERO AMBITIONS

Yü Group are proud to support a world going green. We see a growing number of our customers who want to make cleaner, greener business choices. They want to be at the forefront of the green revolution, and we are the ones to help them make that happen.

We have been making great strides in the green energy market. We see that UK businesses are already leading the way in cutting carbon emissions and pledging to create clear pathways to reach their net-zero goals. To support these efforts, we launched our Pure Green Energy Plan in 2020 and our Carbon Neutral gas plan in 2021.

We are currently supplying over 3,600 meters across the UK. Our Pure Green Energy Plan is certified and has the credentials to show our commitment towards a sustainable future. Our renewable plan is REGO (Renewable Energy Guarantees of Origin Certificates) backed, which allows businesses to report zero-carbon emissions across their business and use of a 100% renewable source of electricity.

Yü Group also work closely with our sourcing partners, Carno Wind Farm. Based in Wales, the farm has paved the way for further large-scale wind farm developments since its construction in 1996.

For businesses looking to reduce their carbon gas emissions, our Carbon Neutral gas plan ensures the associated carbon emissions are offset and invested into international Gold Standard (GS) or Verified Carbon Standard (VCS) accreditations. We are in full support of our customers long-term CSR sustainability goals, allowing them to invest into projects that make a positive worldwide impact.

Our journey towards supporting net-zero goals extends to supporting our customer's entire journey. From the four-walls of a business to their daily commute on the roads and beyond. We want to encourage smarter, cleaner driving by offering electric vehicle (EV) charging points.

It is our belief that travel shouldn't cost the earth. Since its launch in 2019, we have been supporting our customers in being an early adopter of the electric charging revolution. Electric vehicles have become increasingly popular, following the ban on sales of new petrol and diesel cars from 2030.

We provide workplace charging and bespoke options for customers and the community, setting them up for the future of transport.

It's our business to understand the business needs of our customers. Our energy offerings provide our customers with the transparency and expertise they need to make a positive commitment towards their sustainability and their wider future.

Being Digital by Default

As a disruptor I see the future as a highly scalable, data-driven business bringing innovative products to our customers. We know that creating the ability for a customer to self-serve by default is the way the world is moving. Automating manual processes will bring the right level of predictable outcomes and allow us to scale as opportunities present themselves. We have successfully integrated our first Robotic Process Automation ("RPA") project, called "Rambo", saving hundreds of resource hours a month. This year we will introduce more RPAs allowing processes to be completed faster and cheaper. Further, based on the transactional nature of the back-office function, making the right decisions at the opportune time can enhance gross margin and reduce value loss and our data warehouse will give us a single view of the customer lifecycle and habits.

Yü Group has begun this transformation and invested in digitising and automating the business in 2021. This investment has delivered a brilliantly simple set of digital services enabling our customers and the Group to be Digital by Default and this, alongside automation of our back-office processes, has supported significant customer growth while allowing us to reduce our cost to serve. We have made significant progress already, completing discovery stages and undertaking various "sprints" to stand up various enhancements. These improvements include data collection and capture capability, automated dynamic dashboard views of key performance indicators and integrated middleware to allow greater API integration and various intellectual property developments to integrate systems together. We still have a number of automated and digital deliverables that we will launch this year via continued sprints and evolution. These phases will use decomposition and pattern recognition to enable complex processes and value enhancing decision making to be instantaneous through the use of RPA and inhouse developed algorithms.

Our people

As always, our people are front and centre of the Group's success. The uncertainty around returning to the office has been a challenge for some of our colleagues.

This year we have increased staff numbers in areas aligned to our strategic direction, namely digital transformation, operations and collections. We have also continued with our internal apprentice talent pipeline programme, which has been life changing for the individuals.

New Leicester innovation centre

For the first phase of the project, the office was opened in May 2021 for the sales, marketing and digital transformation teams. Our staff have been exposed to the latest office designs to help with our innovation ambitions, and the feedback has been outstanding.

Wholesale market volatility

Commodity prices have reached record highs this year due to both macro and micro events which in effect have created the perfect storm. Due to a colder European spring, which followed a longer than expected winter, demand continued and supplies remained low. In normal circumstances the UK would have covered the shortfall in supply with Liquified Natural Gas ("LNG"), but Asia has procured huge quantities as it transitioned its energy supply from coal to gas. Brazil and Argentina increased their import levels of LNG, also squeezing European delivery of LNG. In short, an unnatural demand for LNG by world nations meant that demand outstripped LNG supply. The ongoing Russian conflict has compounded the situation further and while the UK imports an exceedingly small percentage volume from Russia, the same cannot be said for other European countries and a further squeeze on LNG imports to the UK could see price hikes continue for some time.

Our trading team has worked to policy on ensuring it is setting market reflective contract prices. However, businesses which have not budgeted for the significant increase in their utility costs at the time of renewal may struggle to pay.

Landscape

Our ability to service UK businesses with their energy needs quickly and competitively is evident in terms of year on year growth and we will continue to grow the business in terms of volume as well as revenue. Adjusted EBITDA improvement will be a particular focus and our digital transformation programmes will contribute significantly by reducing wastage, speeding up transactional processes and reducing the cost to serve. Despite B2B suppliers exiting, the market remains competitive albeit less crowded.

We will continue to develop best practice opportunities and use our entrepreneurial agility to react to market conditions quickly. The wholesale gas and electricity market environment remains turbulent, and we will continue to monitor our price curves very carefully. Our hedge position remains strong, and our forward prices reflect market costs. We will also monitor and support our customers, who will begin to feel the impacts of the market gas volatility when they come to renew their existing supply contract terms.

Outlook

- Current trading remains very strong, providing a high level of excitement in the future
- High revenue growth forecasted, to add to the £157m already contracted for FY 2022 at the end of 2021
- Continued profitability improvement to continue the strong trajectory in gross margin and operation leverage already demonstrated
- Our Digital by Default programme set to further enhance profitability over the short to medium term, as we acquire more customers, deliver efficiency savings from our largely fixed overhead base, and drive value from data driven decisions
- Well positioned, with an increasing market opportunity and a significant value from the hedge book
- Ability to add value enhancing acquisitions to complement high organic growth

Summary

In summary, despite turbulence in the wider external market, we remain strong and focused so as to deliver continued growth in revenue and profitability.

I am excited about the further benefits we will unlock from our Digital by Default programme and I look forward to proactively engaging with shareholders to further expand our reach to existing and potential investors and other stakeholders.

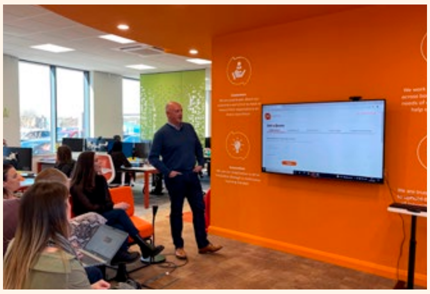
I look forward to updating on our progress in the coming months.

Bobby Kalar
Chief Executive Officer
22 March 2022

IN REVIEW:

OUR DIGITAL BY DEFAULT PROGRAMME

OUR DIGITAL BY DEFAULT PROGRAMME IS DESIGNED TO BRING DISRUPTIVE INNOVATION TO THE UTILITIES SECTOR AND COVERS THREE CORE AREAS:

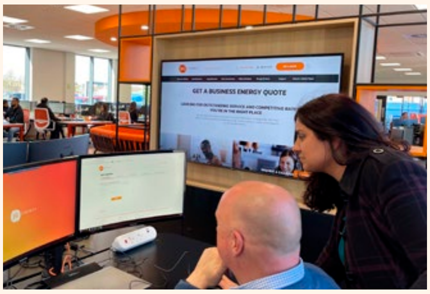


DRIVING AND SCALING NEW DIGITAL SALES CHANNELS AND SIMPLIFYING CUSTOMER SERVICE

- Developing new online sales channels, enabling quick and easy quoting
- Increasing our investment in marketing with more sophisticated digital strategies and building industry-leading digital marketing capability
- Driving brand awareness and acquisition of target customers through digital channels
- Continuing to develop our customer portal, adding new functionality to allow seamless, smart utility account management

USING EFFICIENT AND AUTOMATED SYSTEMS TO DRIVE COST EFFICIENCY

- Enabling prompt, low-cost and efficient onboarding of acquired customer books, or integrating new sites secured organically, with minimal additional incremental cost
- Reducing cost to acquire and cost to serve customers by developing automated and personalised quotes and contracts
- Introducing robotic process automation ("RPA") to improve operational processes throughout the customer lifecycle



USING DATA SCIENCE AND TECHNOLOGY TO IDENTIFY OPPORTUNITIES TO CREATE VALUE

- Analysing smart meter data to highlight potential new commercial opportunities
- Extracting and acting on knowledge and insights from data generated throughout the customer lifecycle
- Harnessing the power of algorithmic personalisation to maximise customer attraction, conversion and retention

DEVELOPMENT ROADMAP

2021

- Increased digital marketing activities
- Water billing system integrated to wider platform
- Mass-onboarding tools to support integration of customer book acquisitions
- First "robot" implemented, known as Rambo, to increase operational efficiency
- System roadmap defined and partners selected

Q1 2022

- Online quoting tool
- Increased Smart Metering installations
- Yü Group agent quoting tool improvement
- Implementation of new CRM system
- Bespoke pricing through integrated software
- New data warehouse and reporting tools
- New API led IT architecture

2022

- Enhanced renewal and customer lifecycle journey
- Further automation of collections process
- Further 'insight led' commercial lifecycle process
- Advanced analytics and data insight
- Enhanced marketing automation

DIGITISING ALL STAGES OF THE CUSTOMER JOURNEY

THE EVOLUTION OF OUR DIGITAL BY DEFAULT PROGRAMME WILL UNLOCK SIGNIFICANT BENEFITS IN 2022 AND BEYOND

ONLINE PLATFORM

Capable of all customer processes with zero human intervention

- Digital prospect acquisition
- Digital onboarding
- Quick and easy personalised quote
- Easy online account management
- Smart meter decisioning
- Smart lifecycle management
- Automated digital contract

DATA SCIENCE

A virtuous cycle optimising the whole process

- Algorithmic approach to customer personalisation
- Lower cost to acquire
- Step change in customer experience
- Automation of processes increases conversion
- Reduction of cost to serve
- Price and value proposition improves driving increased volume
- Data integration drives better decisions

OUR NEW INNOVATION CENTRE

BUILDING INDUSTRY-LEADING DIGITAL CAPABILITY

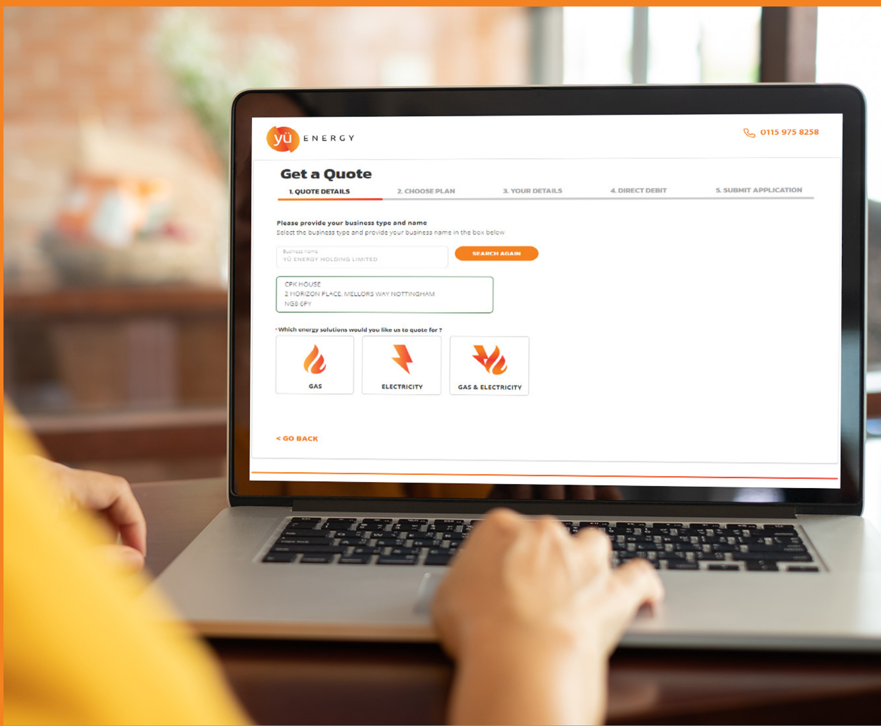
To drive forward our digital transformation, we successfully opened our new innovation hub in Leicester in June 2021. The Energy Centre provides a state-of-the-art, purpose-built facility to support our growth and innovation focus.

The 17,000 sq.ft. site is the first commercial development in Leicester's Waterside Enterprise Zone and is key to us building a strong and experienced digital team. It is home to our colleagues working in digital transformation, sales and marketing, and technology.

YÜTILITY SIMPLICITY

CASE STUDY:

DIGITAL BY DEFAULT: WHAT IT MEANS FOR OUR BUSINESS AND OUR CUSTOMERS



YÜ QUOTE PLATFORM SHOWCASE

The first phase of our Yü Quote platform is just the start of our digital transformation. The platform offers SMEs a simple instant online quote, making switching energy supplier completely hassle free. Businesses can get a quote in as little as 90 seconds and complete their new energy contract in just three minutes. Further enhancements to the platform are planned during 2022 to make the quoting journey even faster.

Watch our video explainer on how we're going Digital by Default

Digital by Default is our overarching principle for how we work and are growing the Company. From our marketing campaigns to our customer journey and business processes, it's about adopting a digital-first approach and mindset. But what does it mean and how will it benefit our business and our customers?

For our business

Market opportunities are constantly evolving and we must respond quickly and innovatively.

Our digital by default approach allows us to unlock significant growth at speed, delivering a differentiated offer to attract customers in a sector which is ripe for innovation. It allows us to build scale and efficiency, reducing both the cost of acquiring customers and the cost to serve them.

With specialist knowledge and expertise, we are in a strong position to use big data, artificial intelligence and robotic process automation to develop exciting new propositions for our customers.

There are also real opportunities for us to develop a deeper understanding of their needs and how we can best serve them. We therefore harness the power of advanced analytics to gain insights that enable us to make faster, smarter business decisions and get the most from every commercial opportunity.

Engaging with customers in new, more sophisticated ways is also crucial to generating the most value throughout their relationship with us. We will focus on advanced segmentation, targeting and personalisation to maximise the conversion of potential customers into new business and generate growth through cross-selling, value-adding services and renewals.

For our customers

For those we serve, the aim of our digital by default approach is simple: making it as easy as possible to do business with us. This means:

- a seamless, simple online experience, allowing customers to service all aspects of their business utility account quickly and easily, wherever and whenever they want. From rapid and straightforward sign-up, to intuitive online account management and speedy, straightforward renewal, it's about saving time for busy businesses;
- more competitive pricing because digital by default means we can reduce how much it costs to serve our current customers and acquire new ones;
- clear, transparent, timely communications that ensure customers are fully up to date with all aspects of their account. Instant alerts mean they are informed and empowered when they need to take action; and
- smart, personalised recommendations to provide customers with ways to optimise their energy portfolio cost effectively, improve energy efficiency and adopt sustainable solutions.

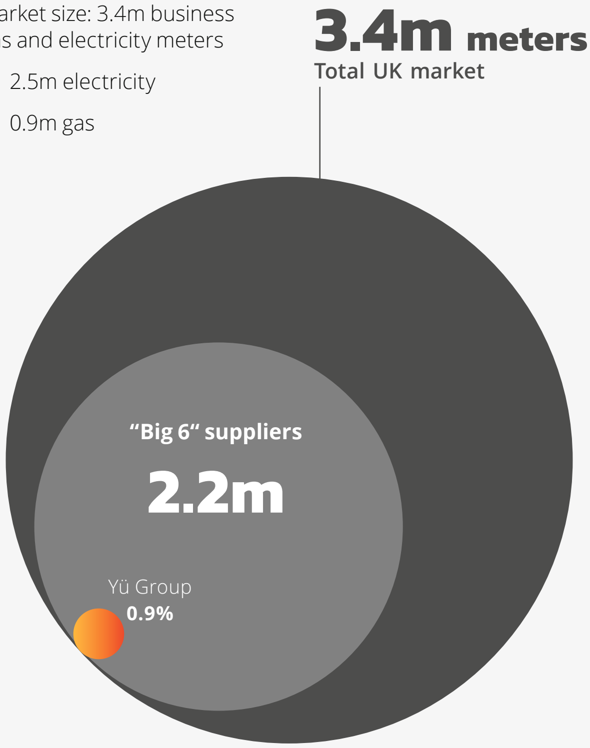
A HUGE OPPORTUNITY IN A TRANSFORMATIONAL MARKET

OUR MULTI-UTILITY AND MULTI-CHANNEL APPROACHES PROVIDE CHOICE, FLEXIBILITY, SPEED OF RESPONSE AND EASE OF USE FOR MICROBUSINESSES, SMALL AND MEDIUM-SIZED ENTERPRISES ("SMES") AND INDUSTRIAL & COMMERCIAL ("I&C") CUSTOMERS

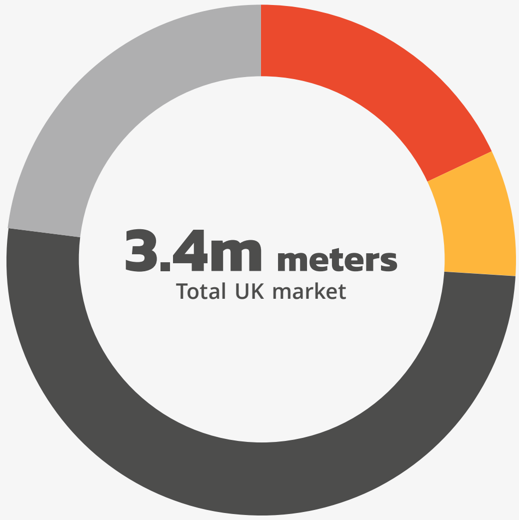
Huge opportunity for growth in a market of 3.4m business energy meters

Market size: 3.4m business gas and electricity meters

- 2.5m electricity
- 0.9m gas



UK business energy market breakdown



Source: Cornwall Insight Market Share Report, October 2021.

MICROBUSINESSES AND SMES TOTAL ENERGY MARKET OPPORTUNITY:

2.4m
meter points

INDUSTRIAL AND COMMERCIAL ("I&C") BUSINESSES TOTAL ENERGY MARKET OPPORTUNITY:

1.0m
meter points

We engage with microbusinesses, SMEs and I&C businesses:

Digitally
Digital marketing capabilities target disengaged SMEs and direct them to our quick and easy-to-use quote, sign-up and account management service.

Directly
Our experienced Corporate Energy Consultants support our customers to help them find the right solutions for their needs.

Through third-party intermediaries ("TPIs")
Our TPI and partner portal allows us to access a huge pool of businesses quickly and effectively. This low cost digital channel delivers competitive rates, whilst maintaining strong margins, resulting in commercial benefits for all parties.

Business water
As well as our core gas and electricity offering, Yü Group is the only supplier to offer water services to its customers.

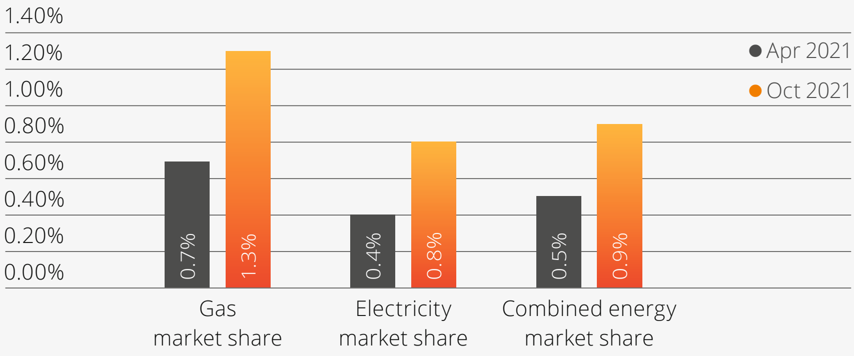
With a large percentage of UK businesses never switching their water supplier, there is a large audience that could make significant savings just from switching.

Electric vehicle ("EV") charging
Yü Group is primed for the increase in EV charger installation to support the UK EV charging infrastructure.

The demand for EV chargers has increased dramatically in the past few years. Between 2016 and 2021 there was an increase of 335% in the number of public chargers in the UK.

THE GROUP'S MARKET SHARE HAS ALREADY EXCEEDED 1% FOR GAS AND IS RAPIDLY APPROACHING THIS LEVEL FOR ELECTRICITY."

Yü Group market share (meters) 2021 (0.5%) vs 2022 (0.9%)
Energy market share almost doubled following 83% growth in meter points with gas market share now exceeding 1%.



Source: Yü Group meters as a % of total market meters from Cornwall Insight Market Share Report, October 2021.

COMPETITOR LANDSCAPE

The B2B supply market is more complex and less diluted than the domestic space, with fewer suppliers and a less onerous regulatory regime.

Yü Group has already exceeded the 1% market share threshold for gas and is approaching this level for electricity.

Big Six	**Historical large positions**	
Large suppliers	**~10 suppliers, typically £800m in revenues**	
Challengers	**Small group of challenger brands** yü GROUP PLC	**Yü Group PLC is cementing its position as the leading challenger brand**
Small suppliers	**~20 smaller suppliers**	

DIGITAL INNOVATION TO DELIVER A UNIQUE MULTI-UTILITY OFFERING

WE HAVE A CLEAR STRATEGY FOR GROWTH AND ROBUST PROCESSES TO DRIVE SCALE IN A HUGE MARKET

AT ITS HEART

DELIVERING YÜTILITY SIMPLICITY

Our multi-utility and Digital by Default approach is focused on delivering "Yütility Simplicity" for businesses. Simple fixed price utility plans and a focus on customer service combine to help save businesses time and money. We make it quick and easy for customers to sign up and manage their business utility account.

OVERVIEW

A Digital by Default approach to business utility supply

- We deploy innovation and technology to make it easier, cheaper, quicker and simpler than ever for UK businesses to sign up and manage all their utilities in one place, 24/7. Our offer combines user-friendly digital solutions with high quality customer service.

Significant market opportunity

- We are a direct supplier, not a broker, employing innovative routes to market to drive scale. We serve primarily small and medium-sized businesses across the UK – a £50bn+ addressable market offering significant scope for growth.

Strong systems and an experienced team

- We ensure effective governance and compliance, using robust, scalable systems and automated processes to deliver a high-quality customer experience.
- Our experienced and committed management team has significant energy sector expertise, blended with fresh thinking from other industries to drive innovation, and a deep understanding of the utility needs of modern-day businesses.

