GROUP PLC

THE UK'S FASTEST GROWING BUSINESS ENERGY SUPPLIER

YÜ GROUP PLC
Annual report and financial statements 2017

Who we are

DISRUPTING THE UK BUSINESS ENERGY MARKET

Yü Group PLC is a business gas and electricity supplier on a mission to shake-up the UK business energy market.

We aim to give businesses the best possible combination of supply, service and savings in the market, setting the benchmark for the standard of energy supply service that businesses deserve and should receive. We are the fastest growing energy supplier in the UK, with thousands of businesses having discovered the benefits of switching their energy supply to us in recent times.

As business energy specialists, we work in partnership with our customers to find the right solution for their business. Our combination of excellent UK based, personal service and competitive, fixed prices helps our customers to focus on running their business without worrying about their gas and electricity supply.

We are a fast growing, cash generative and highly scalable business, with predictable revenues.

Highlights

Financial highlights

- Revenue increased to £47.0m (31 December 2016: £16.3m)
- Profit for the year of £1.8m (2016: loss of £1.4m)
- Adjusted* operating profit of £3.1m (2016: £0.2m)
- Proposed final dividend of 2.00p per share, making a full year dividend pay-out of 3.00p per share
- Revenue already contracted at the end of 2017 for the year to 31 December 2018 in excess of £50m (2017: £27m) adding to the Group's high levels of revenue visibility

Operational highlights

- Increased investment in sales channels and staff to support scaling of the business with headcount increasing to 110 staff (31 December 2016: 72) and further recruitment planned
- Customer renewal rate for direct sales continues to be in line with expectations, in excess of 80 per cent

* Adjusted results are calculated before share based payments and unrealised gains on derivative contracts and, in 2016, IPO related costs.

Read about our business model
Page 2

Read more in our CEO's statement
Page 5

Strategic report

Corporate governance

Financial statements

Read more about us on our website
www.yugroupplc.com

Our business model

BUSINESS ENERGY EXPERTS

We are a gas and electricity supplier to the SME (small and medium-sized enterprises) and larger corporate sector. We combine expert, personal service and competitive fixed prices tailored to individual business needs.

Trading under the brand Yü Energy, we serve the larger corporate and SME sector only. We do not supply the domestic market. We are a direct supplier of gas and electricity, not a broker.

Because we give businesses the best possible combination of supply, service and savings in the market, we have grown rapidly into one of the UK's leading business energy suppliers.

Our proposition is based on a combination of expert, responsive, personal service and competitive fixed prices specifically tailored to the needs of business. We aim to build strong relationships with our customers so that they renew each year, thus increasing our customer portfolio.

Our robust hedging policy ensures that both Yü Group and our customers benefit from competitive rates and are protected against any energy market volatility.

Our model is cash generative and has delivered rapid growth, combined with predictable revenue and solid margins.

In December 2017, we announced our entry into the business water supply market with the launch of Yü Water. We received our Water Supply Licence (WSL) from Ofwat and we have signed wholesale supply contracts with a number of water wholesalers across England. We will be engaging with customers in Spring 2018.

OUR BUSINESS MODEL

OUR MARKETS

Gas and electricity
We provide SMEs and larger corporate businesses with the best possible combination of supply, service and savings for gas and electricity, specifically tailored to their company's needs. This is a huge market with millions of potential customers in the UK.

Energy portfolios
We are experts in managing a broad spectrum of energy portfolios from single sites to more complex multi-site business energy requirements. These span a wide range of different industry sectors such as care homes, retail, food and leisure, offices and industrial sites.

Meter installations
We provide gas and electricity meter installations for all new types of commercial properties requiring a new connection and/or a supply contract.

UK-wide
We supply thousands of businesses throughout the UK.

Water
The recent launch of Yü Water will offer a fresh approach to business water supply in England and Wales. We will be one of the first energy suppliers to offer businesses a one-stop-shop for their gas, water and electricity, making it easier for them to manage all of these utilities in one place.

Read more on page 6

HOW WE GENERATE REVENUE

SMEs
Our direct sales team engage with SME clients, primarily via outbound telesales. We have 30 sales account managers in this team. They are based in Nottingham as well as our new Leicester sales office (opened February 2018) which has been created to expand this department.

Larger corporates
Our experienced team of field-based business development managers focus on larger corporate energy clients that require face to face engagement for their more complex energy requirements. This also includes our new connections team which has been a strong area for growth.

40% of our customers have a turnover of between £1m and £40m+

Broker sales
Our dedicated and highly experienced broker sales team engages with brokers and TPIs. We work with carefully selected broker partners who are encouraged to recommend Yü Energy as a supplier.

Renewals
We achieve an average renewal rate for direct sales business in excess of 80%. This "subscription" model ensures a strong foundation for future growth and the opportunity to manage the customer base.

Over 80% renewal rate for direct sales accounts

WHAT MAKES US DIFFERENT

Customer service
Our award-winning, Nottingham-based customer service team provides an expert personal service. We answer the phone in less than six seconds, ensuring businesses can quickly resolve any queries, leaving them free to focus on running their businesses.

Call pick up times average 6 seconds

Personal account management
Many energy companies treat you like just a number. We give our customers their own dedicated sales account manager to take them through the entire sales process, and a designated relationship manager for their lifetime as a customer.

Fixed price
Our fixed price contracts result in our customers knowing exactly how much they will be paying for their energy.

Flexibility
Different businesses have different needs. That is why we offer a range of different tariffs, billing options, contract durations and structures. We work in partnership with our customers to find the best solution to suit their business.

Read more on page 7

HOW WE CREATE VALUE

Shareholders
Our combination of rapid growth, solid margins, predictable revenues and cash generation has allowed the Group to support a progressive dividend policy for shareholders.

Shareholder return of more than

500%

since IPO

Customers
Our combination of competitive, fixed prices and an expert, responsive, personal service is tailored to the needs of businesses. This makes it easier for them to manage their energy needs, providing them with more time to focus on running their business.

Number of customers

7,000+

People
The rapid growth of the business has created significant job opportunities in areas such as sales, marketing, finance, IT and operations. The team has grown from 72 to 110 for the year to 31 December 2017.

Number of employees at 31 December 2017

110

Chairman's statement

DELIVERING GROWTH

We have delivered a three-fold increase in revenues and a rapid increase in profitability.

Review of the year

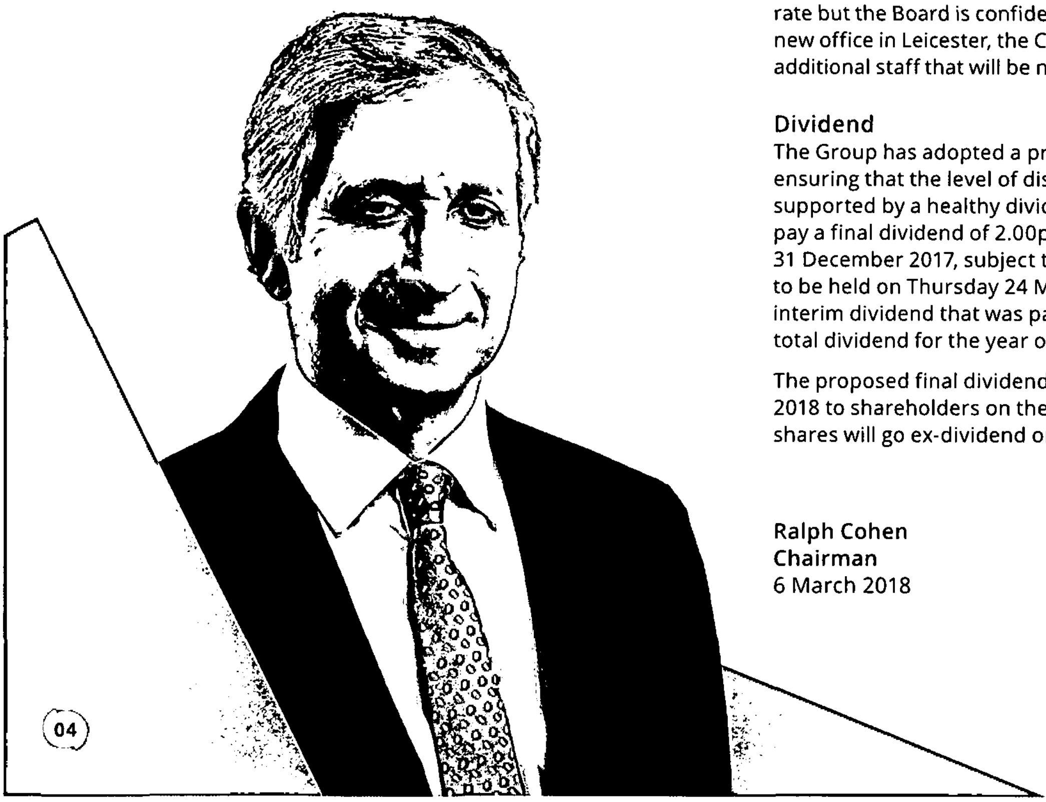
The Board of Yü Group PLC is delighted to present another record set of annual results for the business for the year ended 31 December 2017.

The Group has continued to grow rapidly and has demonstrated the success of its business model by providing the UK business community with gas and electricity at reasonable prices supported by outstanding customer service. This has resulted in an almost three-fold increase in revenues for the year under review and a rapid increase in profitability whilst continuing to invest in the future growth of the business.

The business continues to be cash generative at the operating level, despite continued investment over the last year in infrastructure, which included sales and support staff and improved systems. It is this investment that will underpin further rapid growth going forward, with an overall objective of achieving a steady underlying operating margin of 6 per cent of sales.

As the business continues to grow, one of the challenges is maintaining the high level of customer service and flexibility, while at the same time ensuring that fixed costs do not increase disproportionately.

The predictable nature of the Group's revenue model means that we are able to anticipate the likely level of revenues some years in advance. This provides the Board with a high degree of confidence that further rapid growth is sustainable as long as appropriate sales channels are maintained and there is continued investment in technical and administrative support staff.



The Group has now been supplying Half Hourly meters for approximately 18 months. This experience supports our view that our business is well suited to focus on this sector with particular emphasis on the small to medium-sized corporate and SME customers. The introduction of higher volume Half Hourly metered customers has resulted in a slight reduction in gross margins which is in line with the Board's expectations.

The market for energy suppliers has been less turbulent in the year under review when compared to the prior year but, nevertheless, our policy of hedging our supply commitments has continued to be extremely successful. Our risk management, pricing and hedging teams achieve this by participating within the global commodities market with reliable counterparties utilising our funds on deposit as collateral.

With relatively low levels of capital expenditure and a substantial potential marketplace, the Board is confident of the Group's ability to generate cash to support the dividend policy which is a key element of our ongoing strategy for delivering returns to investors.

Our people

Staff levels have grown rapidly in the last year with the average number of employees increasing from 58 to 86 in the 12 months to December 2017. I would like to express the gratitude of the Board to all these employees who have contributed so much to the success of the business. Their dedication and hard work has been exemplary during a period of rapid growth which has put considerable pressure on the business as a whole. These demands are unlikely to lessen as we continue to grow at a rapid rate but the Board is confident that, with the opening of our new office in Leicester, the Company will be able to recruit the additional staff that will be needed to meet these challenges.

Dividend

The Group has adopted a progressive dividend policy, whilst ensuring that the level of distribution is sustainable and supported by a healthy dividend cover. The Group intends to pay a final dividend of 2.00p per ordinary share for the year to 31 December 2017, subject to shareholder approval at the AGM to be held on Thursday 24 May 2018. When combined with the interim dividend that was paid in January 2018, this makes a total dividend for the year of 3.00p per ordinary share.

