yü GROUP PLC

BIGGER, BETTER FASTER, STRONGER

WATCH OUR INTRO VIDEO

YÜ GROUP PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

A FANTASTIC PERFORMANCE FOR THE GROUP, AND SIGNIFICANT GROWTH TO COME.

BOBBY KALAR
CHIEF EXECUTIVE OFFICER

BUSINESS REVIEW

Financial performance

- Revenue of £460.0m, up 65% in year (FY22: £278.6m) following strong sales bookings.
- Adjusted EBITDA at £42.6m (FY22: £7.9m), with strong net customer contribution performance as the Group scales and benefits from its market positioning and investment in digital and smart meters.
- Profit before tax increased to £39.7m (FY22: £5.8m) and fully diluted, adjusted EPS of £1.82 (FY22: £0.30).
- Net Cash plus collateral at 31 December 2023 of £81.9m (FY22: £19.0m), representing £4.89 per share.
- Operational cash inflow of £16.1m (FY22: £14.7m) after £49.8m collateral outflow, now fully returned, as part of energy trading arrangements.
- Final recommended dividend of 37p per share (FY22: 3p), providing total FY23 dividend of 40p per share (FY22: 3 pence) which is covered 4.6x by earnings.
- Capital reduction process commenced to cancel the share premium account and increase distributable reserves by £11.9m to enable further flexibility around capital distributions.

Strong operational delivery

- New five year, transformational, trading agreement with Shell Energy Europe Limited ("Shell"), provides efficient access to commodity markets, sized for significant continued growth whilst transforming the Group's working capital profile by removing the requirement to post cash collateral. Cash previously lodged as collateral has now returned to the Group post period end.
- Continued focus on customer service resulting in 4.1 Trustpilot score (FY22: 4.0). Investment in UK contact centre capability and further shift towards digital-led contact provides strong market positioning for the Group.
- Yü Smart continues to scale providing operational benefits alongside a growing high margin annuity income, with increasing headcount expected to provide growth, efficiency benefits and national coverage.

Current trading and outlook

- Strong bookings and margin performance is continuing into 2024, despite lower commodity market environment.
- Expect to deliver organic growth of c. 50% in FY24 despite lower commodity prices:
  - £520m contracted revenue at end of 2023 for FY24 delivery (2022: £247m for FY23), plus strong bookings momentum and further non-contracted book.
  - Board targets significant market-share growth (from current 1.4%).
- The Board targets over 25,000 smart meters owned by the end of 2024 to provide benefits on customer lifecycle value, together with a recurring, index-linked, annuity income of c.£1m per annum.
- Strong profitability expected as the Group benefits from its well-hedged commodity position; investment in digital; expansion of smart meters; and service-led market positioning.
- Very strong operational cash generation forecasted for FY24, from EBITDA conversion to cash and the working capital benefits of the new trading agreement with Shell.
- Board confirms the intent to progressively increase dividend distribution, in a sustainable manner, as earnings grow whilst maintaining at least 3x cover on EPS in the short to medium term.

Alternative Performance Measures ("APMs") utilised are as set out in the Finance Review from page 30, and in Key Performance Indicators from page 36, including the reconciliation of Operating Profit to Adjusted EBITDA on page 31.

CONTENTS

Visit our website to find out more about Yü Group PLC

STRATEGIC APPROACH

BIG

HIGH GROWTH

As a leading, independent challenger brand, Yü Group PLC was created to shake up the business energy market and offer a dependable alternative to the Big Six suppliers. Since our conception, we've seen high growth, exceeding all expectations. We continue to drive this growth in a huge market, utilising multiple avenues to take advantage of the substantial opportunity the commercial energy sector presents.

Through a strong customer proposition, promoting loyalty within our existing customer portfolio and strategic acquisition, we will continue to sustainably scale our businesses. Our smart metering business, Yü Smart, has unlocked even more avenues this year, allowing us to grow our ownership of meters, access higher value sector opportunities and create index-linked rental income that will contribute to our growth well into the future.

READ MORE

- Our business model: **page 14**
- Market opportunity and landscape: **page 22**

> **YÜ ENERGY IS THE FASTEST GROWING SUPPLIER OF GAS AND ELECTRICITY METERS."**

OUR ANALYSIS OF CORNWALL INSIGHT MARKET SHARE REPORT, OCT 23

GER

53.4k

METER POINTS
2022: 25.5K, +109%

2.2 TWh

ENERGY SUPPLIED (ENOUGH ENERGY FOR 481,058 HOMES[1])
2022: 1.7TWh

111%

1 YEAR AHEAD CONTRACTED REVENUE GROWTH
2022: £247M, 2023:£520M

40%

YOY MARKET SHARE GROWTH
2022: 1%, 2023: 1.4%

1 Based on average consumption of 2.5MWh electricity and 11.5MWh gas, ofgem.gov.uk.

STRATEGIC APPROACH continued

BET

MORE PROFITABLE

Our aim is not just to grow our business at pace but to ensure that growth is sustainable and consistent. The volatile market seen over the past few years has put even more of a focus on this, and we have developed our processes and strategy to reflect the ever-changing market.

To protect ourselves against downturns in the commodity market, we have shifted our focus to maximising volumes, mitigating the risk to revenue which a fluctuating market could present. Supported by processes to increase customer contribution, control expenditure and costs, and ensure efficient cash flow management, we are in a strong position to continue driving profitable growth.

READ MORE

- Finance Review: **page 30**
- Key performance indicators: **page 36**

TER

£460m

REVENUE
2022: £279M

£42.6m[1]

ADJUSTED EBITDA
2022: £7.9M

£81.9m

NET CASH AND COLLATERAL
2022: £19.0M

£1.82[2]

EARNINGS PER SHARE
2022: £0.30

1 Adjusted EBITDA is reconciled to Operating Profit on page 31.
2 Adjusted and fully diluted.

STRATEGIC APPROACH continued

FAS

LEVERAGING OUR TECH PLATFORM

Twice a year, Cornwall Insight, an independent market insight company, compiles market share statistics from all major suppliers in the UK. In its survey for the three months to 31 October 2023, Yü Energy has been promoted from the “Other Suppliers” section into the main section of the report because market share exceeds 1% for both electricity and gas. The 137% YOY growth in electricity meters and 45% YOY growth in gas meters to 31 October 2023 make us the fastest growing supplier of both gas and electricity meters in the non-domestic market.

A big driver for this is our Yütility Simplicity approach, which remains at the core of our operations, underpinned by our Digital by Default strategy and smart metering services. In order to provide the best experience for our customers and ensure we stay competitive in a fast-changing market, we have to make energy simple for time-strapped business owners. Smart meters give us remote access to meters, improving insights and allowing us to respond quickly to issues, whilst Digital by Default continues to increase acquisitions.

READ MORE

- Smart meter integration: **page 25**
- Digital by Default: **page 40**

> THE GROUP HAS A TECHNOLOGY PLATFORM THAT IS SCALABLE, DIFFERENTIATES OUR CUSTOMER SERVICE AND ALLOWS EFFICIENCY IN ACQUIRING AND SERVING CUSTOMERS."

TER

Page 1

FOR BUSINESS ENERGY GOOGLE SEARCH TERMS

8.35m

ORGANIC SEARCH IMPRESSIONS

2022: 1.47M

45k

PRICES GENERATED ONLINE PER MONTH

8.5k

SMART METERS INSTALLED

2022: 1K

STRATEGIC APPROACH continued

STRO

ROBUST SYSTEMS AND EXPERIENCED MANAGEMENT

By developing our unique risk management strategy alongside our smart meter rollout, we are able to mitigate many of the risks presented by the market. This is supported by our experienced management team, who have a wealth of knowledge in the energy sector and beyond and use this knowledge to create innovative new solutions to optimise our performance and differentiate our offer.

We are committed to developing our people through strong stakeholder engagement initiatives, supporting employee progression with clear career paths and creating unique roles, such as our smart meter technician role. Our employees help us to ensure our customers get the best experience possible, maintaining high retention rates, actively managing our portfolio and attracting new customers.

Our new commodity trading agreement with Shell allows the continued focus on commodity risk management and hedging, without the requirement of posting cash collateral, allowing the Group to invest in other areas to drive growth.

READ MORE

- New commodity agreement: **page 33**
- Our People: **page 44**

NGER

5 YEARS
TERM OF NEW COMMODITY TRADING AGREEMENT

4.1
TRUSTPILOT SCORE
2022: 4.0

57%
INCREASE IN HEADCOUNT AT YEAR END
DEC 2022: 243, DEC 2023: 382

TOP 100
THE SUNDAY TIMES BEST PLACES TO WORK LIST
MEDIUM SIZED BUSINESS

AT A GLANCE

MAKING OUR MARK: A YEAR OF STRONG AND SUSTAINABLE GROWTH

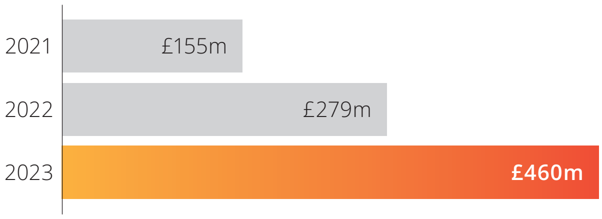
2023 saw a host of highlights for the Group, as we exceeded all market expectations, continued on our strong trajectory and made a significant impact on our market share. We've seen growth across meter points, revenue, EBITDA, cash and more. Further, our increase in contracted revenue, bookings, and focus on smart meter installations and meter ownership provides significant forward confidence.

Revenue

£460m

+65%

Combination of service, prices and simplicity driving revenue

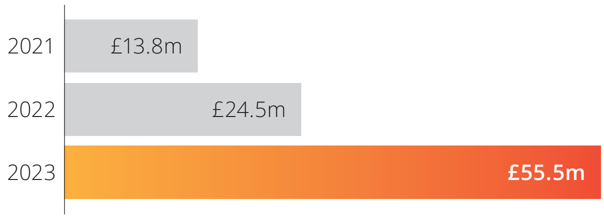


Average monthly bookings[2]

£55.5m

+127%

Upward trajectory shows sustainability of growth

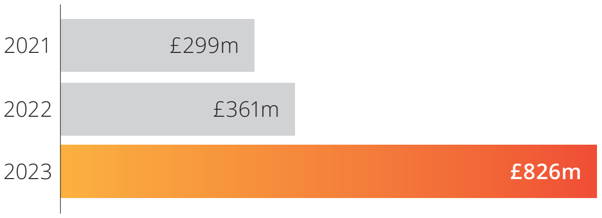


Aggregate contracted revenue[2]

£826m

+129%

Business model means clear visibility of future growth

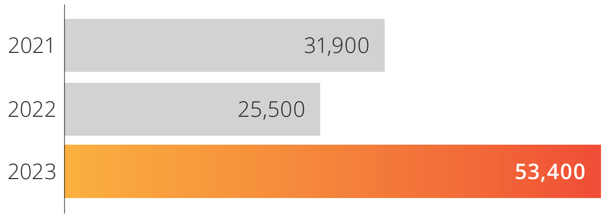


Meter points

53,400

+109%

High organic growth after portfolio re-focus in 2022



Adjusted EBITDA[1]

£42.6m

+439%

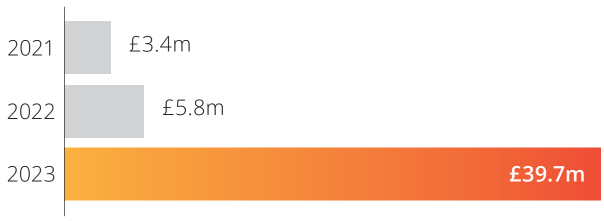
Growth reflects improvements in operational efficiency

Profit before tax

£39.7m

+584%

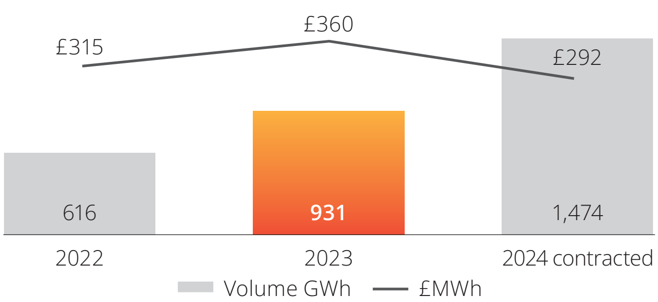
Strong financial performance in 2023



Revenue vs volume (electricity)

0.93 TWh

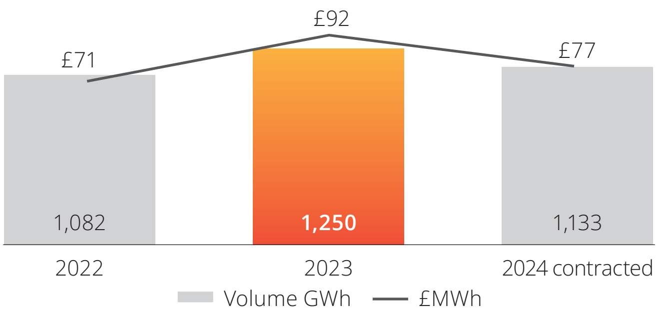
+51% Enough electricity to supply 372,400 homes



Revenue vs volume (gas)

1.25 TWh

+16% Enough gas to supply 108,658 homes

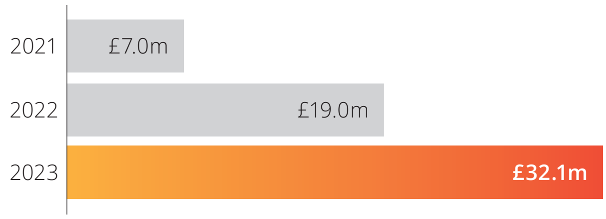


Net cash[1]

£32.1m

+69%

Financial stability opens up opportunities for further growth

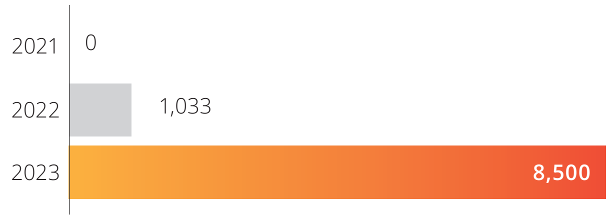


Smart meters installed

8,500

+723%

Increased installations driven by introduction of Yü Smart

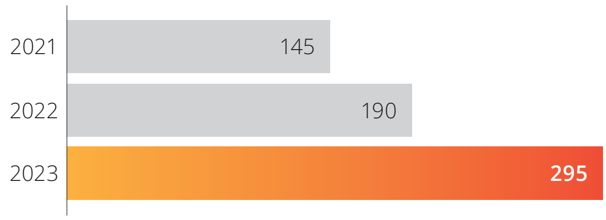


Average headcount

295

+55%

Reflects growth and in-housing of metering capabilities



Trustpilot score

4.1

4.0 in 2022

Investment in customer success yielding results and driving renewals

1 Adjusted EBITDA and net cash are further detailed on pages 30, 31 and note 27 to the financial statements.
2 Average monthly bookings and aggregate contract revenue are as detailed on page 36.

CHAIRMAN'S STATEMENT

DELIVERING OUR STATEGY

Delivering strong organic growth and sustainable returns within the framework of a strong commitment to best-in-class corporate governance and risk management.

ROBIN PAYNTER BRYANT
Independent non-executive Chairman

Dear Shareholders,

In the face of a turbulent and volatile year for commodity prices, Yü Group's financial results have continued to demonstrate rapid and controlled positive momentum. Since January 2020, we have scaled at a 65% compound annual growth sales rate and now have achieved a modest 1.4% share of our £50 billion-plus addressable business-to-business energy supply market. We have become an increasingly well-recognised challenger and disruptor in our chosen markets and this has been recognised across the board from winning the AIM Company of the Year to The Sunday Times People awards.

In many ways, this has been an exceptional year and I have confidence in the Group's ability to continue its high organic growth in volumes sold and to maintain attractive margins. Our platform has been established and proved out and we are now seeking to materially grow our market share in the coming years. We enter FY24 with a forward order book of £826m to deliver in the coming years, of which £520m is contracted revenue for FY24.

The team, under the energetic stewardship of Bobby Kalar as Chief Executive Officer, continue to focus on ensuring high customer service levels, introducing innovative customer-centric products and increasing impetus on meter supply and installation whilst maintaining strict controls and processes that underpin our business. The further development of our essential core Digital by Default technological platform is proceeding apace.

The Group's unique market positioning and clearly differentiated customer proposition offer customers simple, quick and easy access to energy and to the efficient management of that supply.

Delivering results

Since 2019 Yü Group has demonstrated continued positive progress in financial results. Revenues increased by 65% in the year to £460.0m (2022: £278.6m); adjusted EBITDA rose to £42.6m (2022: £7.9m), representing a 9.3% EBITDA margin (2022: 2.8%); and earnings per share (on an adjusted, fully diluted basis) grew to £1.82 (2022: £0.30).

Our cash position has been robust and will be materially enhanced in H1 24 by our new commodity trading agreement with Shell. This arrangement provides the Group with scalable, "capital light" access to the ability to supply and to manage hedges on wholesale commodities without the previous requirement to post significant amounts of cash collateral. At 31 December 2023, cash and collateral posted equated to £4.89 per share, providing a strong foundation from which to accelerate investment in further growth and increase returns.

In addition to the 3p interim dividend, the Board is recommending a final 2023 dividend of 37p per share (2022: 3p). Strong cash generation remains a focus, and we hope to maintain and enhance our progressive dividend policy as Group earnings and cash flow increase whilst retaining ample cover of at least 3x earnings.

Recognition in The Sunday Times' "Best Places to Work 2023" illustrates increasing maturity and the fostering of a "can-do" and agile culture. We have continued to attract industry-leading talent to key positions to assist in driving further growth. Cohesive, highly engaged teams of seasoned, industry-experienced professionals and colleagues are delivering in a volatile market, and we continue to build our teams with our sights firmly set on achieving revenue of £1 billion p.a. and beyond.

Health and safety, customer service, risk, credit, employee engagement and compliance indicators have all performed strongly and continue to drive performance within an agile and entrepreneurial culture. We do not intend to rest on our laurels and are highly ambitious for the future.

Our commitment to shareholders and stakeholders

We remain steadfast in our commitment to best-in-class corporate governance, details of which are covered more fully in the corporate governance section of this annual report.

Ahead of requirement, we have adopted the 2023 Quoted Companies Alliance ("QCA") Code early to assist in the promotion of best practice.

The Board, through activities overseen by the Audit Committee and delivered through the Executive Committee, has also continued to improve the Group's risk and opportunity framework, ensuring that it is deeply embedded throughout the organisation. During the course of FY23, this was particularly robust in ensuring an "eyes wide open" approach to assessing risk and the determination of judiciously balanced levels of risk and opportunity appetite.

Focus on our commodity hedging arrangements remains a large part of our risk management strategy. Extensive external review and due diligence conducted in 2023 and early 2024 as part of our major new commodity trading agreement with Shell allowed us to enter into a mutually beneficial trading and commodity hedging arrangement. Our commodity hedging programme has been stress-tested over various black-swan events which increased commodity volatility to 20 year highs and we have demonstrated through our results that our hedging remains robust even in highly volatile markets.

We remain focused on delivering for shareholders and continue to evolve our engagement activities. This year our first on-site "Capital Markets Day" was hosted by our Chief Executive Officer and Leadership Team. I was particularly pleased to hear the feedback from investors and potential investors alike who were able to see, first hand, the "bench strength" throughout our organisation.

We have made further appointments to support our interactions with Ofgem, Ofwat and our other regulators. We continue to deliver the BEIS energy support schemes which supported our customers through a difficult period in energy markets. As our business and market share grow, we will engage proactively with regulators and all other stakeholders.

"

WE INTEND TO CONTINUE TO DELIVER INCREASING AND SUSTAINABLE VALUE TO OUR SHAREHOLDERS."

Summary

Yü Group continues to not just weather the storms of the commodity markets and other "black-swan" macro-events but is also able to succeed by agility, maturity and determination, in turning threats into opportunities. This is thanks to its highly committed team to whom I am grateful for all their "beyond the call" efforts. We intend to continue to deliver increasing and sustainable value to our shareholders.

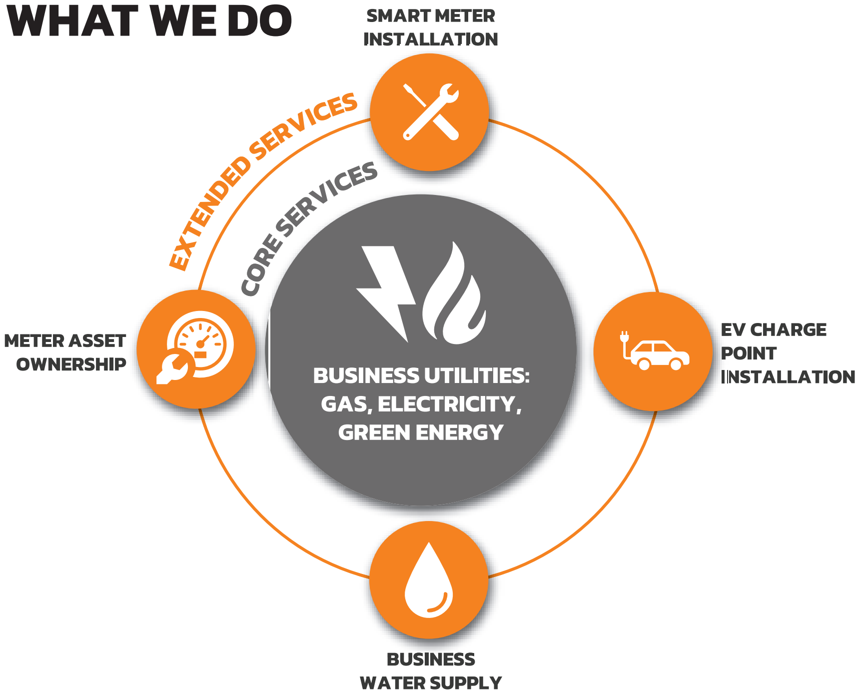
ROBIN PAYNTER BRYANT
Chairman
19 March 2024

Read more regarding our approach to corporate governance and early adoption of the QCA Code from **page 60**

OUR BUSINESS MODEL

DELIVERING VALUE THROUGH INNOVATION

WHAT WE DO



CHANNELS

ONLINE
Our website, online portal and online quote tool.

INBOUND
Our in-house contact centre, direct sales team and renewals team.

OUTBOUND
External call centre and internal business development team.

TPIS AND WHITE LABEL
Relationships with popular third-party intermediaries and comparison sites. Working with industry partners to offer white label energy solutions.

ACTIVITY STREAMS

Yü Group PLC consists of multiple activity offerings that contribute to our profit. Each of the entities works together to create a full service offering that supports our customers' journeys and drives the sustainable growth of the Group.

YÜ ENERGY
Our core service, Yü Energy provides gas and electricity to business customers. We are currently expanding our green energy offering in line with customer demand for sustainability.

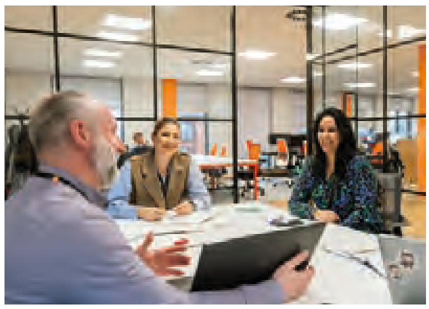
YÜ SMART
With our in-house metering division, we take control of the meter installation process, ultimately giving our customers better control of their usage. Yü Energy benefits from a reduction in estimated meter reads and better control of customer outcomes.

YÜ MAP
Yü MAP, trading as Kensington Meter Assets, rents meters to Yü Energy and other energy suppliers.

The creation of this capability allows the Group to benefit from an index-linked, annuity income stream expected over the 15+ year life of the meters financed.

YÜ WATER
Yü Water was created to offer competitive rates on business water and take advantage of deregulation. This also allowed us to create our unique multi-utility offering.

YÜ CHARGE
As the demand for electric vehicles grows, so does the demand for chargepoint installs. Through Yü Charge, we can offer another service to our existing customers and to the domestic market.



OUR PURPOSE

At Yü, we believe that buying utilities doesn't need to be complicated. Our purpose is to help businesses to realise Yütility Simplicity, freeing up time and resources so that they can focus on making their businesses thrive.

CUSTOMER PROPOSITION

"OUR FOCUS IS ON THE B2B MARKET, WHICH IS NOT IMPACTED BY THE PRICE CAP, HAS HIGHER BARRIERS TO ENTRY THAN THE DOMESTIC SEGMENT, AND PROVIDES THE ABILITY TO SECURE FIXED TERM, LONGER CONTRACTS."

WHY YÜ?

GREAT PRICES

In times of energy market volatility we offer our customers certainty that they are getting a great price. We keep a sharp eye on the market, on our competitors, and on our own costs, so that customers can be confident that we give them the best value for money.

SIMPLICITY

Buying utilities doesn't need to be complicated. We have invested heavily in technology to ensure that our processes are intuitive and that we get things right the first time. We turn around quotes quickly and take the hassle out of choosing a new supplier. We call it Yütility Simplicity!

▶ See Digital by Default: **page 40**

SAFE PAIR OF HANDS

Customers have seen many suppliers fail over recent years. Our diligent approach to risk management means that our customers can be confident that we are here to stay.

▶ See Risk Management: **page 51**

CUSTOMER SERVICE FOCUS

Part of making utilities simple involves ensuring that customers can complete the jobs they need to do with minimum hassle. We work hard to ensure that customers can self-serve if they want to, and also have access to other communication channels whenever, and wherever, they need it.

EXPERT PEOPLE

We've been growing fast over recent years and that means lots of new colleagues have joined the Yü family. We take pride in making Yü a great place to work, in giving our colleagues training and development opportunities, and we keep them focused on delivering the best possible outcome for our customers.

▶ See Our People: **page 44**

WHO WE SERVE

- Small, medium and micro businesses
- Multi-site, complex I&C companies
- Third-party intermediaries ("TPIs")
- Other partners

OUR BUSINESS MODEL continued

HOW WE CREATE VALUE

OUR EXPERTISE

We create value for our shareholders, customers and stakeholders using our extensive skills, knowledge and capabilities within the sector.

Our expertise includes:

Energy supply

The supply of energy is the heart of our business, and our approach is creating a new and superior way for time-strapped businesses to buy energy. Our hedging process allows us to price competitively, adapt to a changing landscape, and offer our customers the best value on a range of contracts.

We manage our customer journey to ensure we offer excellent service at every touch point – from fast, online quoting to multi-channel customer care and an efficient billing and collections process – all underpinned by digital innovation to stay ahead of the game.

▶ Read about market opportunity and landscape: **page 22**

Engineering and asset management

We aim to optimise the lifecycle of our assets with a focus on cost-effectiveness and efficiency. This includes the maintenance and investment made in owning our meters through Yü Smart. Our engineers undergo extensive training, ensuring they are highly skilled and perform safely, efficiently and reliably on all appointments.

▶ Read about smart meter integration: **page 25**

Innovation

Innovation is at our core and allows us to challenge the Big Six suppliers, cementing our position as a key challenger in the business energy market. We commit to developing unique approaches to customer pain points, allowing us to stay relevant and simplify utilities for our customers.

Digital by Default

Our Digital by Default strategy showcases our innovative thinking and allows us to serve our customers in a fast and efficient manner, supporting them throughout their journeys with us. It has allowed us to reduce our cost to serve and acquire, improved our accuracy, and helped provide insights that lower risk and drive decisions.

▶ Read about Digital by Default: **page 40**

OUR CULTURE

We take great pride in fostering a culture that acknowledges and appreciates our employees. Our ongoing commitment is to cultivate a dynamic, engaging and inclusive work environment where ambition thrives, and our team is motivated to create meaningful change for our customers, the energy industry and the communities we serve.