Clear strategy for growth

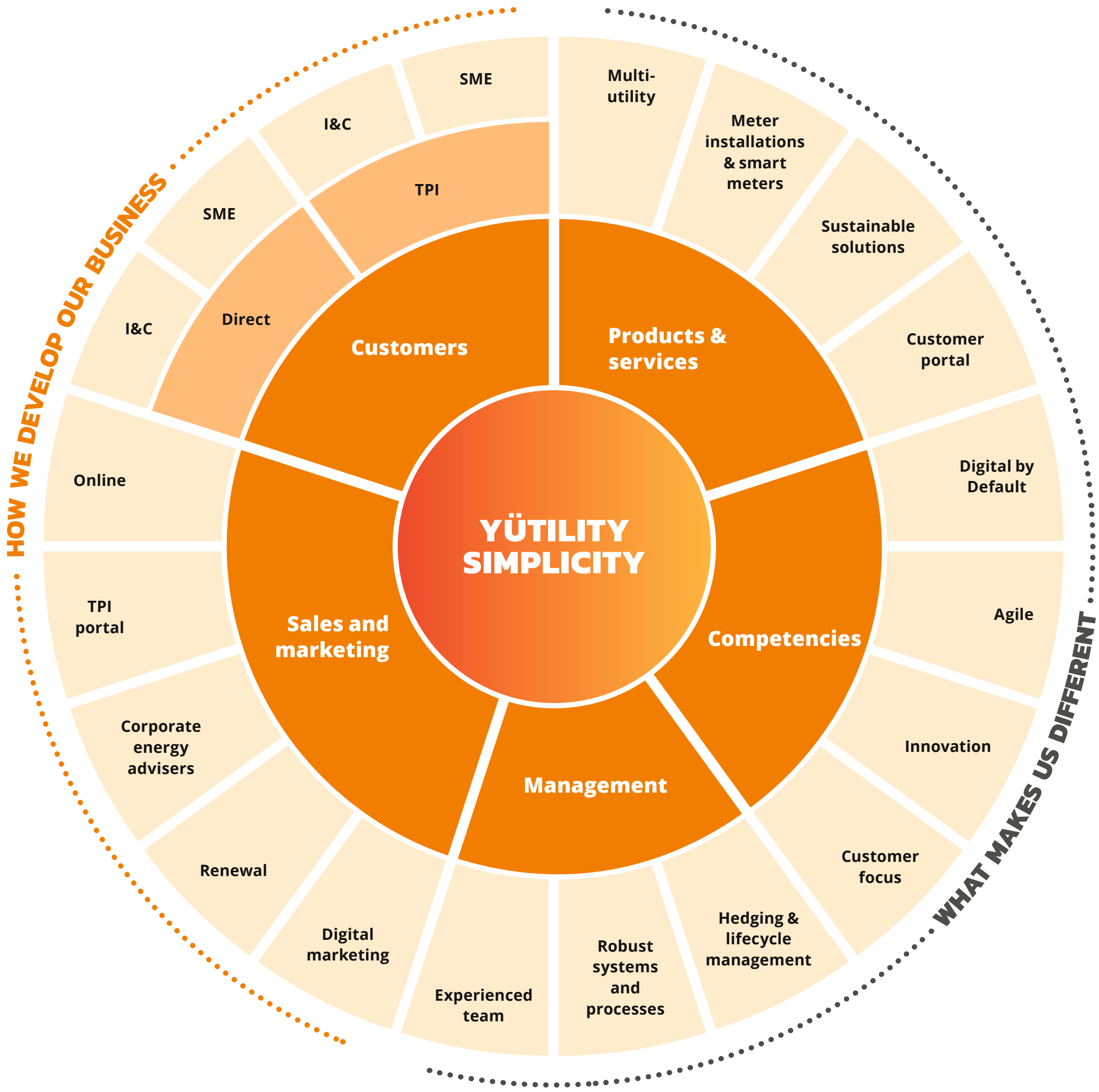
- We are an agile business, with scalable technology and capability to drive growth and differentiation, capitalising on opportunities in the evolving business utility market.
- We have a clear strategy to deliver sustainable, profitable growth and value for all our stakeholders.

Read more about us on our website

HOW WE DEVELOP OUR BUSINESS

We take a multi-channel approach to serve customers in the ways they want to work. We engage both directly and via carefully selected third-party intermediaries ("TPIs") to supply SMEs and industrial and commercial ("I&C") businesses.

We provide quick and easy online quotes for SMEs, and flexibility and a speedy turnaround for our I&C clients. Our dedicated renewal teams ensure strong customer retention rates, whilst upweighted investment in digital marketing is driving brand awareness in a huge potential market of UK businesses to attract new customers.



WHAT MAKES US DIFFERENT

- Our multi-utility offer spans gas, electricity and water supply, plus meter installations, helping businesses to save time and money.
- We provide sustainable solutions to support customers in their journey towards net zero, including green electricity, carbon neutral gas and electric vehicle ("EV") charging.
- We offer simple fixed price and fixed duration utility plans and a customer portal for easy online account management.
- Our Digital by Default approach allows us to deliver simple and rapidly scalable solutions, resulting in a low cost to acquire and cost to serve customers.
- An agile and customer-focused culture means we rapidly test new routes to market and roll out new products.
- Everything we do is underpinned by robust systems and hedging policy to ensure effective management of market volatility.

AN AMBITIOUS STRATEGY THAT IS DELIVERING RESULTS

HIGH GROWTH AND DIGITAL BY DEFAULT. THE GROUP IS WELL POISED TO BENEFIT FROM THE SIGNIFICANT OPPORTUNITY AVAILABLE TO IT: INTEGRATING STRATEGIC ACQUISITIONS, LEVERAGING THE GROUP'S EFFICIENT AND SCALABLE PLATFORMS AND BEING A RESPONSIBLE OPERATOR AND A LEADING STRONG AND ROBUST INDEPENDENT CHALLENGER

BIGGER

THE BOARD TARGETS SIGNIFICANT GROWTH TO INCREASE MARKET SHARE IN A £50BN+ ADDRESSABLE MARKET, DELIVERED ORGANICALLY AND THROUGH STRATEGIC ACQUISITION OF CUSTOMER BOOKS FROM COMPETITORS.

Target a huge UK market

Maintain and retain customers

Multiple routes to market

Strategic acquisitions

Priorities in 2022

- Continue growth in bookings and deliver revenue
- Utilise new approaches to market, utilising the Group's digital platforms
- Cross-sell multiple products across customer base
- Acquisition of further value enhancing customer books, where value enhancing
- Where available, further submission to be appointed as Supplier of Last Resort for other suppliers

KPIs A B C

Risks 4 5

See further information on the Group's market opportunity and approach to business development from page 14

BETTER

CONTINUED DEVELOPMENT OF FINANCIAL PERFORMANCE, THROUGH INCREASED TOP-LINE REVENUE, IMPROVING NET CUSTOMER CONTRIBUTION AND LEVERAGING OVERHEADS.

THE BOARD RIGOROUSLY DRIVES PERFORMANCE THROUGHOUT THE ORGANISATION, UNDERPINNED BY REFERENCE TO AN AGREED FINANCIAL FRAMEWORK.

Consistent growth

Increase customer contribution

Control expenditure and costs

Cash flow management

Priorities in 2022

- Continue upward trend in net customer contribution, supported by customer lifecycle initiatives, robust commodity hedging strategies, and reduction in bad debt and expected credit losses
- Maintain cash collection from customer receivables
- Start to benefit from further reduced overheads (as a percentage of revenues), following the Digital by Default initiative
- Optimise capital structure of the Group, to reduce cost of capital and invest surplus cash in strategic investments

KPIs A D E F

Risks 2 3 4 5

See further information on the Group's financial framework on page 23

▶ Read more about our strategy on our website

Key to KPIs

- (A) Contracted revenue
- (B) Average monthly new bookings
- (C) Total meter points
- (D) Net customer contribution
- (E) General overheads
- (F) Overdue customer receivables

Key to risks

- (1) Covid-19
- (2) Commodity hedging and price volatility
- (3) Covenant or trading arrangement breach
- (4) Revenue recognition
- (5) Customer credit and delayed receivables risk
- (6) Disrupting the market
- (7) Relationships with regulatory bodies

FASTER

A DIGITAL BY DEFAULT APPROACH IS ADOPTED.

THIS STRATEGY DRIVES NEW OPPORTUNITIES TO GROW, BY GIVING CUSTOMERS EASY ACCESS TO SIGN UP. IT ALSO DELIVERS FURTHER AND MATERIAL COST ADVANTAGE AND EFFICIENCY, SUPPORTED BY DATA SCIENCE TO ENHANCE BUSINESS OUTCOMES.

Efficient customer experience

Cost advantage

New acquisition channels

Disrupt market and accelerate scalability

Priorities in 2022

- Further expand digital acquisition channels, underpinned by increased marketing investment
- Utilise data science and artificial intelligence to drive customer acquisition
- Further enhance digital customer experience utilising technology
- Further deployment of smart meters

KPIs (A) (C) (E)

Risks (6)

▶ See further information on the Group's Digital by Default actions from page 11

STRONGER

MANAGING THE GROUP'S AMBITIOUS GROWTH PLANS REQUIRES ROBUST GOVERNANCE, CUSTOMER CENTRICITY AND A WORKFORCE FULLY ENGAGED AND ALIGNED TO THE GROUP'S VISION.

THE GROUP HAS INVESTED IN AN EXPERIENCED AND CAPABLE EXECUTIVE MANAGEMENT TEAM, COMPLEMENTED BY HIGHLY CAPABLE COLLEAGUES WITH A COMMON PURPOSE.

SYSTEMS AND PROCESSES ARE IN PLACE ON WHICH TO BUILD AND SCALE THE BUSINESS.

Committed sustainability strategy

Hedging strategy to mitigate risk

Employee career progression

Experienced management team

Priorities in 2022

- Maintain appropriate hedging strategy
- Further investment in innovation and digitalisation skills, to bring further disruption to the market
- Continued support of employees through Covid-19 lockdowns, with particular emphasis on employee wellbeing, their professional development and ensuring we maintain our innovative and "can-do" culture
- Further engagement with stakeholders, including corporate social responsibility initiatives

KPIs (C) (D) (E)

Risks (3) (7)

▶ See further information on the Group's governance, corporate social responsibility and risk management activities from page 26

INCREASING PROFITABILITY AS THE BUSINESS SCALES

Paul Rawson
Chief Financial Officer

In overview

- Revenue increase of £53.9m (53%)
- Contracted revenue for FY 2022 up 69% to £157m, and increased number of "out of contract" customers
- Adjusted EBITDA increased to £1.7m, up £3.4m year on year
- Profit for the year up £5.7m in the year, to £4.5m
- £7.0m cash available at 31 December 2021 (2020: £11.7m)
- £3.7m capital investment to drive forward growth and overhead benefit

Results summary

Results for the year to 31 December 2021 are significantly increased on the previous year and continue the strong upward momentum.

Revenue increased 53.1% in the year to £155.4m (2020: £101.5m) as high organic growth from new bookings combined with the integration of AmpowerUK's customer book in November 2021 and higher tariffs as a result of commodity market prices.

Adjusted EBITDA of £1.7m (2020: loss of £1.7m) continues the strong trajectory which has been evident over recent years. The £3.4m year on year improvement follows the clearly defined strategy to increase net customer contribution whilst extracting efficiency savings in overheads as the Group scales. The impact from the Covid-19 pandemic, which was estimated at £1.7m in FY 2020, has also been largely mitigated during FY 2021.

The statutory profit for the year of £4.5m represents a £5.7m increase in the year (2020: loss of £1.2m). Basic earnings per share of 27p was achieved, up from a loss of 7p per share in 2020.

Group net cash of £6.8m (2020: £11.4m) was held.[1] A net decrease in cash and cash equivalents of £4.7m (2020: net increase of £9.4m) during 2021 is predominantly a result of £3.7m of investment in capital expenditure. Working capital cash flow movements in customer receivables and trade payables have also increased significantly as the Group scaled revenue in Q4 2021 and as a consequence of the increased commodity market prices.

Significantly increasing revenues

The Group typically provides one, two or three year contracts, which gives good forward visibility via a contracted revenue subscription model. The Group also realises other revenues, which are generated from a growing number of "out of contract" customers (who prefer the flexibility to remain on our supply under a fully flexible arrangement) or through other services or charges levied.

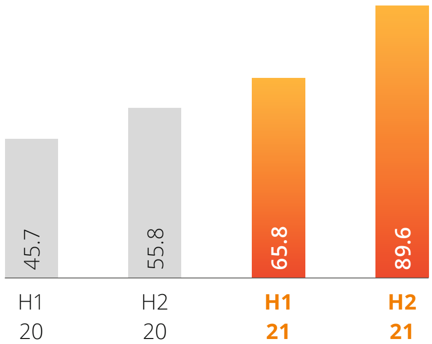
The Group exited 2020 with an estimated £93m of contracted revenue to deliver in FY 2021. The AmpowerUK integration added approximately £15m of revenue for the last two months of the year, and contracts secured in 2021, and other revenues, contributed approximately £38m.

WE CONTINUE STRONG MOMENTUM IN FINANCIAL RESULTS, GOVERNED VIA OUR CLEAR FINANCIAL FRAMEWORK."

Half year revenue evolution
£m

£89.6m

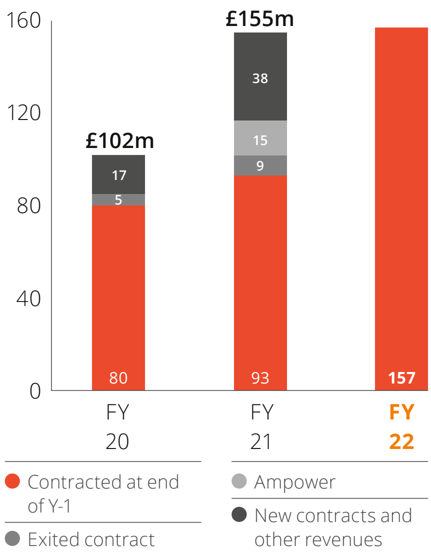
In H2 2021, +36% increase on H1 2021



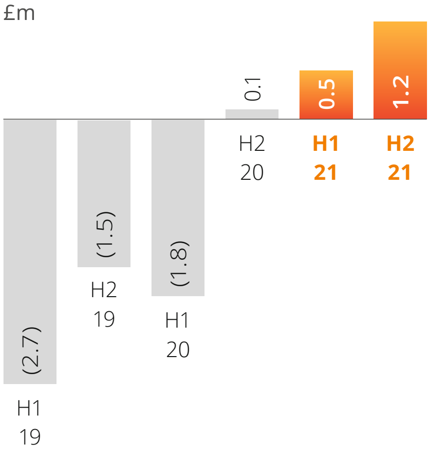
Revenue conversion
£m

£155m

£93m contracted in December 2021, topped up with £62m added during 2021 to deliver £155m revenue in FY 2021. £157m already contracted for FY 2022.



Adjusted EBITDA
£m



A further £9m was delivered through a now exited low margin contract, resulting in the total £155m revenue delivered in FY 2021.

As a result of record bookings in 2021, the level of contracted revenue estimated to deliver in FY 2022, as we exited 2021, was £157m, representing a substantial (69%) year on year increase on which to build further revenue.

The Group is also serving additional out of contract customers, at increased tariffs reflective of the market conditions, providing further revenue growth opportunity.

The increased contracted revenue and pool of customers providing out of contract revenue opportunity provide the Board with significant confidence that a very strong organic growth rate will continue in FY 2022.

Improved profitability
The Board continues to utilise adjusted EBITDA as its core profitability measure, being a close proxy to the recurring and "cash like" profitability of the Group.[2]

Adjusted EBITDA increased by £3.4m during the year, to £1.7m. A £1.2m profit in the second half of 2021 was achieved, up from £0.5m in H1 2021 and £0.1m in H2 2020.

With the exception of the first six months of 2020, which were materially impacted due the initial Covid-19 lockdown, the Group has continued to improve underlying profitability for each six month period from 2019.

Adjusted EBITDA at 1.1% of revenue (2020: -1.7%) is derived from the profitability from customer contracts (referred to as net customer contribution) of 6.7% less general overheads, which are already sized for significant growth, of 5.6%.

Recognising the progress made already to bring the Group to a profitable footing, the Board remains focused on further improving adjusted EBITDA to achieve higher returns. Increasing net customer contribution whilst creating further overhead benefits is core to this strategy.

Gross margin improved to 9.8% for the year (2020: 7.6%) demonstrating the successful mitigation provided by the deployed hedging strategy, and the focus on managing customer contract lifecycle value. The continually improved systems and processes which are now firmly embedded in the organisation are providing further enhancement in value, and this is set to continue as the digital programme delivers additional benefit.

The integration of AmpowerUK customers and the increased revenue in Q4 2022 led to a higher bad debt charge in the second half of the year. The full year charge of 3.1% of revenue was therefore comparable to FY 2020 of 3.1%.

The relationship between gross margin performance and bad debt is carefully monitored, with management targeting net customer contribution when assessing various sales channels or customer segments available to it.

Net customer contribution at 6.7% has increased in 2021 (2020: 6.1%, or 4.5% including the impact of Covid-19 losses).

General overheads of 5.6% for 2021 (2020: 6.2%) have started to show benefit from economies of scale. These overheads consist of cost to acquire ("CtA") (sales and marketing related costs), cost to serve ("CtS") (operational and customer service systems and people to deliver our core services) and general administrative costs (premises, occupancy and support function costs).

CtA was 1.6% of revenue in 2021, as benefits from new digital sales acquisition tools launched in 2020 were secured. CtS and general administrative overheads were each 2.0% of revenues.

Further scale benefits are targeted in general administrative costs which are largely fixed in nature. CtS is also targeted to increase at a slower rate than revenue, as the benefits from the Group's digital investment are realised.

In summary, the momentum and forward targeting of improvement to net customer contribution, coupled with the efficiency benefit in general overheads, are the core areas of the Board's strategy to further increase adjusted EBITDA.

Adjusted EBITDA reconciliation £m	2021	2020
Adjusted EBITDA	**1.7**	(1.7)
% of revenue	**1.1%**	-1.7%
Adjusted items:		
Non-recurring costs	**(0.6)**	—
Unrealised gain on derivative contracts	**3.3**	1.0
Share based payment charge	**(0.2)**	(0.3)
Depreciation and amortisation	**(0.7)**	(0.6)
Statutory operating profit	**3.5**	(1.6)

1 Net cash is defined and reconciled in note 24 to the financial statements.

2 The reconciliation of adjusted EBITDA to statutory operating profit is included in note 7 to the financial statements.

Robust performance

In addition to a pleasing and robust adjusted EBITDA, the Group's profit for the year of £4.5m is significantly increased (2020: loss of £1.2m). This result is after £1.1m of tax credit (2020: £0.4m); and £0.2m (2020: £0.3m) of share based payments. The tax credit reflects an increased deferred tax asset, predominantly from brought forward tax losses which (based on the announced increase to future corporate tax rates) are more valuable to the Group.

The profit for the year also includes, before tax, a £3.3m (2020: £1.0m) unrealised gain on derivative contracts. This gain arises on a small proportion of forward commodity purchase contracts which do not match the strict definition of own use under IFRS 9, and are therefore assessed at fair value at the balance sheet date. With the high global commodity market prices the level of gain has increased substantially during FY 2021. The Board believes that the associated financial asset (being a non-cash item) will reduce should the commodity market restabilise.

Non-recurring costs of £0.6m (2020: £nil) relate to the accrual of the Group's estimated share of expected costs "mutualised" across the energy supply industry from the unprecedented level of supplier failures. The Board is disappointed to be incurring such industry costs which are outside the control of the Group.

Cash flow and working capital

The Group had net cash of £6.8m at 31 December 2021 (2020: £11.4m), consisting of £7.0m of cash less lease liabilities. The Group has no other debt.

A net decrease in cash and cash equivalents of £4.7m for the year (2020: increase of £9.4m) consists of a £0.8m operating cash outflow (2020: £12.1m inflow); a £0.2m repayment of leases and interest (2020: £0.1m); and £3.7m (2020: £2.6m) of capital expenditure.

For operating activities, trade and other receivables before the movement in financial derivative assets increased by £19.7m (2020: £0.3m), with trade and other payables increasing by £17.5m (2020: £4.0m).

Significantly increased revenue for the month of December 2021, with the integration of AmpowerUK customers and increased out of contract customers at market reflective higher tariffs, accounted for a £10.8m increase in accrued income to £22.0m (2020: £11.2m). This level of accrued income is fully supported by invoices raised in January 2022 and aligns with the Group's normal billing cycle.

As well as the growth in revenues, trade and other receivables also increased as a result of payments to third-party intermediaries ("TPIs") on commencement of introduced sales contracts, and the increased derivative financial asset recognised under IFRS 9.

Countering the significant increase in receivables due to the Group's sales growth, current trade and other payables increased by £17.5m (2020: £4.0m) which is largely a result of increased accrued expenses for industry and energy costs.

Following significant growth in revenues secured from the AmpowerUK integration, the record organic growth secured, and the higher energy market prices, the Board is focused on ensuring the increased level of working capital movements is managed appropriately as we rapidly transition to a higher price environment. In particular the Board is mindful of the potential delay to our customers' ability to make payments in view of the significantly increased cost of energy which is being suffered by those who have not locked in contract tariffs at lower market prices.

For FY 2020, deferred HMRC payments of £3.6m were held under the Government's Covid-19 support package, which reduced to £1.4m at 31 December 2021. FY 2020 also included a one-off cash inflow of £10.2m as the new structured commodity trading arrangement resulted in a repayment of previously lodged cash collateral. The credit limit in place under the Group's trading arrangement is not currently being utilised in view of the high global market prices.

As set out in detail in the annual report, the Board monitors the credit limit provided and risks and mitigation available to it related to the credit risk with trading counterparties. The Board also reviews any impact on credit limits and liquidity depending on the level of global commodity prices compared to the value of the Group's forward hedged position.

The £3.7m of capital expenditure in FY 2021 includes £2.6m (in addition to the £1.2m paid prior to FY 2021) for the freehold acquisition and fit-out of our new innovation centre established in Leicester. A further £1.1m was invested in software and systems as part of the Group's Digital by Default strategy.

The innovation centre and Digital by Default investments are targeted to drive significant revenue and profitability improvement in the short and medium term.

Summary: continuing to successfully implement our financial framework

We continue to apply our financial framework, to scale revenues (organically and inorganically) and increase adjusted EBITDA via improved net customer contribution and reduced overheads (powered by digital efficiency), whilst maintaining robust cash and working capital management.

With £157m of contracted revenue already secured for FY 2022 as we exited 2021, a stronger market positioning and a higher market value opportunity following the energy crisis, and increased numbers of customers on out of contract agreements, we remain confident that top-line growth will continue. We also continue to review the market for value enhancing acquisition opportunities.

With this scale in revenue, we look to continue to enhance gross margin whilst driving down our cost of bad debt. We therefore target increasing net customer contribution from the 6.7% (2020: 6.1% pre-Covid-19 impact) achieved in FY 2021, combined with targets to reduce general overheads from the 5.6% in FY 2021 (2020: 6.2%).

In short, the Board is fully driven to further increase adjusted EBITDA from the 1.1% achieved in FY 2021 and on significantly increased revenue.

Paul Rawson
Chief Financial Officer
22 March 2022

See the energy market overview on page 6 and the risks and uncertainties on page 33 of the Strategic Report, and note 19 of the financial statements for further information and analysis in relation to the high global commodity market prices and our hedging arrangements

GROWTH	ADJUSTED EBITDA		CASH
BIGGER Subscription revenue model	**BETTER** Net customer contribution	**FASTER** Leverage overheads	**STRONGER** Close cash and capex management

GROWTH

We have good visibility of forward revenue, and our market opportunity is significant. We combine strong organic growth with value enhancing inorganic opportunities where available.

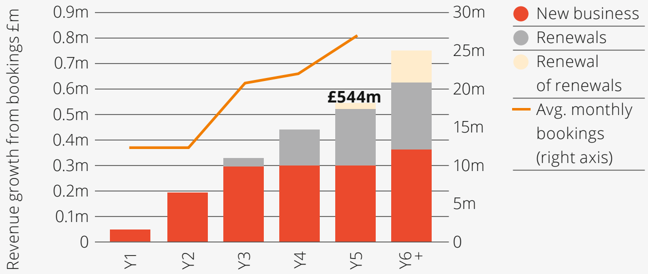
The Group's revenues from contracted products are supplemented by customers who prefer to remain in a variable arrangement. The contribution from variable customers should grow as the Group matures.

