Group Financial Statements

for the year ended 31st December 2012

inspired
ENERGY PLC

Inspired Energy Plc – Energy Management for the commercial world

Our team delivers financial benefit and market awareness to our clients through bespoke procurement strategies, exclusive products and management of risk throughout the life of an energy contract

Ticker: INSE

www.inspiredenergy.co.uk

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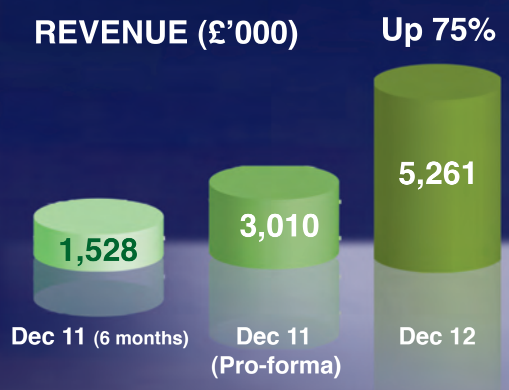
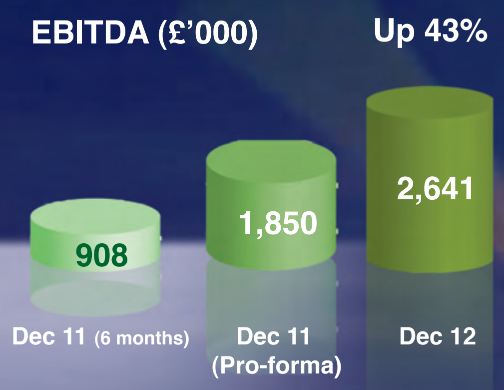
Financial Highlights



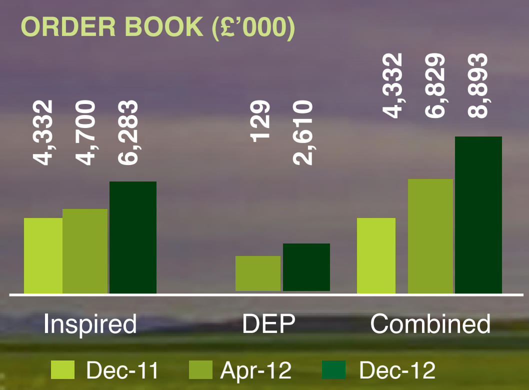


Revenue of £5.3 million, an increase of 75%

EBITDA increased by 43%, to £2.6million

EPS+ of 0.48 pence from 0.20 pence

Proposed maiden dividend of 0.11 pence per share



106% Order Book growth in 2012 to £8.9 million

Contracted revenue of £5.1 million in 2013

83% coverage of FY13 revenues

+ Adjusted for exceptional items

Operational Highlights

Successful integration

of Direct Energy Purchasing Limited, acquired in April 2012

Diversification of customer base into **new sectors**, including public sector and large scale infrastructure

Strong **sustainable client retention**

- Renewals across the Group at 86% (by contract value)
- Risk Management Division achieved a 100% retention

Significant **investment in staffing** to drive revenue growth with headcount increasing 69% to 54 (31 December 2011: 32)

Investment in a **bespoke core IT platform** to optimise sales and client servicing, in line with the Group's strategy on admission

Ongoing **product development**, including launch of multi-customer management solution ("MCMS")

Secured additional **exclusive contracts** with chosen energy suppliers through to 2014

Client driven **expansion into Europe**

Chairman's Statement

I am pleased to present the audited results for the year ended 31 December 2012, a transformational year for the Group. The team has delivered on its growth strategy, completing our first acquisition, broadening the customer base, both by sector and geographically and attracted key talent as part of the Group's planned accelerated staff recruitment. This has been augmented by investment in our bespoke IT platform that has streamlined business processes and will allow us to continue to increase the productivity from our highly experienced team. I am delighted to announce that even after significant investment in the business the Group has achieved record profits in our first full year as a public company. Revenue increased to £5.26 million (2011: £1.53 million) and earnings before exceptional costs, depreciation, amortisation and share-based payments grew to £2.64 million (2011: £0.91 million).