The proposed final dividend will be payable on 11 September 2018 to shareholders on the register on 3 August 2018 and the shares will go ex-dividend on 2 August 2018.

Ralph Cohen
Chairman
6 March 2018

ANOTHER POSITIVE YEAR

The growth plans that were developed during 2015 for the business have been surpassed.

Introduction

The year ended 31 December 2017 was one of further rapid growth within the Group and I am particularly pleased that the plans developed during 2015, before the Group's IPO in 2016, have been surpassed. At the beginning of 2017 we had anticipated that revenue would grow from £16.3m in the year to December 2016, to more than £30m by the end of this year. The results that we are now reporting show that revenue of £47.0m exceeded our target by approximately 50 per cent. This outperformance has been delivered by increasing the sales profile of the business as we focus on our large target market.

As we become more experienced at managing our sales channels and forecasting the annualised revenue that is likely to become contracted each month, we have had an opportunity to re-evaluate the growth potential of the business going forward. As a result, our expectations for Group revenue over the next few years have increased.

Furthermore, as the Group's model has developed, management have increased clarity on the level of overhead costs and infrastructure required to deliver this growth and, as a result, we have increased confidence about the overall level of profitability going forward. With this in mind it is management's objective to achieve an underlying operating margin in the region of 6 per cent on a consistent basis in years to come.

Our strategic objectives

Risk-averse operations

Since the inception of the Group, the key strategic objective has been to ensure that the business operates in a risk-averse manner. The IPO in March 2016 was undertaken to ensure that the Group had the capital required to support its hedging and energy purchasing strategy through letters of credit. We intend to continue to maintain our hedging policy, to minimise risk from fluctuations in energy prices, by lodging collateral in the form of letters of credit with counterparties in the wholesale energy market. As the Group grows rapidly, this objective will continue to be a key priority.

Sales growth and sustainable margins

As has been mentioned, the growth potential of the Group is greater than had previously been anticipated. During 2017, the Group achieved annualised sales bookings (being the forecast annual sales value of new contracts signed) averaging £5.1m per month and customer numbers (as measured by meter points) rising by 70 per cent over the period. A firm pricing policy combined with effective hedging has meant that margins on these sales are in line with market norms for a business in an increasingly competitive industry. When combined with a renewal rate for direct sales in excess of 80 per cent, this gives us confidence that profitable growth will continue.

Cash management and shareholder returns

Our ongoing focus is to maintain tight control over costs, while at the same time developing infrastructure and back office support to ensure that customer service levels and a strong corporate culture are maintained. On occasion this balance has been challenging but, overall, during the year we have been successful. While the vast majority of our customers pay by direct debit, there are still certain customers, such as managing agents who, under the regulations of their governing body, have no option but to make payment by BACS once their clients have paid them. We have to maintain close controls over our credit control procedures and ensure timely payment of outstanding debts by our customers. At the end of the year under review, particularly due to the holiday period, cash collections were suppressed, impacting the year end cash balances of the Group. This position has now been rectified.

In line with the focus on credit control, a key objective is to optimise cash management to support future growth as well as the Group's progressive dividend policy. The Group has a strong balance sheet with healthy cash reserves. Letters of credit were issued during the year for £3.5m in total. It has become apparent that as the Group grows, its credibility within the energy market place has improved and as such so has its credit rating. In consequence, it is anticipated that in due course the level of trade credit afforded to the Group will improve.

People

Recruiting engaged and motivated staff remains a priority and a challenge within the business. While we continue actively to recruit, train and develop in all areas of the business to help manage our rapid growth, it is fair to say that the business has and continues to invest in a more corporate culture.

Chief Executive Officer's statement continued

People continued

The ambassadors of any successful business are its people and in order to develop and maintain a positive corporate environment the business has introduced a Senior Leadership Team. Reporting directly to the executive directors they have specific industry disciplines which will help the business achieve its strategic and financial objectives. Greater industry exposure means that we are attracting a better standard of workforce which in turn has had a positive impact on the culture of the business. I look forward to maintaining this environment.

Recent developments

Yü Group PLC intends to "stick to its knitting" in an environment where it can take advantage of its expertise and has no intention of becoming a supplier to the domestic energy market. The SME and corporate utilities market is large enough to provide significant opportunities to scale. While the competitive landscape is constantly changing, this change is reflective of participants who are both joining and leaving the market. It is our desire to create clear distance between us and these participants. Our intention, through consistency of message and targeting of our customers, is that we remain focused on our core utilities market and opportunities that may help growth and do not intend to be distracted by other more diverse activities.

This approach helps to ensure that as a utility supplier we understand a client's needs in terms of their corporate structure, invoicing and the provision of ancillary services. It also helps ensure that renewal rates remain high.

In order to facilitate and accelerate our rapid growth the Group has recently opened a new office in Leicester city centre. This will enable us to take advantage of the talent pool Leicester has to offer while developing a template model, designed to increase sales.

In April 2017, the water industry within England and Wales opened up for greater competition. While this sector has a different regulatory structure and commercial drivers to the Group's core activity of electricity and gas supply, we have now been granted a licence to supply water to the corporate sector under the name Yü Water. This will enable us to expand the range of bundled services that we are able to offer to our customer base. While this is a good opportunity for the Group to improve its presence in the market, it is not anticipated that this additional supply opportunity will require any significant investment above and beyond the resource and infrastructure already in place.

Due to priorities around the business we have in the past used third parties to ship our gas product. While we were relatively small, accepting the charges for providing these services were not significant. However, as of 1 February 2018, our gas portfolio had grown to a level such that it became worthwhile for the Group to undertake its own shipping. In consequence, the Group has used its gas shipping licence to become a registered gas shipper with capability to distribute gas throughout the UK. This is a service that the Group can now deliver both on behalf of itself and potentially for others.

Outlook

The new financial year has started well, with contracted revenue for 2018 at the year end amounting to more than £50m. The rapid sales growth seen in 2017 is expected to continue through 2018. As a result, revenues for FY 2018 are expected to be ahead of current market forecasts with revenues for FY 2019 significantly ahead of current market expectations. In consequence, operating profits for both FY 2018 and FY 2019 are expected to be ahead of current market expectations after taking into account planned investment in infrastructure and staffing to support the Group's continued growth.

As would be expected, the Group has faced challenges during the year. However, we remain focused and disciplined. As we continue to grow the corporate framework we expect to be tested in areas around cash flow, culture, infrastructure, resource and, above all, by the impact of growth. I welcome these challenges head on as they will help to shape the business and make it more robust. I also look forward to the future with confidence and a belief that to date we have only scratched the surface of what can be achieved.

The experience of the last 18 months, as the Group has become exposed to the larger UK corporate sector in terms of its customer base, has meant that the Board is now able to predict with a high degree of confidence, the growth of the Group over the next few years. This predictability within the business, coupled with the scalability of our model, provides the Board with considerable confidence and support for our belief in future growth.

Bobby Kalar
Chief Executive Officer
6 March 2018

Yü Water

The launch of Yü Water will allow businesses to access bespoke utility packages across gas, electricity and water, tailored to their needs, making it easier to manage their utilities

In December 2017 the Group announced our entry into the business water supply market with the launch of Yü Water. We received our Water Supply Licence (WSL) from Ofwat, having successfully completed Market Entry Assurance Certification with the market operator, MOSL. We have signed wholesale supply contracts with a number of water wholesalers across England.

The addition of water utility services to our product portfolio builds on our experience in the energy market for corporate customers and our ability to deliver these utilities with best-in-class customer service. This enables the Group to offer a bespoke, value-added service to our customers who seek the flexibility of a one-stop-shop for their utility needs.

The launch of Yü Water will allow businesses to access bespoke utility packages across gas, electricity and water to suit their individual needs and make it easier for them to manage their utilities. It will allow businesses across England to source their gas, electricity and water from one supplier with one point of contact. Yü Group is one of the first suppliers in the UK to offer all of these utilities under one roof. The launch of Yü Water follows the de-regulation of the business water market in England in April 2017 which allows eligible non-household customers the opportunity to choose their water retailer for the first time.

The Group will be engaging with water customers during Spring 2018.

A CLEAR STRATEGY

Contracted revenues with firm margins and high renewal rates provide a solid foundation for further growth in a large UK market.

	Progress in 2017	Priorities in 2018

1. REVENUE GROWTH AT A STEADY MARGIN	• Achieved almost three-fold growth in sales.
	• Improved adjusted operating margins - 6.7 per cent.
	• Grown rapidly by supplying a wide range of commercial customers.
	• Now identified ideal customer profile:
	  • half-hour, medium to large capacity meters; and
	  • professional corporates with multi-responsibility procurement.
		• Continued growth targeting ideal customer profile.
		• Expansion of direct sales team with new Leicester sales office.
		• Yü Water launch providing a differentiated one-stop-shop utility offering.
		• Commence gas shipping to enhance gross margins on in-house gas sales and provide opportunity to ship gas on behalf of others.

2. MANAGED FIXED-COST BASE	• Managed control of infrastructure costs against the need to grow sales and provide excellent service.	• Ensure balance between cost control and award-winning customer service is maintained. • Systems investment to ensure robust processes and governance to support business growth.

3. GENERATE CASH	• Cash reserves of £4.9m as of 31 December 2017.
	• Operating cash inflow in 2017 of £0.5m.
		• Generate cash to:
		  • ensure sufficient resources for hedging collateral requirements; and
		  • maintain a progressive dividend policy.

4. MANAGE COMMODITY MARKET RISK TO MINIMISE EXPOSURE	• Letters of credit in place for hedging using £3.5m of cash reserves. • Ensured maximum feasible hedging throughout the year to protect margins.	• Continue to operate prudent hedging policy to ensure margin objectives are achieved.

Read more about our strategy and KPIs on page 9

Finance review

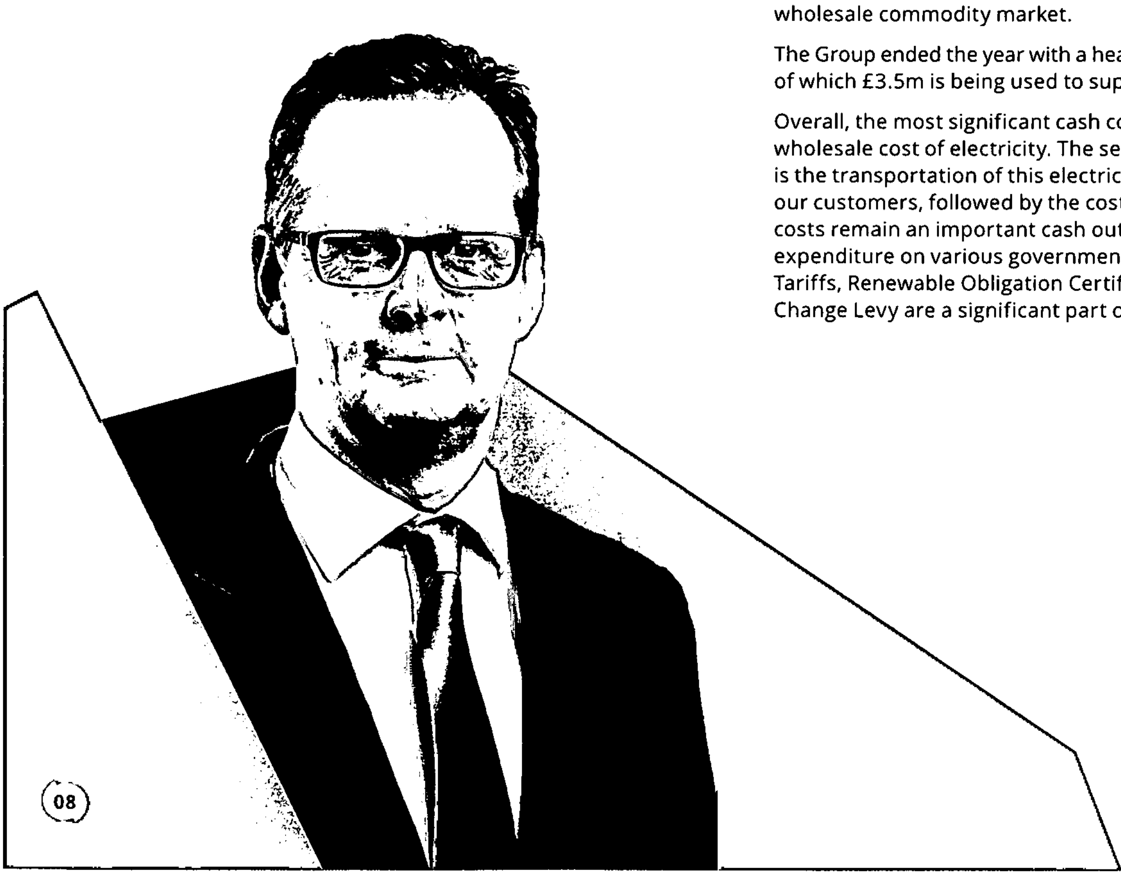
SIGNIFICANT GROWTH OPPORTUNITY

One of the key advantages of the Yü Group business model is the predictability of revenue streams.