Average monthly bookings are also a good early indicator for the scale of future revenues.

Illustrating growth potential, the chart is based on £12.5m of average monthly bookings (being £150m per year), with a three month delay in contract start date and a 24 month average contract term.

Renewals at 70% provide an opportunity for higher future bookings. Bookings could increase to £27m+/month in year 5.

Assuming a standing start, with no existing contracted revenue or additional revenue from contracts, year 5 revenue would still exceed £500m.



ADJUSTED EBITDA

We increase adjusted EBITDA via improving gross margins, controlling bad debt and leveraging general overheads as we scale and utilise digital technologies.

In addition to the leading customer journey and service benefits unlocked by our new digital tools, the Board also targets significant adjusted EBITDA benefits from its investment. Benefits include:

- **Customer insight and portfolio optimisation:** Clear and understood information through good data, algorithms to optimise customer interactions such as renewals or additional products, and detailed customer insight provide true differentiation for the Group – leading to increased growth and gross margin benefits.
- **Automated billing and collection processes:** Clearly defined and automated internal processes, and interfaces with key partners, combine with smart meter technology for real-time access to customer usage and account status. This technology unlocks significant opportunity to improve hedging activities and deliver pricing and customer cash collection benefits.
- **Reduced cost to acquire and cost to serve:** As customers and third-party intermediaries are able to access the portal and self-serve, our costs to acquire new customers decreases. The same applies as customer's self-serve, entering into personal contact when essential - though even in those cases still utilising efficient processes to maintain cost discipline whilst not compromising on customer service.
- **General administrative cost benefits:** We secure savings from efficient support functions, property and occupancy costs and other largely fixed costs to leverage further economies of scale as we grow organically and through acquisition.

Key numbers:

£3m
£1.1m invested in building our digital capability in FY 2021, and a further £2m ambition for FY 2022

54% vs 36%
Increased revenue of 54% in FY 2021 outstripped the 36% increase in overheads, demonstrating scale benefit

£15m
Annual adjusted EBITDA benefit target at £500m of revenues from efficiency targets (3% of revenues)

See Digital by Default overview on page 11

CASH

We manage cash and maintain working capital focus to support our ambitious growth plans.

Our objectives:

- prompt "bill to cash" conversion;
- utilise the increasing credit limit in our commodity trading agreement to support forward hedging of commodity risk;
- continued investment in sales and marketing to accelerate profitable growth;
- manage energy industry payment cycles; and
- optimise capital structure to take account of lower cost of debt funding and ability to invest in inorganic growth.

BUILDING MOMENTUM

Links to strategy
1 Bigger
2 Better
3 Faster
4 Stronger

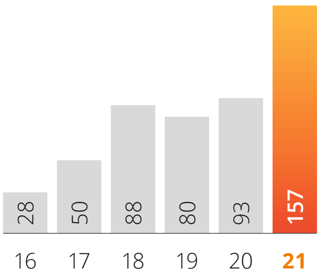
1 2 3

CONTRACTED REVENUE (ONE YEAR FORWARD)

(£m)

£157m

+69%



Definition
Contracted revenue comprises the estimated value of revenue, based on contracts with customers, for the subsequent 12 months. The actual amount recognised on these contracts as revenue might typically vary by up to 20% due to the inherent estimation involved in this calculation.

The KPI excludes contracted revenue beyond a year forward, and any out of contract customers (being those customers who are supplied energy by the Group but do not have a fixed price and fixed term contract).

The level of contracted revenue represents a good basis on which to calculate potential growth in revenue going forward.

Performance
Contracted revenue for delivery in 2022 of £157m secured at the end of 2021 is 69% above that at the end of FY 2020 (for delivery in 2021). This is a significant increase, reflecting the high sales activity achieved by the Group during 2021.

This basis provides confidence to management in the ability to achieve growth in revenue in FY 2022 and beyond.

Target
The Board targets a further improvement in contracted revenue by the end of 2022, to impact 2023.

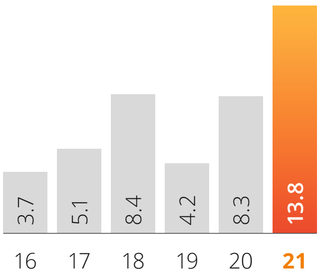
1 2 4

AVERAGE MONTHLY NEW BOOKINGS

Average contract term: 30 months (£m)

£13.8m

+66%



Definition
Bookings represent the annualised revenue (or contract term if less than one year) of new business signed, averaged on a monthly basis. Such bookings are secured through renewal of contracts with existing customers, the cross-sell of additional services to existing customers, or the acquisition of new customers through various sales channels.

Bookings will result in additional contracted revenue, dependent on contract start dates.

Contracted revenue, and ultimately revenue achieved from such bookings, may vary by up to 25% due to the inherent estimation involved under normalised conditions and the potential for new bookings to not ultimately go live on supply.

Performance
Accelerating and significant growth in new bookings has been achieved, building on the already strong growth experienced in FY 2020.

The level of average monthly bookings also included an exceptional Q4 2021, at an average of £24m, driven largely by the integration of AmpowerUK's business book and other industry disruption as a consequence of the failure of some competitors.

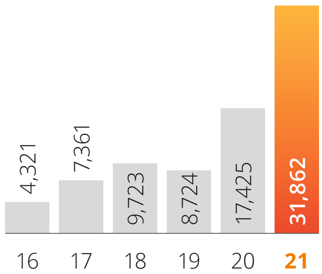
Target
The Board targets continued growth in bookings (assuming some market re-stabilisation from the impacts of the energy crisis) as the Group scales in the significant UK market opportunity available.

1 2

TOTAL METER POINTS

31,862

+83%



Definition
The total meter points demonstrate the gas, electricity and water supply points served or under contract to be served by the Group at the relevant year end. They represent the number of utilities, per premises, which are supplied gas, electricity and/or water by the Group, as an approximate indicator of business growth.

Performance
There has been significant organic growth, as also demonstrated in monthly bookings and contracted revenue KPIs, and the revenue realised in FY 2021.

The integration of the AmpowerUK business book in November 2021 has also led to a significant increase in the number of meter points served by the Group at the end of 2021, with 3,953 meters still on supply.

Target
In line with the Group's growth strategy, the Board targets continued organic and inorganic growth which is expected to further increase meter points supplied by the Group.

Other KPIs
In addition, the Board and Executive Management Team monitor various other metrics to manage the business and drive forward profitability. Such metrics include the externally reported Trustpilot score, total contracted revenue, average contract term, ratio of conversion of billing to cash, engagement via digital channels, employee engagement, contract renewal rates, profitability returns by sales channel, and compliance with covenants and internal risk policies.

Links to remuneration
Management bonus incentives are linked to business growth and profitability KPIs. The Group LTIP is based on share price growth – providing direct correlation between shareholder value and the remuneration of key management.

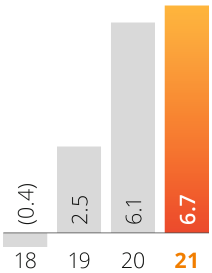
Adjusted EBITDA is the key profitability measure used by the Group as referenced throughout the Strategic Report.

3 4

NET CUSTOMER CONTRIBUTION

6.7%

Improvement of 0.6% in 2021



Definition
Net customer contribution measures the normalised profit contribution, as a percentage of revenues, directly linked to customer contracts. This consists of the gross margin reported (adjusted for any non-recurring items including the impact of Covid-19 in H1 2020), less the bad debt and expected credit loss charged against adjusted EBITDA.

Net customer contribution can vary as the Group flexes its commercial strategic objectives. Such changes can be a result of differing point of sale margins across sales channels, cross-sell of multiple products, managing lifecycle initiatives and mitigating bad debt and expected credit loss.

Performance
The Group continues to improve its profitability.

Contracts sold at higher margins have replaced legacy, low margin contracts which have now washed through.

In addition, significant commercial action to optimise customer lifecycle value and minimise bad debt is contributing to the upward trend.

Target
Continued upward momentum is targeted by management to take advantage of the new clean book, consisting of higher margin contracts, and the continued commercial initiatives taken to optimise customer lifecycle value.

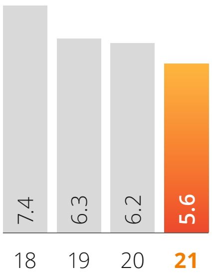
The Group is also continuing to invest in digital technologies to improve the customer collection cycle which should lead to further improvement over the medium term.

2 3 4

GENERAL OVERHEADS

5.6%

Improvement of 0.6% in 2021



Definition
General overheads represent the overheads (excluding bad debt) charged to adjusted EBITDA as a percentage of revenue. They comprise the operating costs on a normalised, recurring basis and before the impact of equity-settled share based payments, movements in derivatives charged to the income statement and exceptional or non-recurring costs.

Such general overheads are allocated by management between cost to acquire (costs incurred in sales, marketing and pricing new business), cost to serve (costs to operate and deliver core services to customers, including credit control) and general administrative (typically relatively fixed costs of the Board, functional support such as IT, HR and finance, and property costs).

Performance
The positive trend in overheads has continued, aligned with the Group's strategy to leverage overheads with scale. In overview, the Group expects to benefit from continued reductions in overheads as it takes advantage of its scalable operating platform.

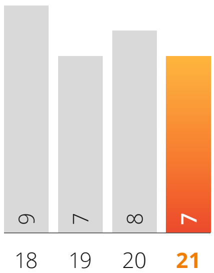
Target
As a consequence of the efficiencies brought by scaling the Group, close control over fixed overheads and use of digital technologies, the current 5.6% overheads incurred by the Group are expected to continue to reduce in the medium term.

2 4

OVERDUE CUSTOMER RECEIVABLES

7 days

1 day improvement



Definition
Overdue customer receivables ("OCR") represent the amount outstanding and overdue, net of provision and deferrals, to key customer receivable balances, compared with the revenue recognised. Such balances are the amounts held in relation to accrued income which is beyond the normal one month billing cycle, plus trade receivables (net of VAT and CCL) that are overdue.

Management utilises this metric as it assesses the trending of working capital tied up in customer receivable balances and also demonstrates unprovided risk to the income statement on such balances.

Performance
A robust performance has remained in this key measure, with an improvement of one day.

As a consequence of AmpowerUK's business being integrated in November 2021, increasing revenue materially, the level of debtor and accrued income had increased at the end of the period in absolute terms.

Target
The relatively stable performance of the Group over recent years has shown clear focus by management in this area. Based on the wider economic context, the Board targets OCR to be broadly similar in FY 2021, though will closely monitor for any deterioration caused by customers delaying payments based on increased tariff rates as a result of high global commodity market prices.

OUR STAKEHOLDERS GIVE US OUR MANDATE TO OPERATE

WE AIM TO BUILD REGULAR ENGAGEMENT ACROSS ALL OUR STAKEHOLDERS, INCLUDING OUR SHAREHOLDERS, CUSTOMERS, PEOPLE AND COMMUNITY

OUR SHAREHOLDERS

How we engage

- Regular meetings and presentations following key events and results announcements in the year
- Online presentations at key times of the year (AGM/annual results)
- Responding via investor relations website

Outcomes in 2021

- New PLC website launched
- 2021 AGM and online investor presentation
- Presented at Shares and AJ Bell webinar
- Full year and half year trading updates shared via website and social media
- Q&A support for AGM engagement (held remotely in response to Covid-19 lockdown)

Planned for 2022

- Further communication and engagement with existing and potential investors
- Increased financial PR and visibility of the Company and its Board with existing and potential shareholders
- Full and interactive AGM (if possible under Government enforced Covid-19 restrictions)

OUR CUSTOMERS

How we engage

- Continued help, advice and support made available to business customer base including website FAQs, new products, digital marketing campaigns and email communications
- Digital marketing campaigns to drive brand awareness among disengaged SMEs and to engage with our customers on our range of products and services
- Customer surveys to gather feedback on satisfaction levels and customer needs to shape future product and service offering

Outcomes in 2021

- Website landing pages, FAQ pages and regular communications to support Ampower and Squeaky Energy customers during their transition to Yü Group
- New automated marketing journeys delivered to improve renewal communication and awareness of our full range of products and services
- Regular campaigns to drive awareness and uptake of smart meters
- New customer portal introduced to allow our customer base to benefit further from the "Yütility Simplicity" approach

Planned for 2022

- Further enhanced digital sales journey to be implemented providing an even easier online quote and contract experience
- Increased range of automated marketing techniques to further support customers on energy efficiency and cost saving initiatives
- Continued support of businesses as they emerge from lockdowns as a result of the Covid-19 pandemic
- Bigger and better digital campaigns to capture attention of disengaged SMEs

Section 172

In accordance with section 172 of the Companies Act 2006, each of our directors acts in a way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole.

The directors ensure a focus on quality management, ensuring high standards of conduct and sound business ethics, including clear and well-communicated Company values and policies.

The Group's governance frameworks, as referenced in the corporate governance section of this annual report from page 36, provide further information on how the directors ensure appropriate consideration for such decisions.

The Board's principal considerations and decisions in FY 2021 are documented on page 41.

OUR PEOPLE

How we engage

- Monthly "Yü-MAD" meetings to celebrate achievements and keep employees informed
- Annual business-wide event to celebrate individual achievements including employee/team of the year recognition
- Employee Knowledge Base to enhance knowledge capture and upskill teams
- Newsletters and Company-wide updates
- Quarterly employee engagement and "you talk, we listen" feedback
- Twice weekly team leader check-ins
- Employee feedback sessions, including monthly one-to-one meetings, bi-annual development reviews and team briefings

Outcomes in 2021

- New Company-wide intranet to improve internal communication and employee engagement
- Implemented career pathways to support talent development in response to engagement survey feedback with nine internal promotions to date
- Package of measures to support colleagues working remotely during Covid-19, including wellbeing support programmes, regular video check-ins and our improved Employee Assistance Programme

Planned for 2022

- Regular business-wide briefings from senior managers to increase engagement with and accessibility to the senior team
- Continued support and engagement with colleagues via focused listening groups and leadership workshops

OUR COMMUNITIES

How we engage

- Regular CSR activities and fundraisers for local and national charities
- Supporting career development in local communities and engaging with local educational institutions to offer student placements and apprenticeships

Outcomes in 2021

- Raised over £2,500 during the year for our chosen charity, Macmillan Cancer Support, helping to provide physical, emotional and financial support to those affected by cancer
- Continuation of apprentice and student placement initiative with appointments across marketing, HR and commercial functions

Planned for 2022

- Continued community activities alongside fundraisers to help make a difference
- Supporting Alzheimer's Research UK as our designated charity partner for 2022
- Supporting a low carbon future via the continued expansion of EV charge points and our Pure Green energy plan offering 100% renewable electricity, plus our Carbon Neutral gas plan which enables businesses to offset the emissions associated with their gas usage by investing in Gold Standard and Verified Carbon Standard schemes

DELIVERING SUSTAINABLE ENERGY SOLUTIONS

HELPING TO DELIVER A LOW CARBON FUTURE WHILST POSITIVELY IMPACTING PEOPLE AND COMMUNITIES

Bobby Kalar
Chief Executive Officer

Strengthening our commitment to a sustainable future
The Group fully appreciates we have an important role to play in the future of our planet and in supporting UK businesses to meet the commitments made at COP26 in November 2021. Providing sustainable energy solutions, we aim to accelerate progress to help deliver a low carbon future whilst positively impacting people and communities.

We strive to achieve this by providing a range of energy products to help businesses across the UK achieve their sustainability objectives. The relationships we build with our employees, communities, customers and partners are essential to us delivering our ambitions.

Our commitment to sustainability is instilled throughout the business and we are constantly reviewing opportunities to improve our approach.

Throughout 2022, we will endeavour to build and develop our range of green products to step up our support for businesses in their journey towards net zero.

We will also continue to strengthen and build on our sustainability strategy, focusing on its three pillars: product, planet and people.

Committed to managing our business responsibly
We are committed to working in ways that protect the environment and make a positive contribution to the communities in which we operate, whilst providing rewarding opportunities for our employees and protecting human rights.

We seek to understand and respond to the needs of our people, customers, partners, shareholders and the places in which we do business.

We aim to align our values and strategy with the needs of our stakeholders and foster a culture of continuous improvement to deliver against these needs.

We continually review our approach, identifying the environmental and social issues that are most relevant to the Group and which help evolve our purpose and business model.

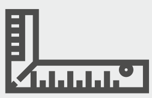
Bobby Kalar
Chief Executive Officer
22 March 2022

OUR APPROACH

We have developed a four-stage process to assess the key sustainability challenges and develop effective plans to address them.

Assess
Identify, evaluate and prioritise key sustainability challenges facing the Group and our stakeholders.

Framework
Establish a robust framework focused around the Group's key sustainability priorities.



Measure
Monitor progress against the key measures set within the framework to provide ongoing, evidence-based focus on sustainability.

Communicate
Ensure effective communication of our strategy and our progress against it to key stakeholders.

TO HELP FOCUS OUR AMBITIONS, WE HAVE FURTHER EVOLVED OUR SUSTAINABILITY STRATEGY, FOCUSING ON THREE AREAS:

PRODUCT: SUSTAINABLE ENERGY SOLUTIONS

Our ambition:
To assist businesses in their energy transition, supporting the deployment of lower carbon technologies and the net-zero ambitions of the companies we serve.

PLANET: SOCIAL AND ENVIRONMENTAL IMPROVEMENT

Our ambition:
To reduce our impact on the environment and climate by operating responsibly and have a positive effect on society, supporting the communities in which we operate.

PEOPLE: POSITIVE PEOPLE CULTURE

Our ambition:
To continue to develop a dynamic, engaging and inclusive work culture where ambition thrives and our employees feel valued and can fulfil their potential to deliver excellence in business utility supply.

COP26: WHAT IT MEANS FOR YÜ GROUP

On 13 November 2021, delegates at the 26th United Nations Climate Change Conference ("COP26") officially agreed the Glasgow Climate Pact. This hugely important document called on nations to set strict new climate targets by the end of 2022 and reduce unabated use of fossil fuels, with the aim of limiting the rise in global temperature to 1.5°C.

Two key areas of the pact are of particular relevance for the Group:

Global Coal to Clean Power Transition Statement
This recognised the imperative to urgently scale up the deployment of clean power to accelerate the energy transition away from continuing coal power generation.

COP26 declaration on zero emissions cars and vans
This landmark global agreement focused on signalling the end of polluting vehicles and rapidly accelerating the transition to 100% zero emissions cars and vans.

In response to this progress at COP26, UK organisations must speed up their transition to decarbonisation, step up corporate social responsibility initiatives, and act to meet ever-rising sustainability targets.

This will require a focus on carbon reduction, which makes onsite renewables, renewable energy procurement, and maximising energy efficiency across business operations ever more important. What's more, there will be further scope for load management and responsive energy solutions within a flexible grid structure.

SUPPORTING WITH SUSTAINABLE SOLUTIONS

We are supporting the Glasgow Climate Pact with a range of sustainable solutions to support businesses in their journey towards net zero including:

- SMETS2 smart meters;
- 100% green electricity via our Pure Green energy plan;
- our Carbon Neutral gas plan, launched in 2021;
- electric vehicle chargers; and
- energy efficiency reporting.

Since its launch in 2020, our Pure Green energy plan has gone from strength to strength, with more than 3,000 meter points supplied with 100% green electricity.

In 2021, we launched our Carbon Neutral gas plan, helping businesses to take positive steps towards reducing their carbon footprint by offsetting carbon emissions from their gas supply. These emissions are offset and invested in two of the most credible international schemes worldwide – Gold Standard ("GS") or Verified Carbon Standard ("VCS").

We will look to widen the choice available to customers and plan to expand our range of green products in 2022 to accelerate our support for businesses in their transition towards net zero.

SUPPORTING OUR CUSTOMERS IN THEIR TRANSITION TO A LOW CARBON FUTURE

WE CONTINUE TO BUILD OUR SUSTAINABLE PRODUCT OFFERING TO SUPPORT BUSINESSES ON THEIR JOURNEY TOWARDS NET ZERO, COMBINED WITH A COMMITMENT TO OPERATING RESPONSIBLY

PRODUCT

The Board continually assesses the impact of climate change and wider environmental considerations on our business model and customer offering, developing strategies to assist UK companies in the energy transition. This includes the provision of new technologies which aid the move towards a lower carbon utilities system.

Looking ahead, the Board will continually seek to increase the proportion of fuel supplied from renewable or low carbon sources, including via the promotion of the Group's green power solutions.

We continue to provide an accelerated smart meter rollout programme to all eligible customers and, as of 31 December 2021, 2,204 have had a smart meter installed. This enables them to actively monitor consumption profiles and trends, and effectively reduce their energy use.

We now have the technical capability to install three-phase smart meters and will shortly be rolling them out, offering intelligent energy management to even more businesses.

"OUR CARBON NEUTRAL GAS PLAN LAUNCHED IN 2021 TO COMPLEMENT OUR PURE GREEN ELECTRICITY PLAN, PROVIDING SUSTAINABLE OPTIONS FOR BUSINESSES ACROSS THEIR ENTIRE ENERGY SUPPLY."

"OUR NEW PURPOSE-BUILT LEICESTER INNOVATION CENTRE INCLUDES A WIDE RANGE OF STATE-OF-THE-ART ENERGY EFFICIENCY AND SUSTAINABILITY MEASURES."

PLANET

As a responsible business, the Group is acutely aware of the environmental impact of its own operations. We continually review ways in which we can minimise this impact, including the use of smart and energy efficient lighting, the installation of EV charge points and recycling.

Our new purpose-built Leicester office, the Energy Centre, includes a wide range of state-of-the-art energy efficiency and sustainability measures.

In addition, we have identified a number of measures in our approved travel plan to encourage employees and visitors to use sustainable transport to and from the Leicester office.

Operating responsibly

As part of our commitment to operating responsibly, we continue to make sure that we meet the highest ethical standards in areas including GDPR, diversity and inclusion, and the Modern Slavery Act.

We ensure rigorous compliance with the Act, regularly reviewing our Modern Slavery Policy, conducting risk assessments with our supplier base, and running training programmes with our team.

We are an equal opportunities employer and have a comprehensive training programme on diversity and inclusion for all our colleagues. We are also a "Disability Confident Committed" employer, ensuring an inclusive and accessible recruitment process and supporting job opportunities for disabled people.

Charitable support

Macmillan Cancer Support was again the charity our colleagues voted to raise funds for in 2021. During the year our activities focused on creative ways to raise funds whilst adhering to Covid-19 guidelines. In total, our teams raised more than £2,500 for Macmillan.

PEOPLE

Throughout the year, we have remained focused on developing a dynamic, engaging and inclusive work culture where ambition thrives and our people aspire to achieve real change for our customers, the energy industry and the communities in which we operate.

We have continued with our rigorous approach to performance leadership, training and development, supporting colleagues and helping them to unlock their full potential. Our internal talent programme provides leadership development, coaching, mentoring and technical training, and forms part of our future leaders pipeline.

Evolving our culture

As our culture has evolved further, we have continued to encourage greater collaboration across the business, resulting in the successful delivery of multiple projects right first time. These include the Ampower SoLR and Squeaky Energy customer book acquisitions in 2021.