The acquisition of Direct Energy Purchasing Ltd ("DEP") in April 2012 expanded both the range of services provided and customer base to which the Group provides services. The integration has gone well and the two operating businesses delivered successful organic growth in the year supplemented by cross-selling between Inspired Energy Solutions Limited ("IES") and DEP. The Group order book now stands at a record £8.9 million.

The Group enjoyed a renewal record of 86 per cent (by value) of existing customers in the year underlining the professional aspect of our service offering.

The results are particularly pleasing following the decision to recruit a significant number of senior industry appointments from within the energy sector and thus significantly increase the cost base of the Group. Your Board took the view that the added expertise and capacity offered by the new employees would provide additional impetus to the two growth engines of the Group both in 2012 but, more importantly, in 2013 and beyond. I look forward to bringing further news on exciting developments in our service offering in due course.

In the fourth quarter of 2012 the Group developed a new service offering into the direct energy market serving smaller single site, SME, energy users. This business, from a standing start, has performed impressively and the Board believes that the future looks excellent for this new service offering. In addition, and in response to customer demand, we are now servicing the market in Ireland through a small team of experienced energy professionals.

The Group has also entered into its first European contract, servicing an existing client. The Board believes that the Group's new service offering to SMEs and the move into Ireland and Europe will contribute significantly in the medium term.

Group Highlights

- Successful acquisition and integration of our first acquisition, DEP which has performed to plan
- Recruited several high quality staff members with a proven track record, increasing our technical abilities and organic growth prospects
- Implemented and augmented an end-to end prospect and client management system which has:
  - increased lead generation
  - streamlined repetitive tasks for our analyst team, improving productivity significantly
  - standardised and improved the back end reporting and processes – allowing for greater management and financial reporting
- Expansion into the Irish market responding to customer demand, with bespoke products being developed for this market
- Client driven growth into Europe with the Group's first European contract servicing an existing client
- Integration of IES and DEP has provided strong leverage for cross sell opportunities providing a value add offering for clients and broadened the pool of potential clients for the Group

Inspired Energy Solutions Limited ("IES") Highlights

- Record order book sales[1] in the period of £5.4 million (year to December 2011: £3.8 million)
- Increased order book value[2] to £6.3 million as at 31 December 2012 (31 December 2011: £4.3 million)
- Won several major new clients including Morning Foods, Associated British Ports, Emcor and Halcrow Group
- 100 per cent retention within the higher value, Risk Management division

Direct Energy Purchasing Limited ("DEP") Highlights

- 53 per cent increase in order book value to £2.6 million as at 31 December 2012 (31 December 2011: £1.7 million)
- 94 per cent customer retention rate (by client) since acquisition
- Won several major new clients including Kwikfit, B & M Bargains and completed the Group's first European contract
- Secured exclusive, ring fenced flexible trading products for the core non-half-hourly clients

2012 has been a transformational year for the Group. Following the acquisition of DEP both of our trading companies (IES and DEP) have benefitted from the inherent knowledge within each business and are working together to deliver best service to our clients. In addition, with the accelerated staff recruitment programme now complete, I believe we have a highly talented and stable team in place to achieve our near and medium term goals.

We are confident that the strategy we have identified for the Group is the correct one and is one that can yield significant benefits to our shareholders. We continue to investigate acquisition opportunities in complementary sectors and with niche capabilities. The Board's primary focus remains on continuing the rapid rate of organic growth and capitalising on the investment made in the business in 2012.

We are delighted with our performance in the year reported, one which we could not have achieved without the hard work of the team and of course without the continued support of our loyal customers who we strive to deliver the best advice and results for. We are well positioned to enter 2013 with a high degree of confidence.