Results overview

The year to 31 December 2017 has once again been a further year of substantial growth. Revenue in 2017 increased almost three-fold to £47.0m (2016: £16.3m) while gas customer numbers have risen by 75 per cent to 2,620 (2016: 1,497) and electricity customers are up by 68 per cent to 4,741 (2016: 2,824).

Gross margins have declined slightly to 17.4 per cent from 21.2 per cent in the prior year, due to the greater emphasis on larger corporate customers as the Group increased its involvement in the Half Hourly meter sector. Profit before tax for the year was £2.2m (2016: loss of £1.5m). After adjusting for interest, unrealised gains on derivative contracts and share based payments, the Group achieved an adjusted operating profit of £3.1m (2016 profit before IPO costs, interest and share based payments: £0.2m).



The Directors are of the opinion that by reporting the adjusted operating profits before charging share based payments and unrealised gains on derivative contracts, a more representative figure for the relevant underlying profitability of the Group can be derived. In the opinion of the Directors, substantial non-cash charges, such as share based payments, do not materially affect the short-term enterprise value of the business and thus adjustment is required so that sensible assessments can be made.

Regarding unrealised gains or losses on derivative contracts, the Group enters into forward contracts for the purchase of power and gas to avoid any risk associated with selling fixed price contracts to our customers. The Board regards all of these contracts as being for the "own use" of the Group. However, under the rules of IAS 39, some of these contracts do not qualify for the "own use exemption" due to the need to balance our portfolio as customers' actual usage is ultimately confirmed on a daily basis. In consequence, accounting rules require that certain of these contracts must be measured at fair value, which is in essence the difference between the price we have secured in the contract, and the price we could have achieved in the market at the year end. Changes in fair value are recognised as an exceptional item in the income statement. This accounting treatment, under the stringent rules of IAS 39, has no impact upon our risk averse approach towards ensuring our contracts with our customers are, as far as practically possible, matched with an appropriate forward purchase contract with the wholesale commodity market.

The Group ended the year with a healthy cash balance of £4.9m, of which £3.5m is being used to support letters of credit.

Overall, the most significant cash cost for the business is the wholesale cost of electricity. The second highest cost incurred is the transportation of this electricity around the country to our customers, followed by the cost of gas. While employee costs remain an important cash outflow, the additional expenditure on various government taxes such as Feed-In Tariffs, Renewable Obligation Certificates and the Climate Change Levy are a significant part of the customers' bills.

Contracted revenue

One of the key advantages of the Group's business model is the ability to forecast revenue streams. Average contract length for our customers continues to be approximately 15 months and given that the selling price is contractually fixed and the consumption of the customer base can be reliably forecast, it means that forecast contracted revenue, which assumes no new sales going forward, can be estimated with reasonable certainty to the extent of a 10 per cent margin of error.

At the start of the new financial year the contracted revenue for 2018 was in excess of £50m.

Annualised bookings

Each month a key management review point in order to assess the growth of the sales pipeline is to monitor the annualised value of contracts sold. The level of sales each month will fluctuate depending upon the time of the year and the number of sales staff, as well as whether we manage the sales team to focus on margin or revenue. The average monthly sales bookings has risen from £3.7m per month in 2016 to £5.1m per month in 2017.

Letters of credit

At the year end the Group had issued £3.5m of letters of credit, which were supported by way of cash on deposit with the Group's bankers. The Group constantly assesses the level of this collateral against its operations in the commodity market to ensure that there is sufficient support for its hedging operations. Cash and cash equivalents at the end of the year stood at £4.9m.

Dividend

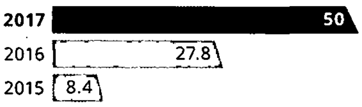
The Group continues to pursue a progressive dividend policy. An interim dividend of 1.00p per share was paid to shareholders on 9 January 2018, and the Board is now recommending the payment of a final dividend of 2.00p per share, subject to shareholder approval at the Company's AGM on 24 May 2018.

Nick Parker
Chief Financial Officer
6 March 2018

Our key performance indicators

Contracted revenue*

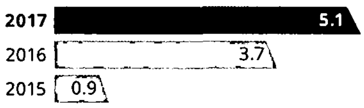
£50M +80%



Link to strategy

Average monthly new bookings

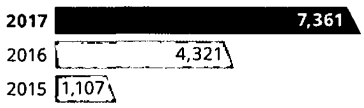
£5.1M +38%



Link to strategy

Total meter numbers

7,361 +70%



Link to strategy

* Contracted revenue comprises the estimated value of revenue for the subsequent 12 months under contract with customers. The actual amount recognised might vary by up to 10 per cent of this value, due to the inherent estimation involved in the calculation.

Risks and uncertainties

MANAGING OUR RISKS

We have assessed our principal risks based on the likelihood of their occurrence and potential impact.

BOARD

↑

AUDIT COMMITTEE

RISK MANAGEMENT COMMITTEE | INTERNAL AUDIT

↑

SENIOR LEADERSHIP TEAM

Description	Mitigation	Change
Controlled expansion		
The Group is currently experiencing rapid expansion. There is a risk that the existing systems, processes and procedures that are in place are not fit for purpose, and are not able to scale up at the same rate as the business is growing.	The Board is investing time and money in both the underlying system infrastructure and the personnel who will be using it on a day to day basis. System upgrades have been taking place in 2017 and will continue into 2018, as will the recruitment process to ensure the Group has the necessary talent to maintain its high level of customer service, which is core to its business proposition.	→
Revenue recognition		
For both electricity and gas supplied, revenue is recognised on consumption. Due to the inherent nature of the industry and its reliance upon estimated meter readings, revenue includes the Directors' best estimate of differences between estimated sales and billed sales. The Group makes estimates of customer consumption based on available industry data, and also seasonal usage curves that have been estimated through historical actual usage data.	The Group's systems and infrastructure are closely linked to the energy industry's data flow and reconciliation systems thus ensuring that the revised data is reflected in revenue reporting in a timely manner. In addition, the Group requests regular and frequent meter readings from customers where appropriate. Furthermore, the growth in the number of Half Hourly and smart meters used by the Group's customers reduces the reliance on estimated consumption.	→

Change key:

↑ Increase

→ No change

↓ Decrease

STRATEGIC REPORT

Description	Mitigation	Change
Volatility in commodity prices (gas and electricity)		
The Group is at risk from price movements in the gas and electricity market. Customers are signed up to fixed term contracts for the supply of energy at a fixed price. Any increase in the wholesale price of gas and electricity opens the Group up to potential risk.	The Group's policy is to operate a robust and timely commodity (power and gas) purchasing strategy to maintain an efficient and effective hedge that backs the fixed price sales and protects the business against potential market volatility. Some of the funds raised by the Company as a result of the IPO have been used to ensure that the hedging policy is adhered to by providing collateral for letters of credit that are required by trading counterparties in the wholesale market.	→
Competition		
Whilst the Group is highly focused on its market it has to compete with a number of large national and international companies, other energy trading companies as well as independent suppliers and a number of smaller, localised, independent companies. In addition, the Group's competitors may announce new services, or enhancements to existing services, that better meet the needs of customers or changing industry standards. Furthermore, these markets may consolidate and, as this occurs, the Group could find itself under increased pressure from larger competitors.	The Group will continue to focus on its core principles and values, with the aim of differentiating itself from the competition. It will strive to ensure the customer is put first in every aspect of its business. The Group will continue to be as competitive as possible on price, without sacrificing any of its service levels.	→
Relationship with regulatory bodies		
The Group is a licensed gas and electricity supplier, and therefore has a direct regulatory relationship with the various regulatory bodies within the industry, in particular Ofgem. If the Group fails to maintain an effective relationship with these regulatory bodies and comply with its licence obligations, it could be subject to fines or to the removal of its respective licences.	The Group has a management team and senior staff with significant industry experience, and significant experience in dealing effectively with the various regulatory bodies. The Group will continue to invest in the right people with the right skill set to ensure all obligations are met by the business and that the strong regulatory relationship that currently exists is maintained.	↓

Nick Parker
Chief Financial Officer
6 March 2018

Board of Directors

STRONG GOVERNANCE

Ralph Cohen
Independent Non-executive Chairman

A R

Skills and experience

Ralph has held various senior executive positions within the energy and water divisions of the Paris based Vivendi group between 1981 and 2001. This included 10 years as managing director of Associated Electricity Supplies Limited and 10 years as finance director and subsequently managing director of Associated Heat Services Plc, a listed subsidiary for part of this period. In total he has spent more than 25 years working in the energy sector in roles covering energy services, importation of electricity and electricity supply. He previously spent nine years at Ernst & Young. Latterly he was the founding partner of MC Consultancy Services, where he was closely associated with major projects, including electricity supply opportunities in Europe and M&A projects.

External appointments

Ralph was for 10 years, until April 2015, the CFO and is now a non-executive director of Judges Scientific plc.

Bobby Kalar
Chief Executive Officer

Skills and experience

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

External appointments

None.

Nick Parker
Chief Financial Officer

Skills and experience

Nick has over 30 years of experience in financial positions and, in particular, London Stock Exchange-listed companies. Before joining the Group, Nick was the CFO of WANdisco PLC prior to and immediately following its admission to AIM, CFO of Volex PLC and, for over eight years, CFO of Dyson Group PLC. He also served as the chief executive of Sheffield Wednesday Football Club and vice president of corporate development at Carclo PLC, where he oversaw numerous acquisitions and disposals in both the UK and overseas. Nick holds a BA in accountancy and economics and is a member of the ICAEW.

External appointments

None.

Garry Pickering
Chief Operating Officer

Skills and experience
Garry has a degree in economics from Nottingham Trent University. He commenced work with East Midlands Electricity PLC in February 1997, which was ultimately acquired by E.ON. He has 20 years' experience in electricity and gas markets, the vast majority spent managing the financial risks associated with a supply and generation portfolio. He has worked on projects including the deregulation of the UK electricity supply businesses and the implementation of the New Electricity Trading Arrangements that underpin the operation of the current UK electricity industry. His final role at E.ON, based in Düsseldorf, Germany, was as head of UK power portfolio optimisation. He left E.ON and returned to the UK in January 2015 in order to join the Group and oversee its operational requirements including energy purchasing and risk management.