Supporting our people through the continuing coronavirus pandemic has remained a key priority, and we have embedded new working practices introduced in 2020, embracing technology and flexibility to ensure we deliver for our customers and each other.

Monthly Company-wide "Yü-MAD" meetings, held simultaneously for colleagues in Leicester and Nottingham, have helped to foster a one-team approach, and a new Company intranet improved internal communications, providing a knowledge hub for all our employees.

Colleague engagement

We conduct regular employee engagement surveys, the results of which are also critical to business growth by bringing new and innovative ideas into Yü Group.

During 2021 our colleague engagement score continued to improve, reaching 74% – a 3% increase on 2020. The vast majority of employees told us they were proud to be a member of their team (94%), they have sufficient tools to do their job (78%), and they receive regular, constructive feedback from their line manager (91%).

Regular focus groups, with employee representatives from each department, provide an opportunity to gather feedback from teams on matters such as training, career pathways, communication and benefits.

Supporting job creation and career development

As part of our people strategy, we have continued to partner with local universities in Nottingham and Leicester to offer placements to students, allowing us to develop a future talent pipeline for the business.

Our team includes apprentices, placement students and recent graduates, and our approach underlines our commitment to developing our people and building rewarding careers.

During 2021 we recruited two apprentices and were able to offer eight internal promotions as part of our talent pipeline. We offered year-long placements to students in marketing, HR and commercial for the third year running.

We plan to further enhance our university collaboration as we continue to grow our innovation centre in Leicester.

Fairly rewarding our people

As part of our ongoing commitment to offering our people fair reward for the work they do, all our employees are paid above the Living Wage and are offered a comprehensive package of benefits and support. Our rigorous approach to performance leadership delivers fairness, affordability and consistency in our people management and reward.

Average number of employees during 2021

145

Male

68%

Female

32%

Average age

35

Employee engagement rate

74%

Raised for Macmillan in 2021

£2,500

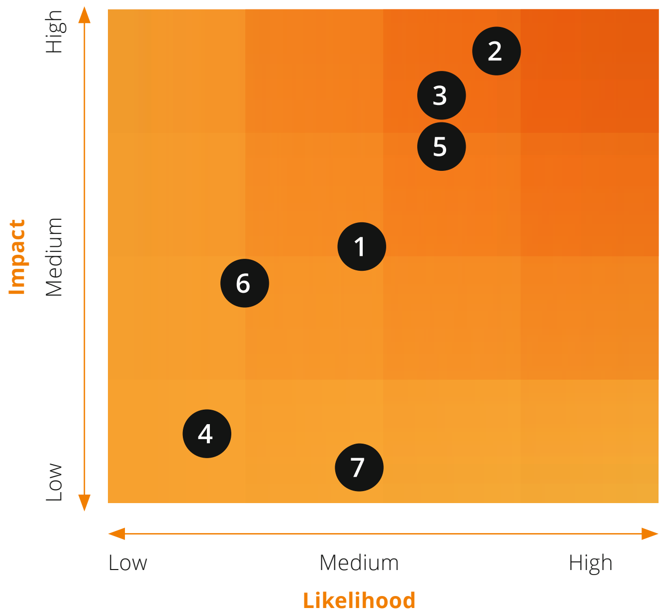
CLEAR ASSESSMENT AND MANAGEMENT OF RISK

MONITORING AND ANALYSIS OF RISKS AND UNCERTAINTIES TO PROTECT AND ENHANCE THE BUSINESS

Approach to risk
The Board is responsible for maintaining the Group's risk management and internal control systems and for the monitoring and mitigation of risk (and opportunity) in line with the Group's objectives. The Audit Committee also reviews risks on behalf of the Board and provides further oversight and risk mitigation when working with executive team members.

The key features of the Group's systems of internal control are:

- a risk and internal control improvement register is maintained by the Group Risk Manager and reviewed regularly by the Board and Audit Committee. The risks are identified and discussed by executive team members and operational managers, or in risk reviews held by Board members;
- an organisational structure with clear segregation of duties and control and documented, Board approved delegated levels of authority;
- strong policies and procedures in place underpinning good governance and a solid internal control framework;
- some internal audit assurance is provided by independent ad-hoc third-party reviews, where appropriate, and also via internal compliance and quality function roles;
- a regular risk and internal control forum takes place, chaired by the Group Risk Manager with the Chairman of the Audit Committee, Chief Executive Officer and Chief Financial Officer in attendance. This gives clear visibility and accountability for risk management; and
- formal hedging policies and a risk mandate that govern the Group's approach to the forward purchase of commodity contracts.



1. Covid-19
2. Commodity hedging and price volatility
3. Covenant or trading arrangement breach
4. Revenue recognition
5. Customer credit and delayed receivables
6. Disrupting the market
7. Relationship with regulatory bodies

BOARD
Ultimately responsible for risk management. Regularly reviews the risk (and opportunity) assurance framework

EXECUTIVE COMMITTEE
Assesses key risks in all areas of the business and promotes the necessary action and behaviours to mitigate them

AUDIT COMMITTEE
Reviews risks, mitigation actions, systems and controls. Liaises with external auditor and advisers to ensure control environment is effective

COMPLIANCE AND QUALITY TEAM
Tests key areas of internal control and compliance

OPERATIONAL RISK AND IMPROVEMENT REVIEWS
Operational focused reviews to monitor risks, including hedging

RISK AND INTERNAL CONTROL FORUMS
Monitor the risk and internal controls of the Group

THIRD-PARTY REVIEWS
Ad-hoc reviews

POLICIES, PROCEDURES, REPORTING AND REVIEW
Documented controls, delegated levels of authority and management review processes

PRINCIPAL RISKS AND UNCERTAINTIES

WE ASSESS THE VARIOUS RISKS FOR THE GROUP IN ORDER TO IMPLEMENT MITIGATING ACTIONS AND TAKE ADVANTAGE OF OPPORTUNITIES

Links to strategy

1 Bigger
2 Better
3 Faster
4 Stronger

GEOPOLITICAL IMPACT OF THE RUSSIAN INVASION OF UKRAINE

The recent developments in Ukraine have led to an enhancement of various risks faced by the Group.

In particular, the War and potential sanctions, and the potential for shortage of gas supply to match demand, have a potential impact.

Current volatility in markets has led to temporarily suspending new sales on occasion as a lack of commodity market trading liquidity or ability to gain cost certainity results in a prudent risk approach being required. There are also increased credit and counterparty risks, with customers facing higher costs to meet their energy demand; the potential for sanctions on some large industry players which may spread to other counterparties; and an increased exposure to credit risk with our trading counterparties.

Whilst such risks are currently being reviewed and managed using the Group's existing governance framework, the Board continue to monitor the situation and will assess any further escalation as it arises.

MANAGING THE RISK OF THE "ENERGY CRISIS"

Following an unprecedented increase in global commodity prices (exacerbated by a war in Europe) and a high number of supplier failures (predominantly operating in the domestic supply market), there is a more volatile market context than the prior year – referred to by some as an "energy crisis".

The Group has performed well despite this context, together with the impact of the Covid-19 pandemic. The Board is pleased to report a continued strong trajectory in financial results with 2021 generating the highest level of profitability for the Group since its formation.

The Board is confident of the ability of the Group to withstand this wider market volatility over the coming months. This is based on the differentiated business model deployed, including investment in digital technologies and robust management and systems. This gives confidence in the ability to navigate key areas, from customer service and customer lifecycle management through to hedging and credit control activities.

The Board also acknowledges that many of the failures are competitors which operated significantly different business models to the Group: both those suppliers which may not have effectively hedged their forward commodity market customer demand; or those domestic suppliers which face increased regulatory (and hedging) risk associated with the price cap.

The Board is not complacent and will remain focused and diligent in assessing the various risks and uncertainties (including those realised as part of the wider energy crisis), managing working capital as the Group scales, and deploying appropriate mitigation and risk management strategies. In particular, the Board is mindful of the significantly increased cost of energy borne by its customers in operating their own businesses.

See also page 6 for further context related to the external market conditions

1. COVID-19

Description

The global pandemic has brought an additional overarching risk to the Group over the last two years and also potentially heightens the likelihood and impact of existing risks.

Such risks have spanned the health and safety of employees; the risk of business interruption or reduction in business efficiency; the potential for impact on customer demand and, therefore, the commodity hedging activities of the Group (mostly seen in the March 2020 initial lockdown); and the potential for increased customer credit risks as part of the wider economic context.

Mitigation

The risks related to Covid-19 have become aligned to business as usual.

The Group is operating effectively and has implemented certain technologies to improve operational efficiency in a hybrid (office and home-working) model.

Risk mandates, forecasts and sensitivity analysis now include cases which consider the impact, and potential further impact, from future lockdowns or events.

Mitigation actions are therefore considered in the various other principal risks and uncertainties as outlined in the following sections.

Whilst future Covid-19 variants may result in a change to the risk position of the Group, the Board feels confident in the mitigation and action taken to date.

Strategy 1 2 3 4 **Decrease**

2. COMMODITY HEDGING AND PRICE VOLATILITY

Description

The energy commodity market has been extremely volatile during 2021, with significant increases in global market prices and large intra-day and week-to-week changes in the price quoted of forward and delivered commodity trading products.

There is a risk that, without operating a robust hedging policy, the Group would be significantly exposed to commodity market prices. In addition, without suitable pricing mechanisms, there is a risk that fixed term and fixed price tariffs are agreed with customers which are below the cost price of energy.

Finally, additional price volatility can provide additional (when assessed at financial value) risk or opportunity as a consequence of balancing final customer demand with the traded position. In simple terms, the cost of imbalance (being long or short of energy for each delivery period) for the same units (MWh) of energy will result in a higher gain or loss in financial terms where market prices are increased.

Mitigation

The Group continues to hedge demand (based on its detailed analysis of forward consumption information) to mitigate the impact from market volatility. Customer demand is spread over multiple customers operating in a variety of sectors allowing a good diversity of risk across the portfolio.

The SmartestEnergy trading arrangement is well established and has helped significantly reduce the impact of market volatility on the Group and in particular the Group's cash reserves.

The Group has been automating processes across the business, particularly over customer pricing and onboarding, to ensure that contracts are processed from sale to commodity trading quickly and efficiently. Where market prices increase, or there is significant risk in setting customer prices, then the Group reduces sales activity or includes additional premia to cover risk.

The Group continues to monitor its forward hedging commitment under a detailed risk mandate, to mitigate its risks to volatile commodity markets.

Strategy 1 2 4 Increase

3. COVENANT OR TRADING AGREEMENT BREACH

Description

The trading agreement with SmartestEnergy Ltd ("SEL") enables an efficient access to commodity markets to implement the Group's hedging strategy, with an agreed credit limit which reduces the risk of cash margin calls (as is typical in trading arrangements). The agreement does, however, introduce some specific additional risks to the Group which have increased as a result of the Q4 2021 energy market volatility.

The Group has provided certain security (fixed and floating charge) and commitments to SEL and is required to adhere to and report on a number of covenants. A material agreement breach could have serious implications on the Group's ability to continue to trade if corrective action is not taken, including ultimately the enactment of security by SEL on the main trading assets of the Group.

The risk of the need to post cash collateral, above the credit limit provided under the agreement and above the Group's available cash level, increases where commodity markets decline significantly below the average price of the Group's forward traded position.

The agreement also, in mirror, results in significant counterparty credit risk to SEL where commodity markets increase. In the event of default the mark to market value on the forward trades (or the continued benefit of the trades) would otherwise be lost resulting in a reduced forward gross margin position on the Group's customer contracts.

Mitigation

The Group has various processes to review potential credit exposures (to and from SEL) and to monitor performance against covenants and the surplus or potential exceeding of credit limits.

Contractual mechanisms protect, to the extent available, certain counterparty credit risks.

In respect of potential cash calls above the level of the Group's available cash, the Board has identified some short and medium-term cash mitigation action drivers which could be implemented to mitigate, to the extent possible, a level of the short-term cash margin calls.

Strategy 2 4 Increase

4. REVENUE RECOGNITION

Description

Due to the inherent nature of the utilities industry and its reliance upon estimated meter readings, revenue includes the directors' best estimate of differences between estimated sales and billed sales, and customer billing may be based on estimates. When customers are unable to be billed for technical reasons, such as a failure in communicating to an automatic meter, a best estimate of the level of accrued income that is to be recognised also needs to be made by management.

Given the process for estimating involves a number of variables, there is a risk that the level of accrued income or revenue reported is inaccurate and not ultimately recoverable. Estimated meter reads may also lead to incorrect levels of industry costs being borne by the business, leading to an imbalance of costs and revenues.

Mitigation

Regular review and discussion at a senior level between members of finance and operational staff ensure that the reinforced processes put in place by the Group continue to be adhered to. This gives comfort that the Group's revenue recognition policy is appropriate and that accrued income is at a manageable level.

Management has also instigated additional controls over revenue and gross margin reporting, which provide greater confidence on recognition of revenue and appropriate costs.

The level of accrued income held at 31 December 2021 has been reviewed against actual bills raised post the balance sheet date, to assist in ensuring accrued income is at an appropriate level.

The Group continues to focus on its meter reading performance with increased levels of actual meter reads being achieved in 2021 when compared with prior periods.

Strategy 1 2 No change

Links to strategy

1 Bigger
2 Better
3 Faster
4 Stronger

5. CUSTOMER CREDIT AND DELAYED RECEIVABLES

Description

The Group is increasing its revenue significantly and there is a risk that this growth, and the wider economic context (including from the energy crisis and the economic environment as we emerge from Covid-19), can lead to material levels of bad debt, or materially delayed payment, in the Group's customer collections cycle.

There is also a risk that new customers, including those acquired as part of business combinations or SoLR, may have a more delayed payment history, or that the Group provides extended payment terms to customers to secure new business.

This can lead to an increase of the working capital required by the Group, and/or lead to financial loss where trade receivables are not recoverable from customers.

An increased working capital requirement may require funds which are not readily available to the Group, which could lead to the inability to pay its debts on time and suppliers requiring more onerous terms of payment or credit cover. This could further increase the impact on the Group's working capital and, ultimately, the Group's ability to continue as a going concern.

Mitigation

Significant work has been performed on improving processes to ensure appropriate action is taken to minimise the impact of bad debt on the Group.

Robust credit checks prior to and during contract terms, the requirement for upfront security deposits from customers, the enhancement of certain terms and conditions and the application of appropriate costs to ensure prompt payment of receivables are utilised by management to mitigate the risk.

Technical innovation is part of the Group's Digital by Default strategy to further enhance and improve such processes over the short to medium term.

Ultimately the Group may also require the raising of debt or equity funding in the event of prolonged increases in customer receivable amounts due.

Strategy 2 Increase

6. DISRUPTING THE MARKET

Description

As the Group continues its evolution as a disruptor in the B2B energy space, there is increased need for digitalisation and change. The Board firmly believes that business customers need access to 24/7 and efficient digital tools with easy access to all areas of their account from sign-up to renewal. There is a risk that the Group's disruptor position is threatened if competitors develop new technology.

The Group's Digital by Default strategy has committed capital expenditure and resources so as to deliver key strategic aims: an improved customer offering, cost efficiencies and data insight. With this strategic intent, there is a risk that time, effort and money is wasted and the programme does not deliver the expected benefits.

Disruption in the market has also led to the cost of supplier failure being passed to the Group, in addition to the mutualised cost of the Renewable Obligation Certificate scheme further referred to in note 7 to the financial statements.

Mitigation

The Group has recruited some key talent over the last two years, including various executive management, senior leadership, IT development, change management and data science personnel. Leading partners are also appointed to assist in business implementation. This helps ensure continued forward momentum on the Group's digitalisation programme.

Processes and procedures have evolved to ensure the Group stays on top of change management and in particular digital transformation. Regular project meetings, embracing agile working techniques, are held to ensure all change projects get the focus they deserve. Project plans and clear scope documents are put in place at the outset and the relevant senior manager and executives are held accountable for progress and timely delivery.

The Board continues to monitor the potential risk of further mutualisation costs (which has reduced in view of the more consolidated number of suppliers now in the market) and the potential for this to be passed through to customers.

Strategy 1 3 No change

7. RELATIONSHIP WITH REGULATORY BODIES

Description

The Group is a licensed gas, electricity and water supplier, and therefore has a direct relationship with the various regulatory bodies within the industry. In particular, the Group is regulated by Ofgem and Ofwat. If the Group fails to maintain an effective relationship with these regulatory bodies and comply with its licence obligations, it could be subject to fines or even the removal of its respective licences.

The Group also has made commitments to other energy market participants in order to ensure appropriate processes as required to operate an efficient market.

As a publicly listed company, the Group is also subject to certain financial regulations and regulatory bodies, such as the AIM Rules for Companies and the Financial Conduct Authority ("FCA").

There is a risk of non-compliance, fines or a restriction on the ability to operate where regulatory relationships and compliance are materially breached.

Mitigation

The Group has a management team and senior staff with extensive industry experience and broad experience in dealing effectively with the various regulatory bodies. The Group has an internal Risk Manager who focuses, amongst other things, on energy industry regulatory compliance and any ongoing regulatory communication that the Group is involved in. The Group monitors and takes appropriate actions in relation to complying with regulation.

During 2021, the Group has also opened new dialogue with Ofgem and has also been appointed as Supplier of Last Resort for AmpowerUK's customer book and two further books over the last six months.

The Board is committed to ensuring that the Group remains compliant with all industry and AIM regulations at all times and will actively seek clarification and an open dialogue channel if there is any requirement to do so.

Strategy 4 No change

The Strategic Report on pages 1 to 35 was approved by the Board and signed on its behalf by:

Paul Rawson
Company Secretary
22 March 2022

SEIZING OPPORTUNITY AND MANAGING RISK

A SIGNIFICANT IMPROVEMENT IN OUR GOVERNANCE, THOUGH THERE IS NO ROOM FOR COMPLACENCY AND OUR APPROACH WILL REMAIN ROBUST

Robin Paynter Bryant
Chairman

YOUR BOARD WAS RE-FORMED IN EARLY JANUARY 2020. AS WE HAVE "GELLED" IT IS PLEASING TO SEE THE POSITIVE IMPACTS OF INCREASED MATURITY AND WELL-DEPLOYED COMMITMENT CONTRIBUTING TO THE DELIVERY OF GREATLY IMPROVED RESULTS."

Dear shareholder,
I joined the Group as your independent non-executive Chairman back in January 2020 and it is again my pleasure to update you on our approach to governance in what has self-evidently again not been a "normal" or quiet year.

Two major external events, being the pandemic and the dramatic increase in the volatility of global energy commodity markets, led to many new issues that have tested your Board and the wider management teams. I'm very pleased to report that, despite the wider market context, the established improvements in our governance and risk assurance have proved robust and have enabled us to deliver clearly improved results.

Our governance framework is also designed to complement and further the objectives of the fast growing and ambitious company that we are. Equally, we ensure our processes are robust and clear and transparently balance the risks and opportunities with the most intelligent and reasoned mitigations available. We remain an agile, opportunity-hungry challenger.

Board composition and activities
Reports on the activities of the Board's Committees are set out on page 44 to page 47. These continue to be chaired by my two independent non-executive director colleagues, being Tony Perkins (Audit Committee Chairman and senior independent non-executive director) and John Glasgow (Remuneration Committee Chairman and independent non-executive director).

Your Board of directors is now well established, providing a good mix of skills and the high level of experience which match the Group's strategic needs. We continue to work collaboratively to meet our strategic objectives, whilst enjoying constructive challenge that ensures decisions are taken after appropriately robust consideration.

As set out in our Corporate Governance Report over the following pages, the Board has considered numerous matters in the year. These have ranged from defining a clear strategic plan linked to financial and non-financial KPIs to monitor performance, through to the consideration and undertaking of M&A and the Digital by Default programme roadmap.

As you would expect, some of our focus has also been on the external market context in relation to the pandemic and, more recently, the high global energy commodity market prices and the consequential number of energy supplier failures. We set out many of the risks and opportunities relating to these events throughout this annual report.

It is with pride that I note that our governance framework and our consideration of such risks (and opportunities) have been carefully managed and the financial results we have achieved in FY 2021 are clear evidence of this.

Delivering strategic objectives underpinned by solid governance
Our "bigger, better, faster, stronger" strategy is well documented and communicated throughout the organisation. It is complemented by our governance processes when considering business opportunities or assessing appropriate levels of risk appetite at multiple points in our value chain.

In addition, our approach to environmental, social and governance ("ESG") is very much led through the last letter, through appropriate governance frameworks. We outline our approach to sustainability, to product, planet and people, from page 28. Particular highlights have been the development of our green energy products, and the continued development of our people.

Building strength in depth has provided strong foundations for the Group. I'm pleased to see a culture which embraces the strong governance principles set by the Board underpinned with clear performance metrics for colleagues throughout the organisation.

Bobby Kalar, Chief Executive Officer, leads an Executive Committee ("ExCo") responsible for the day to day implementation of the approved strategy. Bobby is joined by Paul Rawson, Chief Financial Officer and Board executive director, together with other senior leaders hand picked for their expertise.

Having the experience, drive and focus from a dedicated and motivated ExCo has been critical in delivering the Group's strong financial performance and high growth and the seamless integration of acquired customer books.

Our appointment, by Ofgem, as the Supplier of Last Resort for AmpowerUK's customer book is testament to the establishment of the Group as a robust and credible industry player, capable of meeting complex demands from customers, regulators and other stakeholders. As is becoming almost routine, following our customer book acquisitions in 2020, we integrated our new 2021 customers on to our existing systems and processes over a single weekend. This demonstrates our capability to deliver at scale.

Ensuring a clear line of sight from the Board to the "shop floor" has been an essential component of the Group's strong performance in FY 2021, and we will continue to develop and refine our governance and risk assurance processes to keep pace with our ongoing growth.

We set out our approach to employees and other stakeholders, and our section 172 statement, from page 26. This includes, for example, the work we have undertaken to increase shareholder engagement. We always welcome and invite feedback from shareholders so as to remain focused on further enhancing shareholder value in the short, medium and long term.

Despite the challenges such as Covid-19, our agile challenger strategy is rolling out according to plan and our results demonstrate and validate our performance.

Summary: significant achievement, though no room for complacency
The effectiveness of our governance framework "reset", started in early 2020, has been tried and tested. We continually evolve and develop our governance and risk management processes to ensure they match our purpose as we drive ahead in our ongoing scale-up phase.

The Group's mettle has been challenged and tested by the materialisation of a seemingly unremitting series of real world "black swan" events, including a European war.

Despite this backdrop, the Board, the ExCo and all of my colleagues have risen to the challenge, enthusiastically seizing opportunities wherever they have arisen, and have delivered significantly improved results.

Put simply, we have built a robust framework and an agile capability to undertake controlled yet rapid growth.

Robin Paynter Bryant
Chairman
22 March 2022

Board composition

1 Independent non-executive Chairman

2 Independent non-executive directors

2 Executive directors

Tenure

3 More than three years

2 Between one and three years

Sector experience

4 Previous energy sector experience

1 Partial energy and other sector experience

GOVERNANCE OVERVIEW

Shareholders

JOHN GLASGOW
Independent non-executive
CHAIRMAN OF REMCO.

ROBIN PAYNTER BRYANT
Independent non-executive Chairman

TONY PERKINS
Senior independent director, non-executive
CHAIRMAN OF AUDITCO.