Bob Holt
Chairman
21 March 2013

1 Order book sales represents the aggregate expected revenue due to the Group from contracts secured during the period. Expected revenue is calculated as the expected commission due to the Group from signed contracts between client and an energy supplier for an agreed consumption value at an agreed commission rate.

2 Orderbook value is defined as the aggregate revenue expected by the Group in respect of signed contracts for the remainder of such contracts (where the contract is live) or for the duration of such contracts (where the contract has yet to commence). No value is ascribed to expected retentions of contracts.

BusinessReview

Inspired Energy Plc

Inspired Energy plc (the "Group") consists of two leading UK energy procurement consultancies to UK corporates. Inspired Energy Solutions Limited ("IES") was founded in 2000 by Group Managing Director, Janet Thornton, and has been part of the Group since its admission to the AIM market of the London Stock Exchange in November 2011 ("Admission"). Direct Energy Purchasing Limited ("DEP") which was acquired by the Group in April 2012 as the first stage in the Group's strategy to acquire complementary businesses within the sector to grow the scope and coverage of the Group's energy consulting platform by continuing to increase the breadth of sectors covered and also increasing the average size of its client portfolio.

In addition, in the fourth quarter of 2012 the Group commenced a new service offering into the direct energy market serving smaller single site, SME, energy users.

Following the acquisition of DEP, the Group now manages energy contracts on behalf of over 650 UK corporates. Sector specialisms include food manufacturing, heavy industrials, multi-site retail and healthcare. Both IES and DEP offer a bespoke advisory service to clients in order to implement appropriate and cost effective buying strategies, tailored to each client's appetite for risk. The Group benefits from having negotiated a range of exclusive products with a number of energy suppliers and can, as a result, offer unique solutions to clients in order to help them manage budgets, lock in savings or put capital to work to achieve savings by operating a risk managed strategy in the wholesale market.

Services

The Group's core services are primarily in the review, analysis and negotiation of gas and electricity contracts on behalf of our clients.

Energy Review & Benchmarking

The Group's team of energy analysts review the historical energy consumption and purchasing on behalf of clients in order to understand and analyse the client's energy needs. Following this review and in-depth discussions with clients regarding their individual requirements, energy purchasing goals and appetite for risk, a bespoke, tailored energy purchasing strategy is designed.

Negotiation

Based on the agreed tailored purchasing strategy, the analyst team will negotiate, on the client's behalf, with energy suppliers ensuring that the client has a choice of the most appropriate energy contracts available in the market. The choice of contracts available to the Group's clients include a number of contracts that are exclusive to the Group which the Group have created in partnership with the energy suppliers. Typically these include a range of caveats, carve outs or options which offer the client increased flexibility within a fixed price framework – allowing our clients to fix their budget at the time of purchase but with the opportunity to benefit from any fall in commodity prices.

All tenders also include a thorough review and explanation of the additional pass through charges applicable on an energy contract, ensuring that the client is fully informed and aware of all costs prior to signing an energy contract. The contracts run for between 12 and 36 months.

Bill Validation

Within the Group the bureau team is responsible for the administration of new energy contracts and, in addition, the Group offers a bill validation service to all clients. Experienced bureau managers, utilising a bespoke end–to-end contract management IT platform, analyse each client's energy bills throughout the period of their contract, confirming that usage, pass through charges and tariffs are all correctly charged to their energy supplier. In instances of dispute, the bureau team act on behalf of the client to resolve queries and ensure that only valid charges are paid.

In addition to the above core services, a number of additional services are offered to customers.

- CRC Reporting – production of management information for customers to comply with Carbon Reduction Commitment legislation
- Historical Auditing – review of last 6 years' energy procurement charges to ensure no over-charges have been made. The Group operates on a share of savings revenue model in respect of rebates achieved
- Power Purchasing Agreements – the Group is able to trade green energy certificates on behalf of renewable energy producers

Customers

The Group focuses predominantly on mid-sized UK corporates with anticipated revenues in excess of £1.0 million and greater than 50 employees. The Group has, with commencement of its new service offering, also begun to service smaller, single site SMEs.