▶ Read about our people: **page 44**

RISK MANAGEMENT

The Board holds the responsibility for overseeing the Group's risk management and internal control systems in alignment with the organisation's objectives. The Audit Committee mentors and provides oversight over the executive team members to assess and enhance risk mitigation through robust policies and procedures, a well-defined organisational structure, and formal hedging policies and governance structures.

▶ Read about risk management: **page 51**

STAKEHOLDER VALUE CREATION

Customers

Simplifying utilities and offering competitive pricing on new quotes and renewals. Providing a service that is fast, effective and reliable for both acquisition and retention.

Shareholders

Regular and transparent communication through presentations and meetings, following key events and results announcements.

Colleagues

Ongoing investment in talent development, social and financial wellbeing, diversity, equality and retention. Regular feedback and communication sessions.

Communities

Supporting local communities with fundraising efforts alongside nurturing career development by engaging with local educational institutions to offer placements and apprenticeships.

Regulators

Strong governance ensures we stay compliant with AIM regulations and procedures. Alongside this, engaging with Ofgem, Ofwat and Government departments helps us stay up to date with the latest industry regulations.

▶ See our stakeholders: **page 42**

OUR CUSTOMER PROFILE

EXPANDING OUR CUSTOMER PORTFOLIO

With the growth we have seen throughout 2023, our customer portfolio has developed to include a wide variety of industry sectors and business types. By constantly assessing our customer profile, we can ensure we are providing tailored solutions whilst developing our processes to both support existing customers and attract new customers.

Key industries

By analysing our existing customer data, we have identified key industries that generate revenue for the Group, influencing our sales and marketing strategies. Overall, our portfolio is diversified across multiple industry segments, reducing any risks that may arise if certain sectors are hit by factors out of our control.

21%
Food services

16%
Sole traders

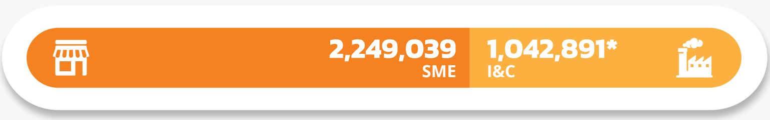
13%
Motor vehicle wholesale and repair

Targeting by size

Our focus is increasingly on the SME[1] sector. This sector presents a huge opportunity to the Group with large numbers of meters and lower risk when hedging.

The majority of our business is currently acquired through a number of TPIs and partners, many of which are SME focused. However, development of our online quote tool and the continuation of our Digital by Default strategy is seeing our directly acquired customer base increase.

UK business energy meters by business size



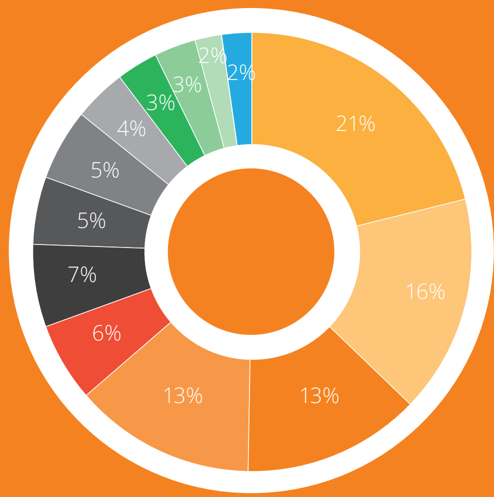
* Source: Cornwall Insight Market Share Report, October 2023.

Varied customer base

We work with customers across all industries and of all sizes. Some of our notable customers include:

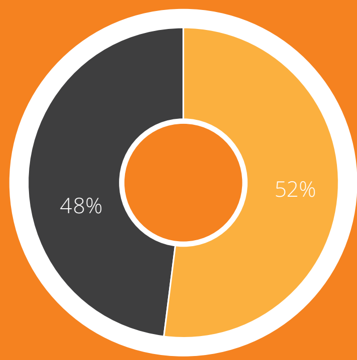
1 SME (or micro, small and medium businesses) defined as those who use less than 100,000 kWh electricity or 293,000 kWh gas per annum. Industrial and commercial defined as those who use more than 100,000 kWh electricity or 293,000 kWh gas per annum.

CONTRACTED REVENUE BY INDUSTRY



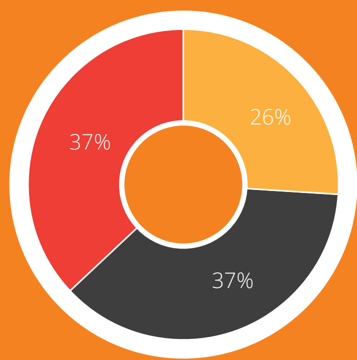
- Food services
- Sole traders
- Motor vehicle wholesale and repair
- Other
- Manufacturing
- Real estate activities
- Human health and social work
- Admin and support services
- Education
- Arts, entertainment and recreation
- Construction
- Accommodation
- Professional, scientific and technical

CONTRACTED REVENUE BY SITE SIZE[1] (DEC 23)



- Micro, small and medium
- Industrial and commercial

PORTFOLIO SPLIT BY METER TYPE



- Smart meters
- Eligible for smart meter
- Half hourly and large meters

CHIEF EXECUTIVE OFFICER'S STATEMENT

CONTINUING TO DELIVER SIGNIFICANT AND SUSTAINABLE GROWTH

A fantastic performance for the Group, and significant growth to come.

BOBBY KALAR
Chief Executive Officer

I'm very pleased to report another excellent performance for the Group achieved against the backdrop of softening commodity markets. There is a substantial market growth opportunity in the SME supply space for a challenger brand like ours to focus on, and our growth strategy is delivering. Our market share has grown 40% in a year but still only stands at 1.4% providing ample scope for future growth; and we have the platform in place and the opportunity is there.

I'm proud to say that my management team has navigated the Group's performance such that we've exceeded all our financial targets even accounting for three upgrades to market guidance. We have a robust balance sheet, a very strong forward order book and significant momentum in growth and customer service metrics. With this backdrop I'm confident in the continued growth trajectory and ability to outperform against our own ambitious internal targets. I'm also very pleased that growth this year has seen us become the thirteenth largest supplier in the UK Business supply sector.

While there are challenges as well as opportunities in every business, the gas and power market has seen unprecedented volatility over the past years which has impacted both suppliers and customers alike. In order to support our customers during the cost of energy crisis we introduced a number of support measures such as agreeing short-term supply contracts to "blending and extending" customers who were in existing contracts. These initiatives worked well and helped our customers overcome difficult periods. Despite these challenging times, the Group's performance exceeded expectations; and in a falling market has proved it can continue scaling sustainably using our strong balance sheet.

Yü Energy

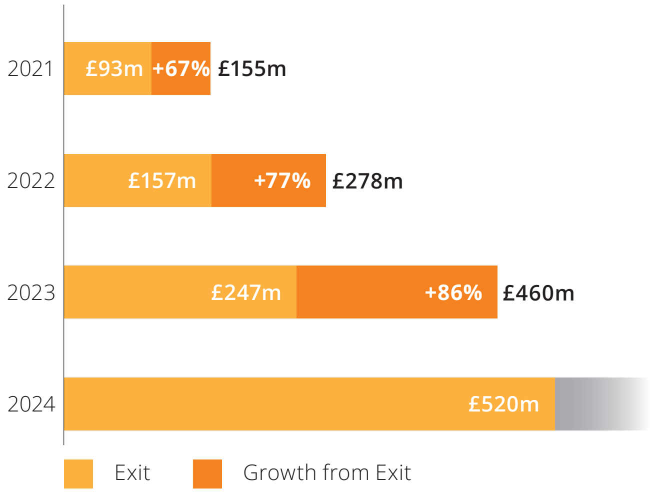
I'm delighted with the performance of our retail energy supply business, with our digital platforms performing well, enabling our growth by using data to drive decisions. Our retail business has consistently exceeded its KPIs, delivering strong cash generation, growth in contracted meter point numbers and commodity volumes. This is especially pleasing given that wholesale commodity prices have been falling. Whilst nobody can predict the future given what the industry has been through over the past few years, I'm pleased we have a very strong forward order book that has contracted revenues in excess of £500m for 2024 and is now filling contracts into 2027.

Our market positioning, digital tools and customer service focus are providing a huge opportunity to scale in this significant market. We very much intend to "stick to our knitting" and continue to scale our electricity and gas supply activities materially over the coming months and years, taking market share from established players. Our trajectory in early 2024 has been on-track, with meter points supplied growing from the 53,400 at 31 December 2023, and we intend to work hard to accelerate growth in a sustainable manner.

Yü Smart and meter ownership

Our Yü Smart business installs new generation smart meters (known as SMETs2) onto our customers' premises. These meters provide customers with significant benefits to understand their energy consumption and expected costs. They also provide greater insight into customer usage and payment habits via real time data. Whilst 2023 was a year of learning and understanding how best the Group could take advantage of this new complementary

Revenue evolution



opportunity, the Yü Smart team successfully installed over 8,500 meters. As expected, we have encountered various hurdles that are typical to a startup business. From combining the two business capabilities in a single customer offer, to scaling installation capability or securing enough metering assets, I'm pleased we've tackled these challenges well, and with a new and strengthened management team in place I am very confident we will see significant asset installation growth in 2024 and beyond.

The small quota of third-party assets which we inherited and were obliged to install have now fulfilled and I'm pleased that we now only install our own assets allowing the Group to grow our asset annuity income. On the whole I'm very excited and looking forward to delivering new highs in Yü Smart.

Transformational trading agreement with Shell

In February 2024 the Group entered into a transformational new five year exclusive trading agreement with Shell. The old trading agreement, while not due to expire for another year, was no longer fit for purpose or fit for the future for two specific reasons. Firstly, the much talked about black-swan events our industry experienced over the past few years caused wholesale commodity prices to climb to all-time highs and then come crashing down to historic norms over a three year period. A mechanism in the old trading agreement meant that if our mark to market exposure exceeded our agreed credit line the Group was required to post cash as collateral for the excess or unwind the hedge position. The Group was able to utilise its strong balance sheet coupled with significant cash generation to post the required cash as we weathered the storm, but the Board recognised this was an inefficient use of capital. Secondly, in a falling commodity market, our growth ambitions were at risk due to the limitations of the previous hedging facility and our balance sheet.

Following a 14 month process the agreement with Shell removes these obstacles, sees all of our cash returned to our balance sheet and allows unhindered growth to significant levels with no requirement to lodge cash. In terms of the management team getting comfortable with our ability to sustainably grow, this has been a game changing move and I'm looking forward to building on our already positive relationship with Shell.

Current trading and outlook

We have commenced 2024 continuing the strong momentum from 2023.

Our forward contract book is continuing to grow from the £520m at 31 December 2023 (£247m at 31 December 2022 for FY23) which is due to deliver this year. I believe the substantial market opportunity, our offer, and our small market share enables this significant growth to continue, and we guide to a growth rate for FY24 of c.50% at this stage.

We also continue to invest in sales, marketing, digital and other projects which will increase the Group's customer service, differentiation, and cost efficiency, making use of our strong balance sheet and cash position.

Our new agreement with Shell provides significant cash benefits for FY24, and in recognition of this I'm pleased to confirm a substantial increase in the final dividend payment of 37p (FY22: 3p) which we recommend to shareholders.

We also guide that we will develop our progressive dividend policy going forward such that the dividend over the short to medium term will, after accounting for continued earnings growth, reduce dividend cover to broadly 3x EPS which should see further material progress to distributions.

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

BOBBY KALAR
Chief Executive Officer
19 March 2024

See more on our business model, the market opportunity available, our market positioning and the growth in Yü Smart from **page 14**

OUR STORY

SUPPORTING BUSINESSES FOR OVER 10 YEARS: THE YÜ GROUP STORY

Formed in 2013 to address challenges faced by businesses when securing their energy supply, Yü Energy set strong foundations for Yü Group to thrive. Since then, the Group has gone from strength to strength, creating a full-service solution for time-strapped businesses frustrated with the Big Six.

Our beginnings

Our CEO, Bobby Kalar, identified a gap in the business energy market whilst running a chain of care homes. Faced with limited options, poor customer care and a desire for a competitive solution, Kalar entered the sector as a TPI broker before transitioning to supply in 2012. After selling his care home business in 2013, Yü Energy was created, initially focusing on gas supply and later expanding to include electricity. Yü Energy moved from strength to strength and in March 2016 was floated on the AIM as Yü Group PLC.

Past

"It was never a deliberate plan to move from healthcare to energy supply. Although it seems a long time ago now, I'll never forget when the light bulb moment scratched the itch. 'If I can't beat them, then I'll join them'. I was thinking about the Big Six, who had almost perfected the art of poor service to SMEs.

For months every fellow care home operator I spoke to had the same frustrations as I was experiencing: 'poor service to business customers', 'lack of transparency', 'archaic'. How hard could it be to start a competitor B2B energy business, supplying the entire UK with gas and electricity?

What happened over the next two years was the hardest and most difficult period of my business life, not to mention incredibly expensive and restrictive."

MAY 2013
KAL Energy started supply of gas. Yü Energy formed

yü ENERGY

AUG 2014
Kensington Power (now Yü Energy) started supplying electricity

MAR 2016
Flotation on AIM as Yü Group plc (AIM: YU.)

JAN 2018
Water supply licence granted

yü WATER

AUG 2020
Acquisition of B2B customer book of Bristol Energy and local supplier

BRISTOL energy

NOV 2021
Appointed by Ofgem as SoLR for AmpowerUK

ampower

FEB 2022
Appointed by Ofgem as SoLR for Whoop Energy and Xcel Power

whoop energy

Present

"Fast forward 10 years and the Group has transformed into a significant market challenger supplier to tens of thousands of customer supply points across the whole of the UK. Towards the end of 2023, we were broken out into the main survey of the Cornwall Insights Market Share Report, joining the Big Six suppliers for the first time.

The journey has not been easy or without risk. We've invested in our people, developed and integrated processes, learnt whilst on the job, and overcome significant industry barriers. Today the trophy cupboard holds testament to our abilities to horizontally integrate complementary value adding opportunities, notably the purchase of the Magnum Utilities team in May 2022, which in turn created Yü Smart, Yü MAP and Yü Charge.

As the wholesale energy market stabilises after severe turbulence, we are able to reflect on the Group's incredible strength through periods like 'the beast from the east', the pandemic, and the energy crisis following the Ukraine conflict. In each of these difficult periods the Group has fared well, not only surviving but thriving."

Future

"As we move from start-up challenger to a large disruptor, the route to growth is clearly imprinted in my mind. We will 'mind our own business' and continue to organically grow our market share.

We will continue to demonstrate our ability to over deliver on our financial KPIs.

We will use our knowledge and agility to vertically integrate our business model.

We will maintain a strong balance sheet ready for any opportunity that may arise.

Our position as an AIM listed business will do more to help us open up value adding opportunities in terms of growth and integration.

Our reputation and brand will become synonymous with quality service. We will continue to create a business to be proud of that is not only rewarding but exciting and visionary. I'm incredibly proud of our achievements but we still have plenty to do."

- Bobby Kalar, CEO

MAY 2022

Acquisition of metering capability

Q3 2022

July: Yü Smart received Ofgem licence to install smart meters

Aug: Yü Smart installed first smart meter

NOV 2022

Received the Digital Transformation award at the Utility Week Awards 2022

MAY 2023

Recognised in The Sunday Times Best Places to Work List 2023

SEP 2023

Awarded AJ Bell AIM Listed Company of The Year award

FEB 2024

Transformational commodity trading agreement with Shell Energy Europe Limited

MAR 2024

Early adopted QCA 2023 governance code

MARKET OPPORTUNITY AND LANDSCAPE

HARNESSING OPPORTUNITIES IN A SUBSTANTIAL MARKET

Yü Energy finds significant growth opportunities in the UK B2B energy market. Our proposition caters to a diverse range of UK businesses, providing straightforward and competitive pricing for smaller customers whilst offering tailored solutions for larger ones. Our exclusive focus on B2B customers shields us from the challenges associated with the domestic price cap, allowing us to navigate the market more effectively.

Significant market share growth

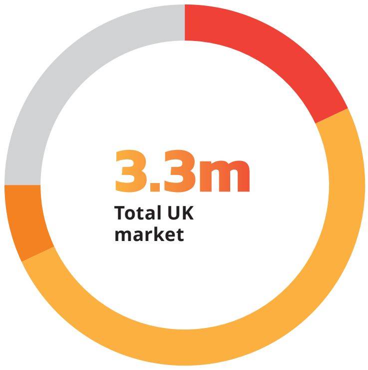
Yü Energy market share

0.9% → **1.4%**

2021 | 2023

In 2023, our market share grew to 1.4% of the total UK business energy market. Surpassing the 1% mark, this saw us broken out into the main section of the Cornwall Insight Market Share Report (Oct 23) for the first time. We aim to continue this strong growth, making a real impact on the Big Six suppliers, and taking further share of a 3.3m meter market.

UK business energy market breakdown



	% of UK market	Number of meters
SME gas meters	18%	588,000
SME electric meters	50%	1,661,039
I&C gas meters	7%	235,343
I&C electric meters	25%	807,548

Source: Cornwall Insight Business Market Share Report, October 2023.

> **Q4 23 SEES YÜ ENERGY MOVED OUT OF THE 'OTHER SUPPLIERS' GROUPING AND BROKEN OUT IN THE MAIN SURVEY FOR THE FIRST TIME, AFTER SURPASSING A 1% SHARE OF THE MARKET BY VOLUME IN Q2 23."**
>
> CORNWALL INSIGHT MARKET SHARE REPORT, OCT 23

OUR DIFFERENTIATORS

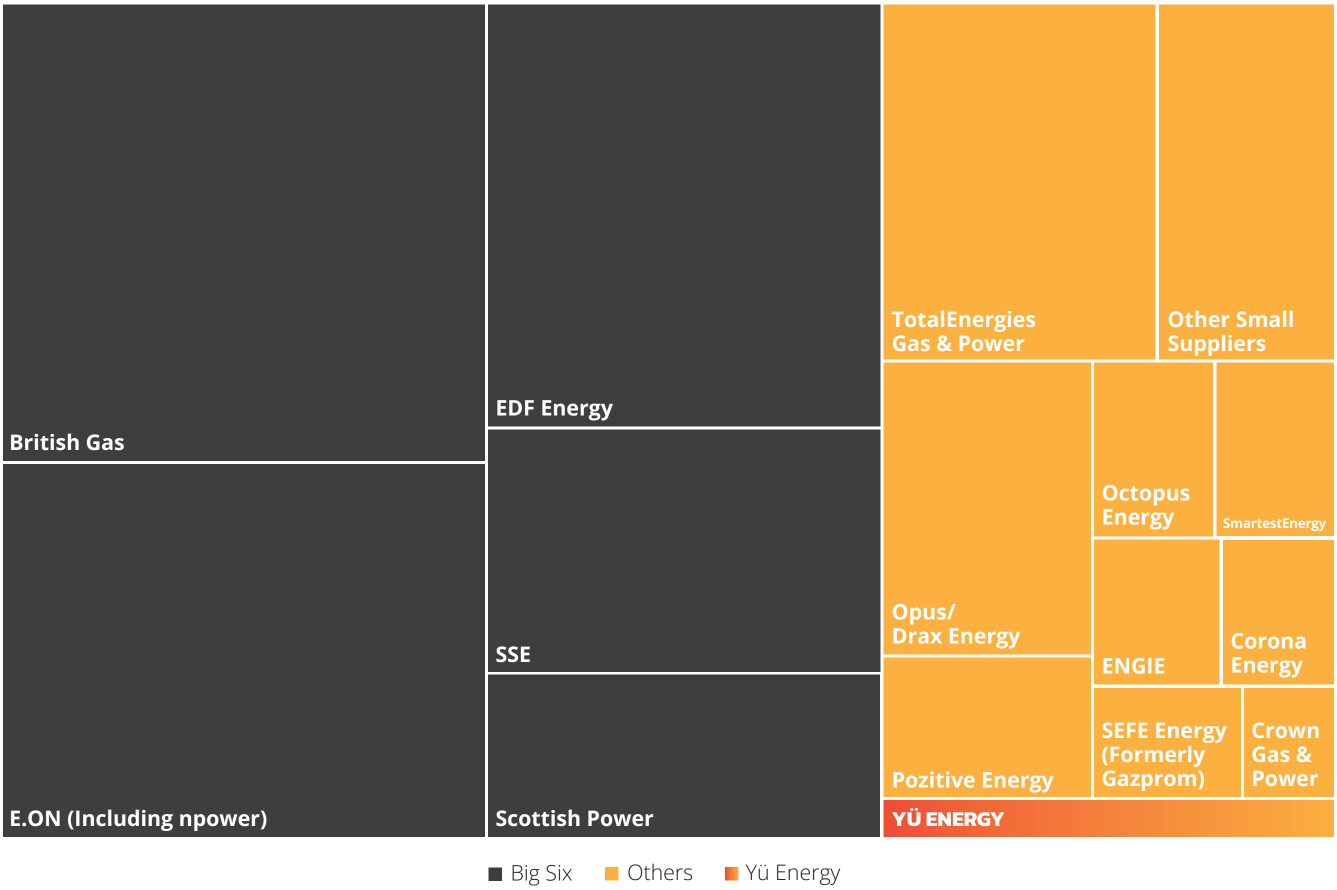
How do we attract and retain customers?

- Great prices
- Simplicity
- Safe pair of hands
- Customer service focus
- Expert people

Read more about our differentiators on **page 15**

COMPETITOR LANDSCAPE

As we continue to grow our market share, there is still huge potential in the market, particularly to win meters from the Big Six.

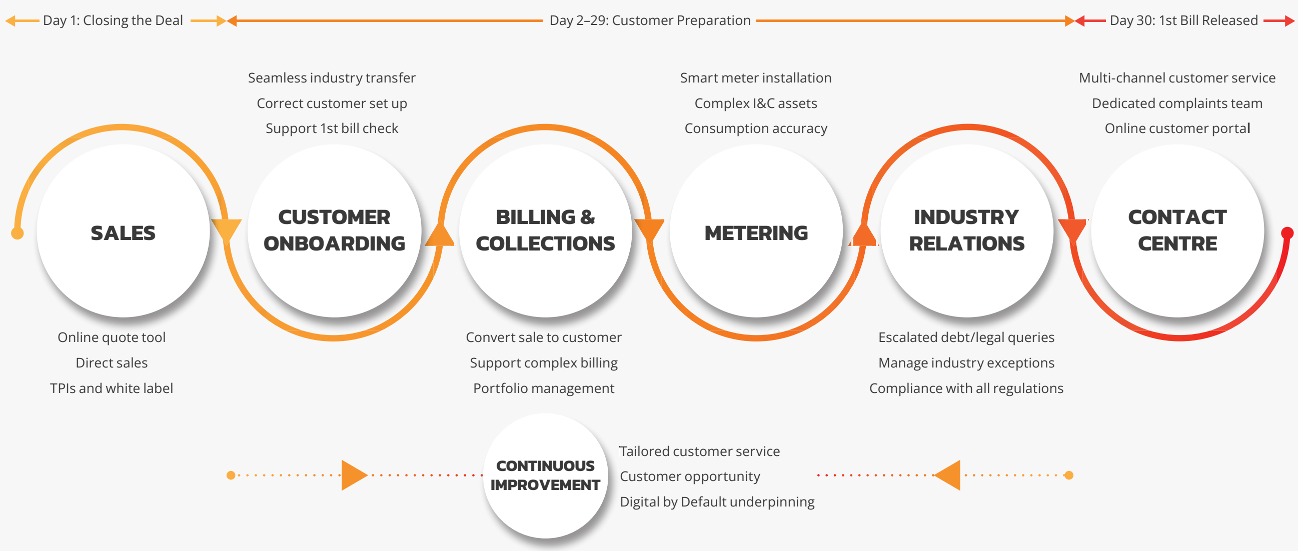


Source: Cornwall Insight Market Share Report, Oct 23.

Note: Big Six now consists of five suppliers after E.ON acquired npower.

OUR CUSTOMER JOURNEY

By ensuring we have a seamless end-to-end process, that supports customers throughout their journey with Yü Energy, we can continue this market share growth.



MARKET OPPORTUNITY AND LANDSCAPE continued

ADDRESSING CUSTOMER CHALLENGES TO FUEL GROWTH

In order for us to continue on this trajectory, we also have to ensure we are addressing key challenges that businesses face with other energy suppliers, differentiating ourselves from the wider market, and offering unparalleled service that promotes customer loyalty.

Some of the biggest issues faced by business energy customers[1] in regards to their supplier are listed below, along with how we address these to stay competitive.

39%

of businesses say their supplier is "too expensive"

How are we different?

Whilst wholesale costs have meant rates have increased across the market, we have been able to keep our costs competitive through our robust hedging and adaptable pricing process. Our online quote tool reduces our cost-to-serve, a saving we can pass on to our customers to ensure our prices are competitive. We have also introduced "Blend and Extend" contracts for those locked into higher rates, and smart meters to reduce estimated billing.

39%

of businesses experienced "poor customer service"

How are we different?

We have worked hard over 2023 to improve our customer service and will continue to develop new processes to better support our customers. Our Trustpilot score now sits at 4.1, and we are able to support customers through a variety of channels including phone, live chat and email. We have a wide variety of "self-help" articles to assist customers with all aspects of their journey with us, and our online portal allows them to easily manage their account on the go.

31%

of businesses stated "billing issues" as a concern

How are we different?

Many billing issues arise from estimated meter readings or user error when inputting manual meter readings. By installing smart meters for all of our eligible business energy customers, we can reduce billing issues with accurate, automatic meter readings.

Our online customer portal also allows customers to quickly and easily view historic billing, make payments and submit meter readings, making managing bills even easier.

MARKET STABILISING AFTER YEARS OF VOLATILITY

The business energy market landscape has altered drastically over the past few years, but after a period of unprecedented volatility, we are finally entering a period of stable wholesale prices, similar to those seen before the Covid-19 pandemic. After not only surviving, but thriving throughout these unpredictable times, we are excited to see the growth we can achieve in a stable market.

Despite geopolitical factors such as LNG (Liquified Natural Gas) strikes and the conflict in the Middle-East contributing to small price increases throughout the year, 2023 generally saw a fall in wholesale prices and a return to those seen before the pandemic. The stabilisation of the market will offer a welcome relief to businesses who have struggled with high energy prices over the past two years, although it may take time for these prices to filter down to businesses.

58%

of businesses are concerned about the impact of energy prices on their business[1]

EVOLUTION OF FORWARD GAS PRICE

Although 58% of businesses stated they were concerned about the impact of energy prices[1] in Ofgem's 2023 interim report, this number has fallen from 65% in October 2022[2], reflecting the drop in wholesale rates. However, it remains a key concern for businesses, in particular those who took out long-term fixed contracts when prices were high.

To address this, we've implemented our "Blend and Extend" contracts for eligible customers; blending their original unit rate with a new lower rate, spreading the cost over the course of an extended contract lifetime.

Furthermore, our hedging and pricing strategy has allowed us to react quickly to the decrease in wholesale pricing, keeping us competitive when acquiring new customers and helping us to win business from other suppliers.

1 Ofgem Non-Domestic Consumer Research 2023 Interim Report.
2 Ofgem Non-Domestic Consumer Research Report October 2022.
3 data.gov.uk.

THE EXCITING POTENTIAL OF SMART METER INSTALLATION

In 2022, we created our in-house metering division Yü Smart. The integration of Yü Smart into the Group has been integral to our sustainable strategy, and has the potential to drive huge revenue growth for the Group. The ability to own our own meters, better manage customer debt and create recurring revenue streams will see us continue on our strong trajectory as we continue to capture more of the market.

2023 YÜ SMART STATS

8,500
Meters Installed
2022: 1,033

4,100
Meters Owned
2022: 0

50
Meter Technicians
2022: 14

WHY NOW?