External appointments
None.

John Glasgow
Independent Non-executive Director

A R

Skills and experience
John has over 35 years' experience in engineering, operations, trading and IT across the energy industry. Senior roles have included head of Powergen technical audit and head of Powergen energy management centre, covering energy trading and power plant portfolio optimisation, and general manager of Powergen Energy Solutions. Latterly he was in board roles including head of strategy at the establishment of the new E.ON Energy Services business, E.ON director of new connections and metering and director of operations and asset management at E.ON Central Networks. During this time John was also a board member of the Energy Networks Association and a member of the DECC Energy Emergencies Executive Committee ("E3C"). Upon leaving E.ON John became managing director of Sterling Power Utilities Ltd until autumn 2013.

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

Committee key

- A Audit committee
- R Remuneration committee
- Chairman

Corporate governance report

Statement by the Directors on compliance with the Code of Best Practice

As an AIM-quoted company, Yü Group PLC is not required to comply with the provisions of the UK Corporate Governance Code ("the Code") that applies to companies with a premium London Stock Exchange listing. However, the Board recognises the importance and value of good corporate governance procedures and accordingly has selected those elements of the Code that it considers relevant and appropriate to the Group, given its size and structure.

The Board

The Group is controlled through a Board of Directors, which at 31 December 2017 comprised a Non-executive Chairman, three Executive Directors and one other Non-executive Director, for the proper management of the Company and the Group. The Chairman is Ralph Cohen and the Chief Executive Officer is Bobby Kalar. Both of the Non-executive Board members, Ralph Cohen and John Glasgow, are considered to be independent. The Board operates both formally, through Board and committee meetings, and informally, through regular contact among Directors and senior Executives. There is a schedule of matters that are specifically referred to the Board for its decision, including approval of interim and annual financial results, setting and monitoring of strategy and examining business expansion possibilities. The Board is supplied with information in a timely manner, in a form and quality appropriate to enable it to discharge its duties.

The Directors can obtain independent professional advice at the Group's expense in the performance of their duties as Directors.

Board committees

The Board committees comprise the audit committee and the remuneration committee.

Audit committee including the Audit Committee Report

The audit committee comprises two members, who are both Non-executive Directors: Ralph Cohen (Chairman) and John Glasgow. The Group's external auditor, along with the Chief Executive Officer and the Chief Financial Officer, are invited to attend the audit committee meetings.

The audit committee has responsibility for, among other things, the monitoring of the financial integrity of the financial statements of the Group and the involvement of the Group's auditor in that process. It focuses, in particular, on compliance with accounting policies and ensuring that an effective system of audit and financial control is maintained, including considering the scope of the annual audit and the extent of the non-audit work undertaken by the external auditor and advising on the appointment of the external auditor.

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

The audit committee meets at least twice a year at the appropriate times in the financial reporting and audit cycle, and at such other times as may be deemed necessary. The terms of reference of the audit committee cover such issues as membership and the frequency of meetings, together with requirements of any quorum for, and the right to attend, meetings. The responsibilities of the audit committee covered in its terms of reference include the following: external audit, financial reporting, internal controls and risk management. The terms of reference also set out the authority of the committee to carry out its responsibilities. The audit committee met three times during 2017.

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

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

The Company has a whistleblowing policy, in which staff may notify management or Non-executive Directors of any concerns regarding suspected wrongdoing or dangers at work.

Remuneration committee

The Chairman of the remuneration committee is John Glasgow; Ralph Cohen is the other Non-executive member. The committee meets periodically as required and is responsible for overseeing the policy regarding Executive remuneration and for approving the remuneration packages for the Group's Executive Directors. It is also responsible for reviewing incentive schemes for the Group as a whole.

Nominations committee

As the Board is small, there is currently no separate nominations committee. This will be reviewed as the Group and Board develop over time. The appointment of new Directors is considered by the Board as a whole.

Number of employees

110 **+53%**

Gender of employees

Risk management and internal controls

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness, while the role of management is to implement Board policies on risk management and control. It should be recognised that the Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

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

The Group is currently experiencing rapid expansion. There is a risk that the existing systems, processes and procedures that are in place are not fit for purpose, and are not able to scale up at the same rate the business is growing. The Board is currently investing time and money in both the underlying system infrastructure and the personnel who will be using it on a day to day basis. System upgrades have taken place in 2017 and will continue into 2018, along with the necessary recruitment process.

The audit committee receives reports from management and the external auditor concerning the system of internal control and any material control weaknesses. Any significant risk issues are referred to the Board for consideration. The Board has considered the need for an internal audit function, but has concluded that, at this stage in the Group's development, the internal control systems in place are appropriate for the size and complexity of the Group.

Shareholder communications

The Chief Executive Officer and the Chief Financial Officer regularly meet with institutional shareholders to foster a mutual understanding of objectives. In particular, an extensive programme of meetings with analysts and institutional shareholders is held following the announcement of results. Feedback from these meetings and market updates prepared by the Company's Nomad are presented to the Board to ensure they have an understanding of shareholders' views. The Chairman and the other Non-executive Director are available to shareholders to discuss strategy and governance issues.

The Directors encourage the participation of all shareholders, including private investors, at the annual general meeting and as a matter of policy the level of proxy votes (for, against and vote withheld) lodged on each resolution will be declared shortly after the meeting by means of an announcement on the London Stock Exchange and via the Company's website. The annual report and accounts is published on the Company's website, www.yugroupplc.com, and can be accessed by shareholders.

Our people

A huge part of the Group's success has been due to our people. We've continued to invest in our team during 2017, in a carefully controlled manner, to ensure a balance between growth, cost control and service delivery as the Group expands.

During 2017 our team grew from 72 to 110 people. We will continue to invest in growing our team to take advantage of the market opportunity.

Furthermore, we have successfully recruited a senior management team to help with the challenges that rapid growth brings for a company of our size. This team have wide experience of sales, marketing, finance, human resources, IT and energy industry operations in larger corporates that reflect best practice. This investment will ensure that the Group maintains high standards of customer service as well as adhering to stringent industry regulations.

We've continued to invest for growth with team numbers rising from 72 to 110.

Remuneration report

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

Membership of the remuneration committee

During the year, the remuneration committee comprised the two Non-executive Directors, John Glasgow (Chairman of the remuneration committee) and Ralph Cohen. The remuneration committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to remuneration, terms of service, granting of share options and other equity incentives.

Remuneration policy

The objectives of the remuneration policy are to enable the Company to attract, retain and motivate its Executive Directors, while ensuring that the overall remuneration of Executive Directors is aligned with the performance of the Group and preserves an appropriate balance of remuneration and shareholder value.

Non-executive Directors

Remuneration of the Non-executive Directors is determined by the Executive Directors. Non-executive Directors are not entitled to pensions, annual bonuses or employee benefits. They are entitled to participate in share option arrangements relating to the Company's shares but neither of them does at this time.

The annual fee for each Non-executive Director is set at £35,000 per annum. Their appointment may be terminated with three months' written notice at any time.

Directors' remuneration

The normal remuneration arrangements for Executive Directors consist of basic salary and annual performance related bonuses.

All of the Executive Directors have service agreements that can be terminated by either party by giving at least 12 months' written notice.

Executive bonuses

As a result of the financial performance in the year to 31 December 2017, the Executive Directors are entitled under the terms of their service contracts to cash bonuses amounting to approximately £325,000 in aggregate, being £125,000 due to Bobby Kalar and £100,000 each to Nick Parker and Garry Pickering (together, "the Executive Directors"). The Executive Directors have agreed to waive these cash bonuses in full. The remuneration committee has agreed that, in lieu of the waiver of these bonuses, the Executive Directors be granted share options over ordinary shares in the Company, with the exercise price being the nominal value of the shares. The number of options to be granted is to be determined by the amount of the bonus payment waived and the five day volume-weighted average share price immediately following the announcement of the 2017 financial results. The options will be exercisable from the third anniversary of the date of grant.

This approach is designed to enable the Board to retain capital in the Group to support the continued momentum in the Group's growth and development, while providing the Executive Directors with a longer-term incentive to increase shareholder value.

Directors' interests

Details of the Directors' shareholdings are included in the Directors' Report on page 18.

Directors' share options

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

	Number of options at 31 Dec 2017	Weighted average exercise price
Executive		
Bobby Kalar	131,850	£1.90
Nick Parker	605,480	£0.40
Garry Pickering	605,480	£0.40
Non-executive		
Ralph Cohen	—	—
John Glasgow	—	—

The number of options listed above excludes the options to be granted in lieu of bonuses.

Directors' remuneration

	Salary/fees £'000	Bonus £'000	Benefits £'000	**Total 2017 £'000**	Total 2016 £'000
Executive					
Bobby Kalar	250	—	—	**250**	197
Nick Parker	200	—	—	**200**	280
Garry Pickering	200	—	—	**200**	171
Non-executive					
Ralph Cohen	35	—	—	**35**	28
John Glasgow	35	—	—	**35**	28
	720	—	—	**720**	704

John Glasgow
Chairman of the remuneration committee
6 March 2018

CORPORATE GOVERNANCE

Directors' report

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

Registered office

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

Dividends

The Board has proposed a final dividend in respect of FY2017 of 2.0p per share, subject to shareholder approval at the AGM.

The Board proposed and paid an interim dividend in relation to 2017 of 1.0p per share. The total interim dividend of £140,541 was paid to shareholders on 9 January 2018.

Directors

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

- Bobby Kalar
- Nick Parker
- Garry Pickering
- Ralph Cohen
- John Glasgow

Significant shareholders

The Company is informed that, at 6 March 2018, individual registered shareholdings of more than 3 per cent of the Company's issued share capital were as follows:

	Number of ordinary shares held	% of issued ordinary share capital
Bobby Kalar	8,648,649	61.54%
Octopus Investments	1,336,352	9.51%
Miton Group PLC	1,271,995	9.05%
Canaccord Genuity Group Inc.	709,332	5.05%
Legal & General Investment Management	442,920	3.15%
Seneca Partners Limited	476,351	3.39%

Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company at 31 December 2017 and at 6 March 2018 were as follows:

	Number of ordinary shares held	% of issued ordinary share capital
Executive Directors		
Bobby Kalar	8,648,649	61.54%
Nick Parker	21,605	0.15%
Garry Pickering	—	—
Non-executive Directors		
Ralph Cohen	54,054	0.38%
John Glasgow	10,000	0.07%

Employees

The Group's Executive management regularly delivers Company-wide briefings on the Group's strategy and performance. These briefings contain details of the Group's financial performance where appropriate.

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

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

Annual general meeting

The annual general meeting of the Group is to be held on 24 May 2018. The notice of meeting appears on page 44 of these financial statements.

Political and charitable donations

During the year ended 31 December 2017 the Group made political donations of £nil (2016: £nil) and charitable donations of £250 (2016: £nil).

Supplier payment policy and practice

The Group does not operate a standard code in respect of payments to suppliers. The Group agrees terms of payment with suppliers at the start of business and then makes payments in accordance with contractual and other legal obligations. The number of creditor days outstanding at 31 December 2017 was 12 days (2016: 12 days).

Statement of disclosure of information to auditor

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

Auditors

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

On behalf of the Board

Nick Parker
Director
6 March 2018

Statement of Directors' responsibilities

In respect of the annual report and the financial statements

The Directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU") and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

To the members of Yü Group PLC

1. Our opinion is unmodified

We have audited the financial statements of Yü Group PLC ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated and Company Balance Sheets, Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities.