Example clients include

Systems and Processes

In line with the Group's strategy on Admission, the Group has invested heavily in its IT platform as it is the Board's belief that this will increase efficiencies allowing the Group's sales and analytical teams to focus on winning new business while at the same time retaining existing customers. Consequently, 2012 has seen a significant transformation in the core IT platform. The Group now operates a bespoke end-to-end IT system which manages the client journey from initial sales lead generation through to bill validation and commissions invoicing. The system allows for greater automation of processes, increased efficiency and greater data security and accuracy. It is anticipated that the introduction of the system, which has been brought on-line in three stages during the year, will allow the business to process increased sales and revenue levels without having to significantly increase head-count.

Key benefits include:

Stage 1 *Online, Integrated Telesales CRM (Customer Relationship Management)*

- Integrated, bespoke call scheduling, monitoring and CRM system
- Doubled level of active leads fitting the Group's criteria produced by call centre per month
- increased 'on-call' time within team and improved monitoring, reporting and accountability
- Extended into DEP; small telesales team now recruited to support positive results

Stage 2 *Group-wide Bureau System*

- Acquired with DEP, Systemlink has now been integrated throughout Group
- Increased reporting and monitoring capability, particularly for more complex client structures
- Increased automation of data entry

Stage 3 *Open ERP (Enterprise Resource Planning) contract management system*

- Fully integrated, end-to-end platform the entire life cycle of our clients' procurement and trading strategies
- Significant reduction in human repetition
- Increased robustness of platform on which to continue our growth
- Full data integration with bureau system

Business Review continued

Strategy

The strategy identified at the time of Admission and restated herein remains our focus for the development of the Group as we move into 2013.

Focus on Customer Service and Savings

The Group's primary goal is to provide a market leading service to our clients, both in terms of our interactions with our clients and with respect to the energy contracts we are able to offer. We focus on the quality of our team's communications and service levels through ongoing training and review processes. In addition, we continually look to work with our energy suppliers to create products which offer significant benefits to our clients. This focus has been replicated within the DEP business, with the introduction of additional account management staff to ensure that our clients benefit from a single point of contact throughout the life of their contract with us.

Product innovation

We believe that continuing to offer innovative and commercial solutions to our clients will allow us to sustain our strong growth. During 2012, we were able to renew and extend our exclusive arrangements, developed in conjunction with some of our energy suppliers, which allows us to continue to market innovative products that are exclusive to the Group within the marketplace. In addition, we have been able to negotiate additional exclusive contracts, similar in nature to the IES exclusive products, aimed specifically at the client segments handled by DEP, namely multi-site retail and healthcare.

In addition to our range of exclusive products, our risk management team has also recently launched a Multi-Customer Management solution which has been developed to provide enhanced energy buying methods to smaller users by enabling them to access benefits traditionally only enjoyed by very large energy consumers.

The Multi-Customer Management solution provides the benefits of aggregation with the associated economies of scale while not locking customers into a product thus providing clients with the individual flexibility required to meet each client's tailored energy procurement strategies.

The Multi-Customer Management solution offers:

- Individual strategies within group buying organisation
- Economies of scale with over 450 GWh of purchasing power
- Improved wholesale energy pricing
- Reduced supply side management charges
- Shape benefit which reduces peak energy demand

In addition to extending and improving the range of energy contracts we are able to offer our clients, the Group has also focused on developing additional services and products for our existing client base.

Examples include:

- **Open Market** – due to market positioning and knowledge, the Group is able to advise on trades and trade on behalf of smaller energy suppliers and customers, accessing more competitive prices in between the bid and offer spread
- **European contracts** – during 2012, the Group was able to negotiate and procure our first European energy contract on behalf of one of our existing clients
- **Water** – through a partnership developed by the Group, we are able to offer water audit and procurement services to our clients
- **Ireland** – The Irish market has only recently been de-regulated. The Group is working alongside Irish energy suppliers to develop products which offer similar flexibility and cost benefits to Irish customers as are already available in the UK.