As the Government's smart meter rollout continues, now is a critical time to make progress in the smart metering space. The Group is in an opportune position to invest in the growth of Yü Smart, whilst taking advantage of a sector with few major competitors. With pressure on suppliers to meet smart meter targets, we are able to swiftly, safely and efficiently rollout smart meters to our own clients, before exploring the opportunity to offer metering services to other suppliers, expanding our meter ownership.

AUG 2020
First three-phase smart meter installed

JAN 2022
Government mandated four year smart meter rollout begins for both domestic and non-domestic meters

MAY 2022
Strong balance sheet allows acquisition of metering capability

Q3 2022
Yü Smart receive Ofgem licence to install smart meters and install first meter

DEC 2023
Just 54%[3] of smart eligible, non-domestic meters upgraded to smart

SMART METER INTEGRATION continued

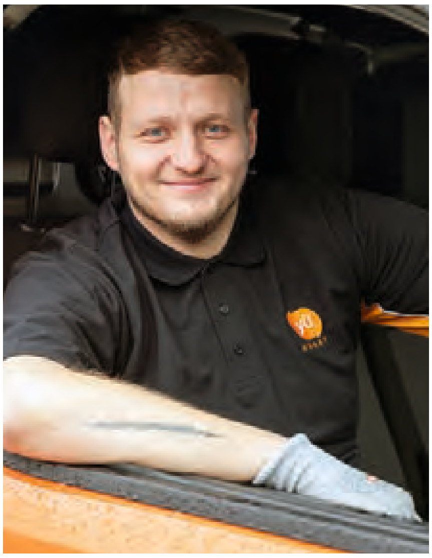
ANNUITY INCOME FROM SMART METERS WILL ADD ADDITIONAL REVENUE STREAM

By installing and owning our meters, we unlock huge potential from annuity income, for the lifetime of the meter. This recurring revenue will be a game-changer for the Group, supporting us as we continue to grow.

15+ Year
index-linked rental income

£0.4m/yr
£2m cap-ex (10k meters) provides c.£0.4m/yr income, financed by debt

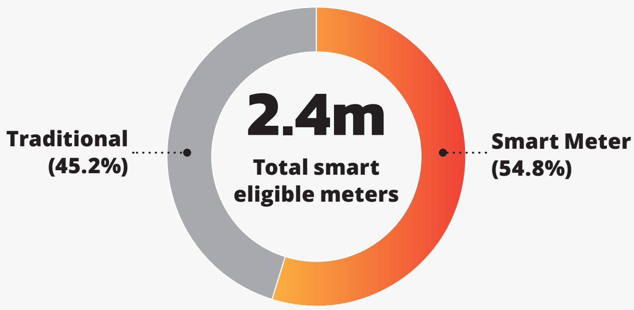
Revenue
and benefits extend beyond energy supply



OUR UNIQUE METER TECHNICIAN ROLE DEVELOPED FOR MUTUAL BENEFIT:

- Technicians go beyond dual fuel engineering, offering personalised customer support, resolving customer queries to ensure appropriate outcomes, and providing insights on meter setups, whilst maintaining the highest standards of safety and quality.
- Stable permanent roles with competitive salary, bonuses, and benefits package leading to highly engaged employees, focused on delivering quality work.
- Investment in in-house metering team for better quality and efficiency in smart meter rollout reducing reliance on third-party suppliers.
- Control over scheduling and installation processes since bringing metering in-house leading to shorter service timeframes and optimised service delivery.

SMART METER OPPORTUNITY



1.2m (46%)
of non-domestic market still using traditional meters[1]

1 Department for Energy Security and Net Zero Q3 smart meter report.

BENEFITS TO CONSUMERS

ACCURACY

With a smart meter, consumers can be confident that they're only paying for the energy they use. Smart meters provide accurate readings, directly to their supplier, meaning no more estimated billing, missed readings, or confusion over consumption.

INSIGHT

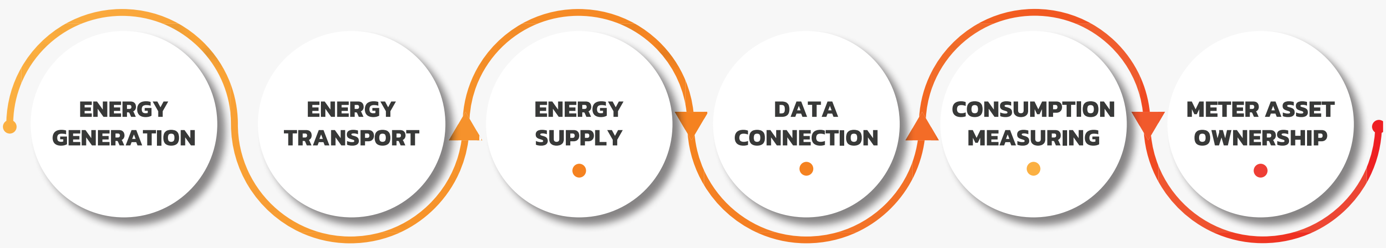
Now that billing is as accurate as possible, consumers can look back at previous bills for better insights into their usage. This helps businesses budget for the future, and identify key periods to implement energy saving initiatives.

TRUST

Smart meters increase consumers' trust in their supplier, knowing they will not receive any unexpected bills. With remote monitoring, consumers also benefit from an increased level of support, in shorter time.

GREATER CONTROL OF THE LIFECYCLE

Vertical integration allows us to take ownership of multiple key areas of the business energy lifecycle.



Key: ● Yü Energy ● Yü Smart ● Yü MAP (Kensington Meter Assets)

BENEFITS TO SUPPLIERS

PREDICTABILITY

Similar to consumers, suppliers benefit from the increased insights smart meters provide. These insights help suppliers predict a customer's usage habits, resulting in better hedging, and addressing any issues before they arise.

ACCOUNTABILITY

Smart meters reduce the risk some consumers may present to the business. Accurate billing means suppliers can now provide evidence of a customer's usage, holding them accountable in the case of any disputed payments. The ability to switch meters to pre-payment mode, or to remotely disconnect a meter in extreme cases, means less risk of debt.

OWNERSHIP

For those with the capability to install meters, the smart meter rollout provides a huge opportunity to increase the number of meters they own. This results in recurring revenue from meter financing, maintenance and repair, even after the consumer switches energy supplier.

INVESTMENT CASE

DELIVERING STRATEGIC VALUE: OUR COMPELLING INVESTMENT CASE

1

YÜTILITY SIMPLICITY

Yü Group prides itself on being the only supplier offering businesses straightforward, comprehensive and cost-effective multi-utility plans for gas, electricity and water. We offer our customers simple, fixed-price utility plans, combined with a focus on customer service, to help save businesses time and money.

Our online portal, extensive support articles and multi-channel customer service, provide the best experience for our customers at every interaction.

2

PROVEN STRATEGY

Our clear financial framework delivers very strong, profitable growth in every financial KPI, with excellent earnings visibility and clear trajectory for sustainable growth. Everything we do is underpinned by our Bigger, Better, Faster, Stronger approach.

Bigger

Targeting significant growth delivered organically through a multi-channel approach and through the strategic acquisition of customer books from competitors.

Better

Continued development of the Group's strong financial performance through increased top-line revenue, improving net customer contribution and leveraging overheads.

Faster

Our Digital by Default strategy drives new opportunities to grow, giving customers easy access to sign up. It also lowers our cost to acquire and serve, supported by data science to enhance business outcomes.

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.

3

SIGNIFICANT SUPPLY OPPORTUNITY

As the leading challenger brand, we're continuing to take market share in a £50bn+ addressable market with significant barriers to entry. Our SME market positioning gives us a competitive advantage with huge opportunity for growth through multiple avenues and routes to market.

4 SMART METERS CHANGING THE GAME

The creation and integration of our metering division, Yü Smart, has opened up significant opportunity for the Group in the form of growth, annuity income and favourable customer outcomes. We are now able to increase our ownership of meters whilst better understanding usage and payment habits to optimise our trading decisions.

Smart meters are already unlocking new, higher value sector opportunities and providing 15+ year, index-linked rental income, simultaneously helping to reduce risk and speed up debt resolution. There is further opportunity to explore in installing meters for other suppliers, extending revenue beyond energy supply.

5 STRONG FOUNDATIONS

A strong balance sheet, capital light model and excellent cash generation create opportunities to invest for growth, whilst our strong hedge book provides sustainable profitability despite changing energy markets. We have strengthened our position, remaining competitive throughout a volatile market environment and a number of well-publicised supplier failures. As the market stabilises, we are well situated to scale with momentum.

Through our efficient and capital light trading agreement with Shell, we can access wholesale commodity markets to forward buy our customers' demand requirements, which mitigates risks from market volatility and preserves gross margin assumed at the point of sale.

6 DIGITAL INNOVATION

Our Digital by Default strategy is revolutionising how businesses buy their energy, continually improving customer experience, and significantly reducing our cost to serve. Businesses are able to get a quote in seconds through our online quote tool, manage their accounts online, and speak to an adviser instantly via live chat.

Our technology stack seamlessly guides customers through the entire lifecycle, from onboarding to renewal, whilst gathering insights that inform future decisions. We constantly review our processes against the customer journey, ensuring we stay ahead of the competition.

7 EXPERT MANAGEMENT

Our ambitious, highly experienced leadership team is committed to delivering for all our stakeholders, sharing their wealth of knowledge and industry insight to ensure success in every area. We are proud of our people and believe we have some of the best talent in the industry driving consistent growth and providing an excellent customer experience.

FINANCE REVIEW

STRONG REVENUE AND MARGIN GROWTH

Our financial framework allows a clear focus as we continue to grow organically, improve margins and maintain financial discipline.

PAUL RAWSON
Chief Financial Officer

In overview

- Revenue increased 65% to £460m.
- Contracted revenue for FY24 delivery already at £520m (up 111% on prior year).
- Adjusted EBITDA increased to £42.6m (2022: £7.9m) as the Group scales.
- Profit before tax increased to £39.7m (2022: £5.8m).
- Net cash inflow of £13.5m, with closing net cash of £32.1m and further £49.8m collateral posted to support energy hedging prior to new Shell agreement.
- Net cash and collateral equates to £4.89 per share.
- Adjusted, fully diluted EPS of £1.82, up from £0.30.
- Final dividend of 37p per share recommended, with 3p interim paid in year.
- Dividend targeted to be increased over short to medium term to approximately 3x cover from EPS, and capital reduction process commenced to increase flexibility of distributable reserves.

Financial metrics

£m unless stated	Change	2023	2022
Revenue	+65.1%	**460.0**	278.6
Gross margin %	+2.3%	**18.1%**	15.8%
Net customer contribution[1] %	+6.7%	**14.9%**	8.2%
General overheads[2] %	(0.4%)	**(5.7%)**	(5.3%)
Adjusted EBITDA %	+6.5%	**9.3%**	2.8%
Adjusted EBITDA	+34.7	**42.6**	7.9
Profit before tax	+33.9	**39.7**	5.8
Net cash flow	+1.6	**13.5**	11.9
Net cash[3]	+13.1	**32.1**	19.0
Net cash, plus cash collateral	+62.9	**81.9**	19.0
Overdue customer receivables	-1 day	**4 days**	5 days
Earnings per share (adjusted, fully diluted)	+£1.52	**£1.82**	£0.30
Dividend per share (interim and final)	+37p	**40p**	3p

Results summary

The Board is pleased to report a continued strong trajectory in financial performance, with the year ended 31 December 2023 being the fifth consecutive year of consistent and significant revenue and profitability improvement.

Revenue of £460.0m represents a 65.1% increase in year, with gross margin, net customer contribution[1], adjusted EBITDA, profit before tax and earnings per share ("EPS") all materially improved year on year. This performance reflects a clear focus on strong financial and commercial discipline and our unique market position and customer proposition (enabled through digital) despite the volatile market environment.

The Group's cash generation has been very strong during 2023, benefiting from good collections of customer trade receivable balances, though impacted by £49.8m of collateral posted to support our commodity hedging arrangements. As part of our new commodity hedging arrangements with Shell, this collateral has now returned to Group cash reserves, providing a substantial uplift to operational cash flow in H1 24.

With adjusted, fully diluted EPS at £1.82 and £4.89 net cash and collateral per share, the Board has considered its capital allocation policy and confirmed the intention to maintain a progressive dividend policy. An increased final dividend of 37p (2022: 3p) is proposed, leading to a total dividend for the year of 40p. The Board also confirms an intent to reduce dividend cover to 3x, allowing for an increased dividend in the short to medium term.

1 Net Customer Contribution is gross margin less bad debt.

2 General overheads is the overhead expenses, excluding bad debt, charged to adjusted EBITDA.

3 Net cash is the cash less borrowings as per note 27 to the financial statements.

Very strong organic growth

The £181.4m (being 65.1%) increase in revenue year on year continues the significant top-line growth, with a 65.4% compound annual growth rate ("CAGR") delivered from January 2020.

The Group is well positioned to deliver further strong revenue growth in FY24 through an increased contract book, with £520m already secured for delivery in FY24 and a further £306m beyond.

In addition to this £520m contracted for FY24, a further £29m of annualised equivalent revenue[4] is being delivered from customers who are not in contract. There is also an expectation of further revenue from contracts which are to be booked in 2024. For context, FY23 achieved £213m (86%) in additional revenue from the £247m contracted at exit of 2022, through in-year bookings and customers not in contract.

Such revenue growth reflects the competitive positioning and sales efficiency delivered through our digital platform and the scale of the addressable market available.

The forward revenue growth has increased significantly despite it being at a substantially lower price per MWh of energy delivered than the price at the market peak in late 2022. The significant decrease in global commodity markets during FY23 has been countered by the Group taking increased market share and the ability to contract customers for a longer period than was the case in that extreme high price environment.

Significant profitability increase

Adjusted EBITDA reconciliation

£m	2023	2022
Adjusted EBITDA	42.6	7.9
% of revenue	9.3%	2.8%
Adjusted items:		
Loss on derivative contracts	(3.0)	(0.9)
Depreciation and amortisation	(1.5)	(1.1)
Statutory operating profit	38.1	5.9

The Board is very pleased to report an improved profitability performance, with £42.6m adjusted EBITDA (2022: £7.9m) and profit before tax of £39.7m (2022: £5.8m). This has led to EPS on an adjusted, fully diluted basis increasing to £1.82 (2022: £0.30).

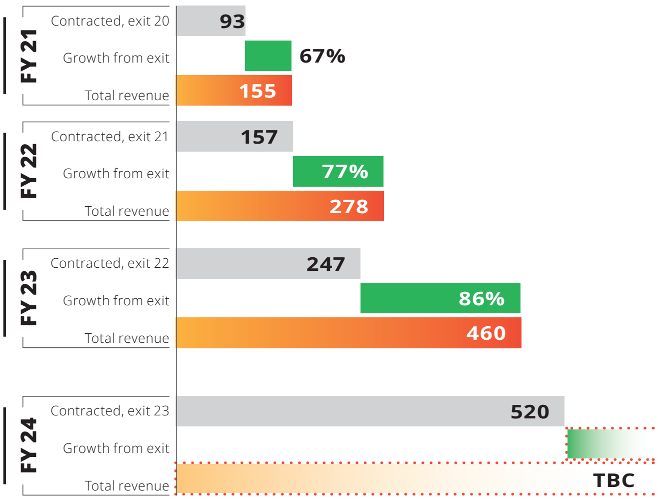
Net customer contribution, being gross margin less bad debt as a percentage of revenue, has increased 6.7% to 14.9% in the year, which flows broadly to the adjusted EBITDA improvement of 6.5% to 9.3%.

Gross margin has improved significantly following strong performance on new bookings because of the Group's market position. Customer lifecycle value has also increased via deeper customer insight through data analytics and as customers lock in blend and extend contracts to obtain the benefit from declining global commodity markets.

Gross margin also includes the benefit of certain industry costs reduced in the period and a higher contribution from uncontracted customers, which the Board forecasts to have a reduced impact in FY24 due to the lower commodity price environment.

4 Annualised equivalent revenue from non-contracted customers reflects the 31 December 2023 annualised volume of energy, at the then relevant prices, as referred to on page 37.

Revenue evolution £m



Bad debt at 3.1% of revenue maintains the Board's caution in ensuring appropriate provisions are made for potential bad debt on trade receivables and accrued income, with customer collections running at 98% of the billed value during FY23.

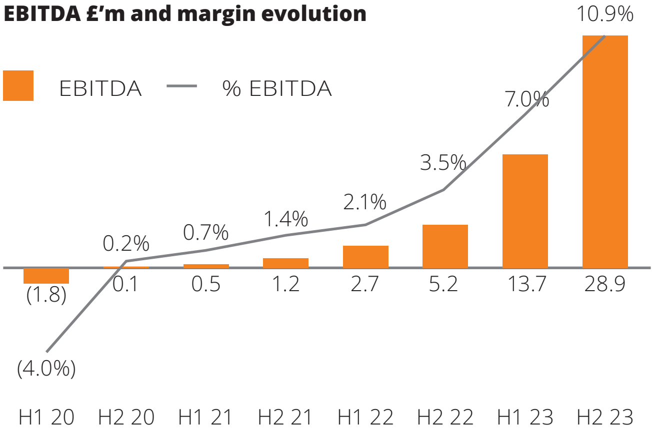
The Board is confident that gross margin and net customer contribution will continue to perform strongly and that the market characteristics and differentiated customer proposition provide the opportunity for strong sustainable margins to be available over the coming years.

The Board continues to set an ambition to reduce overheads incurred to acquire and serve customers utilising technology to allow operational investment in core growth supporting overheads. General overheads have increased by 0.4% to 5.7% of revenue, with operational efficiency savings offset by further investment in marketing and sales, digital costs, the mobilisation of Yü Smart, and in charges for equity-settled share based payments.

Profit before tax includes £1.6m of net finance income (2022: £0.1m net expense) from interest received on the increased cash and collateral balances held and a £3.0m (2022: £0.9m) loss on derivative accounting to reverse the 31 December 2022 asset. There is no derivative asset or liability at the balance sheet date following assessment that all forward hedges are for the Group's own use, and are therefore not fair valued.

The tax charge of £8.8m (2022: £1.1m) includes £4.2m of non-cash deferred tax charges as the Group utilises brought forward tax losses.

EBITDA £'m and margin evolution



FINANCE REVIEW continued

Commodity hedging and cash collateral

Well-publicised commodity market movements have led to a volatile market context over recent years. The post-pandemic increases in global commodity markets further increased in FY22 due to the Ukraine and Russia conflict. This was followed by a significant and rapid softening in prices during FY23 and early FY24 as gas storage filled and UK supply became more secure. The current wholesale price is now broadly comparable to pre-pandemic levels, masking the large volatility over the past years.

The Group's commodity hedging strategy has protected the margins achieved during this volatile period due to strict tolerance and risk limits. However, the volatility in commodity markets (following a rapid decline in commodity markets) and the high level of bookings growth achieved did result in the credit limit with our previous trading counterparty being exceeded, requiring the posting of cash collateral. The Group had £49.8m of cash collateral posted at 31 December 2023 to cover that forward potential credit exposure in full, which was an inefficient use of capital.

The new five year strategic trading agreement with Shell, signed in February 2024, does not require cash collateral to be posted in the normal course and is set to scale with the Group to over £1 billion in revenue.

The agreement with Shell followed a detailed market testing process and a period of due diligence performed on the Group's operational and financial performance and policies.

The Board is very pleased to be working with a group of Shell's significant scale and standing and looks forward to reporting the benefits through continued hedging activities with increased cash flow and cash availability, along with wider benefits, in due course.

Cash and balance sheet management

Cash increased by £13.5m in the year, or by £63.3m excluding the posting of cash collateral related to hedging arrangements (since unwound) as referred to above. Net cash, which is net of borrowings, increased from £19.0m to £32.1m.

Cash flow £m	2023	2022
Adjusted EBITDA	**42.6**	7.9
Hedging related cash collateral	**(49.8)**	—
Other working capital movement	**23.3**	6.8
Operating cash flow	**16.1**	14.7
Investing activities	**(1.5)**	(2.6)
Financing activities	**(1.1)**	(0.2)
Net cash movement in year	**13.5**	11.9
Closing cash balance	**32.5**	19.0
Net cash	**32.1**	19.0

Group receivables increased by £27.8m whilst payables increased by £49.6m as set out in the statement of cash flows. These movements include the impact of strong cash collection performance on customer trade receivables, resulting in broadly flat trade receivables balances and increased operational investment of prepaid customer acquisition and sales costs to £10.7m (2022: £2.0m).

The Group's payable for renewable obligation certificates increased to £21.8m at 31 December 2023, up from £11.3m at 2022.

Net current assets increased to £32.4m (2022: £1.3m), and net assets increased to £46.8m (2022: £14.8m).

Capital investment of £1.5m (2022: £2.6m) largely consists of £0.4m on fixtures and fittings associated with the expansion of our wholly owned Leicester office to facilitate growth in our customer contact centre and £0.8m investment in smart metering assets.

The financed smart meter assets relate to the Group's strategy to finance assets in return for a 15+ year index-linked annuity revenue stream. The £0.8m investment represents c.4,100 meter assets which are expected to generate an index-linked £0.16m/annum in rental income.

To facilitate increased investment and provide a lower overall cost of capital, a Group special purpose company entered into a new asset-backed debt financing arrangement with Siemens Finance, which is non-recourse to the wider Group and provides funding over a 10 year term. The initial facility is £5.2m, to finance c.20,000 meters. In FY23, £0.5m of the facility was drawn down, pre costs.

The Board target over 25,000 meters owned by the end of 2024 to provide benefits on customer lifecycle value, together with a recurring, index-linked, annuity income of c.£1m per annum.

Dividend and capital management

The Group will continue to invest in sales, marketing and assets, such as for the Digital by Default initiatives and meter assets, from the cash generated from operations. Surplus cash beyond the amount invested (or for the meter assets, raised from efficient use of debt) is expected which the Board intends to distribute to shareholders to the extent inorganic investment opportunities are not identified.

The Board therefore recommends the payment of a final dividend of 37p per share, being c.£6.2m payable on 20 June 2024. The shares will go ex-dividend on 30 May 2024 and the record date is 31 May 2024.

The Board has considered capital allocation and confirm a progressive dividend policy with an intent to increase dividends over the short to medium term to approximately 3x dividend cover on EPS. This provides significant forward progression from FY23.

The Board also propose, for consideration as a special resolution at the annual general meeting (and subject to necessary court approvals) to cancel £11.9m of share premium which would be credited to distributable reserves. This provides further flexibility to increase distributions in FY24 or beyond.

Summary: controlled progression

In summary, the Board is very pleased to report this substantially enhanced financial performance which builds on the work to reset the Group's financial and commercial strategies over recent years.

There remains a clear line of sight to revenue growth based on the contracts already secured at 31 December 2023, which will be supplemented by uncontracted supply of energy and new bookings secured and to deliver in FY24. Revenue visibility for FY25 and beyond is already building significantly.

Adjusted EBITDA and profit before tax are expected to continue to benefit from our investment in digital and our focus on optimising customer lifecycle value, whilst the new hedging agreement with Shell provides a very material benefit not least in H1 2024 as the £49.8m cash collateral at 31 December 2023 returns to Group cash.

Adjusted (and reported), fully diluted EPS has already grown significantly and is expected to continue to grow, as is the £4.89 per share of net cash (including collateral) held.

Dividends are expected to continue to increase as earnings grow and the Group transitions to a dividend cover ratio of c.3x in the short to medium term.

The Board is therefore extremely pleased to report these improved results for FY23 and assure shareholders of a focus to deliver on further ambitious targets over the medium term.

PAUL RAWSON
Chief Financial Officer
19 March 2024

OUR NEW, TRANSFORMATIONAL COMMODITY TRADING AGREEMENT WITH SHELL

Our new five year commodity trading arrangement with Shell Energy Europe Limited ("SEEL") became effective in February 2024. This new and transformational agreement provides Yü Energy with access to gas and electricity commodity markets to hedge forward commodity risk exposure without the need for significant cash collateral to be lodged.

KEY BENEFITS

Scalable

The arrangement means SEEL will support Yü Energy for gas and electricity commodity arrangements both now and as we scale. The facility provided can take the Group to £1 billion revenue and beyond.

Value enhancing

Our customers can continue to benefit from fair prices, with Yü Energy able to access the market for traded commodity products for the coming days, weeks, months and seasons ahead.

Capital light

SEEL's structure is "capital light" for Yü Energy, allowing cash that was previously held on the balance sheet to be invested in initiatives which could further accelerate growth or performance.

Robust

The agreement with a major provider such as SEEL follows a thorough assessment of options by Yü Energy and a period of detailed due diligence and finalisation to land on the appropriate structure.

Sustainable

The agreement allows access to renewable or sustainable sources of gas and electricity, allowing Yü Energy customers to benefit from low carbon offers backed by significant assets.

£49.8m

Cash benefit[1]

Read more about our hedging policy on **page 52 and 53**

"THE ARRANGEMENT WITH A MAJOR COMPANY SUCH AS SHELL FOLLOWS A ROBUST SELECTION PROCESS. YÜ ENERGY BENEFITS FROM THIS NEW FIVE YEAR STRATEGIC PARTNERSHIP, WHICH ALLOWS ACCESS TO COMMODITY MARKETS TO SECURE A FAIR PRICE FOR OUR CUSTOMERS WHILST NEGATING THE NEED TO TIE UP CASH AS COLLATERAL."

BOBBY KALAR, CEO

1 Cash Collateral held at 31 December 2023 with our old commodity hedging counterparty, which returns as part of this new arrangement.

OUR FINANCIAL FRAMEWORK AND CAPITAL ALLOCATION POLICY

Our framework ties to our strategy, ensuring a clear focus on shareholder returns.

GROWTH

BIGGER | Subscription revenue model

Being Bigger in a huge market and benefiting from a subscription revenue model

Our focus:

- High organic growth in gas and electricity supply activities
- Supplementing contracted revenue with customers supplied on variable, out-of-contract arrangements
- Expanding our smart metering, EV charging and other market segments
- Inorganic growth in existing or new areas

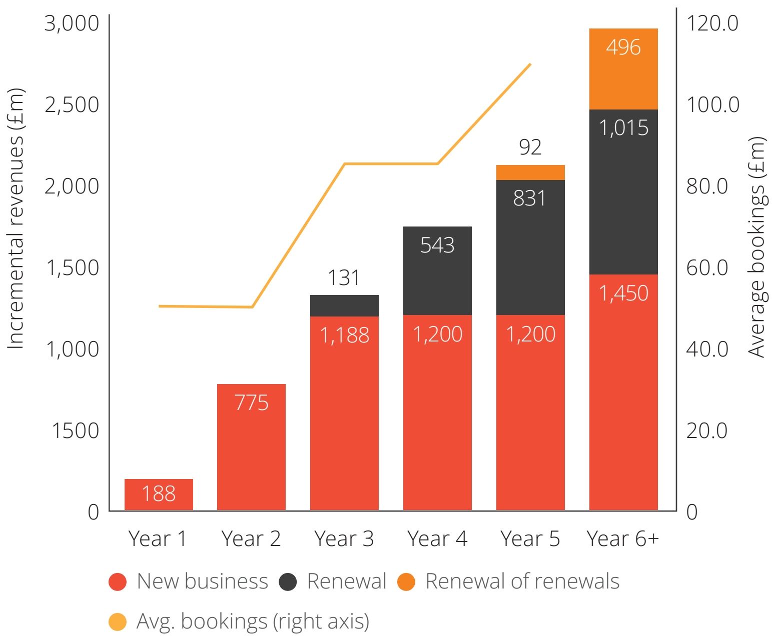
Illustration of scale:

The chart illustrates the potential (using indicative values) for growth from monthly bookings of new contracts, assuming:

- £50m of average monthly bookings;
- a three month delay in contract start date and a 24 month average contract term;
- contract renewals at 70%;
- a "standing start" (i.e. there is no existing contracted revenue assumed); and
- contracted revenue only, which excludes revenues from variable (uncontracted) supply to customers and any contract terminations.