Board of directors

BOBBY KALAR
Chief Executive Officer

PAUL RAWSON
Chief Financial Officer and Company Secretary

Executive Management Team

BRINGING EXPERIENCE AND FOCUS

A WELL-ESTABLISHED BOARD, PROVIDING A GOOD MIX OF SKILLS TO MATCH THE GROUP'S STRATEGIC NEEDS

ROBIN PAYNTER BRYANT

Independent non-executive Chairman

A R

Skills and experience

Robin has more than three decades of experience in corporate finance, with a strong background in utilities. After joining City merchant bank Hill Samuel & Co. Ltd. in 1983 to work on asset, liability and treasury risk management for utilities and large companies, he worked at financial institutions including LCF Edmond de Rothschild, Credit Lyonnais Securities, Daiwa Europe and the Industrial Bank of Japan/ Mizuho Corporate Bank. With international experience across water, electricity, and oil and gas, he has advised companies such as Severn Trent Water Plc, Endesa SA, Italgas SpA, and Centrex European Energy & Gas AG. He has previously served as a non-executive director of Ofwat (the water services economic regulatory authority) and Prime International Investments Group Plc and as a board member of London Merchant Bank Ltd. Robin joined Yü Group in January 2020.

External appointments

Robin is currently a non-executive director and deputy chairman of Unity Link Financial Services Limited.

BOBBY KALAR

Chief Executive Officer

Skills and experience

Bobby has a degree in electrical and electronics engineering, and started his career working as an electronics engineer at Marconi PLC. In 2000, having moved to London to work for COLT Telecommunications, he headed a team of engineers involved with the bid and installation of the congestion charge scheme in London on behalf of the Mayor of London's Transport for London initiative. Following this major project Bobby invested in the care home sector, eventually owning and running a group of four care homes. In 2013 he sold the care homes so that he could focus on the market opportunity presented by the deregulation of the energy sector. He is the sole founder of the Group.

External appointments

Bobby is also a director of CPK Investments Limited.

PAUL RAWSON

Chief Financial Officer

Skills and experience

Paul has a degree in accountancy and is a qualified chartered accountant (ICAEW) with a history in financial and commercial management in high growth businesses. In 2001 he left KPMG to join the energy industry in what is now the Engie Group, where he held various senior financial and general management positions. These ranged from the financial and commercial aspects of a £100m investment project to generate and supply energy across the London Olympic Park to a number of energy related M&A transactions. Paul was latterly responsible, as divisional CEO, for energy solutions spanning the retail supply of gas and electricity to businesses, and the provision of low carbon generation, energy Software as a Service and smart building technologies. Paul joined Yü Group in September 2018.

External appointments

None.

COMMITTEE KEY

A Audit Committee

R Remuneration Committee

C Committee Chairman

JOHN GLASGOW

Independent non-executive director

A R

Skills and experience

John has over 40 years' experience in engineering, operations, trading and IT across the energy industry. Senior roles have included head of Powergen technical audit and head of Powergen's energy management centre, covering energy trading and power plant portfolio optimisation, and general manager of Powergen Energy Solutions. Latterly, he was in board roles including head of strategy for the establishment of the new E.ON Energy Services business, E.ON director of new connections and metering and director of operations and asset management at E.ON Central Networks. During this time John was also a board member of the Energy Networks Association and a member of the DECC Energy Emergencies Executive Committee ("E3C"). Upon leaving E.ON John became managing director of Sterling Power Utilities Ltd until autumn 2013. Subsequently John has carried out a number of technical consultancy and business advisory assignments across the industry.

External appointments

John is also a board member of the St Modwen Environmental Trust.

ANTHONY (TONY) PERKINS

Senior independent non-executive director

A R

Skills and experience

Tony has a degree in accountancy and is a Fellow of The Institute of Chartered Accountants in England and Wales. He left BDO in 2019 where he was a senior audit partner for many years, having joined the firm in 1980 and becoming a partner from 1990. He has acted for many fully listed and AIM companies in the professional services, natural resources, technology, manufacturing and retail sectors. He has extensive experience in financial, governance and risk management. He has advised on corporate strategy, transactions and expansion of businesses in the UK and internationally. Tony has held senior management positions at BDO as a member of the firm's leadership team including head of its London operations and national head of audit. Tony joined Yü Group in January 2020.

External appointments

Tony is also a director of D.J. Squire and Company Limited.

BOARD SKILLS

- **Strategy**
- **General management**
- **High growth**
- **Mergers and acquisitions**
- **Business consulting**
- **Digital change**
- **Accounting**
- **Financing and capital markets**
- **Commodity trading**
- **Regulatory**
- **Health and safety**

Find out more about our Board of directors

STRONG GOVERNANCE

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Board seeks to follow best practice in corporate governance appropriate to the Company's size and in accordance with the regulatory framework that applies to AIM companies. The Board has decided to apply and adhere to the Quoted Companies Alliance ("QCA") Code.

The QCA Code ensures a worthwhile, effective and flexible governance model. It encourages positive engagement between the Company and all its stakeholders. Good governance is one of the foundations of a sustainable corporate growth strategy. The QCA Code is constructed around 10 broad principles. The appropriate application of these principles will ensure that good governance practices are in place. Details of how the Group is applying those principles can be found on the investor relations section of the Company website at www.yugroupplc.com.

The Board

The Group is controlled through a Board of directors which comprises a non-executive Chairman, two executive directors and two additional non-executive directors, of which one is senior independent director. The Chairman is Robin Paynter Bryant (appointed January 2020) and the Chief Executive Officer continues to be Bobby Kalar.

All three of the non-executive Board members, being Robin Paynter Bryant, Tony Perkins and John Glasgow, were considered to be independent throughout 2021.

Find out more about our Corporate Governance

The two executive directors are Bobby Kalar, Chief Executive Officer, and Paul Rawson, Chief Financial Officer. Bobby Kalar is also Chairman of the Executive Committee ("ExCo"), comprising experienced senior individuals who drive the day to day implementation of the Board approved strategy. Paul Rawson also serves as Company Secretary.

The Board operates both formally, through Board and Committee meetings, and informally, through regular contact among directors and members of the Executive Management Team.

There is a schedule of matters that are specifically referred to the Board for its decision, including approving the interim and annual financial results, setting and monitoring strategy and examining business expansion possibilities. It is a requirement that the Board be supplied with information in a timely manner, in a form and quality appropriate to enable it to discharge its duties.

Board effectiveness is considered regularly, including through informal and formal processes. The Chairman and senior independent director undertake a formal review of the Board and sub-committees, annually, through a questionnaire covering various topics. The most recent review, conducted in December 2021 to January 2022, highlighted improvement in overall Board effectiveness based on performance compared to one year prior. Particular emphasis (as Covid-19 lockdown restrictions are lifted) to increase both informal interactions and strategy reviews were key focus areas identified.

The directors can and may freely obtain independent professional advice at the Group's expense in the performance of their duties as directors.

Board Committees

The Board Committees comprise the Audit Committee and the Remuneration Committee. Ad-hoc committees may be appointed to deal with nominations or corporate acquisitions, as instructed by the Board from time to time.

Audit Committee

During 2021 the Audit Committee comprised three members, all of whom are independent non-executive directors. Tony Perkins, senior independent director, is the Chairman of the Audit Committee. The other members are John Glasgow and Robin Paynter Bryant.

The Group's external auditor, along with the wider Board where appropriate, may attend Audit Committee meetings as requested by the Committee Chairman.

The Audit Committee considers the internal control, accounting and reporting of the Group, and monitors the risk framework of the Group.

Remuneration Committee

The Chairman of the Remuneration Committee is John Glasgow, who is an independent non-executive director. Tony Perkins and Robin Paynter Bryant are the other independent non-executive members.

The Committee meets periodically as required and is responsible for overseeing the policy regarding executive remuneration. The Board as a whole is responsible for approving the remuneration packages for the Group's Executive Management Team and for the remuneration of non-executive directors. The Remuneration Committee is also responsible for reviewing incentive schemes and for providing guidance on the packages of new appointments to the Executive Management Team.

Nominations Committee

There is currently no separate standing Nominations Committee. This will be reviewed as the Group and Board develop over time. The appointment of new directors is considered by ad-hoc committees of the Board, typically led by the non-executive directors, and final decisions rest with and involve the Board as a whole.

Other committees

The Board establishes other ad-hoc sub-committees as required.

BOARD CONSIDERATIONS IN THE YEAR

In addition to the below matters, as standing agenda items the Board considers updates from the Audit Committee and Remuneration Committee in respect of their specific scope. The Board also reviews other information presented by the executive directors, including financial information, the M&A pipeline, progress on strategic KPIs, and updates on matters raised by the Executive Management Committee or through investor engagement.

Quarter	Key matters
2021	
Q1	Finalisation of management short-term incentive for 2021
	People review, including culture, ethical values and team engagement planning
	Completion of purchase of new Leicester property
	Forward business planning including risk analysis
	Accounting and other considerations for the preparation of the 2020 annual report
	Consideration of the annual audit findings via the Audit Committee
	Approval of the 2020 annual report
Q2	Annual general meeting
	Review of operational performance
	LTIP award, following Remuneration Committee review, for an Executive Management Team member
	Consideration of financing strategy, and review and decline of proposals from debt providers
	Confirmation of exit of a specific contract to another supplier
	Review of investor engagement activities and support from third parties
	Update of continual review of the impact of Covid-19 on the Group, and appropriate mitigating actions
	Review of the terms of reference for sub-committees
Q3	Review and approval of a trading update
	M&A strategy and target review
	Review of the Digital by Default roadmap
	Approval of delegated levels of authority
	Strategic planning
	Approval of half year reporting
Q4	External audit planning
	Consideration of matters raised by the Remuneration Committee
	Review of the 2022 budget and business plan
	Annual review of corporate policies
	Review of the digital programme
	Review of market context related to high commodity prices and domestic supplier failures
	Consideration of matters related to the appointment as Supplier of Last Resort for Ampower
2022	
Q1	Review of Board effectiveness and 2022 objectives
	Forward business planning and risk analysis, including budget and appropriate targets
	Further review of market context and the risks and opportunities available
	Consideration of management short-term incentive for 2022
	Accounting and other considerations for the preparation of the 2021 annual report
	Consideration of the annual audit findings via the Audit Committee
	Approval of the 2021 annual report

Risk management and internal controls

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness, while the role of management is to implement Board policies on risk management and control. The Board has continued to implement various improvements to the internal control environment operating within the Group throughout 2021.

The Audit Committee also reports to and considers the risk assurance framework of the Group on behalf of the Board as referred to on page 32.

It should be recognised that the Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group operates a series of controls to meet its needs. These controls include, but are not limited to, a clearly defined organisational structure, written policies, a comprehensive annual strategic planning and budgeting process and detailed monthly reporting. The annual budget is approved by the Board as part of its normal responsibilities. In addition, the budget figures are regularly reforecast to facilitate the Board's understanding of the Group's overall position throughout the year and this reforecast is reported to the Board in addition to the reporting of actual results during the year.

The Audit Committee receives reports from management and the external auditor concerning the system of internal control and any material control weaknesses. Any significant risk issues are referred to the Board for consideration.

Shareholder communications

The Chief Executive Officer and the Chief Financial Officer regularly meet with existing shareholders and potential investors to foster a mutual understanding of objectives. Meetings with analysts and shareholders are held following the announcement of results. Feedback from these meetings and market updates prepared by the Company's nominated adviser are presented to the Board to ensure it has an understanding of shareholders' views. The Chairman and the other non-executive directors are available to shareholders to discuss strategy and governance issues.

Subject to restrictions imposed in relation to the Covid-19 pandemic, the directors encourage the participation of all shareholders, including private investors, at the annual general meeting. The results of the polls and proxy votes on each resolution are declared shortly after the meeting by means of an announcement on the London Stock Exchange and via the Company's website. The annual report and accounts are published on the Company's website, www.yugroupplc.com, and can be accessed by shareholders. Investor questions and answers and recorded statements are released to supplement the annual general meeting.

Our people

A significant part of the foundations of the Group has been the continued investment in building an experienced team capable of taking the Group to a new level of scale. Such investment involves ensuring a suitable mix of industry knowledge and experience, with the right cultural fit to match the Group's disruptive and challenger mindset.

The Board regularly reviews our people strategy in order to promote an ethical workplace, promoting our core values and standards to colleagues. The Board is proud to report that our culture, values and people engagement activities are aligned with the Group's ambitious strategy.

During 2021 average staff numbers increased from 111 to 145 people, reflecting the significant growth of the business.

Review of matters

The Board of directors has a forward calendar of matters requiring specific attention throughout the year and considers ad-hoc elements as required.

In addition to specific matters during the annual cycle, or such ad-hoc considerations, the Board also has a base standing agenda incorporating:

- Board planning and administration;
- Chief Financial Officer update, including management accounts commentary, cash flow and covenant compliance reporting, and the review of financial forecasts and strategic key performance indicators;
- Chief Executive Officer update, including the ExCo performance and any matters raised by the ExCo, together with feedback on strategy implementation, growth (including potential mergers or acquisitions to consider), and other key business objectives; and
- updates from the Audit Committee (including risk assurance) and the Remuneration Committee.

ATTENDANCE AT MEETINGS

● Meeting attended ○ Not applicable

Total number of meetings

Main Board – 8 Ad-hoc – 1 Audit Committee – 3 Remuneration Committee – 2

	Jan	Feb	Mar	Apr	May	June	July	Sept	Oct	Nov	Dec
Main Board meeting											
Robin Paynter Bryant	●	○	●	○	●	●	●	●	○	●	●
Tony Perkins	●	○	●	○	●	●	●	●	○	●	●
John Glasgow	●	○	●	○	●	●	●	●	○	●	●
Bobby Kalar	●	○	●	○	●	●	●	●	○	●	●
Paul Rawson	●	○	●	○	●	●	●	●	○	●	●
Ad-hoc Board meetings[1]											
Robin Paynter Bryant	○	○	○	○	○	○	●	○	○	○	○
Tony Perkins	○	○	○	○	○	○	●	○	○	○	○
John Glasgow	○	○	○	○	○	○	●	○	○	○	○
Bobby Kalar	○	○	○	○	○	○	●	○	○	○	○
Paul Rawson	○	○	○	○	○	○	●	○	○	○	○
Audit Committee meetings[2]											
Tony Perkins	●	○	●	○	○	○	○	○	○	●	○
John Glasgow	●	○	●	○	○	○	○	○	○	●	○
Robin Paynter Bryant	●	○	●	○	○	○	○	○	○	●	○
Remuneration Committee meetings[2]											
John Glasgow	○	○	○	○	●	○	○	○	●	○	○
Tony Perkins	○	○	○	○	●	○	○	○	●	○	○
Robin Paynter Bryant	○	○	○	○	●	○	○	○	●	○	○

Certain Board and sub-committee meetings have, as a result of the Covid-19 pandemic, been held virtually rather than in person.

1 One ad-hoc Board meeting was held dealing with a share option exercise.

2 The Audit Committee and Remuneration Committee invite the executive directors and external auditor where appropriate.

MONITORING RISK AND THE MARKET CONTEXT

ENSURING RISK MANAGEMENT AND INTERNAL CONTROLS ARE ALIGNED WITH OUR BUSINESS AMBITION

Tony Perkins
Committee Chairman

COMMITTEE MEMBERS

- **Tony Perkins**
  Committee Chairman
- **John Glasgow**
- **Robin Paynter Bryant**

ALLOCATION OF TIME

Review of final audit findings for FY 2020, and external audit planning for FY 2021
35%

Review of risk registers and reports from risk and internal control forums and the Executive Management Team
30%

Review of various specific business topics
20%

Consideration of Group policies and risk mandates
10%

Consideration and development of Committee activities
5%

WE HAVE BEEN HIGHLY RESILIENT IN A TESTING MARKET ENVIRONMENT, THOUGH WILL NEVER BE COMPLACENT."

Membership and scope of the Audit Committee
Throughout 2021 the Audit Committee comprised three members (who are all non-executive directors) being Tony Perkins, as Chairman of the Audit Committee, and John Glasgow and Robin Paynter Bryant as members. All Committee members are considered independent. The Group's external auditor, along with the wider Board where appropriate, may attend Audit Committee meetings as requested by the Committee Chairman.

The Audit Committee has responsibility for, among other things, the monitoring of the financial integrity of the financial statements of the Group and the involvement of the Group's auditor in that process. It particularly focuses on the review of and compliance with accounting policies together with ensuring that an effective system of audit and financial control is maintained. It also reviews risks and opportunities, ensures appropriate policies to mitigate risks are in place and reviews the key risk matters and risk appetite matters to support Board decisions.

The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board.

The Audit Committee meets at least twice a year at the appropriate times in the financial reporting and audit cycle, and at such other times as may be deemed necessary.

The terms of reference of the Audit Committee cover such issues as membership and the frequency of meetings, together with requirements of any quorum for, and the right to attend, meetings. The responsibilities of the Committee are covered in the terms of reference, and include external audit engagement and interaction, financial reporting, internal control review and risk management. The terms of reference also set out the authority of the Committee to carry out its responsibilities.

Any non-audit services that are to be provided by the external auditor are reviewed in order to safeguard auditor objectivity and independence. The external auditor has the opportunity during the Audit Committee meetings to meet privately with Committee members in the absence of executive management.

The Audit Committee is responsible for reviewing the Company's procedures for the identification, assessment, management and reporting of risks.

The Company has a whistleblowing policy through which staff may notify management or non-executive directors of any concerns regarding suspected wrongdoing or dangers at work.

The recruitment of an experienced Group Risk Manager during H2 2021 has also further improved the Group's risk management processes and provides a further interface between the Board and the senior and operational management of the business.

Review

The Audit Committee met three times during 2021 (2020: two meetings).

In addition, the Audit Committee Chairman joined internal control and risk forums organised by members of the Group's executive management.

The external market environment (with historic highs in energy commodity prices) and the market context (including a number of domestic energy supplier failures) have been principal areas of review by the Committee and the Board in the latter part of 2021. The well-publicised issues, which are largely impacting suppliers serving the domestic market which are subject to a regulatory price cap, have been reviewed in detail with management. Relevant mitigations and risks have also been considered. The context, risks and mitigation in place are noted on page 33.

The Audit Committee has also reviewed risk and internal control processes, including recommendations for improvement, and has reviewed and challenged the assessment and reporting of risk and appropriate mitigation strategies deployed by the Group's Executive Management Team.

The Committee also conducts detailed reviews of assessment prepared by management of the Group's ability to continue as a going concern in the foreseeable future.

The Committee reports regularly to the Board on the output from reviews performed, including a recommendation of any required actions for consideration.

Tony Perkins
Chairman of the Audit Committee
22 March 2022

REVIEW AREA: THE POTENTIAL IMPACT OF THE EXTERNAL "ENERGY CRISIS"

The Audit Committee requested and considered a detailed review of the potential impact of the high global commodity market prices and the underlying reasons for the failure of other suppliers.

The matter was considered by the internal control and risk forum, which the Audit Committee Chairman attended, to ascertain the potential impact on the Group.

The matters considered included the hedged position of the Group's forward customer demand; the counterparty credit risk to our trading counterparties related to the significant increase in market prices; the potential impact on customers and the potential for bad debt; and whether the Group would incur material mutualised costs as a result of wider failures.

The trading risk mandate was also reviewed so as to consider volume, financial and liquidity risks and the appropriate mitigation relevant in view of the high market prices.

Further information is provided in the energy market context on page 6, the related risks and uncertainties on page 33 and the sensitivity to market movement in note 19 to the financial statements

ALIGNING PERFORMANCE WITH REWARD

WE ENSURE REWARDS ALIGN WITH OUR CORE STRATEGIC OBJECTIVES AND THE DELIVERY OF SHAREHOLDER VALUE

John Glasgow
Committee Chairman

COMMITTEE MEMBERS

- **John Glasgow**
  Committee Chairman
- **Robin Paynter Bryant**
- **Tony Perkins**

ALLOCATION OF TIME

Consideration of short-term award schemes
40%

Setting of remuneration levels for Executive Committee appointments
20%

Benchmarking analysis and review of key management personnel remuneration
15%

Assessment of reward structure compared with market and "best practice" guidance
15%

Review of the effectiveness of the Remuneration Committee
10%

As an AIM listed company, Yü Group PLC is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The content of this report is unaudited unless stated.

Membership of the Remuneration Committee
John Glasgow, independent non-executive director, is Chairman of the Remuneration Committee. He is joined by two further independent non-executive directors, being senior independent director, Tony Perkins, and Chairman of the Board, Robin Paynter Bryant.

The Remuneration Committee sets targets for Board executive directors and reviews their performance. It makes recommendations to the Board on matters relating to remuneration, terms of service, granting of share options and other equity incentives. It also approves ranges of packages and changes to the Executive Management Team, and recommends to the Board the terms and conditions offered to senior appointments to the Group's management team.

The Remuneration Committee met twice in 2021 (2020: seven meetings).

Remuneration policy
The objectives of the remuneration policy are to enable the Company to attract, retain and motivate its Board executive directors, while ensuring that the overall remuneration is aligned with the performance of the Group and preserves an appropriate balance of remuneration and shareholder value. The policy also considers environmental, social and governance ("ESG") positions, and how they link to the success of the Group's strategic objectives.

Non-executive directors
Remuneration of the non-executive directors is determined by the Board as a whole after considering any potential conflicts of interest. Non-executive directors are not entitled to pensions, annual bonuses or employee benefits. They are entitled to participate in the Group Save As You Earn ("SAYE") scheme relating to the Company's shares but none of them do at this time.

The annual fee for each non-executive director is as follows:

Robin Paynter Bryant – £45,000

Tony Perkins – £35,000

John Glasgow – £35,000

Their appointment may be terminated with three months' written notice at any time.

Directors' remuneration (audited)
The normal remuneration arrangements for executive directors consist of basic salary, employer contributions to defined contribution pensions, annual performance related bonuses and participation in a Long Term Incentive Plan ("LTIP").

In respect of the year ended 31 December 2021, bonuses were payable to the executive directors based on agreed objectives related to profitability, growth and the transformation of the Group to a Digital by Default business. No executive director received a bonus for the year ended 31 December 2020.

The Chief Executive Officer's service agreement can be terminated by either party giving at least 12 months' written notice.

The service agreement with the Chief Financial Officer can be terminated by either party giving at least nine months' written notice, such notice increasing by one month for each completed year of service to a maximum of 12 months in total. The Chief Financial Officer's salary was increased to £207,000 from 1 January 2022.

During the period, share options under the Group's LTIP scheme were awarded to a member of the Executive Committee. The level of award is contingent on performance of the Group's share price performance. The award granted is for a maximum of 76,616 shares at an option price at par value, being £0.005 per share.

Directors' interests

Details of the directors' shareholdings are included in the Directors' Report on page 48.

Directors' share options (audited)

Aggregate emoluments disclosed in the directors' remuneration table do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors. Details of options for directors who served during the year and to the date of this report are as follows:

	Number of options at 31 Dec 2021	Weighted average exercise price at 31 Dec 2021	Number of options at 31 Dec 2020	Weighted average exercise price at 31 Dec 2020
Executive				
Bobby Kalar	**309,168**	**£1.62**	309,168	£1.62
Paul Rawson	**371,465**	**£0.16**	371,465	£0.16

Of the share options outstanding to executive directors, 153,234 for Bobby Kalar and 114,926 for Paul Rawson are conditional on achieving certain performance targets linked to the Group's share price. Such options, where performance conditions are met, are at an exercise price of the par value of the shares, being £0.005.

No non-executive director holds share options in the Company.

Both of the executive directors who served during the year took part in the Group's SAYE scheme, providing a further 12,857 share options to both individuals. No non-executive directors participated in the SAYE scheme.

