RNS Number : 3209H
Yu Group PLC
19 March 2024

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Yü Group PLC

("Yü Group" or the "Group")

Final results for the year ended 31 December 2023

Yü Group PLC (AIM; YU.), the independent supplier of gas and electricity, and meter asset owner and installer of smart meters, to the UK corporate sector announces its final audited results for the year to 31 December 2023.

The Group continues to report significant growth in revenue, profitability, cash generation and other key metrics. The Board expects to continue to deliver sustainable and profitable growth as the significant market opportunity available is seized by the Group's differentiated position and digital capabilities.

Financial & Operational Highlights

31 December	**2023**	2022	Change
£'000 unless stated			
Financial:			
Revenue	**460,001**	278,587	+65%
Adjusted EBITDA[1]	**42,616**	7,909	+439%
Profit before tax	**39,699**	5,840	+580%
Earnings per share:			
Adjusted, fully diluted	**£1.82**	£0.30	+£1.52
Statutory, Basic	**£1.85**	£0.29	+£1.56
Dividend per share (Interim & Final)	**40p**	3p	+37p
Operating cash inflow	**16,132**	14,737	+£1.4m
Net Cash[2]	**32,122**	18,970	+£13.2m
Net Cash plus collateral[3]	**81,944**	18,970	+£63.0m
Overdue customer receivables (days)[4]	**4**	5	-1 days
Operational:			
Average Monthly Bookings (£'m)	**55.5**	24.5	+127%
Contracted Revenue for next FY (£'m)	**520**	247	+111%
Aggregate Contracted Revenue (£'m)	**826**	361	+129%
Meter Points Supplied (#)	**53,400**	25,500	+109%
TrustPilot Score (#)	**4.1**	4.0	+0.1
Employee Engagement (%)	**84%**	80%	+4%
Smart meter installations (#)	**8,500**	1,033	+7,467

Smart-Meter Index-linked, annualised Income (£'m)	**0.16**	-	+£160k

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[5] 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: 3p) 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 future 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 as 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.

Bobby Kalar, Chief Executive Officer, stated:

"It's been an extraordinary year and I'm very pleased with our strong performance, delivering another record breaking set of results. We have a strong forward order book which continues to build into 2024, and with this high degree of predictability, I remain confident in delivering another strong performance and continuing to deliver further shareholder value in 2024 and beyond.

We've made significant strategic and operational progress. I'm very excited by the capability of Yü Smart and the value it creates for the Group. We have a transformational new commodity trading agreement with Shell, and all the foundations and digital-led systems in place to ensure continued growth.

We are increasing our dividend payment to reward our loyal investors and we look forward to providing further growth in shareholder distributions.

I'm grateful to the Board who continue to deliver the right blend of challenge and encouragement to me and my team."

Analyst presentation and publication of annual report

A presentation for analysts will be held at 9am GMT today, Tuesday 19 March 2024. Anyone wishing to attend should please contact yugroup@teneo.com for further information.

An electronic version of the full annual report will be published on the Group's website, www.yugroupplc.com, later today (19 March 2024).

[1] Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, and gains or losses on derivative contracts. See reconciliation in note 7 to the financial statements below.

[2] Net Cash refers to cash and cash equivalents less the debt in the Group, excluding any lease liabilities.

[3] Net cash plus the £49.8m of cash held as collateral against the previous hedging agreement at 31 December, since returned to the Company, post year end, on entry into the new facility with Shell.

[4] Overdue customer receivables is expressed in days of sales, and relates to the total balance, net of provisions, of accrued income which is outside of the normal billing cycle, plus overdue trade receivables (net of VAT and CCL).

[5] Net Customer Contribution represents gross margin less bad debt as a percentage of revenue.

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Notes to editors

Information on the Group

Yü Group PLC is a leading supplier of gas and electricity focused on servicing the corporate sector throughout the UK. We drive innovation through a combination of user-friendly digital solutions and personalised, high quality customer service. The Group plays a key role supporting businesses in their transition to lower carbon technologies with a commitment to providing sustainable energy solutions.

Yü Group has a clear strategy to deliver sustainable profitable growth (in a £50bn+ addressable market) and value for all of our stakeholders, built on strong foundations and with a robust hedging policy. The Group has achieved a compound annual growth rate of over 60% over the last four years, and has consistently improved margin and profitability performance. In 2023 the Group launched Yü Smart and Yü Charge to support growth through new opportunities in smart metering installation.