In this example, incremental revenues from £50m/month initial bookings would indicatively deliver, in year 3 and from a standing start, **£1.3 billion of revenue.**

Average monthly bookings (right axis) also increase to over £110m in year 5 as the Group renews contracts.



Our position:

1.4%
market share, up 0.4%

£520m
of revenue already contracted for FY24

£3 billion
expected year 6 revenue from £50m/month bookings

£55.5m
of average monthly bookings

+86%
organic incremental growth in year[1]

1 Represents the difference between the contracted value at 31 December 2022 with the actual out-turned result, excluding any inorganic growth impacts.

2 ROCE being return on capital employed and WACC being weighted average cost of capital.

ADJUSTED EBITDA

BETTER | Net customer contribution

FASTER | Leverage overheads

Generating Better net customer contribution (improving gross margin and controlling bad debt)

- Ensuring a quality customer book, priced dependent on credit risk
- Strong hedging and customer lifecycle management
- Managing customer credit risk, with continually improving processes
- Increasing our smart metering capability to deliver better outcomes

Our Digital by Default approach allows us to leverage overheads as we scale

- Unlock scale benefits by ensuring our platforms are fit for growth
- Increase efficiency, via technology, in our sales and operational teams to reduce cost to acquire and cost to serve
- Ensure efficient and managed administrative costs
- Invest op-ex (e.g. marketing or new business) to enhance future value

Our position:

14.9%

net customer contribution, (gross margin less bad debt) up 6.7%

5.7%

general overheads % of revenue

CASH

STRONGER | Close cash and capex management

STRONGER | Targeted capital allocation

Having Stronger controls and governance to support working capital and manage risk and capex

Our focus:

- Prompt "bill to cash" conversion of trade receivables
- Continued cash investment in marketing and digital to accelerate profitable growth

- Robust hedging of commodity risk
- Reviewing the potential to invest in customer assets (e.g. smart meters) and the introduction of debt
- Ensuring appropriate dividend, which progresses with the Group's earnings whilst enabling ambitious growth targets to be secured

Our position:

£32.1m

net cash

£4.89

total net cash and collateral per share

40p

per share total dividend for FY23

Targeted Capital Allocation:

Our capital allocation plan aims to ensure focus on those areas of opportunity to enhance shareholder value.

1. Working capital requirement
   - Maintain appropriate working capital levels
   - Maintain commodity hedging arrangements
2. Growth investment
   - Marketing, brand and sales investments to accelerate growth
   - Capital investment in smart metering assets for index-linked annuity income stream
3. Digital and enabling investment
   - Continued evolution in digital offering
   - Investment in other assets to facilitate the Group's growth or efficiency
4. Value accretive acquisition
   - Customer book or other related M&A
   - Requires appropriate ROCE and cash flow returns above WACC[2]
5. Shareholder returns
   - Dividend increasing on a sustainable basis, broadly aligned with earnings and to c.3x dividend cover
   - Share buy-back and/or special dividend to the extent surplus cash exists and distributable reserves are sufficient

Funded through cash reserves or, where asset specific (e.g. metering assets), debt financing

KEY PERFORMANCE INDICATORS

SIGNIFICANT ORGANIC GROWTH AND PERFORMANCE IMPROVEMENT

Links to strategy:
1. Bigger (High growth)
2. Better (More profitable)
3. Faster (Digital by Default)
4. Stronger (Well managed)

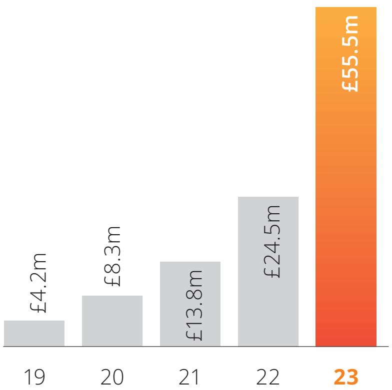
Link to strategy: 1 2 4

AVERAGE MONTHLY NEW BOOKINGS

Average contract term: 21 months

£55.5m

Increase of 127%



Definition

Bookings represent the estimated[1] annualised revenue (or contract term if less than one year) of new business signed for the supply of energy, averaged monthly. Such bookings are secured through renewal or cross-sell of additional services with existing customers or the acquisition of new customers through various sales channels.

Bookings will result in additional contracted revenue, dependent on contract start dates and excluding adjustments (for example for contracts which do not go live as expected or where the booking is an early renewal).

Performance

Significant increased activity was noted over the year, with an increase of 127% in average monthly bookings to £55.5m, which is a new Group record.

Performance benefited from continued investment in the Group's sales and marketing activities, including the identification of new sales channels and benefiting from the efficiency and ease brought about by the investment in Digital by Default.

The declining energy price environment, from the highs experienced in Q4 2022, has also encouraged existing customers to lock in new extended contracts (known as "Blend and Extend") and has allowed an increased market share as new customers look for new propositions and value our innovative and digitally led, good-value offering.

Target

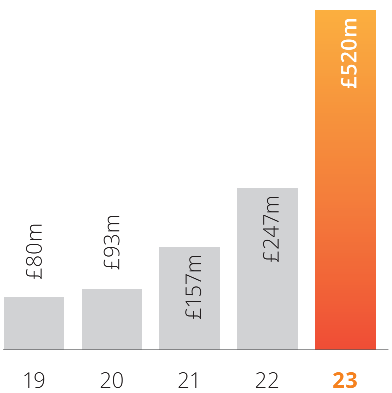
The Board expects to deliver strong bookings performance at least aligned to that achieved in FY23 as the Group scales its activities and takes further market share.

Link to strategy: 1 2 3

CONTRACTED REVENUE (ONE CALENDAR YEAR FORWARD)

£520m

Increase of 111%



Definition

The estimated[2] revenue value from agreed contracts with customers for the next financial year.

The KPI excludes revenue contracted 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 for the next year.

Performance

Contracted revenue at the end of 2023 for delivery in 2024 was £520m, being 111% above the £247m contracted at the end of 2022 (for delivery in 2023). This significant increase reflects the high sales activity achieved despite a reduction in commodity prices.

In addition, total contracted revenue (i.e. revenue to deliver in 2024 to 2027) grew to £826m from £360m in the previous year.

This basis provides confidence to management in the ability to continue to achieve high growth in revenue in FY24 and beyond.

Target

Management sets internal targets to increase the contracted revenue by the end of 2024, for delivery in 2025, to be significantly above the £520m contracted for delivery in 2024 and for aggregate contract revenue to also increase proportionally.

1 The actual amount of revenue recognised can typically vary by up to 10% due to the inherent estimation involved in this calculation.
2 The actual amount of contracted revenue to deliver can typically vary by up to 20% for contracts which do not deliver in line with the agreed contract (e.g. for contracts which do not start at the scheduled time or where consumption is lower than that contracted by the customer).
3 Based on applicable tariffs at 31 December 2023 and assuming all uncontracted volume remains on supply during 2024. In view of the inherent uncertainty in such tariffs and volumes, this amount is for illustration purposes only.

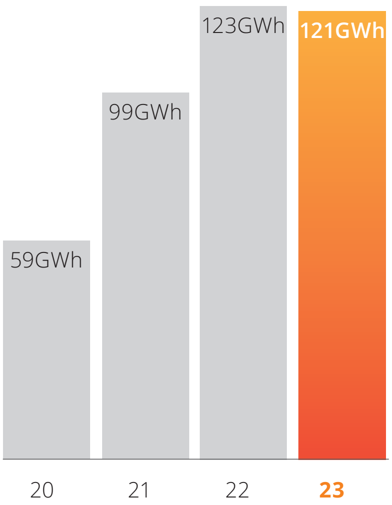
Link to strategy: 1 2

AVERAGE UNCONTRACTED VOLUME

127GWh

at year end 31 December 2023

121GWh average



Definition

This KPI represents the monthly average of estimated annualised volume of energy (in gigawatt hours ("GWh")) where customer sites are supplied on a deemed or out of contract basis. Such customers typically have taken over responsibility of a property which was already supplied by the Group (deemed basis) or held a previous contract which has now expired (out of contract basis). The measure also includes, where appropriate, customer volume transferring on a deemed basis to the Group following appointment as Supplier of Last Resort ("SoLR").

Uncontracted volume generates revenue based on the Group's published variable tariffs, which are regularly reviewed to ensure they reflect underlying commodity markets. These tariffs attract higher risk premiums (and hence revenues) in view of their uncontracted and flexible basis and generally have a higher level of bad debt risk.

Performance

Average uncontracted volume was broadly flat in FY23 with FY22, with an average 121GWh volume on supply. However, this does not reflect the significant uncontracted volume in early FY22 (resulting in a high FY22 average) following the Group's appointment as SoLR for three supplier books.

At 31 December 2023, uncontracted volume of 127GWh is above the 99GWh exit level in 2022.

The uncontracted volume is expected to generate revenue[3], based on tariffs at 31 December 2023, of £29m in 2024, which is additional to the contracted revenue reported on the previous page. As a result of lower commodity market prices, the revenue attributed is below the £59m estimated at 31 December 2022 despite the higher volume under supply.

Target

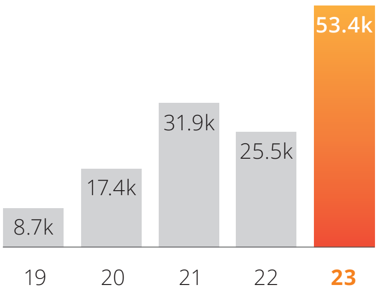
With continued growth in business activities, management expects average uncontracted volume to increase moderately. This reflects customers churning to out of contract rates, mitigated by management actively encouraging good customers to enter new contracts (which may lead to a reduction in uncontracted volume, with an increase in bookings and contracted revenue).

Link to strategy: 1 2

SUPPLY METER POINTS

53.4k

Increase of 109%



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 an approximate indicator of business growth, though each meter will have its own revenue characteristics depending on the scale of use of the utilities by the end customer.

Performance

The number of meter points increased significantly in 2023 as a consequence of gaining market share as customers switched their supply to the Group.

Management is pleased with the underlying performance, which reflects a focus on core market segments and the increased level of bookings.

The level of meter points supplied also provides additional value opportunity for the Group in installing new meters or providing service and maintenance to supplied meters.

Target

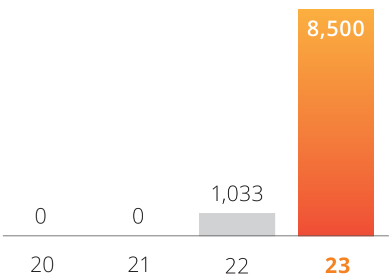
In line with the Group's growth strategy, the Board targets continued organic and inorganic growth. Internal management targets note an increase in this metric of over 50% for 2024.

Link to strategy: 1 2

METER INSTALLATIONS

8,500

4,100 assets funded by the Group, representing c.£0.16m annual, index-linked revenue



Definition

Through the newly established Yü Smart activities, the Group installs smart meters and in some cases funds such meters.

Asset installations reflect the number of energy meters installed in the period by the Group.

Performance

Yü Smart commenced activities in late 2022 and is building scale. The Board is pleased with the performance achieved.

In addition to the installation of meters, the Group is now financing installations – with 4,100 total meters financed. These financed meters are expected to generate c.£0.16m annual, index-linked revenue.

Target

The Board targets a significant increase of several thousand installations for 2024 as this new business becomes more established, with the majority of such installations being funded by the Group. The potential to finance such meters provides a potential significant recurring income stream for the Group.

KEY PERFORMANCE INDICATORS continued

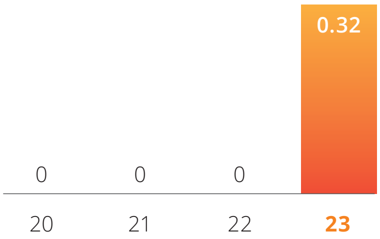
Link to strategy: 4

ACCIDENT FREQUENCY RATE

Incidents per 100,000 hours worked

0.32

Our goal is to have zero incidents



Definition

The accident frequency rate ("AFR") measures the safety performance of our operations, with particular focus on the engineering activities delivered through Yü Smart and Yü Charge.

It is calculated as the number of accidents resulting in an absence of more than one day per 100,000 hours worked. This metric is used in conjunction with other key performance indicators, such as near misses, minor accidents and RIDDOR incidents, to provide a comprehensive view of our safety performance.

Performance

The Group recorded an AFR of 0.32, which is more favourable than our peers in the sector. However, our commitment to the safety and wellbeing of our employees requires a focus on a goal of zero incidents.

Target

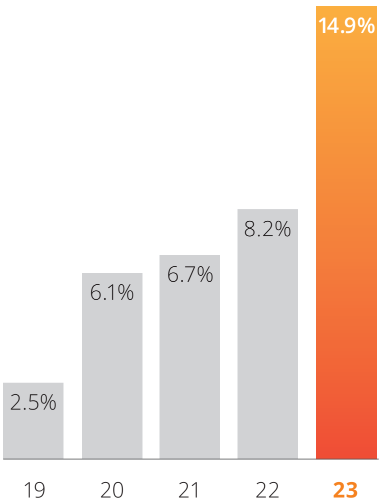
Our goal is to achieve zero lost time incidents and therefore a zero AFR. We strive to improve our AFR performance at all times, building momentum towards this target every year and ensuring we operate as one of the safest performers in the industry.

Link to strategy: 2 4

NET CUSTOMER CONTRIBUTION

14.9%

Improvement of 6.7% in 2023



Definition

Net customer contribution measures the profit contribution, as a percentage of revenues, directly linked to customer contracts. This consists of the gross margin reported (adjusted for a non-recurring item in FY20[4]) 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, utilising digital technologies and data analytics to make improved decisions, with contracts sold at improved margins and increased customer lifecycle values being achieved through improved commercial strategies.

Bad debt expense has also significantly decreased based on improved cash collections from customers.

Target

Management has become increasingly mature in optimising the Group's gross margin through the adoption of commercial strategies, supplemented by insight through data and delivered via the Group's digital systems.

The Group has also improved its customer collection performance, leading to reduced bad debt, by utilising new digital technologies including the adoption of smart meters to allow improved customer outcomes. Management targets net customer contribution to maintain low to mid double-digit margins over the medium term.

4 The only non-recurring item incurred was the impact of Covid-19 in H1 2020.

Other key performance indicators

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

In addition, the Board and Executive Management Team monitor various other financial and non-financial metrics to manage the business and drive forward performance. Such metrics include reported dangerous occurrences and near misses, the Group's Trustpilot score and complaint information, total contracted revenue, average term of contract, contract renewal rate, ratio of billing to cash, customer engagement via digital channels, employee engagement, and compliance with covenants and internal risk policies.

Links to strategy:

1 Bigger (High growth)

2 Better (More profitable)

3 Faster (Digital by Default)

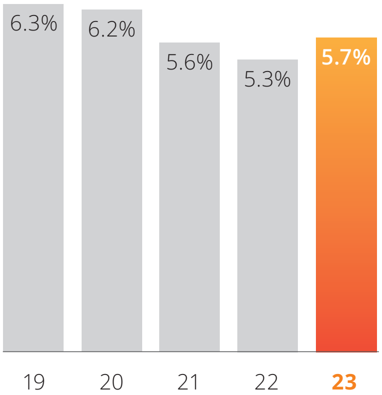
4 Stronger (Well managed)

Link to strategy: 2 3 4

GENERAL OVERHEADS

5.7%

Increase of 0.4% in 2023



Definition

General overheads represent, as a percentage of revenue, the overhead expenses (excluding bad debt) charged to adjusted EBITDA. They comprise the operating costs, on a normalised basis, before the impact of movements in derivatives charged to the income statement and exceptional or non-recurring costs. From FY22, the amount includes the charge for share based payments.

Such general overheads are allocated by management between cost to acquire (incurred in sales, marketing and pricing new business), cost to serve (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

Overheads have increased in the year as a result of the Group's operational investment in digital technologies, marketing to customers, and mobilising the Yü Smart business. In addition, the charge to share based payments has increased, accounting for a 0.2% increase in year.

Target

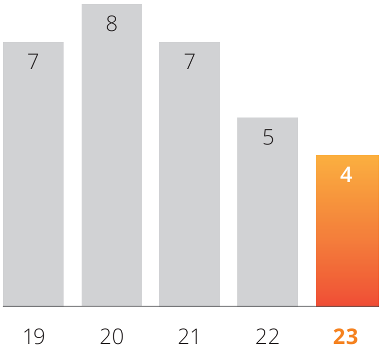
As a result of the efficiencies brought by scaling the Group, close control over fixed overheads, including further costs related to scaling Yü Smart and benefiting from the Group's digital investments, the Group is expected to reduce overheads from the current 5.7% level over the medium term.

Link to strategy: 2 4

OVERDUE CUSTOMER RECEIVABLES

4 days

Improvement of 1 day in 2023



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 demonstrates unprovided risk to the income statement on such balances.

Performance

A robust performance has remained in this key measure, with a one day improvement.

The Group has a cautious bad debt and expected credit loss provisioning policy, which is clearly evident from the OCR metric.

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 below 10 days in 2024.

Links to remuneration

Management bonus incentives are linked to business growth, profitability and other KPIs to deliver appropriate outcomes.

The Group has previously awarded performance shares which are linked to share price growth. More recent award of LTIPs under performance share awards link vesting requirements to the achievement of certain stretching business performance conditions, with such conditions set and to be monitored by the Remuneration Committee.

DIGITAL BY DEFAULT

OUR SCALABLE TECHNOLOGY PLATFORM TO OPTIMISE PROCESSES AND CUSTOMER EXPERIENCE

Digital by Default is the way that we think at Yü Energy. Our platform is ahead of the competition and we still have an ambitious programme of change ahead of us.

WHAT DOES DIGITAL BY DEFAULT MEAN?

It means that we're always looking for new ways to use technology to:

- Create a better customer experience
- Make processes easier for customers and colleagues
- Use data to drive commercial value
- Reduce risk and ensure consistent and scalable processes
- Drive down our costs

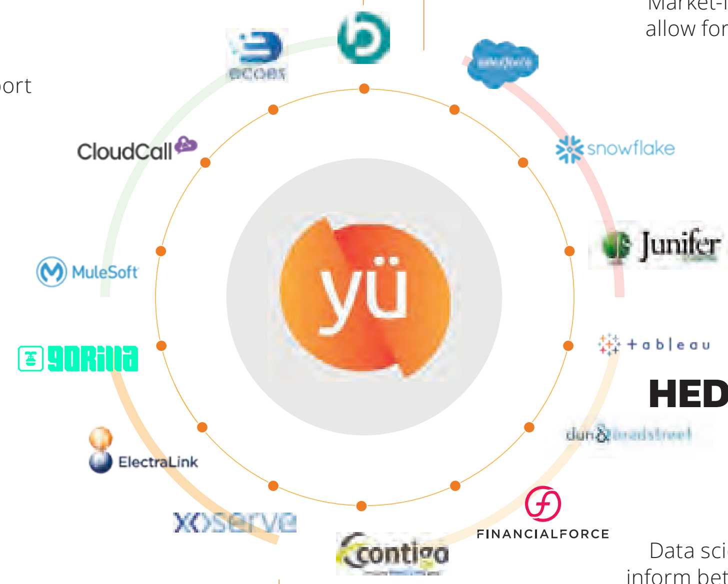
OUR TECH STACK

SPEED

- Improving and simplifying customer experience
- Fast quoting (27 seconds)
- Enhanced online support
- Automated systems drive cost efficiency
- Customer ability to self-serve

SCALABILITY

- Cloud based – providing instant BI and MI
- Market-leading CRM systems allow for better management of customer data
- Creation of online self-serve sales journey
- Best of breed applications linked in through APIs



ACCURACY

- Right first time, as our customers deserve
- Dynamic pricing
- Industry consumption data
- Smart metering

HEDGING AND RISK MANAGEMENT

- Data science and technology inform better trading decisions
- Contigo providing hedging risk management
- Industry customer ID and validation with ongoing access to credit records

See how our online quote tool works in our short explainer video

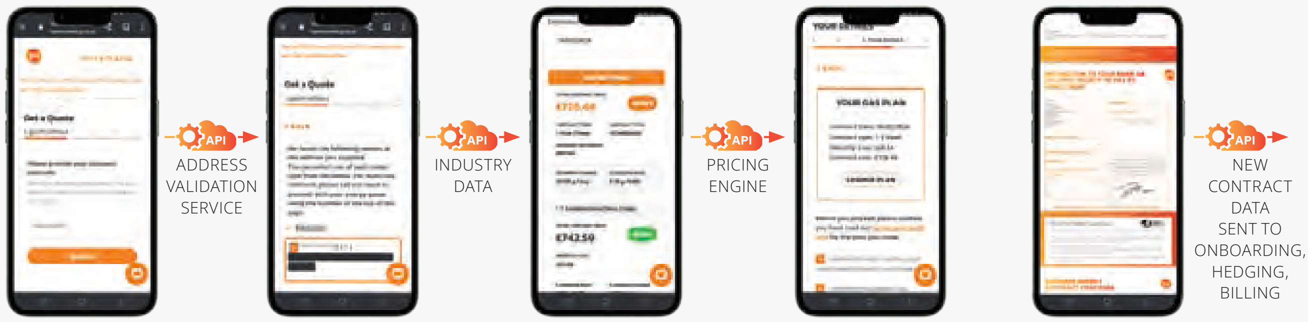
CREATING DIGITAL SIMPLICITY FOR OUR CUSTOMERS

We use technology to make the procurement of energy simple for our customers.

For example, our online customer acquisition journey takes the complexity and hassle out of the process and saves our new customers valuable time. This digital acquisition journey has a low cost to serve, ensures good quality data is collected, and commercial policies are applied consistently.

27 SECONDS TO QUOTE

ONLY 3 MINUTES FROM START TO CONTRACT



STAGE 1
Customer identifies their business using postcode.

STAGE 2
Customer selects their meter. Data collected allows us to make commercial decisions on credit risk and to choose the right tariff for each customer.

STAGE 3
Customer is shown our best prices.

STAGE 4
Customer selects the tariff that appeals to them.

STAGE 5
Customer agrees T&Cs and signs contract.

CUSTOMER RECEIVES A GREAT PRICE WITH JUST A FEW CLICKS!

OUR JOURNEY SO FAR

2022

- The start of our digital journey.
- Implemented new tech stack – CRM / Analytics / Website / APIs / Pricing.
- Creating new and improved customer experiences.
- Driving commercial performance.

2023

- Retiring legacy processes.
- New ERP System.
- New tech for metering services.
- Completed customer migration.
- New case management system for customer care, complaints and Change of Tenancy teams.
- New customer self-service portal.

2024 PROGRAMME

- Upgrade to our marketing automation.
- A new telephony solution.
- Closer integration between retail and meter services.
- Evolution of our product offer.

DIGITAL BENEFITS SUMMARY

How does our Digital by Default approach benefit our customers?

- Competitive prices
- Simple and intuitive customer experience
- Time saving and reduction of hassle
- Great customer service
- Free value-added content and advice

SECTION 172 STATEMENT AND OUR STAKEHOLDERS

FOSTERING TRUST AND TRANSPARENCY ACROSS OUR STAKEHOLDERS

We aspire to create a regular engagement plan that benefits our stakeholders, including our shareholders, customers, people, regulators and community.

Investors seek a clear grasp of the Group's financial health, future prospects, and strategic initiatives, emphasising transparent reporting on performance, risk and dividends. Shareholders value insight into the Company's long-term vision, innovation, and ability to tackle challenges. A proactive approach to addressing concerns and consistent communication on progress is vital for building and maintaining trust.

How we engage

- Regular meetings and presentations following key events and results announcements in the year
- Engagement with broker (and other investor-facing advisers) to ensure appropriate stakeholder communication
- Online presentations at key times of the year (AGM/Annual Results), alongside conferences and live presentations run by external investor platforms
- Full year and half year trading updates shared via website and social media
- Ensuring appropriate dialogue via the investor relations contact
- Continued investor and financial press engagement to ensure messaging reaches appropriate stakeholders
- Investor days where we invite shareholders into our offices for an update on the Group's progress and strategic priorities and introduce key team members
- Events with our nominated adviser and broker, Liberum

For customers, the focus is on reliability, simplicity and value. They expect a seamless experience from switching, to smart meter installation, and through to renewal. Regular updates regarding their accounts, energy-saving advice and cost-saving initiatives are essential to keep customers engaged. Additionally, transparent communication and responsive customer support help build and maintain customer loyalty.

How we engage

- Simple, digitally led engagement to allow self-service through channels such as online quote tool and customer portal
- Customer surveys to gather feedback on satisfaction levels and shape future products and service offerings
- Customer insights gained through market research to better inform our support and customer experience
- Website pages, FAQ pages and regular communications to support new and existing customers and to promote our range of complementary products and services
- Free smart meter installation to help customers better manage consumption
- Increased range of automated marketing to further support customers on energy efficiency and cost-saving initiatives
- Multiple channels to contact customer services, as well as comprehensive range of support articles, for fast resolution of queries and issues

Our workforce values transparent communication and demonstration of commitment to their wellbeing and professional growth. They seek clarity on the Company's strategic direction, performance metrics and their role in achieving corporate goals. Recognition, fair compensation and a positive work culture are crucial expectations.

How we engage

- Quarterly "Town Hall" meetings led by senior managers 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
- Employee feedback sessions, including monthly one-to-one meetings, biannual development reviews and team briefing outcomes
- Company-wide intranet to improve internal communication and employee engagement
- Implemented career pathways to support talent development in response to engagement survey feedback
- Extensive benefits package to support our employees, including Group life scheme and health and wellbeing app
- Full calendar of staff events to promote collaboration and positive culture

COMMUNITIES

The local community looks to us for more than just energy services; they expect responsible corporate citizenship. Community stakeholders want to see sustainable practices, involvement in local initiatives and a positive impact on the local area. Building trust through social responsibility strengthens the Group's bond with the community it serves.

How we engage

- Supporting career development in local communities by engaging with local educational institutions to offer student placements and apprenticeships
- Raised nearly £19,600 (including a £9,800 donation by the Group) during the year for our chosen charity, Alzheimer's Research UK, the UK's leading dementia research charity, dedicated to causes, diagnosis, prevention, treatment and cure of Alzheimer's
- Regular donations to local food banks
- Continued community activities alongside fundraisers to help make a difference
- 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

REGULATORS

Regulators seek compliance, reliability and adherence to industry standards. Regulators want assurance that the Company is operating ethically and in the best interests of both the industry and the public. Engaging in open dialogue with regulatory bodies helps foster a co-operative relationship and ensures the Company stays ahead of evolving industry standards.

How we engage

- As a responsible supplier, we engage with Ofgem (and Ofwat) as regulators of the industry, the Government and appropriate departments (including BEIS)
- Implementation of various Government backed schemes to support customer bills, including the Energy Bill Discount Scheme
- Responsive approach to Ofgem's various requests for information
- Strong governance ensuring compliance with AIM and other market listing corporate compliance
- Membership of Quoted Companies Alliance to promote good governance

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 60, provide further information on how the directors ensure appropriate consideration for such decisions. The Board's principal considerations and decisions in FY23 are documented on page 62.

OUR PEOPLE

INVESTING IN OUR TALENTED PEOPLE

Our people are the key to driving the Group's strong growth. By investing in our people, we create a culture of innovation that continues to take our business to new heights.

We are dedicated to fostering a vibrant, inclusive work culture that cultivates ambition and inspires our team to drive meaningful change for our customers, the energy industry and the communities we serve.