The Board believes that the Group is the first consultant to develop exclusive products in conjunction with Irish energy suppliers and believes that this will act as a competitive advantage as the Group expands its operations in Ireland

Customer diversification

The core clients of IES are energy-intensive SMEs and UK corporates, predominantly with a manufacturing and production focus. The core clients of DEP are multi-site retail and healthcare. Continued growth for the Group will come from continued excellence and penetration in our sector specialisms, in addition to diversifying our client base.

In order to achieve our diversification goals, we have restructured our telesales team across IES and DEP to promote sales within new sectors and to develop new client relationships and cross sell the Group's capabilities. This has allowed us to make strong progress within the public sector and large scale infrastructure sector.

In addition to entering new sectors via IES and DEP, the Group has also extended its reach into UK SMEs. The Group's new division targeting smaller, single-site operations has begun impressively and is seeking to grow rapidly over the medium term.

Acquisitions

We continue to investigate opportunities for the Group to participate in industry consolidation. We have reviewed a large number of opportunities in 2012 and have completed the acquisition of DEP in the current year.

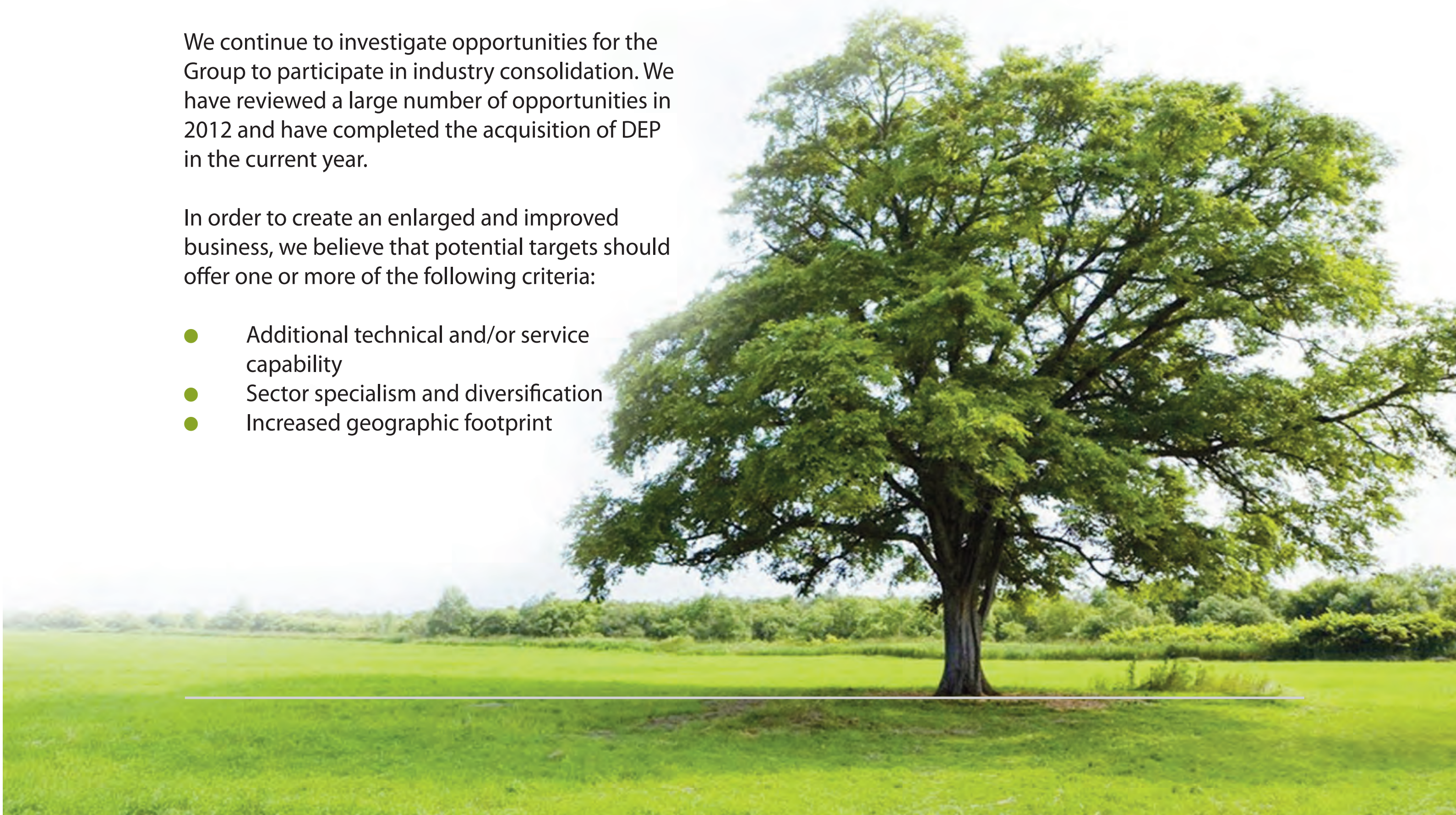
In order to create an enlarged and improved business, we believe that potential targets should offer one or more of the following criteria:

- Additional technical and/or service capability
- Sector specialism and diversification
- Increased geographic footprint

Outlook

As we move into the new financial year, I am confident of the prospects for the Group. We have achieved a strong set of financial results whilst growing the business organically, accelerated by the investment in additional expertise and IT and through the acquisition of DEP. In 2013, I believe that the Group will begin to see significant financial and operational benefits from the investments we have made in 2012 and we will be able to continue our strong growth rates.

Janet Thornton
Managing Director
21 March 2013



Financial Review

Statutory Results

Revenue for the year to 31 December 2012 was £5.26 million (six months ended 31 December 2011: £1.53 million). Operating profit for the year was £1.17 million (six months ended 31 December 2011: loss £0.59 million). Earnings before exceptional costs, depreciation, amortisation and share-based payment costs for the year, was £2.64 million (six months ended 31 December 2011: £0.91 million). Earnings per share for the year was 0.16 pence (six months ended 31 December 2011: loss per share 0.26 pence).

Adjusted earnings per share (excluding amortisation, acquisition cost and restructuring cost) was 0.48 pence (six months ended 31 December 2011: 0.20 pence). Administrative expenses (excluding amortisation, acquisition cost, restructuring costs and share based payments costs) for the year were £2.12 million (six months ended 31 December 2011: £0.49 million). Finance expenditure for the year was £0.26 million (six months ended 31 December 2011: £0.01 million).

Profit before tax for the year was £0.89 million (six months ended 31 December 2011: loss £0.61 million). Cash generated from operations during the financial year was £1.12 million (six months ended 31 December 2011: £0.0 million).
Group cash balances at the year-end amounted to £1.07 million (31 December 2011: £1.26 million), with a net debt position of £1.82 million (31 December 2011: £2.10 million).

Bank Facilities

The Group has entered into a new facility agreement ("Facility") with Santander for a £3.5 million term loan over five years. The Facility replaces the Group's previous facility of the same amount and carries an improved interest rate of 3% over LIBOR (previously 4.2%) and no ongoing monitoring fees. In addition, the Group has also entered into a revolving credit facility, also with Santander, for the sum of £1.5 million to be used for the purposes of future acquisitions ("Acquisition Facility"). The Acquisition Facility can be drawn on the same commercial terms as the Facility at the election of the Group and subject to bank approval of any proposed acquisition. Both facilities contain market standard covenants set at similar levels to the Group's previous arrangements.

Cash Generation

Within the year, there are a number of one-off items which have impacted upon the cash generation of the Group. These items include:

- Deal fees in respect of DEP Acquisition of £0.20 million
- Deal fees in respect of Admission on 28 November 2011, which were paid during the financial year, of £0.15 million

Adjusted cash generated from operations taking into account the above is £1.47 million.

