

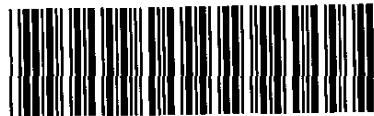
Yu Water Limited

Annual report and financial statements

Registered number 09918643

31 December 2019

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Strategic report

Principal activities and business review

The principal activity of the company is that of a water supply business, supplying water and water related services to small and medium sized enterprises (SMEs) and larger corporates. The Company commenced trading activities during the year ended 31 December 2019, prior to this Yu Water Limited was a dormant entity. The Company is a subsidiary of Yü Group PLC.

The principal activity of the Group during the year was the supply of gas, electricity and water to small and medium sized enterprises (SMEs) and larger corporates.

2019 was a year of significant reset for the Group. The issues identified in 2018 resulted in a thorough, root and branch review of the entire business and its operations, with a determined focus on the areas that needed strengthening. Part of the reset involved the slowing down of sales bookings to ensure that the business was only taking on the right type of customers at the right margin levels. The Board are pleased with the progress during 2019 and in to 2020 and are happy that the necessary solid foundations are now in place.

The Company generated revenues of £99,000 during the year and a loss before tax of £31,000.

Key performance indicators

The business has only recently commenced trading activities and as such is focused on a small number of Key Performance Indicators:

- Revenue - £99,000 (2018: £nil)
- Number of meters supplied – 209 (2018: nil)

The Directors will develop the range of KPI's as the business continues to grow.

Principal risks and uncertainties

Financial and operational risk management is undertaken as part of the Group operations as a whole. Details of the principal risks and uncertainties facing the Group are included in the financial statements of Yü Group PLC, which are available from the Group headquarters, CPK House, 2 Horizon Place, Nottingham Business Park, Mellors Way, Nottingham, NG8 6PY.

By order of the board



Paul Rawson
Director

30 November 2020

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Business review

The principal activity of the Company during the year was the supply water and water related services to small and medium sized enterprises (SME's) and larger corporates. The Company was dormant and didn't trade until 1 January 2019.

Proposed dividend

The directors do not recommend the payment of a dividend (2018: £nil).

Directors

The directors who held office during the year were as follows:

Bobby Kalar
Paul Rawson
Garry Pickering (resigned 7 February 2020)

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2018: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Strategic Report

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) regulations 2013 to set out in the Company's Strategic Report, certain information required by Schedule 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors' Report.

Auditor

For the year ended 31 December 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006.

By order of the board



Paul Rawson
Director

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

30 November 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of Comprehensive Income
For the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	<i>1</i>	99	-
Cost of sales		(130)	-
Gross profit		(31)	-
Administrative expenses		-	-
Loss on ordinary activities before taxation		(31)	-
Taxation	<i>4</i>	5	-
Loss for the financial year and comprehensive income		(26)	-

The notes on pages 9 to 13 form an integral part of these financial statements.

There are no items of other comprehensive income or expense other than the loss for the year of £26,000 (2018: £nil).

Balance Sheet
At 31 December 2019

	Note	2019 £000	£000	2018 £000	£000
Non current assets					
Deferred tax	4	5		-	
		<u>5</u>		<u>-</u>	
Current assets					
Debtors	5	99		-	
Cash and cash equivalents		-		-	
		<u>99</u>		<u>-</u>	
Creditors: amounts falling due within one year	6	(130)		-	
		<u></u>		<u></u>	
Net current liabilities			(31)		-
			<u></u>		<u></u>
Total assets less current liabilities			(26)		-
			<u></u>		<u></u>
Net liabilities			(26)		-
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	7	-		-	
Profit and loss account		(26)		-	
		<u></u>		<u></u>	
Shareholders' deficit			(26)		-
			<u></u>		<u></u>

For the year ended 31 December 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to Subsidiary Companies.

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
- The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements were approved by the board of directors on 30 November 2020 and were signed on its behalf by:



Paul Rawson
Director

Company registered number: 09918643

The notes on pages 9 to 13 form an integral part of these financial statements.