We want to make sure we have the right people in place to advance our growth whilst nurturing and enhancing their expertise and personal development. Our steadfast focus on performance leadership, training and development underscores our support for colleagues. Through our internal talent programme, we offer leadership development, coaching, mentoring and technical training, shaping the leaders of tomorrow.

Evolving our culture

We continue to develop our practices to ensure we create a culture where colleagues feel supported and appreciated and have clear development paths.

Our excellent company culture has been officially recognised through our inclusion in The Sunday Times Best Places to Work List 2023. This accolade serves as a testament to the outstanding efforts of our colleagues in establishing an inclusive workplace that empowers employees to reach their fullest potential.

THE SUNDAY TIMES Best Places to Work 2023

We hold quarterly "Town Hall" meetings, conducting sessions in which colleagues are invited to come along to hear from key members of our senior leadership team on business goals.

Internal communications through our intranet and newsletter also provide a knowledge library and central hub for news and updates for all employees.

We are proud to be an equal opportunities employer, and our Disability Confident Employer accreditation reflects this.

Colleague engagement

We conduct regular employee engagement surveys to gather insights and feedback from our employees. The results of these surveys are critical to business growth as they bring new and innovative ideas into Yü Group.

During 2023 our employee engagement score continued to rise, reaching 83.7% – a 3.7% increase on 2022. The vast majority of employees told us they were proud to be a member of their team (96%), they have sufficient tools to do their job (72%), and they receive regular, constructive feedback from their line manager (86%).

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

2023 saw us undertake and complete our Leicester Office renovations, essentially doubling our capacity, creating a large number of new roles in the community, and providing our team with a beautiful new space to thrive in. We hired a large number of new team members, increasing our team diversity and our ability to provide excellent customer service.

As part of our ongoing people strategy, we have continued to nurture our partnership 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 2023, we offered apprenticeships, year-long placements to students in Billing and Commercial (for the fifth year running), and were able to offer 27 internal promotions as part of our talent pipeline.

As we progress into 2024, we plan to further enhance our university collaboration as we continue to grow our new teams and roles across Nottingham and Leicester.

We are currently increasing our headcount within Yü Smart, expanding our number of smart meter technicians, and will be delivering training sessions from our dedicated development 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. Key benefits include a Group Life Scheme and health and wellbeing app.

Our rigorous approach to performance leadership delivers fairness, affordability and consistency in our people management and reward.

295
Average number of employees during 2023

63/37
Male/female identifying split %

38
Average age

83.7%
Employee engagement rate

£19,600
Raised for Alzheimer's Research UK

OUR VALUES

CUSTOMERS

Our customers are the core of our business, and we strive to exceed their expectations on every experience.

INTEGRITY

We are trusted and accountable to uphold the highest standards of integrity in all our actions.

TEAMWORK

We work together seamlessly, across boundaries, to meet the needs of our customers and to help our Company win.

INNOVATION

Our colleagues are full of new ideas, fuelling better products, services and processes. We use imagination to drive innovation through continuous learning.

Health and safety statement

The Group has always prioritised health and safety in all areas of our operations and this continues with the introduction of Yü Smart and the operations undertaken by our field operatives.

Field work can pose an increased risk of injury or illness and it is the responsibility of the business to ensure that appropriate measures are in place to protect the health and safety of its employees and the general public.

The focus is holistic, considering all aspects of work undertaken and the risks and hazards presented, as well as the locations at which the work is performed. This includes:

- conducting risk assessments to identify and assess the potential hazards and risks associated with field-based activities to determine the necessary precautions and controls required to protect people and property;
- a health and safety plan which outlines the steps to be taken to ensure exemplary health and safety, including procedures for reporting and addressing incidents and accidents, as well as training and communication protocols;
- ensuring employees have access to appropriate personal protective equipment and that they are trained on how to use it properly;
- keeping employees informed about the health and safety risks associated with operations and what measures are being taken to protect them, through training sessions, meetings and written communications; and
- regular monitoring and review of the effectiveness of health and safety measures and introducing any necessary changes: learning lessons, improving communication, training, methods, processes and procedures.

STRUCTURED FOR SUCCESS*

* Diagram illustrates some of our key senior roles.

KEY CUSTOMER CASE STUDY

FUELLING WANDERLUST

Hays Travel Case Study

Hays Travel Limited, the UK's largest independent travel agent with 460 branches across the UK, started their journey with us just over six months ago when they chose Yü Energy as their dedicated energy supplier. We caught up with them to understand the challenges faced by the travel company and find out how Yü Energy provided effective solutions.

Background

Before partnering with Yü Energy, Hays Travel grappled with several energy-related challenges, primarily revolving around estimated billing, meter reads and the complexities associated with change-of-tenancies when moving in or out of premises.

Addressing key challenges

We swiftly addressed these challenges by dealing with queries promptly and ensuring billing was received as required. The introduction of smart meters to Hays Travel's premises, though still a work in progress, is allowing us to further enhance accuracy and efficiency in billing processes. Hays Travel described the experience with Yü Energy as a "breath of fresh air" compared to their previous energy suppliers and praised our teams for knowing "exactly what was required of them".

Measurable benefits

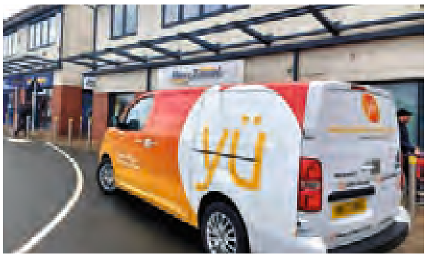
Since partnering with Yü Energy, Hays Travel has experienced more accurate billing, reduced processing time and a monthly call to address any billing queries promptly. Our level of customer service and support was described as "excellent" by Hays Travel, who also highlighted the benefit of "having direct contacts and staff taking responsibility for issues and dealing with them in a timely manner".

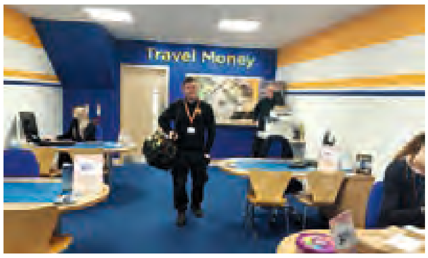
Future partnership

Looking ahead, Hays Travel expressed a desire to continue their partnership with Yü Energy and is already thinking about their renewal, citing our competitive pricing and level of direct engagement as key benefits. They described their experience with Yü Energy as "a refreshing change compared to some other suppliers".

We are thrilled to be on this journey with Hays Travel and look forward to continuing our successful partnership that not only addresses challenges but also sets the stage for a promising future.

LIKE A BREATH OF FRESH AIR COMPARED TO PREVIOUS COMPANIES... ALL TEAMS SEEM TO KNOW EXACTLY WHAT IS REQUIRED OF THEM."





TESTIMONIALS

The Yü agent really gave the impression that he was working hard to get me the best service/deal that I could get and I was really grateful for this.

Often once contracted with a supplier you can get the impression that they no longer care about you or the service they provide but for us so far that hasn't been the case with Yü Energy.

We are a new customer to Yü Energy. So far the customer service has been excellent. You can easily get in touch with someone and any problems are dealt with quickly.

My recent query was dealt with very efficiently by Saif, who called me afterwards to make sure I was happy with the outcome. I would thoroughly recommend Yü Energy.

I have just renewed our Business Energy with Yü Energy and they offer the best rates possible.

Yü has been a fantastic supplier to us for the last two years and I did compare the new rates offered from Jan 2024 to others, but they could not be beaten. Thank you Bobbie for your help and obtaining the best deal for our business.

SUSTAINABILITY: OUR COMMITMENT TO PEOPLE AND PLANET

The Board is mindful of the Group's stakeholder interests and how social and environmental responsibilities can impact on delivering our strategic goals. We aspire to a low carbon future whilst positively impacting our people, customers, communities, investors and wider stakeholders.

Our commitment to a greener future

At Yü Group, we recognise the pivotal role energy providers play in shaping a sustainable future for our planet and the generations to come, and how this can impact on achieving our strategic goals. Our dedication to fostering meaningful relationships with employees, communities, customers and partners is fundamental to realising our ambitious goals. As an increasing number of our customers, investors and other stakeholders turn more focus to their environmental targets, we are committed to consistently meeting their demands for greener options through our range of green products and solutions.

Building on the achievements of 2022, we continue to offer sustainable solutions that propel our customers toward a greener future. By giving customers the tools to understand and manage their consumption, we can help them make significant changes that shape their business' sustainability goals.

The impact of our smart meter rollout cannot be overstated, both from our strategic objectives and the way they are transforming how customers manage their energy consumption.

Armed with these insights, our customers can effortlessly work towards achieving their green targets. The progress made in the past year is already making a difference, and in 2024 we are poised to further expand and enhance our sustainable product offerings, underpinning the three pillars of our sustainability strategy: product, planet and people.

Committed to responsible business management

Our commitment to a sustainable future extends to the responsible management of our business. Our people are at the heart of our success, and we work hard to provide rewarding opportunities for them whilst always protecting their human rights.

We cultivate a culture of continuous improvement and responsibility towards the communities in which we operate. Rigorous reviews of our operational practices are ongoing, ensuring a deep understanding of the environmental and social issues that matter most to each stakeholder, from customers to shareholders. We also consider such factors in our risk framework as detailed on page 51.

As we step into 2024, the Board targets continued strong health and safety performance, continued strong employee engagement and smart meter installation, as noted in the KPI section from page 36.

BOBBY KALAR
Chief Executive Officer
19 March 2024

Our approach

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

STEP 01

ASSESS

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

STEP 02

FRAMEWORK

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

STEP 03

MEASURE

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

STEP 04

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 support businesses on their journey to net zero, offering a range of green energy solutions that are simple to switch to, alongside complementary products such as EV Charger Installation and Data Analytics to further reduce carbon footprints.

PLANET

SOCIAL AND ENVIRONMENTAL IMPROVEMENT

Our ambition

To reduce our carbon footprint and overall impact on the environment by operating responsibly and to have a positive effect on society, supporting charity initiatives and 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.

Protecting the planet with sustainable solutions

We are supporting the Glasgow Climate Pact and the UK Government's aim to reach net zero by 2050 with a range of sustainable solutions to support businesses in their move to renewable energy, 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.

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").

Through our EV Chargepoint Installation Service, we are supporting both business and domestic customers to move from petrol and diesel vehicles to cleaner, more sustainable electric vehicles. And with our smart metering services, we're helping customers reduce their consumption and understand their usage.

Our Green Electricity is backed by the REGO scheme ("The Renewable Energy Guarantees of Origin" scheme), which provides transparency to consumers about the proportion of electricity that suppliers source from renewable generation. Our Carbon Neutral Gas plans mean customers' gas consumption will be offset and invested in the most credible international schemes.

We also create a wide range of sustainability support materials to help customers adopt green practices, conduct energy audits and reduce their consumption. These are published on Yü Energy's News pages and include industry-specific support and advice.

120 GWh

OF PURE GREEN ELECTRICITY SUPPLIED TO CUSTOMERS ON OUR 100% GREEN ELECTRICITY PLAN

48 GWh

OF GREEN GAS SUPPLIED TO CUSTOMERS ON CARBON NEUTRAL GAS PLAN

SUSTAINABILITY continued

Supporting businesses with sustainable solutions

We continue to build our sustainable product offering to support businesses on their journey towards net zero, combined with a commitment to operating responsibly.

The impact of climate change and wider environmental considerations are continually assessed by the Board and influence our business model and customer offering. We develop strategies to assist UK companies in the energy transition, including the provision of new technologies, such as smart meters and EV chargers, 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.

Through the scaling of our Yü Smart business, we continue to provide an accelerated smart meter rollout programme to all eligible customers and in 2023, we installed over 8,500 smart meters. This enables our customers to actively monitor consumption profiles and trends and effectively reduce their energy use. We have the technical capability to install three-phase smart meters and are rolling them out, offering intelligent energy management to even more businesses.

Our impact on the planet and our community

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 and appliances and recycling waste from our offices. We have six EV chargepoints at our Leicester offices, supporting employees in their transition to electric vehicles.

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" employer, ensuring an inclusive and accessible recruitment process and supporting job opportunities for disabled people.

Charitable support

In 2023, we continued to support our chosen charity, Alzheimer's Research UK. During the year, our team found creative ways to raise funds and in total, the Group raised nearly £19,600.

Read more about our community engagement on **page 43**

"WE CREATE PATHWAYS FOR UK BUSINESSES TO EMBRACE THE ENERGY TRANSITION, INTEGRATING CUTTING-EDGE TECHNOLOGIES LIKE SMART METERS AND EV CHARGING, TO SUPPORT THE SHIFT TOWARDS A MORE SUSTAINABLE ENERGY LANDSCAPE."

ROBUST RISK MANAGEMENT

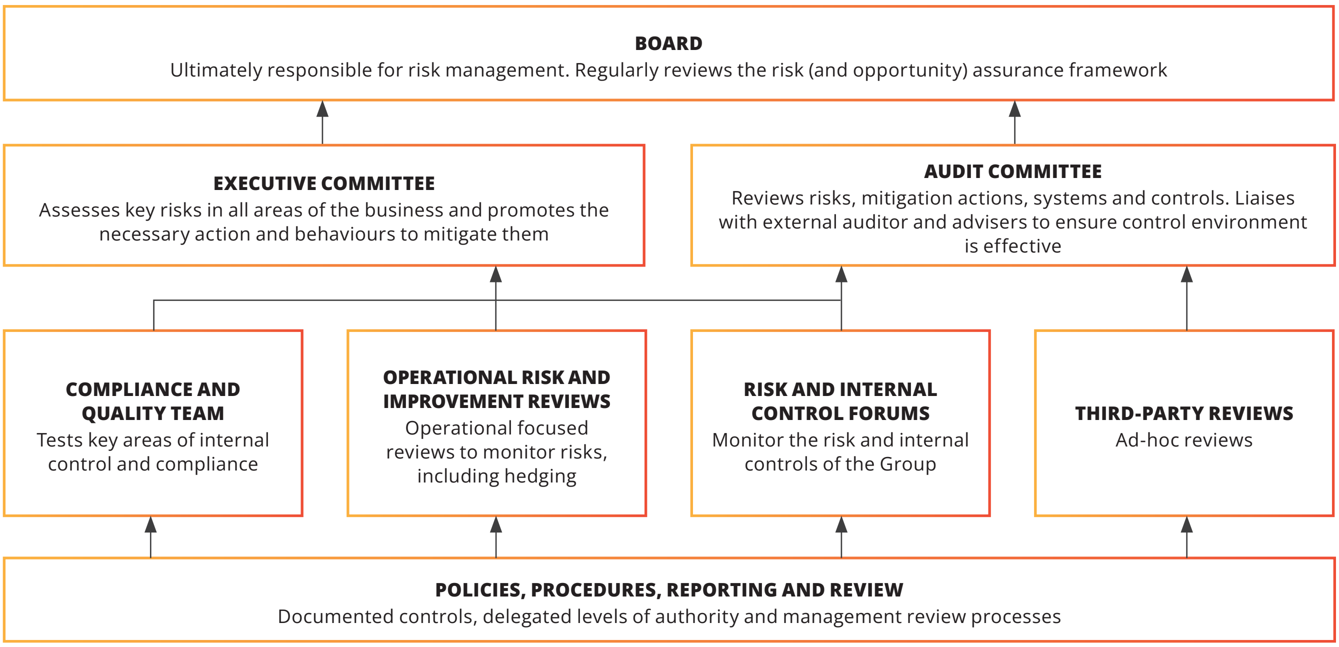
Ensuring risk and opportunities to our strategic goals are fully considered.

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:

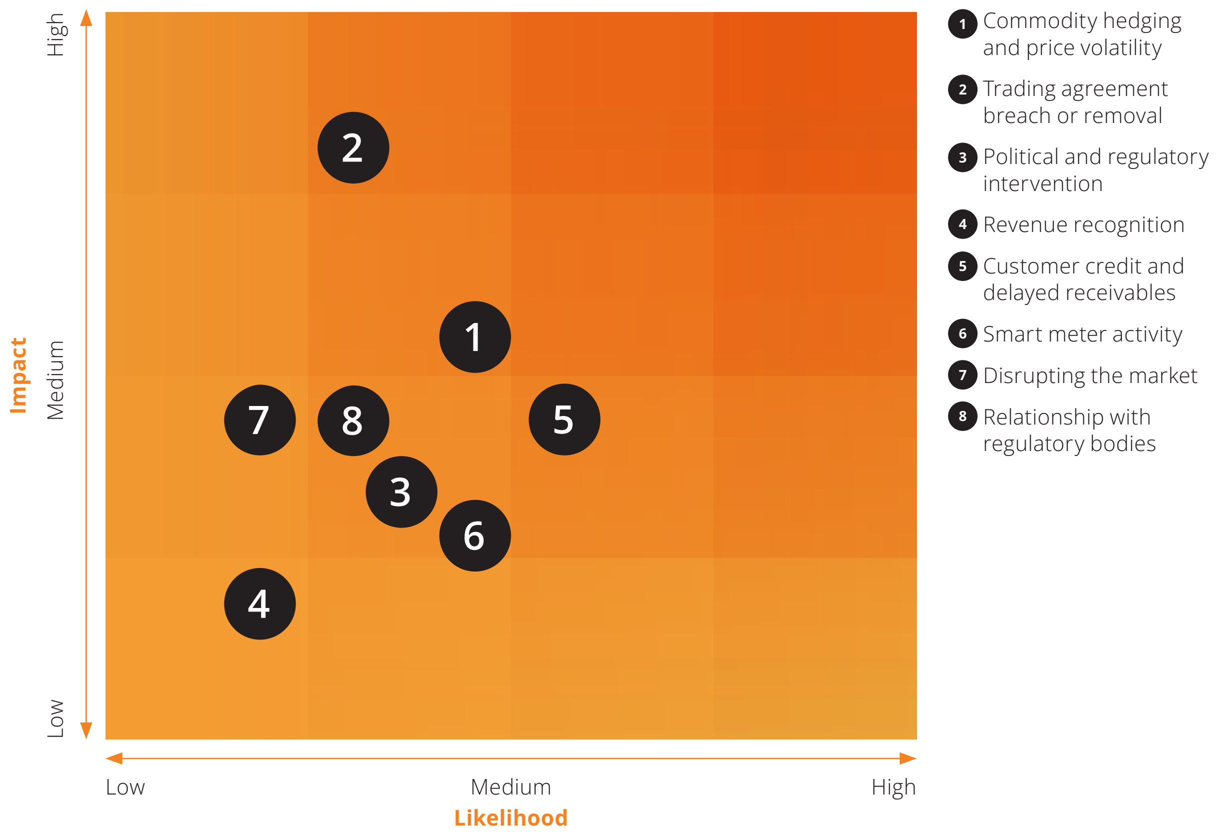
- a risk and internal control improvement register is maintained by the Group Risk Manager and reviewed regularly by the Board and Audit Committee. The risks are identified and discussed by executive team members and operational managers or in risk reviews held by Board members;
- an organisational structure with clear segregation of duties and control and documented, Board-approved, delegated levels of authority;
- robust policies and procedures in place underpinning good governance and a strong 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 and Internal Control 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;
- at least an annual assessment by the Board of any climate-related risks and opportunities, comprising a review of the potential impact on the Group achieving its strategic goals or meeting stakeholder expectations; and
- formal hedging policies and a risk mandate that govern the Group's approach to the forward purchase of commodity contracts.



PRINCIPAL RISKS AND UNCERTAINTIES

MITIGATING RISK TO PROTECT SHAREHOLDER VALUE

Net risk assessment



Key for strategy:
(A) Bigger (B) Better (C) Faster (D) Stronger

1. COMMODITY HEDGING AND PRICE VOLATILITY

Strategy (A) (B) (D) — Decrease

Description

The energy commodity market has remained volatile during 2023, with significant decreases in global market prices and large intra-day and week-to-week changes. However, market movements are lower, in £/MWh terms, than at their all-time high seen in 2022.

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.

Price volatility can also provide further (when assessed at financial value) risk or opportunity in balancing final customer demand with the traded position. For example, the cost of imbalance (being long or short of energy for each delivery period) for the same units (MWh) of energy can result in more volatility on the balanced volume when compared to the price agreed with the customer.

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 Group's trading processes are well established and have successfully managed the Group's position as it has gone through bearish and bullish cycles in global commodity markets.

New energy trading software and pricing information have been established during the year, and the improved pricing and onboarding systems established in 2022 are now fully embedded. There has also been significant investment in developing a larger team to manage the hedging and pricing activities of the Group, which provides additional management control.

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

2. TRADING AGREEMENT BREACH OR REMOVAL

Strategy B D — No change

Description

The new five year trading agreement with the Shell Group, signed in February 2024, enables efficient access to commodity markets to implement the Group's hedging strategy and cater for the significant growth ambitions of the Group, and eliminates the need (in the normal course) to post cash collateral.

The Group has provided certain security (fixed and floating charge and share security) and commitments to Shell, and is required to adhere to and report on several covenants. A material breach in the agreement 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 on the main trading assets of the Group.

At expiry of the agreement, there may be a risk that similar trading agreements are not available to the Group either through Shell or other trading counterparties, and therefore different funding routes may be required which may be significant.

The agreement also results in significant counterparty credit risk to Shell where commodity markets increase materially. In such a case, an event of default by Shell could result in the Group losing the benefit of its forward trades, resulting in a reduced forward gross margin position on the Group's activities.

Mitigation

The Board selected the structure with Shell after significant market testing and negotiation to protect the Group's interest.

The Group has various processes (including Board reviews of the position, detailed cash forecasting and scenario modelling for covenant compliance) to consider the position in relation to the agreement. The Group's underlying financial performance has also significantly improved over recent years, leading to a stronger balance sheet.

The Group has undertaken significant due diligence on Shell, and has also been subjected to a detailed level of review, prior to entering the new agreement.

Contractual mechanisms protect, to the extent available, certain counterparty credit risks, and these risks have reduced based on the lower commodity market prices at the end of 2023 and reflecting that the Group trades with a group of Shell's scale.

The new trading agreement covers a five year period, providing a good level of visibility as to forward commodity hedging arrangements required to operate a robust and controlled business.

Read more about our new commodity trading arrangements with Shell Energy Europe Limited on **page 33**

HEDGING OUR COMMODITY MARKET RISK EXPOSURE

ROBUST AND EFFICIENT HEDGING

PROVEN HEDGING POLICY DESPITE VOLATILE GLOBAL COMMODITY MARKETS

Global commodity markets have been highly volatile since early 2020, from the Covid-19 pandemic and subsequent recovery of global demand for energy, and the Russian invasion of Ukraine and the resulting sanctions, and now to a "robust correction" to prices over recent months.

See Energy Market Landscape and gas price evolution on **page 24**

Whilst prices quoted to customers have broadly aligned to 2019 levels, this hides the significant volatility experienced which has been unprecedented.

This volatility in commodity prices has been managed well, with clear mitigating action being taken where necessary and a team of highly experienced individuals ensuring that our policy of "back-to-back" hedging, within risk limits and to the extent practicable, is adhered to.

OUR APPROACH TO HEDGING

Forward hedging contracted commodities de-risks commodity market volatility, and our approach is to hedge our contracted position in order to lock-in margins on contracts at the point we sign new customers. This ensures that we can continue to supply with confidence regardless of how the market behaves, and provides assurances that future contracted revenue will deliver profitable contracts.

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

- Constant updates to forecasted 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
- Liquidity and credit analysis

PRINCIPAL RISKS AND UNCERTAINTIES continued

3. POLITICAL AND REGULATORY INTERVENTION

Strategy A B D — Decrease

Description

The energy supply industry has been under scrutiny due to high and volatile energy prices affecting the cost of living and the ability for UK businesses to absorb costs. Failures of various energy suppliers, especially in the domestic sector, have also resulted in significant costs for consumers in recent years.

Ofgem and BEIS have provided support schemes targeted at protecting business and domestic customers. These schemes materially benefited businesses from 1 October 2022 until 31 March 2023. Similar schemes have been extended, at a lower level, from 1 April 2023.

Ofgem has conducted a review of the domestic and non-domestic energy market and consulted on proposed changes to certain regulatory conditions. Whilst no such changes proposed or announced impact the Group's operation materially, there remains a risk that political (heightened in view of wider political context) and regulatory changes may impact the Group's core business.

Mitigation

The Group continues to comply with regulations as set out by the industry, and has successfully complied with the various Ofgem and BEIS schemes to support customers in the high market price environment experienced over the past 24 months.

Systems and processes, such as supporting customers with any debt management issues, are designed to ensure customers are well treated and regulatory guidelines are met at a minimum.

Whilst the Board considers regulatory and political risk has decreased in the year, the position is continually monitored and there is growing engagement with HM Government and Ofgem. This engagement is both through relevant industry bodies and direct, reflecting the Group's increasing market share and focus on the small and medium-sized business sector which is generally unrepresented in the industry.

4. REVENUE RECOGNITION

Strategy A B — No change

Description

Due to the inherent nature of the utilities industry and its reliance upon estimated meter readings, revenue includes a best estimate of energy consumption for certain customers who do not have automatic or smart meters. 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 several variables, there is a limited 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 revenue recognition positions are considered. This gives comfort that the Group's revenue recognition policy is appropriate, and that accrued income is at a manageable level.

The level of accrued income held at 31 December 2023 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 smart metering penetration leading to reduced levels of estimate.

5. CUSTOMER CREDIT AND DELAYED RECEIVABLES

Strategy A B — No change

Description

The Group has increased and is increasing its revenue significantly and there is a risk that this growth, along with the wider economic context, can lead to significant increases to levels of bad debt or materially delayed payment in the Group's customer collections cycle.

There is also a risk that new customers 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 a material increase of the working capital required by the Group, and/or to financial loss where trade receivables are not recoverable from customers.

Mitigation

Management mitigates risk with robust credit checks prior to and during contract terms, requiring upfront security deposits where necessary, enhancement of certain terms and conditions, agreement of payment plans to support customers, and application of appropriate credit control activities to focus on recoverability of receivables.

The Group also diversifies risk by providing services to multiple market segments and ensuring no single customer has a material contract for the Group.

Technical innovation is part of the Group's Digital by Default strategy. This includes the use of smart meters (including prepayment mode) which provide significant benefits to customers through detailed knowledge and budgeting of their usage and access to better value tariffs, whilst also assisting the Group in managing risk.

The Group has also invested in Yü Smart to enhance smart meter penetration to customers, and has expanded its internal credit control and debt resolution activities to further enhance performance.

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

6. SMART METER ACTIVITY

Strategy A B C — Decrease

Description

The Group's strategy is to deploy smart meters at scale to support small and medium-sized businesses with appropriate products, and to improve efficiency and cost benefits for the Group. The Group acquired smart metering installation capability, Yü Smart, in 2022 and has already established a national coverage of engineers. Management has set ambitious targets to deliver material smart meter installations in 2024.

There is a risk that meter installation targets are not met, resulting in unproductive labour and lack of additional benefits expected from the deployment. This could lead to customer dissatisfaction, reputation issues and additional costs for the Group.

Mitigation

The Group has invested in establishing a senior, experienced and driven management team to drive this strategically important capability, which builds on the strong management and operational team from Magnum Utilities Ltd.

The Board has implemented a business unit structure to enable focus, whilst providing governance and common objectives on appropriate management teams to deliver the Group's objectives.

The Group is also focused on scaling activities so as to provide additional efficiencies to the operations of the activities undertaken.

See page 25 for more information on smart metering

7. DISRUPTING THE MARKET

Strategy A C — No change

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 believes that business customers need access to 24/7 efficient digital tools with easy access to their account, from sign-up to renewal. There is a risk that the Group's disruptor position is threatened if competitors develop new technology which rival the Group's.

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

Mitigation

The Group appoints significant talent and dedicates management time, focus, people and financial investment in Digital by Default activities.

Selected partners support the Group in achieving its targets, and are carefully selected to ensure alignment of values and focus.