Directors' remuneration (audited)

	Salary/ fees £'000	Bonus[1] £'000	Benefits £'000	Employer's pension contributions £'000	Total 2021 £'000	Total 2020 £'000
Executive						
Bobby Kalar	250	110	—	10	**370**	235
Paul Rawson	180	79	—	5	**264**	185
Non-executive						
Robin Paynter Bryant	45	—	—	—	**45**	45
Tony Perkins	35	—	—	—	**35**	35
John Glasgow	35	—	—	—	**35**	32
	545	189	—	15	**749**	533

1 The bonus amounts for Bobby Kalar and Paul Rawson are payable in March 2022 in relation to the period ended 31 December 2021.

John Glasgow
Chairman of the Remuneration Committee
22 March 2022

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021 ("FY 2021").

Strategic Report

The Group has chosen, in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, to set out in the Group's Strategic Report certain information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors' Report. Such information is included in the review of the business on page 1, our business model and strategy from pages 16 and 18 respectively, the review of performance in the Chairman's Statement, Chief Executive Officer's Statement and Finance Review from pages 4, 8 and 20 respectively, and the risks and uncertainties from page 33.

s172 and stakeholder engagement statement

The s172 and stakeholder engagement statement can be found on pages 26 and 27.

Registered office

The registered office of Yü Group PLC (registered in England and Wales no. 10004236) is CPK House, 2 Horizon Place, Nottingham Business Park, Mellors Way, Nottingham NG8 6PY.

Dividends

The Board does not propose the payment of a final dividend in respect of FY 2021 (FY 2020: nil).

The Board did not pay an interim dividend in relation to 2021 (2020: nil).

Directors

The directors of the Group during the year and up to the date of signing the financial statements were:

- Robin Paynter Bryant
- John Glasgow
- Bobby Kalar
- Tony Perkins
- Paul Rawson

The Company maintains directors' and officers' liability insurance. This insurance cover has been established for all directors to provide appropriate cover for their reasonable actions on behalf of the Group. This was in force during the year ended 31 December 2021 and at the date of this report.

Significant shareholders

The Company is informed that, at 31 January 2022, individual registered shareholdings of more than 3% of the Company's issued share capital were as follows:

	Number of ordinary shares held	% of issued ordinary share capital
Bobby Kalar	8,652,649	53.03%
Premier Miton Group	1,024,266	6.28%
Jamieson Principal Pension Fund	1,006,691	6.17%
Nick Parker	500,000	3.06%
Garry Pickering	500,000	3.06%

The above holdings also correspond to the holdings at 31 December 2021.

Directors' shareholdings

The beneficial interests of the directors in the share capital of the Company at 31 January 2022 (and also applicable at 31 December 2021) were as follows:

	Number of ordinary shares held	% of issued ordinary share capital
Executive directors		
Bobby Kalar	8,652,649	53.03%
Paul Rawson	33,503	0.21%
Non-executive directors		
John Glasgow	18,411	0.11%
Robin Paynter Bryant	—	—
Tony Perkins	19,500	0.12%

Employees

The Group's executive management regularly delivers briefings on the Group's strategy and performance.

The Group remains committed to fair treatment of people with disabilities in relation to job applications, training, promotion and career development. Every effort is made to find alternative jobs for those who are unable to continue in their existing job due to disability.

The Group takes a positive approach to equality and diversity. The Group promotes equality in the application of reward policies, employment and development opportunities, and aims to support employees in balancing work and personal lifestyles.

Annual general meeting

The annual general meeting of the Group is to be held on 26 May 2022. The notice of meeting appears on pages 82 and 83 of this annual report.

Financial instruments

Details of how the Group manages its risk in relation to use of financial instruments are included in note 19.

Political and charitable donations

During the year ended 31 December 2021 the Group made political donations of £nil (2020: £nil) and charitable donations of £2,500 (2020: £nil).

Supplier payment policy and practice

The Group does not operate a standard code in respect of payments to suppliers. The Group agrees terms of payment with suppliers at the start of business and then makes payments in accordance with contractual and other legal obligations. The number of creditor days outstanding at 31 December 2021 was ten days (2020: six days).

Carbon and energy reporting

The Group recognises that its business operations have an environmental impact and we are committed to monitoring and where possible reducing our emissions each year. The Group also provides green energy as part of its operations, providing low or zero carbon electricity and gas to a number of customers.

Directors are also aware of our reporting obligations under the Companies Act 2006, as below:

UK operations	2021	2020
Energy consumption used to calculate emissions (kWh)	**354,898**	284,845
Emissions from direct sources (tCO_2e) (Scope 1)	**—**	—
Emissions from energy purchased for own use (tCO_2e) (Scope 2)	**83**	66
Emissions from indirect sources such as business travel (tCO_2e) (Scope 3)	**—**	—
Intensity ratio (tCO_2e/employee)	**0.6**	0.6

The above information has been calculated in line with the Climate Disclosure Standard Board's approved methodology.

All of our operations are UK based.

Measures taken to increase the energy efficiency of the Group during 2021 include a significant increase in employees working from home and online/virtual meetings replacing in person meetings for staff in different office locations.

Further information on our green products offered to customers is included on page 9, and our approach to sustainability is detailed from page 28.

Subsequent events

On 19 February 2022, the Group was appointed by Ofgem as Supplier of Last Resort for two small energy suppliers, Whoop Energy Limited and Xcel Power Limited. The appointment provided a further circa 850 meter points to the Group's portfolio.

There were no other subsequent events.

Statement of disclosure of information to auditor

As at the date this report was signed, so far as each of the directors is aware, there is no relevant information of which the auditor is unaware and each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

In accordance with section 489 of the Companies Act, a resolution for the reappointment of RSM UK Audit LLP as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Paul Rawson
Company Secretary
22 March 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report, Directors' Report, the Corporate Governance Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. for the Group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards and for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Yü Group website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Opinion

We have audited the financial statements of Yü Group Plc (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2021 which comprise the Consolidated statement of profit and loss and other comprehensive income, consolidated and company balance sheets, consolidated and company statements of changes in equity and consolidated statement of cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	**Group** › Revenue recognition and accrued income › Trade receivable and accrued income recoverability **Parent company** › No parent company key audit matters
Materiality	**Group** › Overall materiality: £650,000 (2020: £500,000) › Performance materiality: £487,000 (2020: £375,000) **Parent company** › Overall materiality: £365,000 (2020: £333,000) › Performance materiality: £273,000 (2020: £249,000)
Scope	Our audit procedures covered 99% of revenue, 96% of total assets and 93% of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition and accrued income

Key audit matter description	Refer to accounting policy on page 63 regarding revenue and accrued income and note 16 regarding trade and other receivables. Appropriate and accurate income recognition is required to be applied by the directors to ensure that revenue is accrued and recognised appropriately in the financial statements. Revenues are based on the volumes supplied to customers using estimates and meter readings. Where recent meter information is limited, assumptions are made to estimate the volumes of energy consumed by customers. Actual and expected usage information, together with the contractual rates are used to accrue revenue which is then billed to customers. There is a risk that revenue and accrued income is recognised inappropriately.
How the matter was addressed in the audit	For revenue and accrued income we evaluated the appropriateness of the recognition policy and judgements as disclosed in note 1. We selected a sample of contracts and transactions and considered whether revenue had been recognised in accordance with the contract and was subsequently billed. We used data techniques to verify revenue through reconciliation to cash received. For income accrued at the year end, additional procedures were undertaken to check that this was subsequently billed. We considered the integrity of the revenue information used for the basis of our procedures through agreement through to the financial systems and the amounts recognised in the financial statements. We considered and evaluated the Group's disclosures in relation to revenue recognition.

Trade receivable and accrued income recoverability

Key audit matter description	Refer to accounting policy on page 63 regarding revenue and accrued income and note 16 regarding trade and other receivables and note 19 which considers credit risk. The Group has a significant number of customers with a varied credit risk profile which could impact the recoverability of trade receivables and income accrued on customer contracts. The trade receivables that are overdue and a proportion of accrued income that is not billed immediately following the month end can become old and more difficult to recover. Management's assessment of the recoverability and expected credit loss for trade receivables and accrued income with their customers is inherently judgemental. There is a risk that the net trade receivables and accrued income will be recovered at amounts materiality different to the value recognised.
How the matter was addressed in the audit	The methodology utilised by management to calculate the provision including expected credit loss was reviewed. We independently profiled the Group's customers using external data to verify their identity, to identify those accounts with a potentially elevated credit risk and quantify the potential exposure within both trade receivables and accrued income. This included new customers obtained during the year. We selected a sample of accounts and performed detailed testing to invoices and cash receipts. The impairment and expected credit loss provision was evaluated through a combination of analytical procedures, the results of tests of detail and recent collection history. We also considered the adequacy of the Groups trade and other receivables accounting policy disclosed in note 1 and note 19 which refers to credit risk.

Our application of materiality

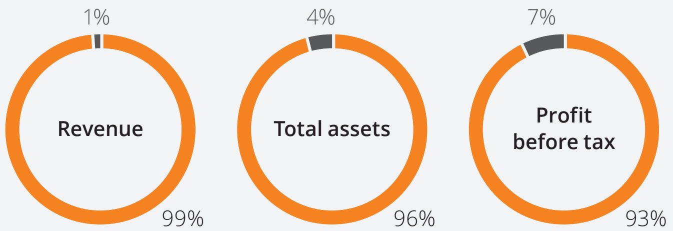
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£650,000 (2020: £500,000)	£365,000 (2020: £333,000)
Basis for determining overall materiality	0.42% of Revenue	2.12% of Total assets
Rationale for benchmark applied	This is considered a focus for investors as the Group returns to profitability.	Total assets was chosen as the entity is a non-trading holding company
Performance materiality	£487,000 (2020: £375,000)	£273,000 (2020: £249,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £32,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £18,200 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group consists of four components, all of which are based in the UK.

The coverage achieved by our audit procedures was:



1 Full scope

2 Analytical procedures

Full scope audits were performed for three components and analytical procedures at Group level for the remaining one component.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- understanding how the cashflow forecasts for the going concern period had been prepared and the assumptions adopted;
- testing the integrity of the forecast model to ensure it was operating as expected;
- challenging the key assumptions within the forecast with agreement to supporting data where possible;
- consideration and challenge of management's assessment of the counterparty risk associated with the Group's energy trading arrangements, given the current market volatility;
- review and challenge of the appropriateness of the sensitivity analysis performed by management and available actions within those scenarios.

In forming our assessment of going concern we have considered the cash held of £7m and there being no external debt.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 50, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

The extent to which the audit was considered capable of detecting irregularities, including fraud continued

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the Group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the Group and parent company operates in and how the Group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation/ regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS, FRS 101 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance
Tax compliance regulations	Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity
Ofgem regulation	Inquiry of management and those charged with governance as to any instances of non-compliance

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	See key audit matters above. In addition, we reviewed revenue journals for appropriateness using financial data analytics software.
Management override of controls	› Testing the appropriateness of journal entries and other adjustments; › Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and › Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Wall (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP,
Statutory Auditor
Chartered Accountants
Suite A, 7th Floor
East West Building
2 Tollhouse Hill
Nottingham
NG1 5FS
22 March 2022

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	31 December 2021 £'000	31 December 2020 £'000
Revenue		**155,423**	101,527
Cost of sales		**(140,180)**	(93,858)
Gross profit		**15,243**	7,669
Operating costs before non-recurring items and share based payment charges		**(9,407)**	(6,807)
Operating costs – non-recurring items	7	**(644)**	—
Operating costs – share based payment charges	21	**(249)**	(320)
Total operating costs	4	**(10,300)**	(7,127)
Net impairment losses on financial and contract assets	16	**(4,799)**	(3,127)
Other gains	7	**3,344**	1,011
Operating profit/(loss)		**3,488**	(1,574)
Finance income	5	**—**	74
Finance costs	5	**(96)**	(39)
Profit/(loss) before tax		**3,392**	(1,539)
Taxation	9	**1,059**	374
Profit/(loss) and total comprehensive income for the year		**4,451**	(1,165)
Earnings/(loss) per share			
Basic	8	**£0.27**	(£0.07)
Diluted	8	**£0.26**	(£0.07)

The comparative financial information for the year ended 31 December 2020 has been represented to show net impairment losses on financial assets and contract assets as a separate line item (previously disclosed within total operating costs). There is no impact on the operating loss or loss after tax as a result of this change.

CONSOLIDATED AND COMPANY BALANCE SHEET

At 31 December 2021

	Notes	Group 31 December 2021 £'000	Group 31 December 2020 £'000	Company 31 December 2021 £'000	Company 31 December 2020 £'000
ASSETS					
Non-current assets					
Intangible assets	11	**1,333**	606	**—**	—
Property, plant and equipment	12	**3,751**	1,377	**3,351**	1,163
Right-of-use assets	13	**193**	273	**—**	—
Deferred tax assets	15	**5,932**	4,789	**191**	81
Trade and other receivables	16	**870**	—	**—**	—
		12,079	7,045	**3,542**	1,244
Current assets					
Trade and other receivables	16	**40,441**	18,267	**12,973**	15,247
Cash and cash equivalents	17	**7,049**	11,740	**501**	501
		47,490	30,007	**13,474**	15,748
Total assets		**59,569**	37,052	**17,016**	16,992
LIABILITIES					
Current liabilities					
Trade and other payables	18	**(49,743)**	(31,430)	**(435)**	(308)
Non-current liabilities					
Trade and other payables	18	**(541)**	(1,109)	**—**	—
Total liabilities		**(50,284)**	(32,539)	**(435)**	(308)
Net assets		**9,285**	4,513	**16,581**	16,684
EQUITY					
Share capital	20	**82**	82	**82**	82
Share premium	20	**11,690**	11,690	**11,690**	11,690
Merger reserve	20	**(50)**	(50)	**(50)**	(50)
(Accumulated losses)/retained earnings	20	**(2,437)**	(7,209)	**4,859**	4,962
		9,285	4,513	**16,581**	16,684

The Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes. The Company incurred a loss of £424,000 for the year (2020: £162,000).

The financial statements on pages 56 to 81 were approved by the Board of directors on 22 March 2022 and signed on its behalf by:

Bobby Kalar
Chief Executive Officer

Paul Rawson
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 year					
Profit for the year	—	—	—	4,451	4,451
Other comprehensive income	—	—	—	—	—
	—	—	—	4,451	4,451
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	237	237
Deferred tax on share based payments	—	—	—	84	84
Proceeds from share issues	—	—	—	—	—
Total transactions with owners of the Company	—	—	—	321	321
Balance at 31 December 2021	**82**	**11,690**	**(50)**	**(2,437)**	**9,285**
Balance at 1 January 2020	82	11,690	(50)	(6,424)	5,298
Total comprehensive income for the year					
Loss for the year	—	—	—	(1,165)	(1,165)
Other comprehensive income	—	—	—	—	—
	—	—	—	(1,165)	(1,165)
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	320	320
Deferred tax on share based payments	—	—	—	60	60
Total transactions with owners of the Company	—	—	—	380	380
Balance at 31 December 2020	82	11,690	(50)	(7,209)	4,513

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021	82	11,690	(50)	4,962	16,684
Total comprehensive income for the year					
Loss for the year	—	—	—	(424)	(424)
Other comprehensive income	—	—	—	—	—
	—	—	—	(424)	(424)
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	237	237
Deferred tax on share based payments	—	—	—	84	84
Proceeds from share issues	—	—	—	—	—
Total transactions with owners of the Company	—	—	—	321	321
Balance at 31 December 2021	**82**	**11,690**	**(50)**	**4,859**	**16,581**
Balance at 1 January 2020	82	11,690	(50)	4,744	16,466
Total comprehensive income for the year					
Loss for the year	—	—	—	(162)	(162)
Other comprehensive income	—	—	—	—	—
	—	—	—	(162)	(162)
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	320	320
Deferred tax on share based payments	—	—	—	60	60
Equity dividend paid in the year	—	—	—	—	—
Total transactions with owners of the Company	—	—	—	380	380
Balance at 31 December 2020	82	11,690	(50)	4,962	16,684

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	31 December 2021 £'000	31 December 2020 £'000
Cash flows from operating activities		
Profit/(loss) for the financial year	**4,451**	(1,165)
Adjustments for:		
Depreciation of property, plant and equipment	**255**	215
Depreciation of right-of-use assets	**80**	204
Amortisation of intangible assets	**352**	132
Unrealised gains on derivative contracts	**(3,344)**	(1,011)
Increase in trade and other receivables	**(19,700)**	(320)
Increase in trade and other payables	**17,468**	3,978
Cash received on obtaining customer contracts	**378**	—
Decrease in cash collateral deposits lodged with trading counterparties	**—**	10,158
Finance income	**—**	(74)
Finance costs	**96**	39
Taxation	**(1,059)**	(374)
Share based payment charge	**249**	320
Net cash (used in)/from operating activities	**(774)**	12,102
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,629)**	(921)
Payment of software development costs	**(1,079)**	—
Net cash used for purchase of customer books	**—**	(1,673)
Net cash used in investing activities	**(3,708)**	(2,594)
Cash flows from financing activities		
Cash-settled share based payment charge	**(12)**	—
Interest (paid)/received	**(77)**	35
Principal element of lease payments	**(120)**	(180)
Net cash used in financing activities	**(209)**	(145)
Net (decrease)/increase in cash and cash equivalents	**(4,691)**	9,363
Cash and cash equivalents at the start of the year	**11,740**	2,377
Cash and cash equivalents at the end of the year	**7,049**	11,740

The unrealised gains on derivative contracts of £1,011,000 for the year to 31 December 2020 are presented as a separate line item on the consolidated statement of cash flows. This gain was previously included in other balances. The amended treatment reduces the movement in trade and other receivables by £628,000 to £320,000 and increases the movement in trade and other payables by £383,000 to £3,978,000 when compared to the prior year annual report.

1. Significant accounting policies

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved and authorised for issue in accordance with a resolution of the directors on 22 March 2022. Yü Group PLC is a public limited company incorporated in the United Kingdom, with company number 10004236. The Company is limited by shares and the Company's ordinary shares are traded on AIM.

Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards. The Company has elected to prepare its parent company financial statements in accordance with UK accounting standards (UK Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

The change in the basis of preparation from 2020 is required by UK Company Law for the purposes of financial reporting as a result of the UK's exit from the European Union on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy, rather a change in the framework which is required to group use of IFRS in company law. There is no impact on the recognition, measurement or disclosure between the two.

The following exemptions from the requirements of IFRS have been applied in the preparation of the parent company financial statements and, where relevant, equivalent disclosures have been made in the Group accounts, in accordance with FRS 101:

- presentation of a cash flow statement and related notes;
- disclosures in respect of transactions with the parent or wholly owned subsidiaries;
- IFRS 7 "Financial Instruments: Disclosures";
- disclosures in respect of capital management;
- disclosures in respect of key management personnel;
- comparative period reconciliations for share capital; and
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date.

The consolidated financial statements are presented in British pounds sterling (£), which is the functional and presentational currency of the Group. All values are rounded to the nearest thousand (£'000), except where otherwise indicated.

Going concern

The financial statements are prepared on a going concern basis.

At 31 December 2021 the Group had net assets of £9.3m (2020: £4.5m) and cash of £7.0m (2020: £11.7m).

Management prepares detailed budgets and forecasts of financial performance and cash flow (including capital commitments) 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 (including those set out in the Strategic Report) and sensitivities in relation to performance, the energy market and the wider economy.

The Group has demonstrated significant progress in its results. This has led to adjusted EBITDA profitability in 2021 (a close profitability measure to cash generated from operations), which is a significant turnaround in performance from the losses of 2018 and 2019 and continues the positive trend in 2020 despite the impact in that year of Covid-19.

The profitability delivered in 2021 has been achieved by robust and disciplined management of gross margin; the addition of value enhancing integrations (such as the acquisition of Bristol Energy in 2020 and the integration of Ampower's business book during 2021); and the continued prudent hedging policy protecting the Group from the significant commodity market price increases recently experienced.

The Group has embarked on an ambitious Digital by Default implementation strategy to help drive further cost efficiency which is expected to further enhance financial performance as the Group scales.

Group available cash remains at significant levels, with £7.0m available at 31 December 2021. Cash held has reduced in 2021 because of an investment in a newly built innovation and sales office in Leicester; an increased investment in sales acquisition costs and the digital programme; and the commencement of payments on VAT deferred as part of the UK Government's Covid-19 relief scheme. In view of the significant growth in the business, working capital movements have increased from Q4 2021, with a £19.7m increase in trade and other receivables (excluding the financial derivative asset) largely mitigated by a £17.5m increase in trade and other payables.

The Group has no debt other than £0.3m (at 31 December 2021) in respect of the lease for the Group's Nottingham office.

The Board has assessed risks and sensitivities and potential mitigation steps available to it in detail and continues to monitor risk and mitigation strategies in the normal course of business.

Hedging arrangements and volatile energy markets

A five year commodity trading arrangement between SmartestEnergy Ltd and the trading entities of the Group (Yü Energy Holding Limited and Yü Energy Retail Limited), signed December 2019, ("the Trading Agreement") enables the Group to purchase electricity and gas on forward commodity markets. The Trading Agreement enables forecasted customer demand to be hedged in accordance with an agreed risk mandate (further detailed in the Group's risk and uncertainties reporting in the Strategic Report). With the unprecedented increase in commodity market prices for forward gas and electricity, this hedging position has and continues to protect the Group.

As part of the Trading Agreement, SmartestEnergy Ltd holds security over the trading assets of the Group which could, ultimately and in extreme and limited circumstances, lead to a claim on some or all of the 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 the Trading Agreement to assess the likelihood of the credit facility being reduced or withdrawn. Management also maintains close dialogue with SmartestEnergy Ltd in respect of such covenants and provides robust oversight of the relevant contracts.

1. Significant accounting policies continued

Going concern continued

Hedging arrangements and volatile energy markets continued

The position in respect of the forward credit exposure is also monitored and forecasted to understand the potential risks which may arise:

a) Where commodity market prices increase, the Board considers credit and contractual exposure to SmartestEnergy Ltd, which (under a default position) could lead to the unwind of hedges with the loss of value due to the Group if not successfully recovered under the contract. With increased market prices, this exposure increased significantly during the year.

b) Where commodity market prices decrease, the Board considers whether the credit limit provided under the Trading Agreement is sufficient to prevent the potential for cash calls which may lead to a liquidity issue where in excess of the Group's cash reserves at that time. The Board also considers likely commercial outcomes relevant for such a scenario.

Despite the market volatility experienced in 2021, the Trading Agreement continues to operate well providing reliable, efficient and effective access to traded commodity markets.

The Board also considers its business model and compares it with competitors which have failed to determine any other risks related to the volatile energy markets. As part of that assessment, the impact of the price cap on domestic suppliers (which the Group is not materially exposed to) has been considered. The failure of certain unhedged B2B suppliers has also been considered. The Board is satisfied that the Group's business model is adequately differentiated from these market issues.

In view of energy market volatility and the increased risk for the sector, the Board has also identified certain mitigation strategies to manage the commodity market and hedging credit limit exposures noted above, and continually assess the potential for material impact.

After detailed review, the Board has concluded that there are no liquidity issues likely to arise (outside of available mitigating strategies) in relation to the hedging arrangements and current market context.

Covid-19

The Group has successfully operated for approximately two years through the pandemic, with strong improvement in results still being delivered. Reviews of the impact of lockdowns have also provided the Board with adequate references to assess risks in relation to further changes as a result of the pandemic.