Chairman's Statement

DELIVERING OUR STRATEGY

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

In the face of a turbulent and volatile year for commodity prices where energy prices experienced a precipitous decline, 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 the 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 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.

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

Chief Executive Officer's Statement

CONTINUING TO DELIVER SIGNIFICANT AND SUSTAINABLE GROWTH

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

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. 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 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

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.

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

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, 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.

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.

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.

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.

£22.6m 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

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.

4. Annualised equivalent revenue from non-contracted customers reflects the 31 December 2023 annualised volume of energy and prices on that date.

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 balance sheet

At 31 December 2023

		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
Right-of-use assets	13	**1,676**	113
Deferred tax assets	15	**1,969**	5,300
Trade and other receivables	17	**5,231**	-
Financial derivative asset	18	**-**	1,562
		16,050	13,727
Current assets			
Inventory	16	**546**	345
Trade and other receivables	17	**127,222**	54,339
Financial derivative asset	18	**-**	1,484
Cash and cash equivalents	19	**32,477**	18,970
		160,245	75,138
Total assets		**176,295**	88,865
LIABILITIES			
Current liabilities			
Trade and other payables	20	**(123,845)**	(73,860)
Corporation tax payable	9	**(4,016)**	-
Borrowings	21	**(3)**	-
		(127,864)	(73,860)
Non-current liabilities			
Trade and other payables	20	**(1,281)**	(206)
Borrowings	21	**(352)**	-
		(1,633)	(206)
Total liabilities		**(129,497)**	(74,066)
Net assets		**46,798**	14,799
EQUITY			
Share capital	23	**84**	83
Share premium	23	**11,909**	11,785
Merger reserve	23	**(50)**	(50)
Retained earnings	23	**34,855**	2,981
		46,798	14,799

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

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 from/(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

1. Significant accounting policies

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. The Company is limited by shares and the Company's ordinary shares are traded on AIM.

These condensed consolidated financial statements ("Financial Statements") as at and for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the supply of electricity, gas and water to small and medium sized entities ("SMEs") and larger corporates in the UK, and the installation, ownership and service of smart meters.

Basis of preparation

Whilst the financial information included in this preliminary announcement has been prepared on the basis of the requirements of UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and effective at 31 December 2023, this announcement does not itself contain sufficient information to comply with International Accounting Standards.

The financial information set out in this preliminary announcement does not constitute the Company's statutory financial statements for the years ended 31 December 2023 or 2022 but is derived from those financial statements.

Statutory financial statements for 2022 have been delivered to the registrar of companies and those for 2023 will be delivered in due course. The auditors have reported on those financial statements; their reports were (i) unqualified and (ii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The condensed 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.

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

Summary

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

Basis of consolidation

The consolidated accounts of the Group include the assets, liabilities and results of the Company and subsidiary undertakings in which Yü Group PLC has a controlling interest. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and 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.

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 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.

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.

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.

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.

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 operational 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 and amortisation	(22,317)	(2,027)	(68)	-	(447)	(24,859)
Share based payments	(1,258)	-	-	-	-	(1,258)
Depreciation and amortisation	(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 non-current assets	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

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 equipment 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 in the annual report.

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

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 2022

	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)

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).

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.

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

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 assets 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).

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	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	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	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.

15. Deferred tax assets

Deferred tax assets are attributable to the following:

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

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.

16. Inventory

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

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

17. Trade and other receivables

	2023	2022
	£'000	£'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
Cash collateral deposited for commodity hedging	**49,822**	-
Other receivables	**7,047**	7,954
	127,222	54,339
Non-current		
Prepayments	**5,231**	-

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

	2023	2022
	£'000	£'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).

18. Financial derivative asset

	2023	2022
	£'000	£'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

	2023	2022
	£'000	£'000
Cash at bank and in hand	**32,477**	18,970
	32,477	18,970

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

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

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

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

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

21. Borrowings

	2023	2022
	£'000	£'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 loan are as follows:

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

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).

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

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 license.

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.

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.

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.

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

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 has 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.

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

As further disclosed in the full annual report, 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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