We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Materiality: Group financial statements as a whole		£97,500 (2016: £77,500) 5.0% of profit before tax (2016: 0.5% of total expenses before tax and exceptional IPO costs)
Coverage		100% (2016: 100%) of Group profit before tax
Risks of material misstatement vs 2016		
Recurring risks	Estimated electricity revenue	◀▶
	Classification of "own use" contracts	◀▶
	Share-based payments charge	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Estimated electricity revenue (£11.6 million included within total Group electricity revenue of £40.0 million; 2016: £3.4 million included within total Group electricity revenue of £12.8 million) *Refer to page 10 (Risks and uncertainties), page 29 (accounting policy) and page 38 (financial disclosures)*	**Subjective estimate** Certain of the Group's electricity revenues are based on estimates of the volumes supplied to customers between the date of the last meter reading and the year end ("estimated revenues"). The method of estimating such revenues is complex and judgemental and requires assumptions being made to estimate the volumes of electricity consumed by customers. The electricity consumption is determined with reference to several observable and non-observable inputs, including the customer specific estimated annual consumption ("EAC") (as identified from the industry wide settlements system), usage assumptions and contract data.	Our procedures included: • **Historical comparisons:** assessed the reasonableness of the management's estimates by considering the historical accuracy of previous judgements. • **Methodology implementation:** evaluated the appropriateness of the model used by the Group to calculate estimated income, including checking the accuracy of the calculation performed by the model. • **Test of detail:** challenged the key inputs used in the calculation, such as tariffs and EACs, by agreeing them to customer contracts and the industry wide settlement system. • **Expectation vs outcome:** set our own expectation of total revenue per customer for the year using the key inputs above and compared our expectation to actual revenue recognised to identify a sample of "outliers". "Outliers" were customers for which individually material differences between expected and actual revenue were identified and there was relatively less frequent billing/meter reading or cash collections subsequent to the year end. • **Test of detail:** tested, for the "outliers", the estimated revenue at the year-end by agreeing the revenue to confirmatory evidence, including invoices, contracts and cash receipts. • **Assessing transparency:** considered the adequacy of the Group's disclosures about the degree of estimation involved in revenue recognition.

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Classification of "own use" contracts *Refer to page 11 (Risks and uncertainties), page 30 (accounting policy) and page 39 (financial disclosures)*	**Accounting treatment** The Group purchases electricity and gas at fixed forward prices in order to hedge its exposures to fluctuations in electricity and gas prices. The Group classifies certain such contracts as "own use" contracts as defined in the relevant accounting standards and, as such, does not recognise them as derivative financial instruments on the balance sheet. During each year management assesses the extent to which the "own use" exemption applies to their portfolio of forward contracts considering the relevant criteria, such as the fact that no sale is made to the open market and physical delivery takes place under all contracts. Considering the increased volume of the transactions during the year and the manual nature of the assessment whether the criteria for the "own use" are met, there is an inherent risk that the Group is not properly using the "own use" exemption and electricity and gas purchase contracts need to be accounted for as derivative financial instruments. The amounts involved are potentially significant.	Our procedures included: • **Accounting analysis:** assessed the Group's classification of "own use" contracts by comparing the criteria used by the management for such assessment to the applicable accounting standards. • **Test of details:** assessing the appropriateness of the Group's allocation of forward contracts between the "own use" and not "own use" contracts, by comparing the volumes forward purchased during the year to volumes physically delivered to customers using our knowledge of the business and industry, gained from performing our other audit procedures. • **Historical accuracy:** compared volumes not delivered at the year end to forecast usage, which was assessed by considering the Group's historical track record of accurately forecasting customer usage.
Group and Parent Company share-based payments charge (£1.0 million; 2016: £1.3 million) *Refer to page 31 (accounting policy) and page 42 (financial disclosures)*	**Subjective valuation** The share based payment charge is one of the most quantitatively significant items in the Group and Parent Company accounts and the accounting includes certain judgements, such as the choice of valuation model and the assumptions used in assessing the fair value of options granted. This is the area that the team focused the majority of their efforts during the Parent Company audit. It also had a significant effect on the overall group audit mainly due to its materiality in the context of the Group and Parent Company financial statements.	Our procedures included: • **Methodology choice:** evaluated the appropriateness of the methodology applied to determine the fair value of options granted and whether it is in line with relevant accounting standards. • **Input assessment:** agreed observable inputs used in the valuation, such as share exercise price, vesting schedule and conditions to share option certificates. • **Benchmarking assumptions:** challenged, with the support of our own valuation specialists, the key assumptions applied, being the discount rate, volatility, dividend yield, risk-free rate and expected term, against externally derived data. • **Assessing transparency:** considered the adequacy of the Group's disclosures in respect of share based payments.

Independent auditor's report continued

To the members of Yü Group PLC

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £97,500 (2016: £77,500), determined with reference to a benchmark of profit before tax, of which it represents 5.0% (2016: 0.5% total expenses before tax and exceptional IPO costs).

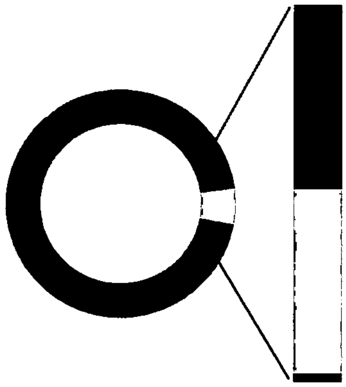
In previous periods, due to the Group reporting losses arising from significant set up and listing expenses reflecting the start up nature of the business, the benchmark used was total expenses before taxes and exceptional IPO costs. During the current period, as the Group's business matures and it reports a pre tax profit, we consider a more appropriate benchmark to be profit before tax.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £4,875 in addition to other identified misstatements that warranted reporting on qualitative grounds.

Materiality for the parent company financial statement as a whole was set at £61,250 (2016: £77,000), determined with reference to a benchmark of company total assets, of which it represents 1% (2016: 1%).

The Group engagement team performed full scope audits of all 2 of the Group's reporting components (2016: 2), including the audit of the parent company.

Profit before tax
£2.2m (2016: £15.5m total expenses before tax and exceptional IPO costs)



PBT
Group materiality

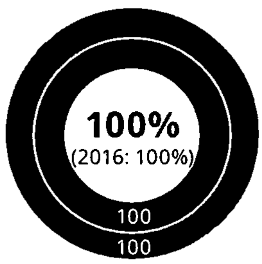
Group materiality
£97,500
(2016: £77,500)

£97,500
Whole financial statements materiality
(2016: £77,500)

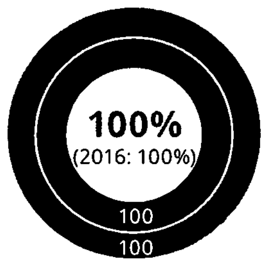
£97,000
Range of materiality at 2 components
(£61,250 - £97,000)
(2016: £77,000 to £77,500)

£4,875
Misstatements reported to the audit committee
(2016: £3,850)

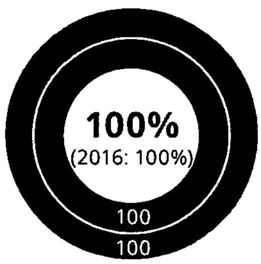
Group revenue



Group profit before tax



Group total assets



Full scope for Group audit purposes 2017
Full scope for Group audit purposes 2016

4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 19, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and, parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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

Adrian Stone (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
6 March 2018

Consolidated statement of profit and loss and other comprehensive income

For the year ended 31 December 2017

	Notes	31 December 2017 Adjusted £'000	31 December 2017 Exceptional items, unrealised gain on derivative contracts and IFRS 2 charge £'000	31 December 2017 Total £'000	31 December 2016 Adjusted £'000	31 December 2016 Exceptional items and IFRS 2 charges £'000	31 December 2016 Total £'000
Revenue		46,961	—	46,961	16,264	—	16,264
Cost of sales		(38,813)	—	(38,813)	(12,821)	—	(12,821)
Gross profit		8,148	—	8,148	3,443	—	3,443
Operating costs before exceptionals, unrealised gains on derivative contracts and IFRS 2 charges		(5,012)	—	(5,012)	(3,238)	—	(3,238)
Operating costs – exceptional items	5	—	—	—	—	(379)	(379)
Operating costs – unrealised gains on derivative contracts	5	—	259	259	—	—	—
Operating costs – IFRS 2 charges	20	—	(1,099)	(1,099)	—	(1,344)	(1,344)
Total operating costs	4	(5,012)	(840)	(5,852)	(3,238)	(1,723)	(4,961)
Profit/(loss) from operations		3,136	(840)	2,296	205	(1,723)	(1,518)
Finance income	6	14	—	14	19	—	19
Finance costs	6	(68)	—	(68)	(29)	—	(29)
Profit/(loss) before tax		3,082	(840)	2,242	195	(1,723)	(1,528)
Taxation	9	(625)	187	(438)	(59)	228	169
Profit/(loss) for the year		2,457	(653)	1,804	136	(1,495)	(1,359)
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income/(expense) for the year		2,457	(653)	1,804	136	(1,495)	(1,359)
Earnings per share							
Basic	8			£0.13			(£0.10)
Diluted	8			£0.12			(£0.10)

Consolidated and Company balance sheet

At 31 December 2017

		Group		Company	
	Notes	31 December 2017 £'000	31 December 2016 £'000	31 December 2017 £'000	31 December 2016 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**539**	209	**—**	—
Intangible assets	11	**56**	57	**—**	—
Deferred tax	14	**1,568**	467	**1,599**	297
		2,163	733	**1,599**	297
Current assets					
Trade and other receivables	15	**13,011**	4,891	**1,355**	1,252
Cash and cash equivalents	16	**4,887**	5,197	**4,404**	4,818
		17,898	10,088	**5,759**	6,070
Total assets		**20,061**	10,821	**7,358**	6,367
LIABILITIES					
Current liabilities					
Trade and other payables	17	**(10,877)**	(5,340)	**—**	—
Non-current liabilities	17	**(371)**	(72)	**(371)**	(72)
Total liabilities		**(11,248)**	(5,412)	**(371)**	(72)
Net assets		**8,813**	5,409	**6,987**	6,295
EQUITY					
Share capital	19	**70**	70	**70**	70
Share premium	19	**—**	—	**—**	—
Merger reserve	19	**(50)**	(50)	**(50)**	(50)
Retained earnings	19	**8,793**	5,389	**6,967**	6,275
		8,813	5,409	**6,987**	6,295

The financial statements on pages 24 to 43 were approved by the Board of Directors on 6 March 2018 and signed on its behalf by:

Bobby Kalar
Chief Executive Officer

Nick Parker
Chief Financial Officer

FINANCIAL STATEMENTS

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017	70	—	(50)	5,389	5,409
Total comprehensive income for the year					
Profit for the year	—	—	—	1,804	1,804
Other comprehensive income	—	—	—	—	—
	—	—	—	1,804	1,804
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	800	800
Deferred tax on share based payments	—	—	—	1,116	1,116
Equity dividend paid in the year	—	—	—	(316)	(316)
Total transactions with owners of the Company	—	—	—	1,600	1,600
Balance at 31 December 2017	70	—	(50)	8,793	8,813
Balance at 1 January 2016	50	—	(50)	(986)	(986)
Total comprehensive income for the year					
Loss for the year	—	—	—	(1,359)	(1,359)
Other comprehensive income	—	—	—	—	—
	—	—	—	(1,359)	(1,359)
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	1,272	1,272
Deferred tax on share based payments	—	—	—	69	69
Proceeds from IPO share issue	20	7,480	—	—	7,500
Share issue costs	—	(1,087)	—	—	(1,087)
Capital restructuring	—	(6,393)	—	6,393	—
Total transactions with owners of the Company	20	—	—	7,734	7,754
Balance at 31 December 2016	70	—	(50)	5,389	5,409