Change management is embraced, so as to find new opportunities to deliver the Group's ambitions. There are also clear project deliverables and milestones for the Group to deploy new technology to unlock business benefits, with progress monitored by operational management, ExCo and the Board.

8. RELATIONSHIP WITH REGULATORY BODIES

Strategy D — No change

Description

The Group is a licensed gas, electricity and water supplier and Meter Operator, and has direct relationships with regulatory bodies.

The Group is regulated by Ofgem, Ofwat and, as a publicly listed company, the Financial Conduct Authority ("FCA"), and complies with AIM Rules for Companies and other financial regulations.

If the Group fails to maintain an effective relationship, or does not comply, with these regulatory or certifying bodies and regulations, it could be subject to fines or the removal of its respective licences or ability to operate.

Mitigation

A new senior leader has been appointed to provide a professional and efficient interaction with Ofgem and to ensure the Group is prepared, in sufficient time, for any industry or regulatory change.

The Group also has a management team and senior staff with extensive industry experience, including an internal compliance function, focused on energy industry regulatory compliance and any ongoing regulatory communication that the Group is involved in, as well as legal and risk resources.

The Board is committed to ensuring compliance with all industry and AIM regulations and will actively seek clarification and an open dialogue channel if there is any requirement to do so.

The Strategic Report on pages 1 to 55 was approved by the Board and signed on its behalf by:

PAUL RAWSON
Company Secretary
19 March 2024

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

A STRONG AND FOCUSED BOARD

Ensuring our high-growth strategy is delivered with appropriate governance.

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, and a non-executive director of My Community Bank.

BOBBY KALAR
Chief Executive Officer

Skills and experience

Bobby has a degree in electrical and electronics engineering, and started his career working as 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 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 several 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.

JOHN GLASGOW

Independent non-executive director

A R

Skills and experience

John has over 40 years' experience in engineering, operations, commodity 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. John joined Yü Group in March 2016.

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 (a top five accounting firm) 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.

COMMITTEE KEY

- A Audit Committee
- R Remuneration Committee
- Committee Chairman

Read more about the skills, diversity and contribution of each director from **page 60**

BOARD SKILLS

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

Find out more about our Board of directors

CORPORATE GOVERNANCE REPORT

"BEST PRACTICE" CORPORATE 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 takes key elements of good governance and applies them in a manner which is workable for listed, growing companies. The QCA Code is constructed around 10 broad principles which underscore a sustainable growth strategy. The Board has decided to early-adopt the 2023 QCA Code so as to reflect the latest good practice, and further details on application of the QCA Code can be found on the Governance section of the Company website at www.yugroupplc.com.

The Board

The Group is controlled through a Board of directors which comprises an independent non-executive Chairman, two non-executive directors, of which one (Tony Perkins) is the senior independent director, and two executive directors. The Chairman is Robin Paynter Bryant and the Chief Executive Officer continues to be Bobby Kalar, the Group's founder.

All three of the non-executive Board members, being Robin Paynter Bryant, Tony Perkins and John Glasgow, were considered to be independent throughout 2023. They provide appropriate time commitment including at Board and sub-committee meetings, as well as for ad-hoc reviews as required.

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"), which is comprised of 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 reserved to the Board for its decision, including, inter alia, the approval of the interim and annual financial results, setting and monitoring of strategy and the examination of opportunities for business expansion. It is a requirement that the Board be supplied with information in a timely manner, in a form and quality appropriate to enable the discharge of its duties.

The directors can, may and do obtain independent professional advice at the Group's expense where required. They keep their skills up to date through professional development training and other formal means.

Board effectiveness

The Board and its Committees' effectiveness is considered regularly, thereby ensuring that actions from previous reviews have been taken.

The Group annually undertakes a formal review of the Board and its Committees, through a questionnaire and benchmarked scoring system covering various topics. Following recommendations arising from the effectiveness review in 2022, the Board has held a number of "thematic" or "deep-dive" Board meetings allowing a detailed review of certain topics, and these will continue in 2024.

The most recent effectiveness review, conducted from January to March 2024, highlighted continued high overall effectiveness. Topics considered as part of ongoing effectiveness reviews included, inter alia: consideration of the profile and composition of the Board (diversity, competency and knowledge); Board dynamics; methodology of the selection of appropriate topics for meetings; effectiveness and efficiency in the monitoring of both strategy and performance; and our approach to risk and opportunity management. A key emphasis for the Board for 2024 is growth of the Group, ensuring ever-closer engagement, mentoring and challenge, between senior leaders across the business, including via the detailed review of key strategic objectives and additional "thematic" and "work-shop" style Board meetings.

Board composition

- Independent non-executive Chairman
- Independent non-executive directors
- Executive directors

Tenure

- More than five years
- Between three and five years

Sector experience

- Previous energy sector experience
- Partial energy and other sector experience

Board skills, diversity and contribution

The biographies of directors are included from page 58, which sets out the skills and capabilities of each director which are aligned to the needs of the Group in achieving its strategic goals. Whilst the directors' range of experience, expertise and skills are diverse and wide-ranging, and the directors are from different social backgrounds, there is recognition that this relatively small team does not provide any gender diversity. To the extent it is possible, this will be considered as part of new additions to the Board in the future.

Each director contributes both formally and informally through various engagements and collectively bring varied experiences to consider all Board matters generally.

In addition, specific individual contributions during the year include:

- Robin Paynter Bryant, as Chairman, has utilised his experience from large corporates and Ofwat to ensure governance matters are promoted by the Board, including the early-adoption of the QCA 2023 code, and to ensure the Board operates effectively. Robin has also supported the executive directors on certain shareholder engagement and financing matters based on his skills in this area;
- Tony Perkins, as senior independent director, has supported senior management on further developing the Group's risk and internal controls framework. Tony has also provided mentoring and support to the Chief Financial Officer and senior accounting team on reporting matters, utilising his experience as an audit partner;
- John Glasgow, as non-executive director, has provided specific mentoring and support on engineering and health & safety matters based on his experience with a major engineering business. John has also supported the Chief Executive Officer and Group HR Director on the selection of certain senior positions;
- Bobby Kalar, as Chief Executive Officer, has established and driven the strategic advancement of the Group to support business growth, whilst further evolving an experienced and empowered executive and senior management team. Bobby has also been key to various initiatives during the period, including growth in smart metering and debt management activities, delivery of the Group's digital strategy, driving new sales partnerships, improving shareholder engagement, and identification and establishment of new commodity trading arrangements; and
- Paul Rawson, as Chief Financial Officer, has provided support to the Chief Executive Officer in the identification and establishment of new commodity trading arrangements and the exit of legacy arrangements. Paul has also, based on his past experience in the sector, provided commercial support to senior managers to support profitability improvement initiatives and risk management.

Succession planning for directors, and wider senior management, is considered as applicable, with any new appointments either to be appointed from internal talent, or through appropriate head-hunting where there are no such candidates or the Group requires specialist skills. Expected succession timescales are reviewed by the Board.

Board Committees

The Board Committees are the Audit Committee and the Remuneration Committee. Ad-hoc committees may be appointed to deal with nominations or corporate acquisitions or such other matters as are deemed appropriate or necessary by the Board.

Audit Committee

During 2023 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 and assists in the ongoing development of the risk assurance 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 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 all 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. The Committee seeks external professional advice and undertakes benchmarking to external corporate peer-groups.

Nominations Committee

There is currently no separate standing Nominations Committee. This will be reviewed as the Group and the 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 committees as required.

A Safety, Health, Environmental and Quality ("SHEQ") Group Strategy Committee was established to ensure appropriate strategic review and Board oversight. This Committee is in addition to monthly operational SHEQ reviews. It is chaired by the managing director of Yü Smart and includes appropriate directors and senior leaders drawn from within the Group.

In addition to the safety and health of employees and other stakeholders, the Committee also considers climate and other sustainability risks and opportunities, and progress towards targets.

Board considerations in the year

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 safety reports, monthly financial information, the M&A pipeline, progress on strategic KPIs and updates on matters raised by the Executive Management Team. Other matters reserved to the Board include investor and stakeholder engagement, the approval of corporate financing issues and the grant or exercise of options under employee share schemes.

"WE HAVE EARLY ADOPTED THE 2023 QCA CODE TO ENSURE WE USE THE LATEST GOOD PRACTICE."

QCA CODE VERIFIED VERSION ESTABLISHED 2013

QUOTED COMPANIES ALLIANCE MEMBER

Find out more about our Corporate Governance

CORPORATE GOVERNANCE REPORT continued

Board considerations in the year continued

2023 KEY MATTERS

Q1

- Review of Board effectiveness
- Assessment of operational progress and digital roadmap
- Review of regulatory matters
- Consideration of management's short-term incentives for 2023
- Consideration and recommendation of a final dividend and the establishment of a progressive dividend policy
- Consideration of findings during the annual audit with the Audit Committee
- Approval of the 2022 annual report

Q2

- Thematic review of the progress and strategic plans for Yü Smart, relating to smart metering activities
- Annual general meeting
- Strategic planning for the Group
- Consideration of the lease for the Group's main trading office
- Launch of commodity trading partner competitive selection process
- Investor engagement planning with Liberum (broker) and Teno (financial PR)
- Board and ExCo succession planning

Q3

- Thematic "deep-dive" review of initiatives and operating model in relation to credit management with customers
- Detailed review of risk assurance framework and of internal controls
- Consideration and approval of interim dividend
- Review and approval of July trading update and HY23 interim results announcement
- Review of the Digital by Default strategy and delivery thereof
- Completion of new debt facility to fund smart meter assets

Q4

- Thematic "deep-dive" review of the Group's trading and pricing activities
- Review of the Group's credit lines with trading counterparties, and establishment of new lines
- Consideration and selection of a potential new commodity trading strategic partner
- Review and approval of delegated levels of authority and internal Group policies
- Joining of the Quoted Companies Alliance to provide additional support and engagement
- Approval of the commodity risk hedging mandate for FY24
- Consideration and approval of the FY24 budget and strategic KPIs
- Detailed update in relation to risk and internal control activities
- Consideration of the Group's property strategy

2024 KEY MATTERS

Q1

- Review of Board effectiveness
- Review of regulatory matters
- Consideration of management's short-term incentives for FY24, and of potential awards for FY23
- Review of "people" matters, including the promotion of internal talent and succession management
- Consideration of climate-related risks and opportunities
- Completion of a new commodity trading agreement with Shell, and exit of the previous arrangements
- Adoption of the new QCA Code (2023)
- Consideration of findings during the annual audit with the Audit Committee
- Approval of the 2023 annual report, including the recommendation of a final dividend

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-approved policies on risk management and control. The Board gains assurance on risk and controls being effective through making appropriate enquiries and instigating reviews with and via ExCo and other key internal and external stakeholders.

The Audit Committee also reports to and considers the risk assurance framework of the Group with and on behalf of the Board as referred to on page 64.

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 re-examined and re-forecast to facilitate the Board's understanding of the Group's overall position throughout the year. These forecasts are reported to the Board in addition to the reporting of the actual monthly results during the year.

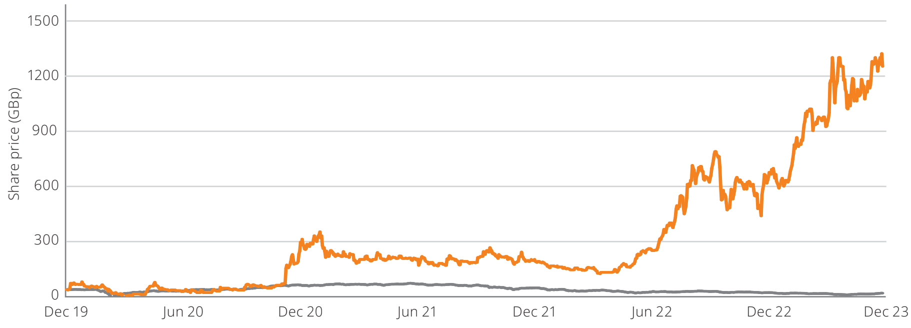
The Audit Committee receives reports from management and the external auditor concerning the system of internal control and any material weaknesses of control. Any significant risk issues are referred to the Board for consideration.

Shareholder communications and value

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 that 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, or the activities of the Board's Committees.

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. Investors' questions and answers and recorded statements are released to supplement the annual general meeting.

The Board is pleased to note the increase in share price for shareholders over the past four years. This has been substantially above the AIM index (rebased) as shown in the above chart, and the Board remains committed to driving further value over the short to medium term.



Source: Bloomberg UK.

Our people and culture

The Group has a fundamental strategy of continued investment in the building of an experienced and mature team capable of scaling the Group to ever-higher, but still sustainable, levels. Such investment involves ensuring a suitable mix of industry knowledge and "larger company" experience, whilst maintaining an appropriate cultural fit to the Group's "disruptor-challenger" ethos.

The Board regularly reviews its people strategy in order to maintain high ethical standards in the workplace and to promote core values and standards throughout the business. The Board, ExCo, management and colleagues are highly focused on ensuring customer-centricity via agile and timely personal performance within a working environment where innovative thinking is encouraged to reflect the Group's positioning and ethos as an important "challenger business".

The Board is pleased to report that our culture, values and people engagement activities are aligned with the Group's ambitious strategy.

During 2023 average staff numbers increased from 190 to 295 people, reflecting significant growth of the business as well as our expansion into smart metering installation and other related services.

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;
- safety reporting, including appropriate KPIs and detailed reports on any incidents or matters arising;
- update from the Chief Financial Officer, including inter alia; commentary on the management accounts, cash flow and covenant maintenance, reviews of financial forecasts and strategic key performance indicators;
- update from the Chief Executive Officer, including, inter alia; commentary on the ExCo performance and matters raised by the ExCo, feedback on ongoing strategy implementation, growth opportunities (including potential mergers or acquisition opportunities), regulatory matters and other key business matters; and
- updates from the Audit Committee (also comprising risk assurance) and the Remuneration Committee.

The Group's Audit and Remuneration Committees provide good governance as noted in the following pages.

Attendance at meetings

Name	Role	Joined the Board	Attendance at meeting[1]		
Total number of meetings			Board	Audit Committee	Remuneration Committee
Robin Paynter Bryant	Independent non-executive Chairman	January 2020	14 100%	3 100%	2 100%
Bobby Kalar	Chief Executive Officer	March 2016	14 100%	n/a[2]	n/a[2]
Paul Rawson	Chief Financial Officer	September 2018	14 100%	n/a[2]	n/a[2]
John Glasgow	Independent non-executive director	March 2016	14 100%	3 100%	2 100%
Tony Perkins	Independent non-executive director	January 2020	14 100%	3 100%	2 100%

1 A limited number of Board and sub-committee meetings have been held virtually rather than in person.

2 The Audit Committee and Remuneration Committee invite the executive directors and external auditor to be present where appropriate. In such cases, the invitee has been present in all cases.

AUDIT COMMITTEE REPORT

REVIEW, CHALLENGE AND SUPPORT TO ENSURE APPROPRIATE RISK MANAGEMENT

Effective review of financial reporting, risk management and internal control.

ANTHONY (TONY) PERKINS
Chairman of the Audit Committee

COMMITTEE MEMBERS

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

ALLOCATION OF TIME

Planning (including with external auditor) and review of FY23 reporting, and finalisation of FY22

30%

Review of risk registers and reports

30%

Consideration of specific business topics including commodity hedging

25%

Consideration of Group policies and risk mandates

10%

Consideration and development of Committee activities

5%

Membership and scope of the Audit Committee

Throughout 2023 the Audit Committee comprised three members (who are all non-executive directors), being Tony Perkins, as Chairman of the Committee, John Glasgow and Robin Paynter Bryant. Tony, who is a fellow of the Institute of Chartered Accountants in England and Wales, worked at BDO LLP from 1980 to 2019 and was an audit partner for 30 years. All Committee members are considered independent. The Group's external auditor, along with the wider Board where appropriate, may attend Committee meetings as requested by the Committee Chairman.

The 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 and controls to mitigate risks are in place and reviews the key risk matters to support Board decisions.

The ultimate responsibility for reviewing and approving the annual report and financial statements and the interim reports remains with the Board.

The 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, such 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 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 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 Audit Committee Chairman also interacts with the Group's internal risk function, and other senior managers, as required.

THE AUDIT COMMITTEE HAS BEEN ACTIVELY INVOLVED IN ENSURING THERE IS CLEAR AND DOCUMENTED RISK MANAGEMENT IN PLACE."

Review

The Audit Committee met three times during 2023 (2022: four meetings). In addition, the Chairman of the Committee provided an update to each Board meeting on any audit, risk and other governance matters worthy of consideration.

The Committee Chairman, along with other Committee members, also joined internal control and risk forums organised by members of the Group's executive management.

The Committee performed a review of the Group interim accounts and annual report and liaised with the Group's external auditor in the period. The external auditor provided no non-audit services during 2023, and the Audit Committee is satisfied that the auditor is suitably independent.

There was engagement by the Audit Committee, and Board members, in meeting the new audit partner at RSM UK Audit LLP responsible for the external audit following the rotation (in line with audit regulations) of the previous audit partner. Such engagement was to assure the Audit Committee that key focus areas were appropriately identified, in addition to seeking new ideas to further ensure an effective external audit is conducted. It was noted that the new audit partner had significant industry experience and knowledge to enable a robust external audit.

A further key activity of the Audit Committee for 2023 related to the documentation of risk target levels, and assessment of where additional risk mitigation actions were appropriate.

The Committee Chairman considered the approach, following consultancy support provided to the Executive Management Team by KPMG, of a new Risk and Controls Matrix review process ("RACM"). Such RACM assesses, for each core activity of the Group, the internal processes in place and links the risks in such activities with the relevant internal controls, enabling focus areas to be identified.

The Committee reviewed the Group's principal risks and uncertainties including those summarised from page 52.

The consideration of risks and uncertainties again reflected volatile energy markets and the Group's approach to hedging. In particular, the Audit Committee members contributed to discussions on the potential establishment and ultimate execution of the new commodity trading arrangement with Shell. In addition, Committee members considered the utilisation of available credit lines and any impact on Group liquidity in the volatile market conditions.

In terms of the FY23 financial statements, the Audit Committee reviewed and challenged the Group's accounting judgements with respect to bad debt provisioning and approach to derivative accounting, together with revenue and accrued income recognition. In consultation with the Group's external auditor, the Audit Committee concluded that the relevant judgements and estimates had been appropriately made.

KEY ACTIVITY – SUPPORTING EFFECTIVE RISK MANAGEMENT

The Audit Committee has supported management in further evolving the Group's risk management activities. This included ensuring the assessment of the current level of risk is compared to an agreed target risk level, to provide a framework for considering any appropriate risk mitigation actions.

Members of the Audit Committee have supported the Group's risk and internal control forum in assessing the link, for various Group activities, from the potential risks to internal processes and the internal controls in place, to identify any enhancements required.

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
19 March 2024

REMUNERATION REPORT

PROVIDING APPROPRIATE REWARD STRUCTURES TO INCENTIVISE PERFORMANCE

The Remuneration Committee ensures a clear link between creation of shareholder value and benchmarked rewards.

JOHN GLASGOW

Chairman of the Remuneration Committee

COMMITTEE MEMBERS

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

ALLOCATION OF TIME

Review of key management personnel remuneration and comparison to benchmarks

30%

Consideration of short-term award schemes

25%

Consideration of LTIP related matters

20%

Setting of remuneration levels for Executive Committee appointments

20%

Review of the effectiveness of the Remuneration Committee

5%

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 Committee also engages professional consultants to provide external benchmarking and to keep updated on best practice, and, as appropriate, the Chairman of the Committee interacts with key stakeholders including the Group's nominated adviser.

The Remuneration Committee met twice in 2023 (2022: six meetings). In addition, the Chairman of the Committee regularly updated the Board on any remuneration related matters.

Remuneration policy

The objectives of the remuneration policy are to enable the Company to attract, retain and motivate high quality executives across its Board executive directors and senior team, while encouraging the executive and senior managers to operate within the risk parameters set by the Board. In turn it aims to ensure that the overall remuneration is aligned with the short, medium and long-term performance of the Group and preserves an appropriate balance of remuneration and shareholder value. The policy also considers environmental, social and governance ("ESG") matters, and how they link to the success of the Group's strategic objectives.

The policy for executive director remuneration is based on an external benchmarking exercise against peer companies and, as appropriate, after dialogue with the Group's nominated adviser and other stakeholders.

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.

The annual fee payable for each non-executive director from 1 January 2024 is as follows:

- Robin Paynter Bryant – £73,000;
- Tony Perkins – £56,000; and
- John Glasgow – £56,000.

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, life insurance, annual performance related bonuses and participation in the Long Term Incentive Plan ("LTIP") and the Group's Save As You Earn ("SAYE") scheme. The Group also operates a salary sacrifice scheme for vehicles, although neither executive director currently participates.

There was no change to the general remuneration policy adopted in 2023 from the previous year.

In respect of the year ended 31 December 2023, 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, whilst ensuring appropriate governance and personal performance. A similar scheme also applied to bonuses paid in respect of the year ended 31 December 2022.

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 11 months' written notice, such notice increasing to 12 months from September 2024.

Directors' interests

Details of the directors' shareholdings are included in the Directors' Report on page 69.

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 2023	**Weighted average exercise price at 31 Dec 2023**	Number of options at 31 Dec 2022	Weighted average exercise price at 31 Dec 2022
Executive directors				
Bobby Kalar	**567,062**	**£0.92**	567,062	£0.92
Paul Rawson	**316,359**	**£0.24**	316,359	£0.24

Of the share options outstanding to executive directors at 31 December 2023:

- 76,612 for Bobby Kalar and 57,463 for Paul Rawson vested in April 2023 following achievement of certain performance targets. Such share options are at an exercise price of par value of the shares, being £0.005.
- 326,617 for Bobby Kalar and 244,463 for Paul Rawson are conditional on achieving certain performance targets linked to the Group's share price or profitability. Such performance share options vest to the extent such targets are met and are at an exercise price of the par value, being £0.005.
- 7,894 for each of Bobby Kalar and Paul Rawson options are granted under the Group's 2022 SAYE scheme, at an exercise price of £2.28 per share.

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

During the period, the executive directors did not exercise any share options, and were not granted any new options.

Directors' remuneration (audited)

£'000	**Salary/fees**	**Bonus[1]**	**Other benefits**	**Employers pension contributions**	**Total 2023**	Salary/fees	Bonus	Other benefits	Employers pension contributions	Total 2022
Executive										
Bobby Kalar (CEO)	**330**	**670**	**—**	**10**	**1,010**	250	250	—	10	510
Paul Rawson (CFO)	**238**	**405**	**—**	**7**	**650**	207	207	—	6	420
Non-executive										
Robin Paynter Bryant	**58**	**—**	**—**	**—**	**58**	45	—	—	—	45
Tony Perkins	**45**	**—**	**—**	**—**	**45**	35	—	—	—	35
John Glasgow	**45**	**—**	**—**	**—**	**45**	35	—	—	—	35
	716	**1,075**	**—**	**17**	**1,808**	572	457	—	16	1,045

1 The bonus amounts for Bobby Kalar and Paul Rawson are payable in March 2024 in relation to the period ended 31 December 2023.

REMUNERATION REPORT continued

Future policy towards directors' remuneration

The policy adopted for the remuneration of directors for 2024 is expected to remain consistent with 2023.

The remuneration of executive directors comprises the following elements:

Component	Details
Salary and benefits	The salary of executive directors is reviewed on or around 1 January each year, after considering inflation, external benchmarking analysis, and review of the directors' performance. The salary of executive directors (and other senior leaders and colleagues) is set to attract and retain talent in key areas of the Group's activities, whilst ensuring sufficient remuneration potential is weighted towards achievement of short-term and long-term performance objectives. Benefits in relation to executive directors are consistent with other employees, comprising employer pension contributions and life insurance. The executive directors are also authorised to participate in the SAYE scheme, which is open to all employees.
Bonus	Bonuses for executive directors, as for all colleagues, are based on performance against key performance indicators personal to them. For executive directors, these indicators relate to Group profits, the growth of the Group and key strategic targets. The bonus award also considers matters to ensure good health and safety and cash management, whilst promoting strong corporate governance, leadership and customer service values. The bonus is sized such as to incentivise performance to match achievement of the Group's strategic objectives, which is expected to link through to increased shareholder value, by enabling a percentage of salary to be achieved based on achieving or exceeding annual targets. Depending on performance, the bonus awarded to executive directors is expected to out-turn in the range of 0% to 100% of salary, though this could be exceeded for exceptional performance. Deferral of bonus above 100% of salary is considered by the Committee based on the relevant circumstances of such performance.
Long Term Incentive Plan	Executive directors, alongside a small number of non-Board senior leaders, can participate in the Group's performance related LTIP scheme. This LTIP provides a link between performance objectives to drive shareholder value over the medium term, whilst supporting talent retention. It is expected that an LTIP award will be granted in 2024 in line with the usual scheme rules, which include stretch targets, and malus and clawback provisions. The Remuneration Committee will also consider the achievement, or otherwise, of performance conditions under existing LTIPs which are due to vest in April 2024, to recommend to the Board the amount and structure of such awards as relevant.

JOHN GLASGOW
Chairman of the Remuneration Committee
19 March 2024

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2023 ("FY23").

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 (from page 14) and strategy (from pages 2 to 9), the review of performance in the Chairman's Statement, Chief Executive Officer's Statement and Finance Review from pages 12, 18 and 30 respectively, the risks and uncertainties from page 52, and the going concern accounting policy on pages 86 and 87.

S172 and stakeholder engagement statement

The s172 and stakeholder engagement statement can be found on pages 42 and 43.

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 propose the payment of a final dividend of 37p per share in respect of FY23 (2022: 3p per share). An interim dividend for 2023 of 3p per share was paid (2022: 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 2023 and at the date of this report.

Significant shareholders

The Company is informed that, at 31 December 2023 (and the directors are not aware of any material change to the date of this report), 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	8,665,506	51.8%
Premier Miton Group	1,240,427	7.4%
Jamieson Principal Pension Fund	1,105,000	6.6%

Directors' shareholdings

The beneficial interests of the directors in the share capital of the Company at 31 December 2023 were as follows:

	Number of ordinary shares held	% of issued ordinary share capital
Executive directors		
Bobby Kalar	8,665,506	51.8%
Paul Rawson	171,360	1.0%
Non-executive directors		
John Glasgow	18,411	0.1%
Robin Paynter Bryant	—	—
Tony Perkins	19,500	0.1%

Post-balance sheet events

The financial statements include, in note 30, details of post-balance sheet events.

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.

DIRECTORS' REPORT continued

Employees continued

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

Members of the Board and the Executive Committee, together with senior and line management teams, hold regular briefings and engagement activities with employees. Representations from employees are considered in decision making, and the annual employee engagement survey is utilised for benchmarking of performance against peers, and to identify areas of focus. The Group's engagement with employees, and how the Group supports employee health and wellbeing, promotion of diversity and encouragement and training of key talent and all colleagues, is as further detailed in the Strategic Report from page 44.

Annual general meeting

The annual general meeting of the Company is to be held on 23 May 2024 at 10.30am at the offices of Osborne Clarke LLP, One London Wall, London, EC2Y 5EB. The notice of meeting will be issued to shareholders on or around 5 April 2024.

Financial instruments

Details of how the Group manages its risk in relation to use of financial instruments are included in note 22 to the financial statements.

Political and charitable donations

During the year ended 31 December 2023 the Group made political donations of £nil (2022: £nil) and charitable donations of £9,800, which formed part of a total of £19,600 raised for charity (2022: £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 2023 was six days (2022: seven 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.