The Group successfully implemented its business continuity plan during the initial March 2020 lockdown and continues to operate to its high standards of customer care. Employees have been working productively either at home, in the office or under a hybrid working model.

The Board remains confident in the Group's ability to grow market share, despite the wider economic context caused by the pandemic.

The Group has also 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 which may be further compounded by increased energy prices.

Summary

Following extensive review of the Group's forward business plan and associated risks and sensitivities to these base forecasts (and available mitigation strategies), the Board concludes that it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated accounts of the Group include the assets, liabilities and results of the Company and subsidiary undertakings in which Yü Group PLC has a controlling interest. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Use of estimates and judgements

The preparation of the financial statements in conformity with adopted IFRSs requires the use of estimates and judgements. 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 estimated consumption (in lieu of accurate meter readings) of energy by customers;
- the level of accrual for unbilled revenue;
- the recoverability of trade receivables;
- the level of forward energy commodity contracts which are not strictly for "own use" under IFRS 9;
- the assumptions input to the IFRS 2 share option charge calculations; and
- the recoverability of deferred tax assets.

Revenue estimates are based on industry knowledge or source information, where available, and can therefore represent estimates which are lower or higher than the actual out-turn of energy consumption once accurate meter readings are obtained.

1. Significant accounting policies continued

Use of estimates and judgements continued

To estimate the level of accrual for unbilled revenue, management estimates the level of consumption, and anticipated revenue, which is due to be charged to the customer, and recognises such revenue where it is considered that revenue will flow to the Group. The estimate of customer consumption is based on available industry data, and also seasonal usage curves that have been estimated through historical actual usage data.

Trade receivables recoverability is estimated, with appropriate allowance for expected credit loss provisions, based on historical performance and the directors' estimate of losses over the Group's customer receivable balances. Sensitivity analysis on estimates is provided in note 19.

The Group enters forward purchase contracts to hedge its position to closely match customers' expected demand over the term of the contract and does not engage in speculative trading. Factors such as the shape/granularity of traded products available (which do not perfectly align with customer demand) and variations in energy consumed by customers (as a result of varying customer behaviour and activity, and (particularly for gas) the weather impact) can influence the extent of trades which are not strictly for the Group's "own use". Such contracts are accounted for at fair value through the Group's profit or loss. The Board estimates the proportion of forward contracts which are to be assessed at fair value by considering the expected "normalised" forward traded position, with reference to historical performance on matching customer demand and the Group's robustly controlled hedging and risk strategy. Sensitivity analysis on estimates is provided in note 19.

The share option charge requires certain estimates, including the volatility in share price, risk-free rates and dividend yields, together with assessment of achievement of certain vesting conditions.

Deferred tax asset recoverability is assessed based on directors' judgement of the recoverability of the tax losses by the realisation of future profits over the short to medium term, which inherently is based on estimates.

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 year, 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, gas, electricity and water 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. It also considers any adjustments expected where an estimated meter reading (using industry data) is expected to be different to the consumption pattern of the customer.

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 and expected credit losses.

Impairment

The Group has elected to measure credit loss allowances for trade receivables and accrued income at an amount equal to lifetime expected credit losses ("ECLs"). Specific impairments are made when there is a known impairment need against trade receivables and accrued income. When estimating ECLs, the Group assesses reasonable, relevant and supportable information, which does not require undue cost or effort to produce. This includes quantitative and qualitative information and analysis, incorporating historical experience, informed credit assessments and forward looking information. Loss allowances are deducted from the gross carrying amount of the assets.

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). Cash and cash equivalents excludes any cash collateral posted with third parties. 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 "Financial Instruments". 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 year 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.

1. Significant accounting policies continued

Financial instruments continued

Classification of financial instruments issued by the Group

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 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.

Details of the sensitivity analysis performed in relation to the Group's financial instruments are included in note 19.

Intangible assets

Intangible assets that are acquired separately by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired in a business combination are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at their initial fair value less amortisation and accumulated impairment losses.

Software and system assets are recognised at cost, including those internal costs attributable to the development and implementation of the asset in order to bring it into use. Cost comprises all directly attributable costs, including costs of employee benefits arising directly from the development and implementation of software and system assets.

Amortisation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use. The estimated useful lives are as follows:

- Licence – 35 years
- Customer contract books – Over the period of the contracts acquired (typically 2 years)
- Software and systems – 3 to 5 years

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

- Freehold land – Not depreciated
- Freehold property – 30 years
- Computer equipment – 3 years
- Fixtures and fittings – 3 years

Assets under construction are not depreciated until the period they are brought into use.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree.

All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Contingent consideration to be transferred by the Group is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability are recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired and liabilities assumed and the fair value of the consideration transferred is recognised as goodwill. If the consideration transferred and the pre-existing fair values are less than the fair value of the identifiable net assets acquired, being a bargain purchase to the Group, the difference is recognised as a gain directly in profit or loss on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired and the consideration transferred.

1. Significant accounting policies continued

Business combinations continued

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

In determining whether an acquisition of an acquired set of activities and assets is a business, the "concentration test" methodology as outlined in IFRS 3 is utilised. Where substantially all of the fair value of the gross assets acquired are attributable to a single identifiable asset group, such as a customer list, then a business combination will not occur.

Leased assets

The Group as a lessee

For any new contract 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; and
- 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 the 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 are separately identified and lease liabilities have been included in trade and other payables.

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 cost of equity-settled transactions with employees is measured by reference to the fair value on the date they are granted. Where there are no market conditions attaching to the exercise of the option, the fair value is determined using a range of inputs into a Black Scholes pricing model. Where there are market conditions attaching to the exercise of the options a trinomial option pricing model is used to determine fair value based on a range of inputs. The value of equity-settled transactions is charged to the statement of comprehensive income over the period in which the service conditions are fulfilled with a corresponding credit to a share based payments reserve in equity.

Employer's National Insurance costs arising and settled in cash on exercise of unapproved share options are included in the share based payment charge in the profit or loss, with no corresponding credit to reserves in equity.

Pension and post-retirement benefit

The Group operates a defined contribution scheme which is available to all employees. The assets of the scheme are held separately from those of the Group in independently administered funds. Payments are made by the Group to this scheme and contributions are charged to the statement of comprehensive income as they become payable.

1. Significant accounting policies continued

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.

Segmental reporting

In accordance with IFRS 8 "Operating Segments", the Group has made the following considerations to arrive at the disclosure made in this financial information.

IFRS 8 requires consideration of the Chief Operating Decision Maker ("CODM") within the Group. In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Board of directors, which regularly reviews the Group's performance and balance sheet position and receives financial information for the Group as a whole. Accordingly, the Board of directors is deemed to be the CODM.

The Group's revenue and profit were derived from its principal activity, which is the supply of utilities to business customers in the UK. As a consequence the Group has one reportable segment, which is the supply of electricity, gas and water to businesses. Segmental profit is measured at operating profit level, as shown on the face of the statement of profit and loss.

As there is only one reportable segment whose profit/(losses), expenses, assets, liabilities and cash flows are measured and reported on a basis consistent with the financial statements, no additional numerical disclosures are necessary.

Standards and interpretations

The Group has adopted all of the new or amended accounting standards and interpretations that are mandatory for the current reporting period.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

2. Segmental analysis

Operating segments

The directors consider there to be one operating segment, being the supply of utilities to businesses.

Geographical segments

100% of Group revenue is generated from sales to customers in the United Kingdom (2020: 100%) and is recognised at a point in time.

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

3. Auditor's remuneration

	2021 £'000	2020 £'000
Audit of these financial statements	**72**	68
Amounts receivable by auditor in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**44**	40
	116	108

4. Operating expenses

	2021 £'000	2020 £'000
Profit/(loss) for the year has been arrived at after charging:		
Staff costs (see note 6)	**5,634**	4,455
Depreciation of property, plant and equipment	**255**	215
Depreciation of right-of-use assets	**80**	204
Amortisation of intangible assets	**352**	132

5. Net finance (income)/expense

	2021 £'000	2020 £'000
Bank interest and other finance charges payable	77	16
Interest on lease liabilities	19	23
Total finance costs	96	39
Bank interest receivable	—	(74)
	96	(35)

6. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows:

	2021 Number	2020 Number
Sales	31	34
Administration	114	77
	145	111

The aggregate payroll costs of these persons were as follows:

	2021 £'000	2020 £'000
Wages and salaries	5,043	3,685
Social security costs	539	373
Pension costs	97	77
Share based payments	249	320
	5,928	4,455
Of which:		
Amounts charged to operating profit/(loss)	5,634	4,455
Amounts related to development and implementation of computer software	294	—

There were three persons employed directly by the Company during the year ended 31 December 2021 (2020: four), being the non-executive directors. The Company's two (2020: three) executive directors who served during the year have service contracts with a wholly owned subsidiary of the Company.

Key management personnel

The aggregate compensation made to directors and other members of key management personnel (being members of the Group's Executive Committee comprising the Chief Executive Officer, Chief Financial Officer and other senior leaders) is set out below:

	2021 £'000	2020 £'000
Short-term employee benefits	1,191	1,013
Social security and pension costs	165	170
Share based payments	228	310
	1,584	1,493

For 2020, £140,000 of employers National Insurance was previously disclosed in short-term employee benefits and has now been reclassified in social security and pension costs. The highest paid director and remuneration of the executive directors are as referenced in the Remuneration Committee Report on page 47.

7. Reconciliation to adjusted EBITDA

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

	2021 £'000	2020 £'000
Adjusted EBITDA reconciliation		
Operating profit/(loss)	3,488	(1,574)
Add back:		
Non-recurring operational costs	644	—
Unrealised gain on derivative contracts	(3,344)	(1,011)
Share based payment charge	249	320
Depreciation of property, plant and equipment	255	215
Depreciation of right-of-use assets	80	204
Amortisation of intangibles	352	132
Adjusted EBITDA	1,724	(1,714)

The non-recurring operational costs of £644,000 relates to accrued industry costs, from legislation governing the Renewable Obligation scheme, which are mutualised (i.e. spread) across energy market participants. These costs have increased significantly because of the unprecedented level of supplier failures, particularly impacting those operating in the domestic (business to consumer) market segment. The total charge to the Group for the compliance year ended 31 March 2021 is £454,000. A further £190,000 is estimated and accrued relating to the liability arising from the period from 1 April 2021 to 31 December 2021. The directors do not envisage mutualisation costs will remain at such a significant level in the future. For 2020 the Group charged mutualisation costs against the adjusted EBITDA loss. These 2020 costs included the liability for the compliance period to 31 March 2020 of £78,000, being significantly below the £454,000 charge for the compliance year to 31 March 2021.

Share based payment charges, unrealised gains on derivative contracts and depreciation and amortisation of assets are excluded from adjusted EBITDA. This exclusion of gains and losses is in order for a "near cash, recurring profit" metric to be derived.

The unrealised gain on derivative contracts of £3,344,000 (2020: £1,011,000) arises from a small proportion of forward commodity hedges which do not meet the strict "own use" criteria under IFRS 9 ("Financial Instruments"). Such forward commodity trades are therefore recognised at their fair value, being a financial asset, as further described in note 16 and note 19.

The directors consider adjusted EBITDA to be a more accurate representation of underlying business performance and therefore utilise this measure as the primary profit measure in setting targets and managing financial performance.

8. Earnings per share

Basic earnings/(loss) 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.

	2021 £'000	2020 £'000
Profit/(loss) for the year attributable to ordinary shareholders	4,451	(1,165)

	2021	2020
Weighted average number of ordinary shares		
At the start of the year	16,281,055	16,281,055
Effect of shares issued in the year	18,591	—
Number of ordinary shares for basic earnings per share calculation	16,299,646	16,281,055
Dilutive effect of outstanding share options	1,099,153	929,830
Number of ordinary shares for diluted earnings per share calculation	17,398,799	17,210,885

	2021 £	2020 £
Basic earnings per share	0.27	(0.07)
Diluted earnings per share	0.26	(0.07)

8. Earnings per share continued

Adjusted earnings per share

Adjusted earnings per share is based on the result attributable to ordinary shareholders before non-recurring items after tax and unrealised gains on derivative contracts and the cost of cash and equity-settled share based payments, and the weighted average number of ordinary shares outstanding:

	2021 £'000	2020 £'000
Adjusted earnings per share		
Profit/(loss) for the year attributable to ordinary shareholders	**4,451**	(1,165)
Add back (per note 7):		
Non-recurring items after tax (gross cost, before tax, of £644,000)	**522**	—
Unrealised gain on derivative contracts after tax (gross gain, before tax, of £3,344,000)	**(2,709)**	(819)
Share based payments after tax (gross cost, before tax, of £249,000)	**202**	259
Adjusted basic profit/(loss) for the year	**2,466**	(1,725)
Adjusted earnings/(loss) per share	**£0.15**	£(0.11)
Diluted adjusted earnings/(loss) per share	**£0.14**	£(0.11)

9. Taxation

	2021 £'000	2020 £'000
Current tax charge		
Current year	**—**	—
Adjustment in respect of prior years	**—**	—
	—	—
Deferred tax credit		
Current year	**(631)**	(287)
Adjustment in respect of prior years	**(428)**	(87)
	(1,059)	(374)
Total tax credit	**(1,059)**	(374)
Tax recognised directly in equity		
Current tax recognised directly in equity	**—**	—
Deferred tax recognised directly in equity	**(84)**	(60)
Total tax recognised directly in equity	**(84)**	(60)
Reconciliation of effective tax rate		
Profit/(loss) before tax	**3,392**	(1,539)
Tax at UK corporate tax rate of 19% (2020: 19%)	**644**	(292)
Expenses not deductible for tax purposes	**26**	5
Tax relief on exercise of share options	**(18)**	—
Impact of temporary differences	**(94)**	
Adjustment in respect of prior periods – current tax	**—**	—
Adjustments in respect of prior periods – deferred tax	**(428)**	(87)
Utilisation of tax losses not recognised for deferred tax	**—**	—
Increase in tax rate on deferred tax balances	**(1,189)**	—
Tax credit for the year	**(1,059)**	(374)

Deferred taxes at the balance sheet date have been measured using the enacted tax rates at that date and are reflected in these financial statements on that basis. Following the March 2021 Budget, the tax rate effective from 1 April 2023 increases from the current 19% to 25%.

10. Dividends

The Group did not pay an interim dividend in relation to 2021 (2020: nil per share).

The directors do not propose a final dividend in relation to 2021 (2020: nil per share).

11. Intangible assets

	Electricity licence £'000	Customer books £'000	Software and systems £'000	Total £'000
Cost				
At 1 January 2021	62	686	—	748
Additions	—	—	1,079	1,079
At 31 December 2021	**62**	**686**	**1,079**	**1,827**
Amortisation				
At 1 January 2021	12	130	—	142
Charge for the year	2	343	7	352
At 31 December 2021	**14**	**473**	**7**	**494**
Net book value at 31 December 2021	**48**	**213**	**1,072**	**1,333**
Cost				
At 1 January 2020	62	—	—	62
Additions	—	686	—	686
At 31 December 2020	62	686	—	748
Amortisation				
At 1 January 2020	10	—	—	10
Charge for the year	2	130	—	132
At 31 December 2020	12	130	—	142
Net book value at 31 December 2020	50	556	—	606

The useful economic life of the acquired electricity licence is 35 years, which represents the fact that the licence can be revoked by giving 25 years' written notice but that this notice cannot be given any sooner than 10 years after the licence came into force in January 2013.

The customer book intangibles relate to the two separate acquisitions that took place in 2020. The customer book intangibles represent the fair value of the customer contracts purchased in those acquisitions. The intangible assets are being amortised over a useful economic life of two years, representing the average contract length of the customer books acquired.

Software and systems assets relate to investments made in third-party software packages, and directly attributable internal personnel costs in implementing those platforms, as part of the Group's Digital by Default strategy.

The amortisation charge is recognised in operating costs in the income statement.

The above intangible assets are Group assets only. The Company has no intangible assets.

12. Property, plant and equipment

Group	Freehold land £'000	Freehold property £'000	Assets under construction £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost						
At 1 January 2021	150	—	1,013	80	335	1,578
Transfer from asset under construction	—	1,013	(1,013)	—	—	—
Additions	—	2,261	—	265	103	2,629
Disposals	—	—	—	(8)	(85)	(93)
At 31 December 2021	**150**	**3,274**	**—**	**337**	**353**	**4,114**
Depreciation						
At 1 January 2021	—	—	—	41	160	201
Charge for the year	—	73	—	70	112	255
Disposals	—	—	—	(8)	(85)	(93)
At 31 December 2021	**—**	**73**	**—**	**103**	**187**	**363**
Net book value at 31 December 2021	**150**	**3,201**	**—**	**234**	**166**	**3,751**
Cost						
At 1 January 2020	150	—	190	215	1,007	1,562
Additions	—	—	823	—	98	921
Disposals	—	—	—	(135)	(770)	(905)
At 31 December 2020	150	—	1,013	80	335	1,578
Depreciation						
At 1 January 2020	—	—	—	146	745	891
Charge for the year	—	—	—	30	185	215
Disposals	—	—	—	(135)	(770)	(905)
At 31 December 2020	—	—	—	41	160	201
Net book value at 31 December 2020	150	—	1,013	39	175	1,377

The buildings relate to the new Energy Centre property in Leicester which has been brought into use during the year. The property is a sales, marketing and innovation hub for the Group's activities.

Included within the above net book value of property, plant and equipment is £3,351,000 (£1,163,000 at 31 December 2020) of freehold land and freehold property (and, for 2020, assets under construction) which are owned by the Company. All of the freehold land, freehold property and assets under construction movements in cost and depreciation disclosed for the Group are also for the Company.

13. Right-of-use assets and lease liabilities

Group	Right-of-use assets £'000
Cost	
At 1 January 2021	799
Additions	—
Disposals	—
At 31 December 2021	**799**
Depreciation	
At 1 January 2021	526
Charge for the year	80
Disposals	—
At 31 December 2021	**606**
Net book value at 31 December 2021	**193**
Cost	
At 1 January 2020	955
Additions	—
Disposals	(156)
At 31 December 2020	799
Depreciation	
At 1 January 2020	474
Charge for the year	204
Disposals	(152)
At 31 December 2020	526
Net book value at 31 December 2020	273

The Group has a lease arrangement for its main office facilities in Nottingham. Other leases are short term or of low value underlying assets. A lease for a temporary Leicester office and a lease for one vehicle were terminated during 2020.

The Nottingham office lease is reflected on the balance sheet as a right-of-use asset and a lease liability at 31 December 2021 and 31 December 2020.

The table below provides details of the Group's right-of-use asset and lease liability recognised on the balance sheet at 31 December 2021:

Right-of-use asset	Remaining term	Asset carrying amount	Lease liability	Depreciation expense	Interest expense
Premises	2.5 years	£193,000	£267,000	£80,000	£19,000

The total cash outflow for leases in 2021 was £120,000 (2020: £180,000).

Lease payments not recognised as a liability

The Group has elected not to recognise a right-of-use asset or lease liability for short-term leases (leases of expected terms of 12 months or less) or leases of low value assets. Payments under such leases are expensed on a straight-line basis. During FY 2021 the amount expensed to profit and loss was £1,000 (2020: £1,000).

None of the above leases of the Group are with the Company entity directly.

14. Investments in subsidiaries

The Company has the following direct and indirect investments in subsidiaries:

Company name	Country of incorporation	Holding	Proportion of shares held	Nature of business
Yü Energy Holding Limited	United Kingdom	Ordinary shares	100%	Gas shipping services
KAL Portfolio Trading Limited	United Kingdom	Ordinary shares	100%	Dormant
Yü Services Limited	United Kingdom	Ordinary shares	100%	Dormant
Yü Energy Retail Limited	United Kingdom	Ordinary shares	100%	Supply of energy to businesses
Yü Group Management Limited	United Kingdom	Ordinary shares	100%	Dormant
Yu Water Limited	United Kingdom	Ordinary shares	100%	Supply of water to businesses

All of the above entities are included in the consolidated financial statements.

All of the above entities have the same registered address as Yü Group PLC. The address is listed as part of the Company information on page 84.

15. Deferred tax assets

Deferred tax assets are attributable to the following:

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Property, plant and equipment	**(45)**	(32)	**1**	—
Tax value of loss carry-forwards	**5,812**	4,740	**25**	—
Share based payments	**165**	81	**165**	81
	5,932	4,789	**191**	81

Movement in deferred tax in the period:

	At 1 January 2021 £'000	Recognised in income £'000	Recognised directly in equity £'000	**At 31 December 2021 £'000**
Property, plant and equipment	(32)	(13)	—	**(45)**
Tax value of loss carry-forwards	4,740	1,072	—	**5,812**
Share based payments	81	—	84	**165**
	4,789	1,059	84	**5,932**

	At 1 January 2020 £'000	Recognised in income £'000	Recognised directly in equity £'000	At 31 December 2020 £'000
Property, plant and equipment	(32)	—	—	(32)
Tax value of loss carry-forwards	4,366	374	—	4,740
Share based payments	21	—	60	81
	4,355	374	60	4,789

The deferred tax asset is expected to be utilised by the Group in the coming years. The Board forecasts sufficient taxable income as a result of the growth in the customer base and increased profitability against which it will utilise these deferred tax assets.

Deferred tax for the Company includes the Group movements recognised directly in equity, in 2020 and 2021, in share based payments equivalent to that disclosed for the Group. For 2021, the Company charge to deferred tax also includes £25,000 tax value of losses carried forward and £1,000 related to property, plant and equipment, which are both recognised in income (2020: nil).

16. Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Current				
Gross trade receivables	**11,618**	8,129	**—**	—
Provision for doubtful debts and expected credit loss	**(6,007)**	(5,162)	**—**	—
Net trade receivables	**5,611**	2,967	**—**	—
Accrued income – net of provision	**21,972**	11,169	**—**	—
Prepayments	**4,183**	1,355	**—**	—
Other receivables	**5,573**	2,148	**500**	500
Financial derivative asset	**3,102**	628	**—**	—
Amount due from subsidiary undertakings	**—**	—	**12,473**	14,747
	40,441	18,267	**12,973**	15,247
Non-current				
Financial derivative asset	**870**	—	**—**	—

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

	2021 £'000	2020 £'000
Opening balance	**5,162**	4,901
Provisions recognised less unused amounts reversed	**4,185**	2,420
Provision utilised in the year	**(3,340)**	(2,159)
Closing balance – provision for doubtful debts and expected credit losses	**6,007**	5,162

The directors have assessed the level of provision at 31 December 2021 by reference to the recoverability of customer receivable balances post the year end, and believe the provision carried is adequate.

In addition to the amounts recognised in relation to trade receivables, there was an additional provision charged in the period of £614,000 (2020: £707,000), leading to a total provision against accrued income at 31 December 2021 of £1,481,000 (2020: £867,000). Expected credit losses and the recognition, where appropriate, of previous customer credit balances are recognised in operating costs.

The net impairment losses on financial and contract assets of £4,799,000 (2020: £3,127,000) consists of £614,000 (2020: £707,000) provision charged for expected credit loss on accrued income, and £4,185,000 (2020: £2,420,000) provision for bad debts and expected credit loss on trade receivables.

The financial derivative asset is the only trade and other receivable that falls due after more than one year.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value due to their maturities being short term.

Prepayments of £4,183,000 (2020: £1,355,000) increased as a result of certain prepaid costs to third-party intermediaries on the commencement of contracts, and for certain software licence costs connected with the Group's Digital by Default investment.