Company statement of changes in equity

For the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017	70	—	(50)	6,275	6,295
Total comprehensive income for the year					
Loss for the year	—	—	—	(908)	(908)
Other comprehensive income	—	—	—	—	—
	—	—	—	(908)	(908)
Transactions with owners of the Company					
Contributions and distributions					
Share based payments	—	—	—	800	800
Deferred tax on share based payments	—	—	—	1,116	1,116
Equity dividend paid in the year	—	—	—	(316)	(316)
Total transactions with owners of the Company	—	—	—	1,600	1,600
Balance at 31 December 2017	70	—	(50)	6,967	6,987
Balance at 15 February 2016	—	—	—	—	—
Total comprehensive income for the period					
Loss for the period	—	—	—	(1,459)	(1,459)
Other comprehensive income	—	—	—	—	—
	—	—	—	(1,459)	(1,459)
Transactions with owners of the Company					
Contributions and distributions					
Share based payments	—	—	—	1,272	1,272
Deferred tax on share based payments	—	—	—	69	69
Issue of shares	50	—	(50)	—	—
Proceeds from IPO share issue	20	7,480	—	—	7,500
Share issue costs	—	(1,087)	—	—	(1,087)
Capital restructuring	—	(6,393)	—	6,393	—
Total transactions with owners of the Company	70	—	(50)	7,734	7,754
Balance at 31 December 2016	70	—	(50)	6,275	6,295

Consolidated statement of cash flows

For the year ended 31 December 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Profit/(loss) for the financial year	1,804	(1,359)
Adjustments for:		
Depreciation of property, plant and equipment	211	108
Amortisation of intangible assets	1	2
Finance income	(14)	(19)
Finance costs	68	29
Taxation	438	(169)
Share based payment charge	800	1,272
Increase in trade and other receivables	(8,121)	(3,828)
Increase in trade and other creditors	5,047	3,022
Increase in provisions for employee benefits	299	72
Net cash from operating activities	533	(870)
Cash flows from investing activities		
Purchase of intangible assets	—	—
Purchase of property, plant and equipment	(541)	(162)
Interest received	14	19
Net cash from investing activities	(527)	(143)
Cash flows from financing activities		
Net proceeds from issue of new shares	—	6,413
Dividend paid during the year	(316)	—
Repayment of borrowings	—	(250)
Net cash from financing activities	(316)	6,163
Net (decrease)/increase in cash and cash equivalents	(310)	5,150
Cash and cash equivalents at the start of the year	5,197	47
Cash and cash equivalents at the end of the year	4,887	5,197

Notes to the consolidated financial statements

1. Significant accounting policies

The consolidated financial statements of the Group for the year ended 31 December 2017 were approved and authorised for issue in accordance with a resolution of the Directors on 6 March 2018. Yü Group PLC is a public limited company incorporated in the United Kingdom. The Company's ordinary shares are traded on AIM.

Basis of preparation

The consolidated financial statements have been prepared in accordance with EU-endorsed International Financial Reporting Standards ("IFRSs"), IFRIC interpretations and the Companies Act 2006. The Company has elected to prepare its parent company financial statements in accordance with UK accounting standards (UK Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Going concern

At 31 December 2017 the Group had net assets of £8.8m (2016: net assets of £5.4m). Management prepares detailed budgets and forecasts of financial performance and cash flow over the coming 12 to 36 months. Based on the current projections the Directors consider it appropriate to continue to prepare the financial statements on a going concern basis. The Group's hedging strategy is one of the principal considerations of the Board when assessing the Group's ability to continue as a going concern. For details on this, and the other principal risks facing the Group, please see pages 10 and 11.

Basis of consolidation

The consolidated accounts of the Group include the assets, liabilities and results of the Company and subsidiary undertakings in which Yü Group PLC has a controlling interest. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup 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 assumptions. Although these estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

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

Revenue recognition

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

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

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

Electricity revenue for the year ended 31 December 2017 of £40.0m (2016: £12.8m) includes £11.6m of revenue (2016: £3.4m) that has either been billed on estimated usage or has been accrued based on estimated usage data.

Financial instruments

Non-derivative financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Notes to the consolidated financial statements continued

1. Significant accounting policies continued

Financial instruments continued

Cash and cash equivalents

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

Derivative financial instruments

The Group uses commodity purchase contracts to hedge its exposures to fluctuations in gas and electricity commodity prices. The majority of commodity purchase contracts are expected to be delivered entirely to the Group's customers and therefore the Group classifies them as "own use" contracts and outside the scope of IAS 39. This is achieved when:

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

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

The commodity purchase contracts that do not meet the criteria listed above are recognised at fair value under IAS 39. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Classification of financial instruments issued by the Group

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

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

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

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

Exceptional items

The Group presents as exceptional items on the face of the consolidated statement of comprehensive income those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in that year, so as to facilitate comparison with prior periods and to assess better the trends in financial performance.

Intangible assets

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

Amortisation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of the intangible assets, unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Licence – 35 years

Property, plant and equipment

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

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

- Computer equipment – 3 years
- Fixtures and fittings – 3 years

Leased assets and lease obligations

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets acquired under finance leases are capitalised in the balance sheet at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is recorded in the balance sheet as a finance lease obligation. The lease payments are apportioned between finance charges to the income statement and a reduction of the lease obligations.

Rental payments under operating leases are charged to the income statement on a straight-line basis over the applicable lease periods.

1. Significant accounting policies continued

Share based payments

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

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

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, who regularly review the Group's performance and balance sheet position and receive financial information for the Group as a whole. Accordingly, the Board of Directors is deemed to be the CODM.

The Group's revenue and profit were derived from its principal activity, which is the supply of energy to SMEs and larger corporates in the UK. As a consequence the Group has one reportable segment, which is supply of energy to SMEs and larger corporates. Segmental profit is measured at operating profit level, as shown on the face of the statement of profit and loss.

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

Standards and interpretations

The following adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 "Financial Instruments" (effective for periods beginning on or after 1 January 2018, EU endorsed 22 November 2016);
- IFRS 15 "Revenue from Contracts with Customers" (effective date 1 January 2018, EU endorsed 22 September 2016);
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) (effective date 31 December 2016);
- IFRS 14 "Regulatory Deferral Accounts" (effective date 31 December 2016);
- IFRS 16 "Leases" (effective for periods beginning on or after 1 January 2019, EU endorsed 31 October 2017); and
- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" (EU endorsed 6 November 2017).

Notes to the consolidated financial statements continued

1. Significant accounting policies continued

Estimated impact of the adoption of IFRS 9 and IFRS 15

The Group is required to adopt IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. The Group has assessed the estimated impact that the initial application of these standards will have on its consolidated financial statements. The Group believes that the adoption of these standards will not have a material impact on the Group financial statements.

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 "Financial Instruments: Recognition and Measurement".

Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI (Fair value through other comprehensive income) and FVTPL (Fair value through profit and loss). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables.

Impairment – financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables.

The Group has performed a comparison of the trade receivables impairment provision required at 31 December 2017 based on the previous Group methodology (following IAS 39), and the new ECL model that would be adopted under IFRS 9.

The estimated ECLs were calculated based on actual credit losses experienced over the last three years.

The Group concluded that there is not a material difference in the value of the impairment provision required at 31 December 2017 under the existing and new standards.

Cash and cash equivalents

It is not anticipated that IFRS 9 will have a material impact on the Group's cash balances.

Financial liabilities

It is not anticipated that IFRS 9 will have a material impact on the Group's financial liabilities.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes".

The Group has reviewed the framework of the new standard in detail, and believes that given the Group's current revenue recognition policy (see page 29) and the nature of the industry in which the Group operates, the new standard will not have a material impact on the method of revenue recognition.

2. Segmental analysis

Operating segments

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

Geographical segments

100 per cent of the Group revenue is generated from sales to customers in the United Kingdom (2016: 100 per cent).

The Group has no individual customers representing over 10 per cent of revenue (2016: nil).

3. Auditors' remuneration

	2017 £'000	2016 £'000
Audit of these financial statements	35	25
Amounts receivable by auditors in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	10	10
Advisory work in respect of AIM listing	—	280
Other services pursuant to legislation	—	—
	45	315

£280,000 of the auditors' remuneration in 2016 was included in the exceptional cost line (see note 5).

4. Operating expenses

	2017 £'000	2016 £'000
Profit for the year has been arrived at after charging:		
Staff costs (see note 7)	4,244	2,972
Depreciation of property, plant and equipment	211	108
Amortisation of intangibles	1	2
Auditors' remuneration (see note 3)	45	315
Operating lease rentals	149	81

5. Exceptional items

As described in the Finance Review, unrealised gains or losses on derivative contracts are treated as exceptional items, amounting to a gain of £259,000 as at 31 December 2017 (2016: nil).

IFRS 2 charges in relation to share based payments are recognised as an exceptional item, being a cost of £1.1m in the year to 31 December 2017 (2016: £1.3m).

The Group incurred legal and professional fees in the year ended 31 December 2017 of £nil (2016: £379,000) in relation to the placing of ordinary shares and admission to AIM.

6. Net finance costs

	2017 £'000	2016 £'000
Bank charges	68	29
Bank interest receivable	(14)	(19)
	54	10

7. Staff numbers and costs

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

	2017 Number	2016 Number
Sales	40	30
Administration	46	28
	86	58

The aggregate payroll costs of these persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	2,844	1,430
Social security costs	301	198
Share based payments	1,099	1,344
	4,244	2,972

Notes to the consolidated financial statements continued

8. Earnings per share

Basic earnings/(loss) per share

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

	2017 £'000	2016 £'000
Profit/(loss) for the year attributable to ordinary shareholders	**1,804**	(1,359)

	2017	2016
Weighted average number of ordinary shares		
At the start of the year	**14,054,055**	10,000,000
Effect of shares issued in the year	**—**	3,212,229
Number of ordinary shares for basic earnings per share calculation	**14,054,055**	13,212,229
Dilutive effect of outstanding share options	**1,133,070**	1,094,500
Number of ordinary shares for diluted earnings per share calculation	**15,187,125**	14,306,729

	2017 £	2016 £
Basic earnings per share	**0.13**	(0.10)
Diluted earnings per share	**0.12**	(0.09)

Adjusted earnings per share

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

	2017 £'000	2016 £'000
Adjusted earnings per share		
Profit/(loss) for the year attributable to ordinary shareholders	**1,804**	(1,359)
Add back:		
Exceptional items (see note 5)	**(259)**	379
Share based payments after tax	**912**	1,116
Adjusted basic earnings for the year	**2,457**	136

	2017 £	2016 £
Adjusted earnings per share	**0.17**	0.01

9. Taxation

	2017 £'000	2016 £'000
Current tax charge		
Current year	450	25
Adjustment in respect of prior years	(25)	—
	425	25
Deferred tax credit		
Current year	(11)	(219)
Adjustment in respect of prior years	24	25
	13	(194)
Total tax charge/(credit)	438	(169)
Tax recognised directly in equity		
Current tax recognised directly in equity	—	—
Deferred tax recognised directly in equity	1,116	69
Total tax recognised directly in equity	1,116	69
Reconciliation of effective tax rate		
Profit/(loss) before tax	2,242	(1,528)
Tax at UK corporate tax rate of 19.25% (2016: 20%)	432	(306)
Expenses not deductible for tax purposes	6	73
Adjustment in respect of prior periods - current tax	(25)	25
Adjustments in respect of prior periods - deferred tax	24	—
Reduction in tax rate on deferred tax balances	1	39
Taxation charge/(credit) for the year	438	(169)

Reductions in the UK corporation tax rate from 20 per cent to 19 per cent (effective from 1 April 2017) and a further reduction to 17 per cent (effective from 1 April 2020) were substantively enacted on 6 September 2016. This will reduce the Group future corporation tax charge accordingly.