In addition, to the above one-off items, the Group has made a number of operational changes to ensure greater cash flow in future periods. Measures taken include an amendment to the internal commission payments to closer match revenue and cash generation from contracts. In addition, the Group has worked closely with key energy suppliers to increase the number and value of monthly commission receipts, as opposed to quarterly statements, which reduces working capital consumption in the core businesses of IES and DEP. The introduction of the SME focused business is also expected to have a positive impact on cashflow generation given the shorter term working capital cycle inherent with business of that nature.

Dividend

The Board are proposing a maiden dividend of 0.11 pence per share. The dividend will be payable to all shareholders on the register as at 7 June 2013 and will be paid on 5 July 2013. This maiden dividend acts as the commencement of a progressive dividend policy and the Board believes that dividends are likely to increase in line with earnings and a dividend cover of c. 3.5x earnings per share to be an appropriate ratio for subsequent dividends. As at 31 December 2012, Inspired Energy Plc's company balance sheet showed negative distributable reserves. Sufficient intra-group dividends were paid up to Inspired Energy Plc from its subsidiaries on 19 March 2013 to enable the proposed dividend to be paid.

David Foreman
Finance Director
21 March 2013

Board Of Directors

Robert Holt (58), Non-Executive Chairman

Bob has a background in developing support service businesses and has operated in the support services sector since 1981, initially in a financial capacity before moving into general management. He is Chairman of Mears Group PLC (MER.L) and Chairman and Chief Executive of Green Compliance plc (GCO.L) and a director of a number of other businesses.

Janet Thornton (50), Managing Director

Following a successful career with a number of energy consultancies such as PCMG, McKinnon & Clarke and Utility Auditing, Janet founded IES, the Group's principal operating subsidiary, in 2000 and has led the business since inception. In addition to day to day management of the Group, Janet is responsible for supplier relationships and product development. Through these relationships, the Group has created bespoke, exclusive supply contracts which many of the Group's clients have benefited from.

David Foreman (31), Finance Director

David Foreman was previously Head of M&A for Lifestyle Services Group, part of the 4U Group of Companies, owned by B.C. Partners. Prior to that, he was an assistant director at Altium Capital Limited, specialising in private equity, banking advisory and public company advisory. David is a Chartered Accountant, having trained with KPMG. David is a co-founder and partner of Praetura Capital LLP, a business specialising in venture investment and corporate advisory, which was incorporated in 2011.

Matthew Thornton (40), Sales Director

After a successful career in technical recruitment Matthew joined Inspired Energy Solutions in 2002. In 2005, he established IES's 'risk managed' division, which to date has advised on the procurement of energy on behalf of IES's clients with a supply contract value of in excess of £100 million. Matthew and his team have a 100 per cent client retention rate in this division.

Michael Fletcher (38), Non-Executive Director

Mike Fletcher was previously a managing director of investment bank Altium Capital Limited. He has over 10 years' experience in mergers and acquisitions and corporate finance, advising public companies, private equity houses and entrepreneurs. He is a Chartered Accountant, having completed his training with PwC in 1999. Mike is a co-founder and partner of Praetura Capital LLP, a business specialising in venture investment and corporate advisory, which was incorporated in 2011.

Group Director's Report

The Directors present their report and the audited financial statements for the year ended 31 December 2012.

Basis of preparation of the financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. In accordance with IFRS, the financial statements reflect the results of Inspired Energy Plc and its subsidiaries for the year ended 31 December 2012 and for the six months ended 31 December 2011. Further details are provided in notes 2.1 and 2.2 to the Financial Statements.

Principal activities

Inspired Energy Plc is focused on the creation of shareholder value through the advisory and procurement consultancy services it provides to corporate and energy intensive SMEs in respect of their energy purchasing.

Results and dividends

The profit for the year ended 31 December 2012 after taxation, amounted to £0.64 million (six months ended 31 December 2011: loss £0.85 million). The Directors recommend the payment of a 0.11 pence per share dividend (six months ended 31 December 2011: £nil).