Statement of Changes in Equity

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	-	-	-
<i>Total comprehensive income for the year</i>			
Loss for the year	-	(26)	(26)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(26)	(26)
	<hr/>	<hr/>	<hr/>
<i>Transactions with owners, recorded directly in equity</i>			
Issue of shares	-	-	-
Dividends	-	-	-
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	-	(26)	(26)
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2018	-	-	-
<i>Total comprehensive income for the year</i>			
Loss for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Transactions with owners, recorded directly in equity</i>			
Issue of shares	-	-	-
Dividends	-	-	-
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	-	-	-
	<hr/>	<hr/>	<hr/>

Share capital represents the nominal value of shares issued and paid up.

Profit and Loss account represents the cumulative distributable reserves of the company.

The notes on pages 9 to 13 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Yu Water Limited (the “Company”) is a private company incorporated, domiciled and registered in England in the UK. The registered number is 09918643 and the registered address is CPK House, 2 Horizon Place, Nottingham Business Park, Mellors Way, Nottingham, NG8 6PY.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”), under the historical cost convention.

In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006.

The financial statements are presented in British pounds sterling (£) and are rounded to the near thousand (£’000) except where otherwise indicated.

The Company’s ultimate parent undertaking, Yü Group PLC, includes the Company in its consolidated financial statements. The consolidated financial statements of Yü Group PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from CPK House, 2 Horizon Place, Nottingham Business Park, Mellors Way, Nottingham, NG8 6PY.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements and, where relevant, equivalent disclosures have been made in the Group accounts of the parent, in accordance with FRS101:

- Presentation of a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with the parent or wholly owned subsidiaries;
- IFRS 7, Financial Instruments: Disclosures;
- Disclosures in respect of capital management;
- Disclosures in respect of the compensation of Key Management Personnel;
- Comparative period reconciliations for share capital;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Going concern

Yu Water Limited is a subsidiary undertaking of Yü Group PLC.

For the purposes of their assessment of the appropriateness of the preparation of the Company’s accounts on a going concern basis, the directors have considered the Group’s customer contracts and agreements, the current cash position of the Group, and the forecasts of future trading through to 31 December 2022. At 31 December 2019 the Group had net assets of £5.3m.

In December 2019 two of the other Yü Group PLC trading entities (Yü Energy Retail Limited and Yü Energy Holding Limited) entered into a new structured trading arrangement, for an initial period of five years, with SmartestEnergy Limited. The facility with Smartest will provide a variable credit facility to support the Group’s hedging position, leading to a corresponding benefit to the Group’s cash position. The Board monitors covenants associated with this facility.

The unprecedented events in relation to the Covid-19 pandemic, which continue to evolve, are likely to have a short to medium-term impact on the Company’s financial performance, though are not easily forecasted. The Directors

Notes *(continued)*

1 **Accounting policies** *(continued)*

1.1 **Going concern** *(continued)*

have prepared detailed revised forecasts based on a variety of scenarios in relation to the pandemic, and stress cases of key assumptions.

The Directors continue to assess the Group's exposure to business segments materially impacted by the social distancing and lockdown measures introduced in March 2020. This assessment has classified its forward contracted revenue (to March 2021) between segments which are high risk (retail, leisure venues, etc.), medium risk (manufacturing, real estate, etc.) and lower risk (for example the healthcare or utility sector). The Group has a significant (c.45 per cent.) exposure to high risk sectors, with a further c.40 per cent. exposure in medium sectors.

The Group anticipates a reduced revenue and margin from such customers, reducing forward profitability and resulting in a mark-to-market loss on energy over purchased which is to be sold back to market. The Directors have also assumed that Covid-19 may result in additional customer credit losses (in the form of bad debt) or late customer payments, which will impact on the Group's ability to generate operating cashflow.

To date in FY 2020, the Group has experienced a reduction in revenues in certain industry sectors (as described above) due to reduced customer demand as a result of the enforced lockdowns and social distancing measures. In addition, the Group has been subject to some additional industry related costs and commodity sell-back losses as a result of Covid-19 consumption changes. The overall impact on the Group's financial performance has however, so far been manageable.