Group other receivables includes £250,000 (2020: £250,000) paid in cash to trading counterparties as collateral. It also includes £142,000 which is due to cover loss-making contracts acquired following the appointment of the Group as Supplier of Last Resort of AmpowerUK's activities.

The Company other receivables balance of £500,000, which is also included in the Group consolidated balance, relates to a bank cash deposit. This 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.

The current and non-current financial derivative asset of £3,972,000 (2020: £628,000) is the fair value of a small proportion of the Group's overall forward gas and power purchase contracts. Such contracts do not meet the strict criteria of being for the Group's "own use" under IFRS 9. They are stated at their Mark to Market fair value (being the excess of: i) the volume of commodity purchased valued at market prices available at the balance sheet date; over ii) the traded price of the forward contracts). The asset has increased in the year due to the significant increase in forward gas and power market prices. The risks and sensitivities in relation to the asset are further detailed in note 19.

The amount due from subsidiary undertakings in the Company accounts of Yü Group PLC at 31 December 2021 represents amounts drawn down by the subsidiary undertakings as part of a formal loan facility (the key terms of which are that the loan is payable in 14 months following written request from Yü Group PLC and interest is payable by the subsidiary undertakings at a rate of 2% above the Bank of England base rate). There is no accrued interest outstanding at 31 December 2021 (2020: £372,000).

The Board of Yü Group PLC has considered the provisions around impairment of intercompany indebtedness contained within IFRS 9 "Financial Instruments" and concluded that an additional expected credit loss provision of £12,500 (2020: £37,500) be booked against the outstanding intercompany receivables in 2021. The expected credit loss provision at 31 December 2021 is £300,000 (2020: £287,500). This provision is not required in the Group's consolidated financial statements.

17. Cash and cash equivalents

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Cash at bank and in hand	**7,049**	11,740	**501**	501
	7,049	11,740	**501**	501

As disclosed in note 16, the cash and cash equivalents amounts exclude £500,000 of cash, which is included in Company and Group other receivables. This cash balance is held on deposit and secured under arrangements with the Group's bankers.

18. Trade and other payables

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Current				
Trade payables	**3,690**	2,319	**—**	—
Accrued expenses and deferred income	**34,545**	19,250	**99**	8
Lease liabilities	**107**	102	**—**	—
Tax and social security	**6,188**	5,224	**—**	—
Other payables	**5,213**	4,535	**36**	—
Amounts due to subsidiary undertakings	**—**	—	**300**	300
	49,743	31,430	**435**	308
Non-current				
Accrued expenses and deferred income	**381**	—	**—**	—
Tax and social security	**—**	843	**—**	—
Lease liabilities	**160**	266	**—**	—
	541	1,109	**—**	—

On 7 November 2021 the Group was appointed by Ofgem as Supplier of Last Resort for AmpowerUK's customer book. As part of the appointment, the Group agreed to honour an element of customer credit balances which had accrued prior to appointment, and to serve a small number of loss-making contracts for the period to April 2022. There was no consideration payable by the Group. At 31 December 2021, other payables included £230,000 of customer credit balances and estimated losses on onerous contracts acquired on the AmpowerUK business. A corresponding £142,000 asset is held, as disclosed in note 16. The integration of AmpowerUK's customer book was not considered to be a business and therefore not accounted for as a business combination.

On 23 November 2021 the Group obtained a number of small business customers from another energy supplier. Due to the prevailing market conditions at the time of the transaction the total consideration was negative, resulting in a payment to the Group of £378,000 to take on the customer contracts. The fair value of identifiable assets obtained consisted of £368,000 of onerous contract liabilities and £10,000 of customer credit balance liabilities. At 31 December 2021, other payables included £358,000 relating to these balances.

Non-current accrued expenses, and an element of current accrued expenses, relate to the estimated ROC mutualisation liability as detailed in note 7.

Details of lease liabilities are included in note 13.

At 31 December 2020, non-current other payables relate to deferred VAT and PAYE payments under the UK Government's Covid-19 business relief schemes. Such liabilities are included in current other payables at 31 December 2021 and will be fully paid during the first quarter of 2022.

19. Financial instruments and risk management

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

Derivative instruments, related to the Group's hedging of forward gas and electricity demand, are level 1 financial instruments and are measured at fair value through the statement of profit or loss. Such fair value is 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.

The Group has exposure to the following risks (including the impact of the Covid-19 pandemic) from its use of financial instruments:

a) commodity hedging and derivative instruments (related to customer demand and market price volatility, and counterparty credit risk);

b) customer credit risk;

c) liquidity risk; and

d) foreign exchange risk.

19. Financial instruments and risk management continued

(a) Commodity trading and derivative instruments

The Group is exposed to market risk in that changes in the price of electricity and gas may affect the Group's income or liquidity position. The use of derivative financial instruments to hedge customer demand also results in the Group being exposed to risks from significant changes in customer demand (beyond that priced into the contracts), and counterparty credit risk with the trading counterparty.

Commodity and energy prices and customer demand

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 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% of the volume hedged is not delivered to the Group's customers and is instead sold back via the commodity settlement process 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 and loss.

As far as practical, in accordance with the risk mandate, the Group attempts to match new sales orders (based on estimated energy consumption, assuming normal weather patterns, over the contract term) 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.

Well-publicised increases in global gas and electricity commodity prices have increased the potential gain or loss for an over or under-hedged portfolio, and the Group continues to closely monitor its customer demand forecast to manage volatility. The Group also applies premia in its pricing of contracts to cover some market volatility (which has proven to be robust despite the market context), and contracts with customers also contain the ability to pass through costs which are incurred as a result of customer demand being materially different to the estimated volume contracted.

The fair value Mark to Market adjustment at 31 December 2021 for those contracts not assumed to be strictly for "own use" is a gain of £3,344,000 (2020: gain of £1,011,000). See note 16 for the corresponding derivative financial asset.

The Group's exposure to commodity price risk according to IFRS 7 is measured by reference to the Group's IFRS 9 commodity contracts. IFRS 7 requires disclosure of a sensitivity analysis for market risks that is intended to illustrate the sensitivity of the Group's financial position and performance to changes in market variables impacting upon the fair values or cash flows associated with the Group's financial instruments.

Therefore, the sensitivity analysis provided below discloses the impact on profit or loss at the balance sheet date assuming that a reasonably possible change in commodity prices (determined based on calculated or implied volatilities where available, or historical data) had occurred and been applied to the risk exposures in place at that date. In view of the volatile nature of commodity markets, the sensitivity analysis is based on a change of up to +/-25% in commodity markets, though additional volatility may be incurred in view of the current, unprecedented, energy market context of volatility.

The sensitivity analysis has been calculated on the basis that the proportion of commodity contracts that are IFRS 9 financial instruments remains consistent with those at that point. Excluded from this analysis are all commodity contracts that are not financial instruments under IFRS 9.

Open market price of forward contracts	Reasonably possible increase/ decrease in variable	**2021 Impact on profit and net assets £'000**	2020 Impact on profit and net assets £'000
UK gas (p/therm)	+/-25%	**793**	103
UK power (£/MWh)	+/-25%	**1,470**	364
		2,263	467

In addition to the sensitivity noted above, the estimate of the forward derivative contracts assessed as "own use" results in the financial asset recognised. If the level of own use of such forward contracts was amended by +/-1%, then the financial asset and resulting impact on profit and net assets would be £1,088,000. Such a sensitivity could occur if, for example, the Group's estimated forecasted demand from customer contracts was impacted by factors such as prolonged abnormal weather patterns, or further unexpected and severe Covid-19 lockdowns. In mitigation, however, demand balancing activities and trading will significantly reduce any potential gain or loss arising from the sensitivity noted above, and the Board approved hedging policy is designed so as to protect (to the extent possible) the gross margin as sold on each contract. Customer prices also include premia in their pricing to account for certain levels of market risk as a result of the above in order to reduce the potential for negative impact on Group profitability.

19. Financial instruments and risk management continued

(a) Commodity trading and derivative instruments continued

Liquidity risk from commodity trading

The Group's trading arrangements can result in the need to post cash or other collateral to trading counterparties when commodity markets are below the Group's average weighted price contracted forward. A significant reduction in electricity and gas markets could lead to a material cash call from these trading counterparties in the absence of a suitable trading credit limit. Whilst such a cash call would not impact the Group's profit (as it represents a forward credit risk assessment of the counterparty), it would have an impact on the Group's cash reserves.

The structured trading arrangement, entered into with SmartestEnergy in December 2019, has reduced this liquidity risk in view of the significant credit limit being provided. This arrangement provides a significant trading credit limit (secured on the main trading entities of the Group and subject to compliance with certain covenants) and as such reduces the need to lodge cash collateral when commodity markets decrease. As disclosed in note 1, the Board has considered the cash flow forecasts, along with the interaction in trading credit limits and the potential need for cash collateral or Letter of Credit support. The Board also monitors the position in respect of commodity markets and has mitigation plans in place where credit limits are predicted to be exceeded to reduce, where possible, the potential impact on the Group due to short-term cash calls. In extreme circumstances, such mitigation may include (prior to security being enacted) reducing the Group's hedged position (reducing liquidity risk in exchange for increased risk to future market increases) through to commercial discussion to waive the requirement to post cash collateral over a short to medium-term period; or the agreement to provide additional remedial action.

Trading counterparty credit risk

In mirror opposite to the liquidity risk noted above, the Group carries credit risk to trading counterparties where market prices are above the average weighted price contracted forward. In view of the significant rise in energy commodity markets this credit risk has increased significantly to be greater than £100m at certain periods during 2021. This credit exposure is predominantly with the Group's main trading counterparty.

The Board monitors the position in respect of credit exposure with its trading counterparties, and contracts only with major organisations which the Board considers to be robust and of appropriate financial standing.

(b) Customer or other counterparty 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 (in addition to trading counterparties as noted in section (a) above).

These operational exposures are monitored and managed at Group level. All customers operate in the UK 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 year end there were no significant concentrations of credit risk. The carrying amount of the financial assets (less the element of VAT and climate change levy ("CCL") included in the invoiced balance, which is recoverable in the event of non-payment by the customer) represents the maximum credit exposure at any point in time.

The Board considers the exposure to debtors based on the status of customers in its internal debt journey, the level of customer engagement in financing an appropriate solution, the customer's creditworthiness, the provision for doubtful debts and expected credit loss held, the level of reclaimable VAT and CCL on the balances, and cash received after the period end.

At 31 December 2021 the Group held a provision against doubtful debts and expected credit loss of £7,488,000 (2020: £6,029,000). This is a combined provision against both trade receivables at £6,007,000 (2020: £5,162,000) and accrued income at £1,481,000 (2020: £867,000). The increase reflects higher amounts due as a result of the significant growth in Group revenues in the year, and the integration of the AmpowerUK customer book during November 2021.

If the recoverability of customer receivables is +/-5% of that assessed by the directors, the gain or loss arising recognised in the income statement and impacting net assets would be +/-£32,000. If the expected customer credit loss rate on accrued income was +/-10%, the gain or loss arising would be +/-£144,000.

19. Financial instruments and risk management continued

(c) 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.

Management also monitors the position in respect of the Group's performance against covenants as part of its trading arrangements, to ensure credit limits as part of such transactions are monitored, and any credit cover requirements for other industry participants which are standard in the energy sector.

Any excess cash balances are held in short-term deposit accounts which are either interest or non-interest accounts. At 31 December 2021 the Group had £7,049,000 (2020: £11,740,000) of cash and bank balances, as per note 17.

(d) Foreign currency risk

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

Impact from the Covid-19 pandemic

Whilst the Covid-19 pandemic continues to have a significant impact on the UK economy, these events are now largely considered as part of the Group's business as usual operations. Previous impacts have been on customer demand and market price volatility, the potential to continue to operate an efficient business model under "lockdown", and the potential for increased levels of bad debt as a result of the wider economic context.

The Group has performed well despite the impact of Covid-19, and the Board is confident in its ability to continue to monitor and mitigate such risks. As a result, the impact of the Covid-19 pandemic is implicitly included in the sections above.

20. Share capital and reserves

Share capital	**2021 Number**	**2021 £'000**	2020 Number	2020 £'000
Allotted and fully paid ordinary shares of £0.005 each	**16,316,215**	**82**	16,281,055	82

The Company has one class of ordinary share which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

The Group and Company-only movement in reserves is as per the statement of changes in equity as detailed on page 58 and 59.

Share capital represents the value of all called up, allotted and fully paid shares of the Company. On 12 July 2021 an employee exercised 35,160 share options. The exercise price was £0.005 per share.

The share premium account represents amounts received in excess of the nominal value of shares on the issue of new shares, net of any direct costs of any shares issued.

The merger reserve was created as part of the 2016 Group reorganisation prior to listing.

Retained earnings comprises the Group's cumulative annual profits and losses.

21. Share based payments

The Group operates a number of share option plans for qualifying employees. Options in the plans are settled in equity in the Company. The options are subject to a vesting schedule, details of which are listed below.

The terms and conditions of the outstanding grants made under the Group's schemes are as follows:

		Exercisable between					
Date of grant	Expected term	Commencement	Lapse	Exercise price	Vesting schedule	**Amount outstanding at 31 December 2021**	Amount outstanding at 31 December 2020
17 February 2016	3	17 February 2019	17 February 2026	£0.09	1	**27,000**	27,000
22 December 2016	3	22 December 2019	22 December 2026	£3.25	1	**13,500**	13,500
6 April 2017	3	6 April 2020	6 April 2027	£0.005	1	**43,950**	79,110
6 April 2017	6.5	6 April 2020	6 April 2027	£2.844	1	**87,900**	158,220
28 September 2017	6.5	28 September 2020	28 September 2027	£5.825	1	**40,500**	40,500
9 April 2018	6.5	9 April 2021	9 April 2028	£10.38	1	**59,084**	78,351
26 September 2018	6.5	26 September 2021	26 September 2028	£8.665	1	**6,539**	6,539
25 February 2019	6.5	25 February 2022	25 February 2029	£1.09	1	**48,497**	53,333
25 February 2019	3	25 February 2022	25 February 2029	£0.005	1	**250,000**	250,000
18 June 2019	3	1 August 2022	1 February 2023	£1.40	2	**62,483**	86,138
4 October 2020	3	30 April 2023	4 October 2030	£0.005	3	**210,696**	287,312
4 October 2020	3	30 April 2024	4 October 2030	£0.005	3	**172,388**	210,696
1 June 2021	3	30 April 2024	4 October 2030	£0.005	3	**76,616**	—
						1,099,153	1,290,699
Weighted average remaining contractual life of options outstanding at 31 December 2021						**7.1 years**	

The following vesting schedules apply:

1. 100% of options vest on third anniversary of date of grant.
2. 100% of options vest on third anniversary of the Save As You Earn ("SAYE") savings contract start date.
3. Level of vesting is dependent on a performance condition, being the Group's share price at pre-determined dates in the future.

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

	2021 shares	2020 shares
Balance at the start of the period	**1,290,699**	830,468
Granted	**76,616**	498,008
Forfeited	**(233,002)**	(37,777)
Lapsed	**—**	—
Exercised	**(35,160)**	—
Balance at the end of the period	**1,099,153**	1,290,699
Vested at the end of the period	**278,473**	318,330
Exercisable at the end of the period	**278,473**	318,330
Weighted average exercise price for:		
Options granted in the period	**£0.005**	£0.005
Options forfeited in the period	**£1.88**	£1.35
Options exercised in the period	**£0.005**	—
Exercise price in the range:		
From	**£0.005**	£0.005
To	**£10.38**	£10.38

21. Share based payments continued

The fair value of each option grant is estimated on the grant date using an appropriate option pricing model with the following fair value assumptions:

	2021	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 total expenses recognised for the year arising from share based payments are as follows:

	2021 £'000	2020 £'000
Equity-settled share based payment expense	**237**	320
Cash-settled share based payment expense	**12**	—
Total share based payment charge	**249**	320

Cash-settled share based payment expense relates to employer's National Insurance payable on unapproved share options when exercised.

22. Commitments

Capital commitments

The Group has entered into contracts to develop its digital platform as part of the Digital by Default strategy. Such contracts may be terminated with a limited timescale and as such are not disclosed as a capital commitment.

The Group has no other capital commitments at 31 December 2021, and the Company has no capital commitments at 31 December 2021. At 31 December 2020, the Group and the Company had capital commitments related to the investment in freehold buildings of £2,207,000.

Security

Yü Group PLC provides parent company guarantees on behalf of its wholly owned subsidiaries to a small number of industry counterparties as is common place for the energy sector.

The Group entered into an arrangement with a commodity trading counterparty, SmartestEnergy Ltd, in December 2019. As part of the arrangement, there is a requirement to meet certain covenants and a fixed and floating charge over the main trading subsidiaries of the Group, Yü Energy Holding Limited and Yü Energy Retail Limited.

As disclosed in note 16, included in other receivables of the Company and the Group is an amount of £500,000 held in a separate bank account over which the Group's bankers have a fixed and floating charge.

Contingent liabilities

The Group had no contingent liabilities at 31 December 2021 (2020: £nil).

23. Related parties and related party transactions

The Group has transacted with CPK Investments Limited (an entity owned by Bobby Kalar). CPK Investments Limited owns one of the properties from which the Group operates via a lease to Yü Energy Retail Limited. During 2021 the Group paid £130,000 in lease rental and service charges to CPK Investments Limited (2020: £120,000). There was no amount owing to CPK Investments Limited at 31 December 2021 (2020: £10,000 creditor).

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

24. Net cash/(net debt) reconciliation

The net cash/(net debt) and movement in the year were as follows:

	2021	2020
Cash and cash equivalents	**7,049**	11,740
Lease liabilities	**(267)**	(368)
Borrowings	**—**	—
Net cash	**6,782**	11,372

	Borrowings £'000	Leases £'000	Cash £'000	Total £'000
Net cash/(net debt) as at 1 January 2020	—	(597)	2,377	1,780
Cash flows	—	180	9,363	9,543
New and exited leases	—	72	—	72
Interest and other changes	—	(23)	—	(23)
Net cash/(net debt) as at 31 December 2020	—	(368)	11,740	11,372
Cash flows	—	120	(4,691)	(4,571)
Interest and other changes	—	(19)	—	(19)
Net cash/(net debt) as at 31 December 2021	**—**	**(267)**	**7,049**	**6,782**

25. Subsidiary audit exemption

Yü Water Limited (09918643) is exempt from the requirements of an audit, for the year ended 31 December 2021, under section 479A of the Companies Act 2006.

26. Post-balance sheet events

The Group was appointed by Ofgem as Supplier of Last Resort for two small suppliers (Whoop Energy Limited and Xcel Power Limited) from 19 February 2022. The appointment provided an additional circa 850 meter points.

There are no other significant post-balance sheet events.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2022 annual general meeting of Yü Group PLC ("the Company") will be held at DLA Piper UK LLP, 160 Aldersgate Street, Barbican, London EC1A 4HT on 26 May 2022 at 11:00am for the following purposes:

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. To receive the Company's annual accounts and the Strategic, Directors' and Auditor's Reports for the year ended 31 December 2021.
2. To re-elect Robin Paynter Bryant, who retires by rotation as a director of the Company pursuant to Article 94 of the Company's Articles of Association.
3. To reappoint RSM UK Audit LLP as the auditor of the Company.
4. To authorise the Audit Committee to determine the remuneration of the auditor.
5. That, pursuant to section 551 of the Companies Act 2006 ("the Act"), the directors be generally and unconditionally authorised to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £27,193.69, provided that this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 26 August 2023 (whichever is the earlier), save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired.

   This authority is in substitution for all existing authorities under section 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

To consider and, if thought fit, pass the following resolutions as special resolutions:

6. That, subject to the passing of resolution 5 and pursuant to section 570 of the Act, the directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted by resolution 5 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

   6.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

   6.1.1 to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

   6.1.2 to holders of other equity securities in the capital of the Company, as required by the rights to those securities or, subject to such rights, as the directors otherwise consider necessary,

   but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

   6.2 otherwise than pursuant to paragraph 6.1 of this resolution, up to an aggregate nominal amount of £8,158.10,

   and this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 26 August 2023 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

   This power is in substitution for all existing powers under section 570 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

7. That, pursuant to section 701 of the Act, the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of £0.005 each in the capital of the Company, provided that:

   7.1 the maximum aggregate number of ordinary shares which may be purchased is 1,631,621;

   7.2 the minimum price (excluding expenses) which may be paid for an ordinary share is £0.005; and

   7.3 the maximum price (excluding expenses) which may be paid for an ordinary share is an amount equal to 105%. of the average of the middle market quotations for an ordinary share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made,

   and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 26 August 2023 (whichever is the earlier), save that the Company may enter into a contract to purchase ordinary shares in the capital of the Company before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires, and may make a purchase of ordinary shares in the capital of the Company pursuant to any such contract as if this authority had not expired.

By order of the Board

Paul Rawson
Secretary
22 March 2022

Registered office:
CPK House, 2 Horizon Place,
Nottingham Business Park, Mellors Way,
Nottingham, United Kingdom NG8 6PY

Registered in England and Wales no. 10004236

Notes

Entitlement to attend and vote

1. The right to vote at the meeting is determined by reference to the register of members of the Company. Only those persons whose names are entered on the register of members of the Company at 6.00pm on 24 May 2022 (or, if the meeting is adjourned, 6.00pm on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote (and the number of votes they may cast) at the meeting.

Proxies

2. A shareholder is entitled to appoint any other person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting and, on a poll, vote instead of him or her. A proxy need not be a shareholder of the Company. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.
3. A proxy may only be appointed in accordance with the procedures set out in note 6 and the notes to the proxy form. A proxy form is enclosed.
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given in the proxy form, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.
5. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
6. To be valid, a proxy form must be received by post at the offices of the Company's registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD, no later than 11.00am on 24 May 2022 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).
7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Any amended proxy appointment received after the time specified above will be disregarded.
8. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars Limited.
9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a notarially certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Neville Registrars Limited prior to the commencement of the annual general meeting or adjourned meeting at which the vote is given or, in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting, before the time appointed for taking the poll.
10. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid.

Corporate representatives

11. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

Method of voting

12. Voting on all resolutions will be decided on a show of hands unless a poll is duly demanded (i) before or on declaration of the result of a vote on a show of hands or (ii) on the withdrawal of any other demand for a poll.

Documents available for inspection

13. The following documents will be available for inspection during normal business hours at the registered office of the Company and at the Company's business address, CPK House, 2 Horizon Place, Nottingham Business Park, Mellors Way, Nottingham NG8 6PY, from the date of this notice until the end of the meeting:

    13.1 copies of the service contracts of the executive directors; and

    13.2 copies of the letters of appointment of the non-executive directors.

Biographical details of directors

14. Biographical details of all those directors who are offering themselves for reappointment at the meeting are set out on pages 38 and 39 of the enclosed annual report and accounts.

COMPANY INFORMATION

Company Secretary
Paul Rawson

Company website
www.yugroupplc.com

Registered office
CPK House
2 Horizon Place
Nottingham Business Park
Mellors Way
Nottingham NG8 6PY

Nominated adviser
SP Angel Corporate Finance LLP
Prince Frederick House
35–39 Maddox Street
London
W1S 2PP

Broker
SP Angel Corporate Finance LLP
Prince Frederick House
35–39 Maddox Street
London
W1S 2PP

Auditor and reporting accountant
RSM UK Audit LLP
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Nottingham NG1 5FS

Solicitors to the Company
DLA Piper UK LLP
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