The directors are also aware of their reporting obligations under the Companies Act 2006, as below:

UK operations	2023	2022
Energy consumption used to calculate emissions (kWh)	**1,349,326**	327,755
Emissions from direct sources (tCO_2e) (Scope 1)	**—**	—
Emissions from energy purchased for own use (tCO_2e) (Scope 2)	**315**	76
Emissions from indirect sources such as business travel (tCO_2e) (Scope 3)	**—**	—
Intensity ratio (tCO_2e/employee)	**1.1**	0.4

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 2023 include the continued promotion of an employee electric car scheme, the launch of incentives for car sharing, and the promotion of EV chargepoints at the Group's offices, and the promotion of smart and energy efficient lighting and appliances throughout our offices.

The Board's targets reflect a marginal increase in emissions due to increased scope of engineering services and increased fuel usage for Company vans. Further information on our green products offered to customers and our approach to sustainability is detailed from page 48.

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
19 March 2024

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 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 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.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the members of Yü Group PLC

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 2023 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 cash flows 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 2023 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 › Valuation of trade receivables **Parent company** › No parent company key audit matters
Materiality	**Group** › Overall materiality: £1,950,000 (2022: £975,000) › Performance materiality: £1,460,000 (2022: £731,000) **Parent company** › Overall materiality: £629,000 (2022: £365,000) › Performance materiality: £471,000 (2022: £273,000)
Scope	Our audit procedures covered 98% of revenue, 97% of total assets and 99% 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

Key audit matter description	Refer to accounting policy on pages 86 and 87 regarding revenue. 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	We performed the following procedures: › evaluated the appropriateness of the recognition policy and associated estimates as disclosed in note 1 with reference to the requirements of IFRS 15; › selected a sample of contracts and transactions to verify if the control which establishes the accurate set-up of a contract in the system was operating effectively and therefore whether revenue had been recognised in accordance with the agreed terms and meter data; › reconciled revenue to cash received and movements in trade receivables and accrued income and verified any reconciling items; › Performed cut off testing in respect of income accrued at the year end and compared to subsequent billing and cash receipts to assess valuation and recoverability; and › assessed the adequacy of the Group's disclosures in relation to revenue recognition.

Valuation of trade receivables

Key audit matter description	Refer to accounting policy on page 87 regarding trade and other receivables and note 22 which considers credit risk. The Group has a significant number of customers. The recoverability of trade receivables on customer contracts can be impacted by the customer's creditworthiness, the ageing of the debt and whether the contract has been terminated. Management's assessment of the recoverability and expected credit loss for trade receivables with their customers is inherently judgemental. There is a risk that the net trade receivables will be recovered at amounts materially different to the value recognised.
How the matter was addressed in the audit	We performed the following procedures: › assessed the appropriateness of the methodology utilised by management to calculate the expected credit loss provision with reference to the requirements of IFRS 9; › independently profiled the Group's customers using external data to identify those accounts with a potentially elevated credit risk; › selected a sample of accounts from each of our independent customer profile categories and utilised post year end cash receipts data to quantify the potential exposure within trade receivables and compared this with management's expected loss provision; and › assessed the adequacy of the Group's trade and other receivables accounting policy disclosed in note 1 and note 22 which refers to credit risk.

INDEPENDENT AUDITOR'S REPORT continued

To the members of Yü Group PLC

Our application of materiality

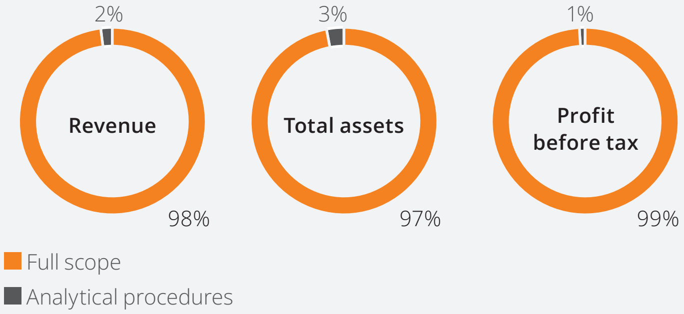
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the 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	£1,950,000 (2022: £975,000)	£629,000 (2022: £365,000)
Basis for determining overall materiality	5% of Profit before tax	2% of Total assets
Rationale for benchmark applied	This is considered the focus for larger and established listed businesses.	Total assets was chosen as the entity is a non-trading holding company.
Performance materiality	£1,460,000 (2022: £731,000)	£471,000 (2022: £273,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £97,600 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £32,700 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

The Group has grown significantly in the current year and therefore we have revised the benchmark selected to determine materiality from adjusted EBITDA to profit before tax to be consistent with the benchmark used for more established and mature listed businesses.

An overview of the scope of our audit

The Group consists of 6 components, all of which are based in the UK. The coverage achieved by our audit procedures was:



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

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;
- obtaining management's going concern model, which is for a period of 18 months from the date of this report, and which includes details of facilities available, and testing its clerical accuracy;
- comparing management's historical forecasts to actual results to determine whether forecast cash flows are reliable based on past experience;
- reviewing the new counterparty trading agreement to confirm the key terms including covenants and the removal of the requirement under the previous agreement to post collateral had been appropriately incorporated into the going concern assessment;
- performing reverse stress testing on the going concern model by understanding what reduction in trading would be required (after taking into account mitigating actions) before covenants are breached and assessing the likelihood of this scenario, given covenants would be breached prior to liquidity being exhausted; and
- assessing the going concern disclosures in the financial statements to ensure they are in accordance with UK-adopted International Accounting Standards.

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 12 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 Statement of Director's Responsibilities set out on page 71, 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.

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.

INDEPENDENT AUDITOR'S REPORT continued

To the members of Yü Group PLC

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

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 operate 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 audit engagement team included:
UK-adopted IAS, FRS101 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	Review of information submitted to HMRC for consistency with other financial information reported.
Ofgem regulation	Inquiries 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 identified revenue journals which exhibited higher characteristics of risk for testing using 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. › 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.

ANDREW WILLIAMS (SENIOR STATUTORY AUDITOR)
For and on behalf of RSM UK Audit LLP,
Statutory Auditor
Chartered Accountants
10th Floor, 103 Colmore Row
Birmingham
West Midlands
B3 3AG
19 March 2024

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	31 December 2023 £'000	31 December 2022 £'000
Revenue		**460,001**	278,587
Cost of sales		**(376,959)**	(234,462)
Gross profit		**83,042**	44,125
Operating costs before share based payment charges		**(26,347)**	(15,565)
Operating costs – share based payment charges	24	**(1,258)**	(284)
Total operating costs		**(27,605)**	(15,849)
Net impairment losses on financial and contract assets	17	**(14,309)**	(21,420)
Loss on derivatives	7	**(3,046)**	(926)
Operating profit	4	**38,082**	5,930
Finance income	5	**1,722**	1
Finance costs	5	**(105)**	(91)
Profit before tax		**39,699**	5,840
Taxation	9	**(8,839)**	(1,071)
Profit and total comprehensive income for the year		**30,860**	4,769
Earnings per share			
Basic	8	**£1.85**	£0.29
Diluted	8	**£1.69**	£0.26

CONSOLIDATED AND COMPANY BALANCE SHEET

At 31 December 2023

		Group		Company	
	Notes	**31 December 2023 £'000**	31 December 2022 £'000	**31 December 2023 £'000**	31 December 2022 £'000
ASSETS					
Non-current assets					
Intangible assets	11	**2,561**	3,111	**—**	—
Property, plant and equipment	12	**4,613**	3,641	**3,139**	3,250
Right-of-use assets	13	**1,676**	113	**134**	—
Deferred tax assets	15	**1,969**	5,300	**1,470**	824
Trade and other receivables	17	**5,231**	—	**3,297**	8,119
Financial derivative asset	18	**—**	1,562	**—**	—
		16,050	13,727	**8,040**	12,193
Current assets					
Inventory	16	**546**	345	**—**	—
Trade and other receivables	17	**127,222**	54,339	**26,479**	996
Financial derivative asset	18	**—**	1,484	**—**	—
Cash and cash equivalents	19	**32,477**	18,970	**7**	13,488
		160,245	75,138	**26,486**	14,484
Total assets		**176,295**	88,865	**34,526**	26,677
LIABILITIES					
Current liabilities					
Trade and other payables	20	**(123,845)**	(73,860)	**(185)**	(9,161)
Corporation tax payable	9	**(4,016)**	—	**—**	—
Borrowings	21	**(3)**	—	**—**	—
		(127,864)	(73,860)	**(185)**	(9,161)
Non-current liabilities					
Trade and other payables	20	**(1,281)**	(206)	**(80)**	—
Borrowings	21	**(352)**	—	**—**	—
		(1,633)	(206)	**(80)**	—
Total liabilities		**(129,497)**	(74,066)	**(265)**	(9,161)
Net assets		**46,798**	14,799	**34,261**	17,516
EQUITY					
Share capital	23	**84**	83	**84**	83
Share premium	23	**11,909**	11,785	**11,909**	11,785
Merger reserve	23	**(50)**	(50)	**(50)**	(50)
Retained earnings	23	**34,855**	2,981	**22,318**	5,698
		46,798	14,799	**34,261**	17,516

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 generated a profit of £15,606,000 for the year (2022: £190,000).

The financial statements on pages 79 to 106 were approved by the Board of directors on 19 March 2024 and signed on its behalf by:

BOBBY KALAR
Chief Executive Officer

PAUL RAWSON
Chief Financial Officer

Company number 10004236.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2023	83	11,785	(50)	2,981	14,799
Total comprehensive income for the year					
Profit for the year	—	—	—	30,860	30,860
Other comprehensive income	—	—	—	—	—
	—	—	—	30,860	30,860
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	1,150	1,150
Deferred tax on share based payments	—	—	—	866	866
Proceeds from share issues	1	124	—	—	125
Equity dividends paid in the year	—	—	—	(1,002)	(1,002)
Total transactions with owners of the Company	1	124	—	1,014	1,139
Balance at 31 December 2023	**84**	**11,909**	**(50)**	**34,855**	**46,798**
Balance at 1 January 2022	82	11,690	(50)	(2,437)	9,285
Total comprehensive income for the year					
Profit for the year	—	—	—	4,769	4,769
Other comprehensive income	—	—	—	—	—
	—	—	—	4,769	4,769
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	210	210
Deferred tax on share based payments	—	—	—	439	439
Proceeds from share issues	1	95	—	—	96
Equity dividends paid in the year	—	—	—	—	—
Total transactions with owners of the Company	1	95	—	649	745
Balance at 31 December 2022	83	11,785	(50)	2,981	14,799

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2023	83	11,785	(50)	5,698	17,516
Total comprehensive income for the year					
Profit for the year	—	—	—	15,606	15,606
Other comprehensive income	—	—	—	—	—
	—	—	—	15,606	15,606
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	1,150	1,150
Deferred tax on share based payments	—	—	—	866	866
Proceeds from share issues	1	124	—	—	125
Equity dividends paid in the year	—	—	—	(1,002)	(1,002)
Total transactions with owners of the Company	1	124	—	1,014	1,139
Balance at 31 December 2023	**84**	**11,909**	**(50)**	**22,318**	**34,261**
Balance at 1 January 2022	82	11,690	(50)	4,859	16,581
Total comprehensive income for the year					
Profit for the year	—	—	—	190	190
Other comprehensive income	—	—	—	—	—
	—	—	—	190	190
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	210	210
Deferred tax on share based payments	—	—	—	439	439
Proceeds from share issues	1	95	—	—	96
Equity dividends paid in the year	—	—	—	—	—
Total transactions with owners of the Company	1	95	—	649	745
Balance at 31 December 2022	83	11,785	(50)	5,698	17,516

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	31 December 2023 £'000	31 December 2022 £'000
Cash flows from operating activities		
Profit for the financial year	**30,860**	4,769
Adjustments for:		
Depreciation of property, plant and equipment	**400**	325
Depreciation of right-of-use assets	**408**	80
Amortisation of intangible assets	**680**	648
Loss on derivative contracts	**3,046**	926
Increase in inventory	**(201)**	(345)
Increase in trade and other receivables	**(27,848)**	(17,000)
Increase in cash collateral for commodity trading arrangements	**(49,820)**	—
Increase in trade and other payables	**49,584**	23,889
National insurance on share options exercised	**(108)**	—
Finance income	**(1,722)**	(1)
Interest received	**1,278**	—
Finance costs	**105**	91
Taxation charge	**8,839**	1,071
Corporation tax paid	**(627)**	—
Share based payment charge	**1,258**	284
Net cash from operating activities	**16,132**	14,737
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,372)**	(215)
Payment of software development costs	**(130)**	(2,210)
Payment of consideration on business combination	**—**	(216)
Net cash used in investing activities	**(1,502)**	(2,641)
Cash flows from financing activities		
New borrowings	**356**	—
Net proceeds from share option exercises	**125**	96
Cash-settled share based payment charge	**—**	(74)
Interest paid on borrowings	**(4)**	—
Interest paid on lease obligations	**(81)**	(13)
Other interest paid	**(20)**	(63)
Repayment of principal element of borrowings	**(1)**	—
Repayment of principal element of lease obligations	**(496)**	(121)
Dividends paid	**(1,002)**	—
Net cash used in financing activities	**(1,123)**	(175)
Net increase in cash and cash equivalents	**13,507**	11,921
Cash and cash equivalents at the start of the year	**18,970**	7,049
Cash and cash equivalents at the end of the year	**32,477**	18,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

The consolidated financial statements of the Group for the year ended 31 December 2023 were approved and authorised for issue in accordance with a resolution of the directors on 19 March 2024. Yü Group PLC ("the Company") 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 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 IFRS in issue but not yet effective at the reporting date.

The consolidated financial statements are presented in British pounds sterling (£), which is the 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 2023 the Group had net assets of £46.8m (2022: £14.8m) and cash of £32.5m (2022: £19.0m). The Group also had £49.8m of cash collateral posted with the Group's previous commodity trading counterparty, SmartestEnergy Ltd.

Management prepares detailed budgets and forecasts of financial performance and cash flow (including capital commitments) over the coming 18 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 continues to demonstrate significant progress in its results. This has led to adjusted EBITDA (a close profitability measure to cash generated from operations) in 2023 of £42.6m (2022: £7.9m), which continues the very strong momentum in the Group's results occurring since 2018. Management is confident in continuing this improvement in profitability based on its business model. The Board has secured the full return of the £49.8m of cash collateral in 2024, providing further confidence.

Profitability metrics have been improved in 2023 due to increased gross margin as the Group leverages its differentiated offer and analytics to optimise its commercial position. Bad debt has decreased, and the Group's investment in Digital by Default is set to enable more efficient cost to acquire and cost to serve, as well as further returns over the short to medium term.

Group cash liquidity at the operational level has remained strong, with the key outflow related to energy commodity arrangements as covered below. The Group has introduced a specific debt facility related to certain specific smart metering asset financing arrangements. Such debt facility is expected to be repaid from the investment in such smart meters and provides some cost of capital benefit. Despite this debt introduction, the Group remains in a significant net cash position.

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.

1. Significant accounting policies continued

Going concern continued

Customer receivables and bad debt

The Board considers customer receivable risks in view of the wider market, the energy price environment and the Group's ability to contract and protect its position in respect of late or non-payment. The performance for 2023 has improved significantly as a result of improvements to processes, including new analysis, changes in contracting strategies, increase in teams and the expansion of the Group's smart meter rollout to improve customer outcomes.

The Board performed sensitivities on material changes to customer payment behaviour including the timing of payments or if bad debt levels were to increase.

The Group has extensive mitigating actions in place. This includes credit checks at point of sale and throughout the customer lifecycle, the requirement for some customers to pay reasonable security deposits at the point of sale, and the offering (ensuring compliance with regulation and good industry practice) of pay as you go products which enable certain customers to access more favourable tariffs. The Group also supports customers with payment plan arrangements, for those customers who will, when able, provide payment, and will ultimately (for some customers, as appropriate based on the circumstances) progress legal and/or disconnection proceedings to mitigate further bad debt.

The Board also notes that the prices now being quoted to customers are back to a more normalised level, broadly equivalent to tariffs charged prior to the rapid increase in global commodity markets experienced in 2021 and 2022.

In view of the reduced market prices, and the Group's ability to manage debt through various mitigating actions, the Board is confident that there will be no material impact relevant to the going concern assumption.

Hedging arrangements and new Trading Agreement

A new five year commodity trading arrangement between Shell Energy Europe Limited ("Shell") and the main entities of the Group (including Yü Group plc, Yü Energy Holding Limited and Yü Energy Retail Limited), signed February 2024, ("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 risks and uncertainties reporting in the Strategic Report). This hedging position and the Board defined risk strategy has mitigated, and is expected to continue to mitigate, the impact on the Group from underlying movements in global commodity markets.

As part of the Trading Agreement, Shell provides exclusive access to commodity products and holds security over the main 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, Shell provides market access without the need to post cash collateral in the normal course of operation. The new arrangement with Shell provides significant advantages to the Group's arrangements in effect at 31 December 2023. The significant benefits of transacting with a major energy company such as Shell includes support to Group cash liquidity through the release of the £49.8m of collateral which was prepaid under legacy arrangements.

The Board carefully modelled in detail, and continues to monitor, certain covenants related to profitability, net worth and liquidity associated with the new Trading Agreement to assess the likelihood of any breach of such agreement and the impact any such breach would likely have. Such scenarios include reduced gross margin and increased bad debt, and the impact this would have on the ability to maintain compliance with covenants.

After a detailed review, the Board has concluded that there are no liquidity issues likely to arise in relation to the hedging arrangements and current market context, and the new Trading Agreement should materially improve Group cash liquidity and prospects for the future.

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. The Board also considers that there is sufficient headroom to ensure the Group meets covenants based on various downside scenarios assessed.

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 can 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. Significant accounting policies continued

Use of estimates and judgements

The preparation of the financial statements in conformity with adopted IFRSs requires the use of estimates and judgements. Although they 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;**

  Revenue includes some sales invoices raised which, where no actual meter read has been available, are based on industry data and estimates or other source information. Such invoices can therefore represent estimates which are lower or higher than the actual out-turn of energy consumption once accurate meter readings are obtained. The utilisation of smart or automatic meters is significant and growing in the Group, which reduces the amount estimated on invoiced sales.

- **the accrual for certain energy costs;**

  Certain gas and electricity costs (for example, balancing of the Group's commodity purchases across industry participants, or the allocation to the Group of "unidentified gas" which the industry spreads across market participants) are based on industry or management estimates based on knowledge of the market, historic norms and estimates of the expected out-turn position which may be over or underestimated.

- **the recoverability of trade receivables and related expected credit loss provision;**

  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. Management also conducts a detailed review of significant debtor balances at the year end, including exposure after recoverability of VAT and Climate Change Levy ("CCL"), and provisions and other accounting adjustments. Sensitivity analysis on estimates is provided in note 22.

- **the assessment of forward energy commodity contracts as "own use" under IFRS 9;**

  The Group enters into 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 demand of customers and the extent to which the Group's forward commodity hedged position matches such customer demand.

  The Board considers the extent to which forward contracts are entered into and continue to be held for the purpose of delivery of energy that is matched to customer expected volume. Factors considered in making this judgement include: recent trading experience; historic accuracy in demand forecasting; and growth in volumes supplied to customers. Based on an assessment of these factors during the year ended 31 December 2023, the Board considers that the forward commodity trades outstanding at the balance sheet date are intended to be fully utilised for the Group's "own use" to meet expected customer demand in the normal course of business, which is a change in judgement to that assessed at 31 December 2022. The judgement in relation to forward contracts being for "own use" results in such contracts not being assessed at fair value and therefore with no unrealised financial derivative asset or liability recognised at the balance sheet date.

- **the assumptions input to the IFRS 2 share option charge calculations; and**

  The share option charge requires certain estimates, including the volatility in share price, risk-free rates and dividend yields, together with assessment of the likelihood of achievement of certain vesting performance conditions which are based on the Group's share price at pre-determined dates, or based on EBITDA profitability over a pre-determined period.

- **the recoverability of deferred tax assets.**

  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, and provides availability of smart meter assets. 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 with some traditional (non-smart) meter types 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 from industry available historical actual usage data, as appropriate for each site supplied by the Group.

Revenues for the supply of metering services or the installation of metering assets are, where for Group companies, eliminated on consolidation.

1. Significant accounting policies continued

Revenue recognition continued

Government support to customers

The Energy Bills Relief Scheme ("EBRS"), and certain less material (for the Group) other schemes, implemented by HM Government through BEIS, were in place from 1 October 2022 to 31 March 2023 and resulted in customers being provided financial support through a contribution to their energy charges. The Energy Bills Discount Scheme ("EBDS") was in place from 1 April 2023 to the balance sheet date, replacing EBRS.

Under the EBRS and EBDS arrangement, amounts receivable from BEIS do not impact the Group's contract with customers, and therefore the amounts contributed under the schemes are treated as a cash payment towards customer bills. As such, revenue recognised is based on the amount chargeable per the contract with customers which is gross of the amount contributed through EBRS and EBDS.

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 specific impairments 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 exclude any cash collateral posted with third parties and bank accounts which are secured by the Group's bankers (or others). It also excludes cash held in bank accounts which have, as part of Government schemes such as EBRS or EBDS, cash balances which are not yet transferred to the Group's main operating bank accounts.

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 Group's main commodity trading activities 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, at fair value, on its balance sheet at the year end.

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

Classification of financial instruments issued by the Group

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 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. Significant accounting policies continued

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. After initial recognition, intangible assets acquired in a business combination are reported at their initial fair value less amortisation and accumulated impairment losses.

Goodwill arising on business combination is accounted for in line with the business combination disclosure.

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

Goodwill is not amortised, as it is subject to impairment review.

Property, plant and equipment

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

Plant and machinery includes the Group's investment in smart metering assets, which are recognised at cost, including those internal employee and other costs attributable to the installation and commissioning of the asset to bring it into use.

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
- Plant and machinery – 5 to 15 years
- Computer equipment – 3 years
- Fixtures and fittings – 3 years

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.

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and 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 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.

1. Significant accounting policies continued

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 assesses 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.

Inventory

Inventory is held at the lower of cost, being all directly attributable costs, and net realisable value.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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 predominantly delivered from its principal activity, which is the supply of utilities to business customers in the UK. However, following the development of the Yü Smart activity, after development of the offering during 2022 and launch in 2023, and the ambition to increase activities in the financing of smart meters, the Group is introducing in 2023 new operational segments:

- Retail – being the supply of electricity, gas and water to business customers in the UK, and the only operating segment generating revenue and gross margin in the prior year;
- Smart – being the provision of engineering and related services to install and maintain smart and other meters, and EV charging solutions as a new optional segment in the year;
- Metering assets – being the ownership and rental of smart metering assets as a new operational segment in the year; and
- Group – being a newly introduced operating segment representing centrally managed Group functions, and other items which are not directly attributable to the other operating segments.

Segmental profit is measured at two profit levels, being operating profit, as shown on the face of the statement of profit and loss, and adjusted EBITDA, as utilised by management to provide the underlying cash-like profitability of the segment and as reconciled to operating profit in note 7.

Assets, liabilities and cash flows related to the various segments are managed at the Group level and are therefore not allocated or disclosed for each segment. The Group does disclose non-current assets and additions of such assets, allocation of goodwill, and trade and other receivables by segment in line with its management of the Group's operations.

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. This includes amendments to IAS 1 (Non-current liabilities with covenants) which is to be effective for periods beginning on or after 1 January 2024 and the potential effects are to be considered. All other amendments or standards are not expected to have a material impact on the entity in the current or future reporting periods, or on foreseeable future transactions.

2. Segmental analysis

Operating segments

The directors consider there to be three operating segments, being the supply of utilities to businesses ("Yü Retail"), the installation and maintenance of energy meters and other assets ("Yü Smart"), and the financing of new meters ("Metering assets"). In addition, the Group eliminates intra-segment trading, where one segment trades with another, and has central income, expenses, assets and liabilities ("Group") which are not directly attributable to the three operating segments.

2023	Retail £'000	Smart £'000	Metering assets £'000	Intra-segment trading £'000	Group £'000	Total £'000
Revenue	459,797	5,555	76	(5,427)	—	460,001
Cost of sales	(377,797)	(3,053)	—	3,891	—	(376,959)
Gross profit	82,000	2,502	76	(1,536)	—	83,042
Operating costs, before share based payments and depreciation	(22,317)	(2,027)	(68)	—	(447)	(24,859)
Share based payments	(1,258)	—	—	—	—	(1,258)
Depreciation	(1,028)	(329)	(21)	—	(110)	(1,488)
Net impairment losses on financial and contract assets	(14,309)	—	—	—	—	(14,309)
Loss on derivatives	(3,046)	—	—	—	—	(3,046)
Operating profit	40,042	146	(13)	(1,536)	(557)	38,082
Adjusted EBITDA	44,116	475	8	(1,536)	(447)	42,616
Non-current assets	9,814	804	1,018	(327)	4,741	16,050
Additions of property, plant & equipment	695	872	1,139	(335)	133	2,504
Goodwill	—	216	—	—	—	216
Trade and other receivables	131,822	236	103	(224)	516	132,453

In respect of the prior year, the Group's revenue, operating profit, adjusted EBITDA and assets predominantly related to the retail supply of utilities and therefore segmental reporting is not provided.

Geographical segments

100% of Group revenue, for both financial years, is generated from sales to customers in the United Kingdom (2022: 100%).

The Group has no individual customers representing over 10% of revenue (2022: none).

3. Auditor's remuneration

	2023 £'000	2022 £'000
Audit of these financial statements	**105**	95
Amounts receivable by auditor in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**60**	55
	165	150

4. Operating profit

	2023 £'000	2022 £'000
Profit for the year has been arrived at after charging:		
Staff costs (see note 6)	**15,564**	9,045
Depreciation of property, plant and equipment	**400**	325
Depreciation of right-of-use assets	**408**	80
Amortisation of intangible assets	**680**	648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. Net finance income/(expense)

	2023 £'000	2022 £'000
Bank interest receivable	783	1
Other interest received	939	—
Total finance income	1,722	1
Bank interest and other finance charges payable	(20)	(77)
Interest on borrowings	(4)	—
Interest on lease liabilities	(81)	(14)
Total finance costs	(105)	(91)
Net finance income/(expense)	1,617	(90)

Other interest received consists of amounts due on collateral posted with the Group's previous commodity trading counterparty.

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:

	2023 Number	2022 Number
Engineering	32	7
Sales	27	24
Administration	236	159
	295	190

The aggregate payroll costs of these persons were as follows:

	2023 £'000	2022 £'000
Wages and salaries	13,082	8,004
Social security costs	1,487	719
Pension costs	240	144
Share based payments	1,258	284
	16,067	9,151
Of which:		
Amounts charged to operating profit	15,564	9,045
Amounts related to smart metering installation in property, plant and engineering assets	503	—
Amounts related to development and implementation of computer software	—	106

There were three persons employed directly by the Company during the year ended 31 December 2023 (2022: three), being the non-executive directors. The Company's two (2022: two) 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:

	2023 £'000	2022 £'000
Short-term employee benefits	2,581	2,445
Social security and pension costs	407	375
Share based payments	1,068	252
	4,056	3,072

The highest paid director and remuneration of the executive directors are as disclosed in the Remuneration Committee Report on page 67 and are included in these financial statements by cross reference.

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.

	2023 £'000	2022 £'000
Adjusted EBITDA reconciliation		
Operating profit	**38,082**	5,930
Add back:		
Loss on derivative contracts	**3,046**	926
Depreciation of property, plant and equipment	**400**	325
Depreciation of right-of-use assets	**408**	80
Amortisation of intangibles	**680**	648
Adjusted EBITDA	**42,616**	7,909

The directors consider adjusted EBITDA to be a more accurate representation of underlying business performance (linked to cash from recurring and normalised profitability, and available for shareholders) and therefore utilise it as the primary profit measure in setting targets and managing financial performance.

The loss on derivative contracts of £3,046,000 (2022: loss of £926,000) arises on the reversal of the financial derivative asset recognised at 31 December 2022, as referenced in note 18.