The Directors have been taking all available steps to efficiently manage cash flow, to reduce costs and to plan appropriate mitigative commercial actions to take during this period of instability across the UK economy. Constructive dialogue continues with the Group's trading counterparty (which provides a material credit facility under the Group's structured trading arrangements) related to any potential future breach of certain covenants in the event of a significant impact on business performance. The Group has also made use of various government schemes that have allowed payment deferrals for liabilities such as VAT and PAYE, along with the job retention scheme.

The Directors assessment of scenarios related to Covid-19 continuing over H2 2020 and beyond, with enhanced levels of credit loss, may result in significant financial pressure and the technical but commercially manageable temporary breach of certain covenants.

Having considered the points outlined above, notwithstanding the net liabilities position of the Company, the directors have a reasonable expectation that the company will be able to operate within the levels of funding currently available, for the foreseeable future. Yü Group PLC has provided Yu Water Limited with a formal letter of Group support, stating that it will provide the necessary funding for at least 12 months from the date of these financial statements, to enable the Company to settle its liabilities as they fall due. However, in view of the unprecedented coronavirus outbreak, and the risks it may pose to the Company and the wider Group, together with the essentially unpredictable and constantly evolving nature of the pandemic, the Directors have decided to formally note the existence of a level of material uncertainty which may potentially cast significant doubt on the Company's future ability to continue as a going concern.

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

Notes (continued)

1 Accounting policies (continued)

1.2 Basic financial instruments

Non-derivative financial instruments comprise trade and other debtors and trade and other creditors.

Trade and other debtors

Trade and other debtors 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 creditors

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

1.2 Turnover

The Company enters in to contracts to supply water and water related services to its customers. Turnover represents the fair value of the consideration received or receivable from the sale of actual and estimated water supplied during the year, net of discounts and value added tax. Revenue is recognised in line with the consumption by the end user, being the point at which the transfer of goods or services to the customer takes place and based on an assessment of the extent to which performance obligations have been achieved.

1.3 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Directors' remuneration

All of the directors are also directors of a fellow Group company, Yü Energy Retail Limited. Their remuneration of £614,000 (2018: £805,000) was paid by Yü Energy Retail Limited and no allocation was made for services to the Company.

There are no other employees employed by the company.

3 Taxation

The company has recognised a deferred tax asset of £5,000 (2018: £nil) in relation to losses made during the year. The deferred tax asset has been calculated based on an effective tax rate of 17%, which was the rate of corporation tax that was substantively enacted to come into place from April 2020. As part of the March 2020 budget, it was announced that the Corporation tax rate would not be reducing to 17% and instead would be remaining at 19%. This change was however not enacted at the balance sheet date, so has not been reflected in these financial statements. The Company, and the Yu Group as a whole, is forecast to generate sufficient taxable income as a result of the growth in the customer base against which it will utilise the deferred tax asset.

Reconciliation of effective tax rate

	2019 £'000	2018 £'000
Loss for the year	31	-
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2018: 19%)	6	-
Effects of:		
Impact of change in tax rates	(1)	-
Non-deductible expenses	-	-
	<hr/>	<hr/>
Total tax credit	5	-
	<hr/>	<hr/>

Notes (continued)

4 Debtors

	2019 £000	2018 £000
Other debtors	10	-
Accrued income	89	-
	<u>99</u>	<u>-</u>

5 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	11	-
Amounts owed to Group undertakings	58	-
Accruals and deferred income	61	-
	<u>130</u>	<u>-</u>

Amounts due to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

6 Capital and reserves

Share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
100 (2018: 100) Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

7 Commitments

Capital commitments

The company had no capital commitments at 31 December 2019 (2018: £nil).

8 Ultimate parent company

The Company's ultimate parent and controlling party is Yü Group PLC, a Company incorporated in the United Kingdom.

Copies of Group accounts can be obtained from the parent company at CPK House, 2 Horizon Place, Mellors Way, Nottingham, NG8 6PY.

9 Subsequent events

There are no significant or disclosable post balance sheet events.