10. Dividends

The Group proposed and paid an interim dividend in relation to 2017 of 1.0p per share (2016: 0.75p per share). The total interim dividend of £140,541 was paid to shareholders on 9 January 2018.

The proposed final dividend in relation to 2017, of 2.0p per share (2016: 1.5p per share), will be subject to approval at the AGM on 24 May 2018.

Notes to the consolidated financial statements continued

11. Intangible assets

	Electricity licence £'000
Cost	
At 1 January 2017	62
Additions	—
Disposals	—
At 31 December 2017	**62**
Amortisation	
At 1 January 2017	5
Charge for the year	1
Disposals	—
At 31 December 2017	**6**
Net book value at 31 December 2017	**56**
Cost	
At 1 January 2016	62
Additions	—
Disposals	—
At 31 December 2016	**62**
Amortisation	
At 1 January 2016	3
Charge for the year	2
Disposals	—
At 31 December 2016	**5**
Net book value at 31 December 2016	**57**

On 17 February 2014, KAL-Energy Limited acquired all of the ordinary shares in Kensington Power Limited for £60,000, settled by way of £40,000 cash upon completion of the transaction and £20,000 contingent consideration upon the successful completion of MRASCo Controlled Market Entry ("CME") as confirmed by Gemserv Limited. The contingent consideration was paid in 2015.

Acquisition related costs of £2,700 were incurred relating to legal fees and stamp duty.

Kensington Power Limited was non-trading prior to its acquisition by the Group and it had been established as a special purpose company to procure Ofgem licences. Kensington Power Limited held an electricity supply licence under the Electricity Act 1989 which came into force on 11 January 2013. KAL-Energy Limited acquired Kensington Power Limited to enable the Group to commence supply of electricity to SME customers. As Kensington Power Limited only contained the licence and no business, this has been accounted for as an asset acquisition.

Following the acquisition, Kensington Power Limited has become the trading entity within the Group with KAL-Energy Limited acting as a holding company.

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 has come into force.

12. Property, plant and equipment

	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2017	382	54	436
Additions	406	135	541
At 31 December 2017	**788**	**189**	**977**
Depreciation			
At 1 January 2017	206	21	227
Charge for the year	152	59	211
At 31 December 2017	**358**	**80**	**438**
Net book value at 31 December 2017	**430**	**109**	**539**
Cost			
At 1 January 2016	251	23	274
Additions	131	31	162
At 31 December 2016	382	54	436
Depreciation			
At 1 January 2016	114	5	119
Charge for the year	92	16	108
At 31 December 2016	206	21	227
Net book value at 31 December 2016	176	33	209

13. Investments in subsidiaries

The Group has the following investments in subsidiaries:

Company name	Country of incorporation	Holding	Proportion of shares held	Nature of business
KAL-Energy Limited	United Kingdom	Ordinary shares	100%	Dormant
Yü Energy Limited	United Kingdom	Ordinary shares	100%	Dormant
Kensington Power Limited	United Kingdom	Ordinary shares	100%	Supply of energy to businesses
Yü Water Limited	United Kingdom	Ordinary shares	100%	Dormant

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

All of the above entities have the same registered address as Yü Group PLC. The address is listed as part of the Company information on page 48.

14. Deferred tax assets

Deferred tax assets are attributable to the following:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Property, plant and equipment	(32)	(33)	—	—
Tax value of loss carry-forwards	—	203	—	—
Share based payments	1,600	297	1,599	297
	1,568	467	1,599	297

Notes to the consolidated financial statements continued

14. Deferred tax assets continued

Movement in deferred tax in the period:

	At 1 January 2017 £'000	Recognised in income £'000	Recognised directly in equity £'000	At 31 December 2017 £'000
Property, plant and equipment	(33)	1	—	**(32)**
Tax value of loss carry-forwards	203	(203)	—	**—**
Share based payments	297	187	1,116	**1,600**
	467	(15)	1,116	**1,568**

	At 1 January 2016 £'000	Recognised in income £'000	Recognised directly in equity £'000	At 31 December 2016 £'000
Property, plant and equipment	(28)	(5)	—	(33)
Tax value of loss carry-forwards	232	(29)	—	203
Share based payments	—	228	69	297
	204	194	69	467

The deferred tax asset is expected to be utilised over the next three years. The Group is forecast to generate sufficient taxable income as a result of the growth in the customer base against which it will utilise these deferred tax assets.

15. Trade and other receivables

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Trade receivables	**7,969**	2,663	**—**	—
Accrued income	**4,162**	1,904	**—**	—
Prepayments	**235**	83	**—**	—
Other receivables	**386**	241	**—**	—
Financial derivative asset	**259**	—	**—**	—
Amount due from subsidiary undertaking	**—**	—	**1,355**	1,252
	13,011	4,891	**1,355**	1,252

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

The amount due from subsidiary undertaking in the books of Yü Group PLC is non-interest bearing and is repayable on demand.

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

16. Cash and cash equivalents

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Cash at bank and in hand	**1,387**	379	**—**	—
Short-term deposits	**3,500**	4,818	**4,404**	4,818
	4,887	5,197	**4,404**	4,818

17. Trade and other payables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current				
Trade payables	**2,044**	431	**—**	—
Accrued expenses	**7,081**	3,602	**—**	—
Corporation tax	**448**	25	**—**	—
Other payables	**1,304**	1,282	**—**	—
	10,877	5,340	**—**	—
Non-current				
Group share bonus liabilities	**—**	—	**371**	72

Details of the Group share bonus scheme are included in note 20.

18. Financial instruments and risk management

The Group's principal financial instruments are cash, trade receivables, trade payables and derivative financial assets and liabilities. The Group has exposure to the following risks from its use of financial instruments:

(a) Fair values of financial instruments

Fair values

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

(b) Market risk

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

Commodity and energy prices

The Group uses commodity purchase contracts to manage its exposures to fluctuations in gas and electricity commodity prices. The Group's objective is to minimise risk from fluctuations in energy prices by entering into back to back energy contracts with its suppliers and customers. Commodity purchase contracts are entered into as part of the Group's normal business activities. The majority of commodity purchase contracts are expected to be delivered entirely to the Group's customers and are therefore classified as "own use" contracts. These instruments do not fall into the scope of IAS 39 and therefore are not recognised in the financial statements. A proportion of the contracts in the Group's portfolio are expected to be settled net in cash where 100 per cent of the volume hedged is not delivered to the Group's customers and is instead sold back to the grid in order to smooth demand on a real time basis. An assumption is made based on past experience of the proportion of the portfolio expected to be settled in this way and these contracts are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

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

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

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

All commodity purchase contracts are entered into exclusively for own use, to supply energy to business customers, however as noted above, a number of these contracts don't meet the stringent requirements of IAS 39, and so are subject to fair value measurement through the income statement.

The fair value mark to market adjustment at 31 December 2017 is £259,000 (see note 15 for corresponding derivative financial asset).

The Group's exposure to commodity price risk according to IFRS 7 is measured by reference to the Group's IAS 39 commodity contracts. IFRS 7 requires disclosure of a sensitivity analysis for market risks that is intended to illustrate the sensitivity of the Group's financial position and performance to changes in market variables impacting upon the fair values or cash flows associated with the Group's financial instruments.

Notes to the consolidated financial statements continued

18. Financial instruments and risk management continued

(b) Market risk continued

Commodity and energy prices continued

Therefore, the sensitivity analysis provided below discloses the impact on profit or loss at the balance sheet date assuming that a reasonably possible change in commodity prices had occurred, and been applied to the risk exposures in place at that date. The reasonably possible changes in commodity price used in the sensitivity analysis were determined based on calculated or implied volatilities where available, or historical data.

The sensitivity analysis has been calculated on the basis that the proportion of commodity contracts that are IAS 39 financial instruments remains consistent with those at that point. Excluded from this analysis are all commodity contracts that are not financial instruments under IAS 39.

Open market price of forward contracts	Reasonably possible increase/ decrease in variable	Impact on profit and net assets £'000
UK gas (p/therm)	+/-3	28
UK power (£/MWh)	+/-4	316
		344

(c) Credit risk

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

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

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

The ageing of trade receivables at the balance sheet date was:

	2017 £'000	2016 £'000
Not past due	**5,346**	1,434
Past due (0–30 days)	**1,419**	523
Past due (31–120 days)	**1,022**	670
More than 120 days	**182**	36
	7,969	2,663

At 31 December 2017 the Group held a provision against doubtful debts of £101,000 (2016: £50,000).

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board is responsible for ensuring that the Group has sufficient liquidity to meet its financial liabilities as they fall due and does so by monitoring cash flow forecasts and budgets. In order to enter into the necessary commodity purchase contracts, the Group is required to lodge funds on deposit with its bank. These funds (£3.5m at 31 December 2017) are used as collateral, allowing the bank to issue letters of credit ("LOCs") to the relevant trading counterparties in the wholesale energy market. The Board has considered the cash flow forecasts, along with the collateral and LOC requirements, for the next 12 months, which show that the Group expects to operate within its working capital facilities throughout the year.

Any excess cash balances are held in short-term, interest bearing deposit accounts. At 31 December 2017 the Group had £4.9m of cash and bank balances, as per note 16.

(e) Foreign currency risk

The Group trades entirely in pounds sterling, hence it has no foreign currency risk.

19. Share capital and reserves

Share capital	2017 Number	2017 £'000	2016 Number	2016 £'000
Allotted and fully paid ordinary shares of £0.005 each	**14,054,055**	**70**	14,054,055	70

The Company has one class of ordinary share which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000
At 1 January 2017	70	—	(50)	5,389
Profit for the year	—	—	—	1,804
Share based payment charge	—	—	—	800
Deferred tax on share based payment charge	—	—	—	1,116
Equity dividend paid	—	—	—	(316)
At 31 December 2017	**70**	**—**	**(50)**	**8,793**
At 1 January 2016	50	—	(50)	(986)
Loss for the year	—	—	—	(1,359)
Share based payment charge	—	—	—	1,272
Deferred tax on share based payment charge	—	—	—	69
Proceeds from IPO share issue	20	7,480	—	—
Share issue costs	—	(1,087)	—	—
Capital restructuring	—	(6,393)	—	6,393
At 31 December 2016	70	—	(50)	5,389

On 15 February 2016, being the date of incorporation of Yü Group PLC, 100 ordinary shares of £1.00 each were issued.

On 16 February 2016, the existing 100 ordinary shares of £1.00 were subdivided into 20,000 shares of £0.005 each.

On 18 February 2016, the Company allotted 9,980,000 ordinary shares of £0.005 each in connection with a share-for-share exchange transaction pursuant to which the Company acquired beneficial ownership of 100 per cent of the share capital of KAL-Energy Limited. The Company has recorded a £nil cost of investment and a merger reserve of £50,000 as KAL-Energy Limited was in a negative net asset position at that date.