8. Earnings per share

Basic earnings per share

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

	2023 £'000	2022 £'000
Profit for the year attributable to ordinary shareholders	**30,860**	4,769

	2023	2022
Weighted average number of ordinary shares		
At the start of the year	**16,649,618**	16,316,215
Effect of shares issued in the year	**36,607**	180,818
Number of ordinary shares for basic earnings per share calculation	**16,686,225**	16,497,033
Dilutive effect of outstanding share options	**1,533,324**	1,722,632
Number of ordinary shares for diluted earnings per share calculation	**18,219,549**	18,219,665

	2023 £	2022 £
Basic earnings per share	**1.85**	0.29
Diluted earnings per share	**1.69**	0.26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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, unrealised losses or gains on derivative contracts and the weighted average number of ordinary shares outstanding:

	2023 £'000	2022 £'000
Adjusted earnings per share		
Profit for the year attributable to ordinary shareholders	**30,860**	4,769
Add back operating profit adjusting items (per note 7):		
Loss on derivative contracts after tax (gross loss, before tax, of £3,046,000)	**2,330**	750
Adjusted basic profit for the year	**33,190**	5,519
Adjusted earnings per share	**£1.99**	£0.33
Diluted adjusted earnings per share	**£1.82**	£0.30

9. Taxation

	2023 £'000	2022 £'000
Current tax charge		
Current year	**4,015**	—
Adjustment in respect of prior years	**627**	—
	4,642	—
Deferred tax charge		
Current year	**5,648**	1,365
Adjustment in respect of prior years	**(1,451)**	(294)
	4,197	1,071
Total tax charge	**8,839**	1,071
Tax recognised directly in equity		
Current tax recognised directly in equity	**—**	—
Deferred tax recognised directly in equity	**(866)**	(439)
Total tax recognised directly in equity	**(866)**	(439)
Reconciliation of effective tax rate		
Profit before tax	**39,699**	5,840
Tax at UK corporate tax rate of 23.5% (2022: 19%)	**9,329**	1,110
Expenses not deductible for tax purposes	**181**	50
Tax relief on exercise of share options	**(170)**	(135)
Fixed asset differences	**102**	130
Adjustments in respect of prior periods	**(824)**	(243)
Movement in tax rate on deferred tax balances	**221**	159
Tax charge for the year	**8,839**	1,071

Deferred taxes at 31 December 2023 and 31 December 2022 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 increased from 19% to 25%.

The corporation tax payable by the Group at 31 December 2023 was £4,016,000 (2022: £nil). There was no corporation tax payable by the Company at 31 December 2023 or the prior year.

10. Dividends

The Group paid an interim dividend of 3p per share in 2023 (2022: nil per share).

The directors propose a final dividend in relation to 2023 of 37p per share (2022: 3p per share).

11. Intangible assets

	Electricity licence £'000	Goodwill £'000	Customer books £'000	Software and systems £'000	Total £'000
Cost					
At 1 January 2023	62	216	686	3,289	4,253
Additions	—	—	—	130	130
At 31 December 2023	**62**	**216**	**686**	**3,419**	**4,383**
Amortisation					
At 1 January 2023	16	—	686	440	1,142
Charge for the year	2	—	—	678	680
At 31 December 2023	**18**	**—**	**686**	**1,118**	**1,822**
Net book value at 31 December 2023	**44**	**216**	**—**	**2,301**	**2,561**
Cost					
At 1 January 2022	62	—	686	1,079	1,827
Additions	—	216	—	2,210	2,426
At 31 December 2022	62	216	686	3,289	4,253
Amortisation					
At 1 January 2022	14	—	473	7	494
Charge for the year	2	—	213	433	648
At 31 December 2022	16	—	686	440	1,142
Net book value at 31 December 2022	46	216	—	2,849	3,111

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.

Goodwill arose on the acquisition of the management and certain other assets of Magnum Utilities Limited in May 2022, forming the foundations for the Yü Smart business unit to deliver the Group's smart metering installation activities. Goodwill is tested annually for signs of impairment. The underlying assets related to the goodwill have been classified in a wider cash generating unit related to smart metering activities.

The customer book intangibles relate to acquisitions that took place in 2020. They represent the fair value of the customer contracts purchased in those acquisitions. The intangible assets were 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12. Property, plant and equipment

Group	Freehold land £'000	Freehold property £'000	Fixtures and fittings £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost						
At 1 January 2023	150	3,274	342	73	490	4,329
Additions	—	—	396	796	180	1,372
At 31 December 2023	**150**	**3,274**	**738**	**869**	**670**	**5,701**
Depreciation						
At 1 January 2023	—	182	205	—	301	688
Charge for the year	—	109	150	24	117	400
At 31 December 2023	**—**	**291**	**355**	**24**	**418**	**1,088**
Net book value at 31 December 2023	**150**	**2,983**	**383**	**845**	**252**	**4,613**
Cost						
At 1 January 2022	150	3,274	337	—	353	4,114
Additions	—	—	5	73	137	215
At 31 December 2022	150	3,274	342	73	490	4,329
Depreciation						
At 1 January 2022	—	73	103	—	187	363
Charge for the year	—	109	102	—	114	325
At 31 December 2022	—	182	205	—	301	688
Net book value at 31 December 2022	150	3,092	137	73	189	3,641

Included within the above net book value of property, plant and equipment is £3,139,000 (£3,250,000 at 31 December 2022) of freehold land, freehold property and plant and machinery which are owned by the Company. All of the freehold land and property movements in cost and depreciation disclosed for the Group are also for the Company. A further £6,000 (31 December 2022: £8,000) of plant and machinery is owned by the Company, with £2,000 depreciation charged in the year.

As further disclosed in note 30, post the balance sheet date the freehold land and building owned by the Company was transferred, at market value, to another Group controlled entity as part of a corporate reorganisation.

13. Right-of-use assets and lease liabilities

Group	Buildings £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 January 2023	799	—	799
Additions	198	804	1,002
Lease modifications	969	—	969
At 31 December 2023	**1,966**	**804**	**2,770**
Depreciation			
At 1 January 2023	686	—	686
Charge for the year	149	259	408
At 31 December 2023	**835**	**259**	**1,094**
Net book value at 31 December 2023	**1,131**	**545**	**1,676**
Cost			
At 1 January 2022	799	—	799
Additions	—	—	—
At 31 December 2022	799	—	799
Depreciation			
At 1 January 2022	606	—	606
Charge for the year	80	—	80
At 31 December 2022	686	—	686
Net book value at 31 December 2022	113	—	113

The Company entered into a new property lease in the year with a cost of £134,000 (2022: £nil). There was no depreciation charge for the year (2022: £nil). The net book value at 31 December 2023 of £134,000 (2022: £nil) is included within the Group right-of-use asset as above.

The Group has a lease arrangement for its main office facilities in Nottingham which was extended in the year (on an arm's length basis with a related party as disclosed in note 26), and a number of motor vehicle lease arrangements for engineering installation activities. Other leases are short term or of low value underlying assets.

The table below provides details of the Group's right-of-use asset and lease liabilities recognised on the balance sheet at 31 December 2023:

Right-of-use asset	Remaining term	Borrowing rate	Asset carrying amount	Lease liability	Depreciation expense	Interest expense
Premises	0.7 to 9.4 years	6%	£1,131,000	£1,081,000	£149,000	£45,000
Motor vehicles	1.5 to 3.0 years	6%	£545,000	£554,000	£259,000	£36,000

The total cash outflow for leases in 2023 was £577,000 (2022: £161,000).

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 FY23 the amount expensed to profit and loss was £1,000 (2022: £40,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

14. Investments in subsidiaries

The Company has the following direct and indirect investments in subsidiaries, all of which are incorporated in the United Kingdom:

Company name	Holding	Proportion of shares held	Nature of business
Yü Energy Holding Limited	Ordinary shares	100%	Gas shipping services and holding company
Yü Energy Retail Limited[1]	Ordinary shares	100%[1]	Supply of energy to businesses
Yu Water Limited	Ordinary shares	100%	Supply of water to businesses
KAL Portfolio Trading Limited	Ordinary shares	100%	Dormant/holding company[2]
Yü PropCo Limited[2]	Ordinary shares	100%[2]	Dormant/property ownership[2]
Yü-Smart Limited	Ordinary shares	100%	Smart metering installation and maintenance
Yü Services Limited	Ordinary shares	100%	Holding company
Kensington Meter Assets Limited[3]	Ordinary shares	100%[3]	Ownership of energy meter assets

All of the above entities are included in the consolidated financial statements and are direct holdings of the Company except:

1. Yü Energy Retail Limited is a subsidiary of Yü Energy Holding Limited.
2. Yü PropCo Limited was, after the balance sheet date, transferred to be a direct subsidiary of KAL Portfolio Trading Limited. Both entities were previously dormant.
3. Kensington Meter Assets Limited is a subsidiary of Yü Services Limited.

All entities have the same registered address as Yü Group PLC. The address is listed as part of the Company information on page 107.

15. Deferred tax assets

Deferred tax assets are attributable to the following:

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Property, plant and equipment	**(293)**	(21)	**—**	—
Tax value of loss carry-forwards	**792**	4,717	**—**	220
Share based payments	**1,470**	604	**1,470**	604
	1,969	5,300	**1,470**	824

Movement in deferred tax in the period:

	At 1 January 2023 £'000	Recognised in income £'000	Recognised directly in equity £'000	**At 31 December 2023 £'000**
Property, plant and equipment	(21)	(272)	—	**(293)**
Tax value of loss carry-forwards	4,717	(3,925)	—	**792**
Share based payments	604	—	866	**1,470**
	5,300	(4,197)	866	**1,969**

	At 1 January 2022 £'000	Recognised in income £'000	Recognised directly in equity £'000	At 31 December 2022 £'000
Property, plant and equipment	(45)	24	—	(21)
Tax value of loss carry-forwards	5,812	(1,095)	—	4,717
Share based payments	165	—	439	604
	5,932	(1,071)	439	5,300

The deferred tax asset is expected to be utilised by the Group in the coming years and there is no time limit to utilisation of such losses. 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 2023 and 2022, in share based payments equivalent to those disclosed for the Group. For 2023, the Company charge to deferred tax also includes £220,000 in respect of tax losses carried forward, which is recognised in income (2022: £195,000). The £792,000 tax value of losses carried forward is expected to be fully utilised in the next 12 months.

16. Inventory

The Group has the following inventory balances in relation to its engineering activities:

	2023 £'000	2022 £'000
Stock of goods for resale	**546**	345
	546	345

There is no inventory held by the Company.

17. Trade and other receivables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current				
Gross trade receivables	**39,435**	30,977	**—**	—
Provision for doubtful debts and expected credit loss	**(27,651)**	(19,499)	**—**	—
Net trade receivables	**11,784**	11,478	**—**	—
Accrued income – net of provision	**52,325**	31,842	**—**	—
Prepayments	**6,244**	3,065	**13**	—
Cash collateral deposited for commodity hedging	**49,822**	—	**—**	—
Other receivables	**7,047**	7,954	**500**	500
Amount due from subsidiary undertakings	**—**	—	**25,966**	496
	127,222	54,339	**26,479**	996
Non-current				
Prepayments	**5,231**	—	**—**	—
Amount due from subsidiary undertakings	**—**	—	**3,297**	8,119
	5,231	—	**3,297**	8,119

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

	2023 £'000	2022 £'000
Opening balance	**19,499**	6,007
Provisions recognised less unused amounts reversed	**14,824**	21,071
Provision utilised in the year	**(6,672)**	(7,579)
Closing balance – provision for doubtful debts and expected credit losses	**27,651**	19,499

The directors have assessed the level of provision on net trade receivables at 31 December 2023 by reference to the recoverability of customer receivable balances post the year end, and believe the provision carried is appropriate. The provision is calculated based on an assessment of risk, including factors such as the age of the balance outstanding, whether the customer remains being supplied energy by the Group, and the extent and position of the balance in the Group's credit control process.

A reduced provision of £120,000 (2022: increase of £349,000) for expected credit loss on accrued income was credited (2022: charged) in the period, leading to a total provision at 31 December 2023 of £1,710,000 (2022: £1,830,000). Expected credit losses and the recognition, where appropriate, of previous customer credit balances are recognised in the income statement as net impairment losses on financial and contract assets.

The net impairment losses on financial and contract assets of £14,309,000 (2022: £21,420,000) consist of a £120,000 credit (2022: £349,000 charge) for expected credit loss on accrued income, £526,000 (2022: £nil) credit for other balances written back, and £14,824,000 (2022: £21,071,000) provision for bad debts and expected credit loss on trade receivables.

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

The Group balance of £49,822,000 (2022: £nil) of cash collateral was deposited with the Group's previous trading commodity partner to cover credit exposure of that counterparty on the forward hedges entered into by the Group. This collateral has been fully recovered as part of arrangements to secure new trading arrangements with Shell. Group other receivables also includes immaterial amounts due from BEIS related energy relief schemes (2022: £2,100,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

17. Trade and other receivables continued

The Company other receivables balance of £522,000, 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. Group other receivables included, in the prior year only, a further £69,000 of cash held in bank accounts owned by the Group which are related to Government led support for customers.

The amount due from subsidiary undertakings in the Company accounts of Yü Group PLC at 31 December 2023 of £29,263,000 (2022: current of £496,000 and non-current of £8,119,000) relates to intra-Group accounts (2022: formal loan facility), of which the majority was a balance with Yü Energy Retail Ltd and Yü Energy Holding Ltd which was largely repaid prior to approval of these financial statements.

The Board of Yü Group PLC has considered the provisions around impairment of intercompany indebtedness contained within IFRS 9 "Financial Instruments" and concluded (on the basis of other amounts due to subsidiaries offsetting receivable balances and amounts becoming due shortly after the balance sheet date) that there is no requirement for an expected credit loss provision at 31 December 2023 (2022: no provision), leading to no credit or charge to profit in the year (2022: £300,000 credit which is not included in the Group's consolidated financial statements).

18. Financial derivative asset

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Current				
Financial derivative asset	**—**	1,484	**—**	—
Non-current				
Financial derivative asset	**—**	1,562	**—**	—

There is no financial derivative asset or liability at 31 December 2023 as the forward commodity trades outstanding are intended to be fully utilised for the Group's "own use" (under IFRS 9) to meet expected customer demand in the normal course of business. At 31 December 2022, the £3,046,000 financial derivative asset reflected the fair value of a small proportion of the Group's forward commodity trades which were not judged to meet the strict "own use" criteria under IFRS 9.

19. Cash and cash equivalents

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Cash at bank and in hand	**32,477**	18,970	**7**	13,488
	32,477	18,970	**7**	13,488

As disclosed in note 17, the cash and cash equivalents amounts exclude £522,000 (2022: £569,000) of cash which is included in other receivables.

20. Trade and other payables

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Current				
Trade payables	**6,492**	4,636	**136**	—
Accrued expenses	**88,737**	55,281	**25**	64
Lease liabilities	**354**	112	**24**	—
Tax and social security	**15,347**	5,587	**—**	—
Other payables	**12,915**	8,244	**—**	—
Amounts due to subsidiary undertakings	**—**	—	**—**	9,097
	123,845	73,860	**185**	9,161
Non-current				
Accrued expenses	**—**	158	**—**	—
Lease liabilities	**1,281**	48	**80**	—
	1,281	206	**80**	—

The contractual maturities (representing undiscounted contractual cash flows) of the lease liabilities are as follows:

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Maturity analysis				
Expiring in less than one year	**450**	120	**30**	—
Expiring between two to five years	**954**	50	**90**	—
Expiring after more than five years	**595**	—	**—**	—
	1,999	170	**120**	—

The remaining trade and other payables have undiscounted contractual cash flows equal to their fair value and are payable within a year.

21. Borrowings

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Current				
Bank loan	**3**	—	**—**	—
Non-current				
Bank loan	**352**	—	**—**	—

Borrowings relate to the Group's investment in smart meters which return an index-linked, recurring annuity over a 15+ year term. The amount outstanding relates to amounts drawn on a £5.2m facility, agreed during 2023, with Siemens Finance in relation to the finance of such meters. Repayments are over a 10 year period with a bullet repayment, and with an interest rate fixed at the date of drawdown. The borrowings are fully secured on the assets of the wholly owned subsidiary entity, Kensington Meter Assets Limited.

The bank loan is shown net of unamortised arrangement fees of £190,000 (2022: £nil) which are being amortised over the life of the loan.

The contractual maturities (representing undiscounted contractual cash flows) of the bank loans are as follows:

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Maturity analysis				
Expiring in less than one year	**67**	—	**—**	—
Expiring between two to five years	**268**	—	**—**	—
Expiring after more than five years	**530**	—	**—**	—
	865	—	**—**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

22. 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 where they are not treated as "own use" under IFRS 9. 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 trades entirely in pounds sterling and therefore it has no foreign currency risk.

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

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

b) customer credit risk; and

c) liquidity risk.

(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, 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 price volatility by entering into back-to-back (to the extent practical) 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.

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.

If any of the contracts in the Group's portfolio are expected to be settled net in cash and are not entered into so as to hedge, in the normal course of business, the demand of customers, then such trades are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit and loss. All forward trades were considered to meet the criteria for "own use" at 31 December 2023.

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. In view of the Group's commodity hedging position and available mitigation, any major deviation in customer demand is not considered to deliver a material impact on the Group's financial performance.

Increased volatility of global gas and electricity commodity prices has 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.

As contracts are expected to be outside of IFRS 9, there is no sensitivity analysis provided on such contracts.

Liquidity risk from commodity trading

The Group's trading arrangements can, in the absence of suitable credit lines or other arrangements being in place, 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, therefore, lead to a material exposure arising for any trading counterparty which, in the absence of a suitable credit arrangement, could result in credit support such as cash being required as collateral.

As part of the Group's new Trading Agreement with Shell, signed in February 2024, there is no requirement in the normal course to provide any such credit support and, as such, no impact on liquidity risk in the normal course of business.

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 lower energy commodity markets experienced at the end of 2023, this credit risk is not held at 31 December 2023. However, any such credit exposure would predominantly arise with the Group's main trading counterparty, being Shell from February 2024.

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).

22. Financial instruments and risk management continued

(b) Customer or other counterparty credit risk continued

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. The provision of a smart meter is also mandatory for some sales channels.

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, and requires security deposits in advance where appropriate. At 31 December 2023 there were no significant concentrations of credit risk. The carrying amount of the financial assets (less the element of VAT and 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 finding 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 2023 the Group held a provision against doubtful debts and expected credit loss of £29,361,000 (2022: £21,329,000). This is a combined provision against both trade receivables at £27,651,000 (2022: £19,499,000) and accrued income at £1,710,000 (2022: £1,830,000). The increase reflects the growth in the Group's activities, which is mitigated by strong customer collections recorded in 2023.

In relation to trade receivables, after provision and accounting for VAT and CCL reclaimable, the exposure assessed by directors is less than 3% of the gross balance. If this exposure was +/-1% of that assessed, the gain or loss arising recognised in the income statement and impacting net assets would be +/-£394,000.

If the expected customer credit loss rate on accrued income was +/-10%, the gain or loss arising would be +/-£171,000.

(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.

The Board also monitors the position in respect of the Group's performance against covenants as part of its trading arrangements, and any requirements under its licence to operate including its Ofgem energy supply licence.

As part of assessing the Group's liquidity, the Board considers: low profitability; delays in customer receivable payments; major risks and uncertainties; and the ability to comply with its Trading Agreements.

A low cash collection scenario, whereby customers delay or default on payment, would result, per each 10% of cash collections compared to management's base assumptions, in a full year impact on cash of £2,172,000.

Any excess cash balances are held in short-term deposit accounts which are either interest or non-interest accounts. At 31 December 2023 the Group had £32,477,000 (2022: £18,970,000) of cash and bank balances (as per note 19) in addition to £49,800,000 cash collateral posted with our previous trading counterparty which was repaid in Q1 2024.

23. Share capital and reserves

Share capital	**2023 Number**	**2023 £'000**	2022 Number	2022 £'000
Allotted and fully paid ordinary shares of £0.005 each	**16,741,195**	**84**	16,649,618	83

The Company has one class of ordinary share with nominal value of £0.005 each, 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 81 and 82.

Share capital represents the value of all called up, allotted and fully paid shares of the Company. The movement in the year relates to the exercise of various share options, at exercise prices of between £0.005 and £5.825.

The share premium account represents amounts received on the issue of new shares in excess of their nominal value, net of any direct costs of any shares issued. The share premium movement in the year relates to the excess, where appropriate, of the price at which options were exercised during the year over the £0.005 nominal value of those shares. As disclosed in note 30, the directors will propose a resolution to shareholders at the Company's annual general meeting so as to, subject to court approval, cancel the Company's share premium account.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24. 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 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 2023**	Amount outstanding at 31 December 2022
17 February 2016	3	17 February 2019	17 February 2026	£0.09	1	**—**	13,500
22 December 2016	3	22 December 2019	22 December 2026	£3.25	1	**—**	13,500
6 April 2017	3	6 April 2020	6 April 2027	£0.005	1	**43,950**	43,950
6 April 2017	6.5	6 April 2020	6 April 2027	£2.844	1	**87,900**	87,900
28 September 2017	6.5	28 September 2020	28 September 2027	£5.825	1	**27,000**	40,500
9 April 2018	6.5	9 April 2021	9 April 2028	£10.38	1	**59,084**	59,084
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	**20,000**	20,000
4 October 2020	3	30 April 2023	4 October 2030	£0.005	2	**172,388**	210,696
4 October 2020	3	30 April 2024	4 October 2030	£0.005	3	**172,388**	172,388
13 May 2022	1	30 April 2023	4 October 2030	£0.005	2	**—**	12,769
13 May 2022	2	30 April 2024	4 October 2030	£0.005	3	**25,539**	25,539
1 December 2022	3	1 January 2026	1 July 2026	£2.28	4	**156,536**	179,267
19 December 2022	3.3	31 March 2026	31 March 2033	£0.005	5	**762,000**	837,000
						1,533,324	1,722,632
Weighted average remaining contractual life of options outstanding						**7.1 years**	8.0 years

The following vesting schedules apply to the options:

1 100% of options vest on the third anniversary of date of grant.

2 100% of options have vested on the achievement of a performance condition related to the Group's share price at a pre-determined date.

3 The level of vesting is dependent on a performance condition, being the Group's share price at a pre-determined date.

4 100% of options vest on the third anniversary of the Save As You Earn ("SAYE") savings contract start date.

5 The level of vesting is dependent on a performance condition, being the Group's EBITDA performance over a qualifying period.

There were no share options granted during 2023.

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

	2023 shares	2022 shares
Balance at the start of the period	**1,722,632**	1,099,153
Granted	**—**	1,055,364
Forfeited	**(97,731)**	(98,482)
Lapsed	**—**	—
Exercised	**(91,577)**	(333,403)
Balance at the end of the period	**1,533,324**	1,722,632
Vested at the end of the period	**416,861**	284,973
Exercisable at the end of the period	**416,861**	284,973
Weighted average exercise price for:		
Options granted in the period	**—**	£0.393
Options forfeited in the period	**£0.534**	£0.256
Options exercised in the period	**£1.354**	£0.289
Exercise price in the range:		
From	**£0.005**	£0.005
To	**£10.38**	£10.38

24. Share based payments continued

The fair value of each option grant is estimated on the grant date using an appropriate option pricing model. There were no options granted in 2023, and the following fair value assumptions were assumed in the prior year:

	2023	2022
Dividend yield	—	0%
Risk-free rate	—	2.1%
Share price volatility	—	117%
Expected life (years)	—	3 years
Weighted average fair value of options granted during the period	—	£3.87

The share price volatility assumption in 2022 was based on the actual historical share price of the Group since listing in March 2016.

The total expenses recognised for the year arising from share based payments are as follows:

	2023 £'000	2022 £'000
Equity-settled share based payment expense	1,150	210
National Insurance costs related to exercise of share options	108	74
Total share based payment charge	1,258	284

National Insurance costs relate to Employer's National Insurance payable on the exercise of unapproved (for tax purposes) share options.

25. 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 and Company have no other capital commitments at 31 December 2023 (2022: £nil).

Security

The Group has entered into Trading Agreements with the Shell Group in February 2024 to provide access to commodity markets. As part of this arrangement there is a requirement to meet certain covenants, a fixed and floating charge (including mandate over certain banking arrangements in the event of default) over the main trading subsidiaries of the Group, being Yü Energy Holding Limited and Yü Energy Retail Limited, and a parent company guarantee from the Company.

As part of the Group's activities in financing smart meters, a Group entity has provided security over such assets in relation to bank debt provided by Siemens Finance.

Yü Group PLC provides parent company guarantees on behalf of its wholly owned subsidiaries to a small number of industry counterparties as is commonplace for the utilities sector.

As disclosed in note 17, 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 2023 (2022: £nil).

26. 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 2023 the Group paid £135,000 in lease rental and service charges to CPK Investments Limited (2022: £120,000). There was a balance of £35,000 owing to CPK Investments Limited at 31 December 2023 (2022: £nil).

The directors, after taking external advice including from an external independent valuer, reviewed the terms of the lease with CPK Investments Limited for the Nottingham head office. The Group entered into an agreement in April 2023 to extend the term of the lease and amended certain terms (which remain on an arm's-length basis).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27. Net cash/(net debt) reconciliation

The net cash/(net debt) and movement in the year were as follows:

	2023 £'000	2022 £'000
Cash and cash equivalents	**32,477**	18,970
Borrowings	**(355)**	—
Net cash	**32,122**	18,970

The movements in net cash/(net debt) and lease liabilities were as follows:

	Cash £'000	Borrowings £'000	Sub-total net cash £'000	Leases £'000	Net cash less leases £'000
Balance as at 1 January 2022	7,049	—	7,049	(267)	6,782
Cash flows	11,921	—	11,921	121	12,042
Interest	—	—	—	(14)	(14)
Balance as at 31 December 2022	18,970	—	18,970	(160)	18,810
Cash flows:					
Movement in cash and cash equivalents	13,507	—	13,507	—	13,507
Drawdown of new borrowings	—	(356)	(356)	—	(356)
Interest	—	(4)	(4)	(81)	(85)
Repayment	—	5	5	577	582
Recognition of leases on acquired right-of-use assets	—	—	—	(1,002)	(1,002)
Modification of lease liabilities	—	—	—	(969)	(969)
Balance as at 31 December 2023	**32,477**	**(355)**	**32,122**	**(1,635)**	**30,487**

28. Business combinations

There were no business combinations or acquisitions in 2023.

During 2022, the Group acquired (from administration) certain assets of Magnum Utilities Limited, including the management team of the business. The acquisition provided the foundation to create Yü Smart, being the new Group capability to install, service and maintain smart meters and EV charging assets. The fair value of the identifiable assets acquired was £224,000, which was settled through consideration paid at or closely after completion.

29. Subsidiary audit exemption

Yu Water Limited (company number 09918643), Yü Services Limited (11440201) and Yü-Smart Limited (12311416) are exempt from the requirements of an audit, for the year ended 31 December 2023, under section 479A of the Companies Act 2006.

30. Post-balance sheet events

The Group entered into the Trading Agreement with Shell Group in February 2024, and terminated its legacy arrangements with the previous trading counterparty.

As disclosed in note 23, the directors will propose, for consideration as a special resolution at the Company's annual general meeting and subject to the necessary court approvals required for such a process, the cancellation of the Company's share premium account. If successful, the share premium account of £11,908,911 would be credited to distributable reserves.

On 19 February 2024, the shares of Yü PropCo Limited were sold (intra-Group) by the Company to KAL Portfolio Trading Limited as part of a corporate reorganisation. The freehold land and building held by the Company was then sold by the Company to KAL Portfolio Trading Limited at the estimated market value (equivalent to book value) of £3,133,777. These transactions do not impact the Group's consolidated balance sheet position.

There are no other significant post-balance sheet events.

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