As part of the Company's admission to AIM on 17 March 2016, 4,054,055 new ordinary shares of £0.005 each were issued. These shares were placed at £1.85 per share, resulting in additional share capital of £20,270 and share premium of £7,479,730.

Costs relating directly to the new issue of shares have been deducted from the share premium account. Attributable IPO costs are allocated between share premium and the income statement in proportion to the number of shares traded on admission.

On 26 May 2016, the Company passed a resolution at a general meeting to cancel the Company's share premium account as part of a capital reduction. This became effective from 22 June 2016 following High Court approval. As a result of the capital reduction, the Company has positive distributable reserves, allowing for dividend payments to be made.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

20. Share based payments

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

The terms and conditions of the grants made under the scheme are as follows:

		Exercisable between				
Date of grant	Expected term	Commencement	Lapse	Exercise price	Vesting schedule	Amount outstanding at 31 December 2017
17 February 2016	2	17 February 2018	17 February 2026	£0.09	1	**1,000,000**
17 February 2016	3	17 February 2019	17 February 2026	£0.09	2	**54,000**
22 December 2016	3	22 December 2019	22 December 2026	£3.25	2	**13,500**
6 April 2017	3	6 April 2020	6 April 2027	£0.005	2	**114,270**
6 April 2017	6.5	6 April 2020	6 April 2027	£2.844	2	**228,540**
28 September 2017	6.5	28 September 2020	28 September 2027	£5.825	2	**54,000**
						1,464,310

The following vesting schedule applies:

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

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

	2017	2016
Balance at the start of the period	**1,094,500**	—
Granted	**396,810**	1,108,000
Forfeited	**(27,000)**	(13,500)
Lapsed	—	—
Exercised	—	—
Balance at the end of the period	**1,464,310**	1,094,500
Vested at the end of the period	**500,000**	—
Exercisable at the end of the period	—	—
Weighted average exercise price for:		
Options granted in the period	**£2.43**	£0.13
Options forfeited in the period	**£0.09**	£0.09
Options exercised in the period	—	—
Exercise price in the range:		
From	**£0.005**	£0.09
To	**£5.825**	£3.25

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

	2017	2016
Dividend yield	**0.3%**	—
Risk-free rate	**1.5%**	1.50%
Share price volatility	**30.4–33.4%**	35.39%
Expected life (years)	**3–6.5 years**	2.55
Weighted average fair value of options granted during the period	**£3.27**	£1.75

As disclosed in the Remuneration Report on page 16, the Executive Directors have agreed to waive their 2017 cash bonus entitlement, with a new option award being made in lieu of this bonus. The number of options to be granted is to be determined by reference to the amount of the bonus payment waived and the five day volume-weighted average share price immediately following the announcement of the 2017 financial results. This new option award is accounted for under IFRS 2 to reflect the agreement in place at the year-end date which covers the service already provided by the Directors in 2017, and for further years of service until the options vest in April 2021. The IFRS 2 charge has therefore been split over the four year, three month service period, with the charge taken in these financial statements in relation to 2017 being £78,000.

20. Share based payments continued

The new option award will have an exercise price of £0.005 and will be exercisable from the third anniversary of the date of grant. It is expected that the new options will be granted during the week commencing 12 March 2018.

The Group also operates a share bonus plan for all qualifying employees of the Group. The plan is settled in cash and is subject to certain financial targets for the next three financial years. On meeting these financial targets each financial year, 50,000 notional shares are awarded to the Group bonus pool. At the end of the third financial year (31 December 2018) the value of the pool will be based on the movement in the share price during the period each tranche was awarded and will be distributed to all qualifying employees.

The total expenses recognised for the year, and the total liabilities recognised at the end of the year arising from share based payments, are as follows:

	2017 £'000	2016 £'000
Equity-settled share based payment expense	800	1,272
Cash-settled share based payment expense	299	72
	1,099	1,344

21. Commitments

Operating lease commitments

The total amount payable under non-cancellable operating leases is as follows:

	2017 £'000	2016 £'000
Payable within one year	145	147
Payable within two to five years	486	510
Payable after five years	170	290
	801	947

Subsequent to the year end, the Group entered into a new lease on a second premises in Leicester. The lease is for an initial period of 14 months and will be reviewed going forwards.

Capital commitments and contingent liabilities

The Group had no capital commitments at 31 December 2017 (2016: £nil).

The Group had no contingent liabilities at 31 December 2017 (2016: £nil).

22. Related parties and related party transactions

The Group has transacted with the following related parties during the current and prior financial periods:

- CPK Investments Limited (an entity owned by Bobby Kalar);
- Better Business Energy Limited (an entity owned by Bobby Kalar); and
- Jinny Kalar (wife of Bobby Kalar).

CPK Investments Limited owns the property from which the Group operates and rents it to Kensington Power Limited under an operating lease. During 2017 the Group paid £120,000 in lease rentals and service charges to CPK Investments Limited (2016: £99,000). The amount owing to CPK Investments at 31 December 2017 was £nil.

During the prior financial year, Jinny Kalar provided administration and consulting services to the Group. During the year she received total remuneration of £3,000 (2016: £20,500). The amount owing to Jinny Kalar at 31 December 2017 was £nil.

During the year £51,207 owed by Better Business Energy Limited was written off. The amount owing to/from Better Business Energy Limited at 31 December 2017 was £nil.

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

23. Post-balance sheet events

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

Notice of annual general meeting

Notice is given that the second annual general meeting of Yü Group PLC ("the Company") will be held at DLA Piper, 3 Noble Street, London EC2V 7EE on 24 May 2018 at 11.30am for the following purposes:

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. To receive the Company's annual accounts and the Strategic, Directors' and Auditors' Reports for the year ended 31 December 2017.
2. To declare a final dividend for the year ended 31 December 2017 on the issued ordinary shares of £0.005 each in the capital of the Company at the rate of 2.0p per ordinary share to be paid on 11 September 2018 to the shareholders whose names appear on the register of members of the Company as at the close of business on 3 August 2018.
3. To re-elect Ralph Cohen, who retires by rotation as a Director of the Company pursuant to Article 94 of the Company's Articles of Association.
4. To reappoint KPMG LLP as auditors of the Company.
5. To authorise the audit committee to determine the remuneration of the auditors.
6. That, pursuant to section 551 of the Companies Act 2006 ("the Act"), the Directors be generally and unconditionally authorised to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £23,423.43, provided that this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 24 August 2019 (whichever is the earlier), save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired.

   This authority is in substitution for all existing authorities under section 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

To consider and, if thought fit, pass the following resolutions as special resolutions:

7. That, subject to the passing of resolution 6 and pursuant to section 570 of the Act, the Directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted by resolution 6 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

   7.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

      7.1.1 to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

      7.1.2 to holders of other equity securities in the capital of the Company, as required by the rights to those securities or, subject to such rights, as the Directors otherwise consider necessary,

   but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

   7.2 otherwise than pursuant to paragraph 7.1 of this resolution, up to an aggregate nominal amount of £7,027.03,

   and this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 24 August 2019 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

   This power is in substitution for all existing powers under section 570 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

8. That, pursuant to section 701 of the Act, the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of £0.005 each in the capital of the Company, provided that:

   8.1 the maximum aggregate number of ordinary shares which may be purchased is 1,405,405;

   8.2 the minimum price (excluding expenses) which may be paid for an ordinary shares is £0.005; and

   8.3 the maximum price (excluding expenses) which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share as derived from the Alternative Investment Market for the five business days immediately preceding the day on which the purchase is made,

   and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 24 August 2019 (whichever is the earlier), save that the Company may enter into a contract to purchase ordinary shares in the capital of the Company before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires, and may make a purchase of ordinary shares in the capital of the Company pursuant to any such contract as if this authority had not expired.

By order of the Board

Nick Parker
Secretary
6 March 2018

Registered office:
CPK House
2 Horizon Place
Nottingham Business Park
Mellors Way
Nottingham
United Kingdom
NG8 6PY

Registered in England and Wales no. 10004236

Notice of annual general meeting continued

Notes

Entitlement to attend and vote

1. The right to vote at the meeting is determined by reference to the register of members of the Company. Only those persons whose names are entered on the register of members of the Company at 6.00pm on 22 May 2018 (or, if the meeting is adjourned, 6.00pm on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote (and the number of votes they may cast) at the meeting.

Proxies

2. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting and, on a poll, vote instead of him or her. A proxy need not be a shareholder of the Company.
3. A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.
4. A proxy may only be appointed in accordance with the procedures set out in note 7 and the notes to the proxy form.
5. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.
6. A proxy does not need to be a member of the Company but must attend the annual general meeting to represent you. Details of how to appoint the Chairman of the annual general meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. You may appoint more than one proxy to attend on the same occasion.
7. A form of proxy is enclosed. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by the proxy form being photocopied. State clearly on each proxy form the number of shares in relation to which the proxy is appointed.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given in the proxy form, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.
9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. To be valid, a proxy form must be received by post or (during normal business hours only) by hand at the offices of the Company's registrar, Neville Registrars Limited, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, no later than 11.30am on 22 May 2018 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).
11. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Any amended proxy appointment received after the time specified above will be disregarded.
12. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars Limited.
13. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
14. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a notarially certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Neville Registrars Limited prior to the commencement of the annual general meeting or adjourned meeting at which the vote is given or, in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting, before the time appointed for taking the poll.
15. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid.

Notes continued

Corporate representatives

16. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares. A Director, the Company Secretary or other person authorised for the purpose by the Company Secretary may require all or any such persons to produce a copy of the resolution of authorisation certified by an officer of the corporation before permitting him to exercise his powers.

Method of voting

17. Voting on all resolutions will be decided on a show of hands unless a poll is duly demanded (i) before or on declaration of the result of a vote on a show of hands or (ii) on the withdrawal of any other demand for a poll.

Documents available for inspection

18. The following documents will be available for inspection during normal business hours at the registered office of the Company and at the Company's business address, CPK House, 2 Horizon Place, Nottingham Business Park, Mellors Way, Nottingham NG8 6PY, from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends:

    18.1 copies of the service contracts of the Executive Directors; and

    18.2 copies of the letters of appointment of the Non-executive Directors.

Biographical details of Directors

19. Biographical details of all those Directors who are offering themselves for reappointment at the meeting are set out on pages 12 and 13 of the enclosed annual report and accounts.

Company information

Company Secretary
Nick Parker

Company website
www.yugroupplc.com

Registered office
CPK House
2 Horizon Place
Nottingham Business Park
Mellors Way
Nottingham NG8 6PY

Nominated adviser
Shore Capital and Corporate Limited
Bond Street House
14 Clifford Street
London W1S 4JU

Broker
Shore Capital Stockbrokers Limited
Bond Street House
14 Clifford Street
London W1S 4JU

Auditor and reporting accountant
KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds LS1 4DA

Solicitors to the Company
DLA Piper UK LLP
3 Noble Street
London EC2V 7EE

Registrars
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen B63 3DA

0121 585 1131

Financial PR
Alma PR
1 Fore Street
London EC2Y 9DT

Produced by

designportfolio

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C022913

The Group's commitment to environmental issues is reflected in this annual report which has been printed on Chorus Lux Silk, made from an FSC® certified and ECF (Process Chlorine Free) material. Printed in the UK by Pureprint Group using their environmental printing technology, Pureprint Group is a CarbonNeutral® company. Both manufacturing mill and the printer are registered to the Environmental Management System ISO14001 and are Forest Stewardship Council® (FSC) chain-of-custody certified.

GROUP PLC

CPK House
2 Horizon Place
Nottingham Business Park
Mellors Way
Nottingham NG8 6PY

www.yugroupplc.com