Review of business and future developments

The Board has continued the commercial development of the business and is pleased with the progress made. A more detailed appraisal of business and future developments is given in the Chairman's Statement and Financial Review on pages 3 to 10.

Key Performance Indicators

The Directors have monitored the progress of the overall Group strategy and a review of the Key Performance Indicators (KPIs) is included below:

KPI	*Progress*
Revenue	Revenue for the year ended 31 December 2012 was £5.26 million, 244 per cent higher than the six months ended 31 December 2011 (£1.53 million).
Order Book[(1)]	The total order book value at 31 December 2012 increased to £8.9 million (31 December 2011: £4.3 million); an increase of 106 per cent.
Retention Rate	Retention rates throughout the period exceeded 85 per cent.
Wages and Salaries	Wages and salaries have increased, as the Group has grown its analyst team and created a field sales team to increase exposure to larger clients. Average head count in the year to 31 December 2012 amounted to 54 (2011: 32).
Cash Management	The Group manages its capital to ensure that it is able to continue as a going concern while minimising costs and liquidity risk. As at 31 December 2012, the group had cash and cash equivalents of £1.07 million (31 December 2011: 1.26 million) and bank borrowings (excluding debt costs) of £2.90 million (31 December 2011: £3.4 million).

Further discussion of the above KPIs is included within the Chairman's statement on pages 3 and 4.

(1) Order book value is defined as the aggregate revenue expected by the Group in respect of signed contracts for the remainder of such contracts (where the contract is live) or for the duration of such contracts (where the contract has yet to commence). No value is ascribed to expected retentions of contracts.

Risk review

The principal risks and uncertainties affecting the Group are set out below:

Risk area and potential impact	Mitigation
Key Personnel The Group's business is dependent upon maintaining relationships with its clients and suppliers. These relationships are maintained through the Group's senior personnel and analysts, particularly the Directors. If any key person resigns, there is a risk that no suitable replacement with the requisite skills, contacts and experience would be found to replace such person.	The Directors have equity interests in the Group. Certain key directors are subject to Key Man insurance policies. In addition, certain senior management personnel have share options in the Group. Further details of long term incentives are outlined on page 16 and in note 19 to the Financial Statements on page 48.
Regulatory Currently energy consultancy and broking is an unregulated market. Should regulation be introduced to cover the Group's activities the increased regulatory burden could impact on the results of the Group.	The Directors believe that the Group operates in line with best market practice, as directed by OFGEM, and any such regulation would initially impact on the smaller energy consultancy and broking businesses.
Exposure to underlying clients The Group's clients pay the energy supplier directly for the energy consumed, with the Group receiving its commissions directly from the energy supplier. The Group is however at risk should the client cease trading or consume less energy than anticipated. Should this occur the Group would suffer a loss in future revenues related to the commissions associated with the future energy consumption by that client.	The energy supplier and the Group undertake credit checks on any client prior to entering into a contract to supply energy. In addition, there is limited individual customer concentration for the Group in revenue terms and client consumption of energy compared to forecasts is monitored by the Group.

Directors and their shareholdings

The Directors who served during the year and their interests in the shares of the Group as recorded in the register of Directors' interests were as follows:

	31 December 2012	*%*
Janet Thornton	69,486,295	17.19
Matthew Thornton	69,486,295	17.19
Praetura Ventures (1) LLP*	35,266,667	8.73
Bob Holt	7,270,833	1.80

* Praetura Ventures (1) LLP is jointly owned by Michael Fletcher and David Foreman, directors of the Group.

Employees

Throughout the year, Directors of the Group provide relevant information to employees and engage in consultation with them to ensure that their views are considered.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is given to retrain them in order that their employment with the Group may continue.

It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

Supplier payment policy

It is the Group's policy, in respect of all suppliers, to agree payment terms in advance of the supply of goods and services and to adhere to those payment terms. Trade payables of the Group at the year end as a proportion of amounts invoiced by trade suppliers during the period represent 61 days (31 December 2011: 7 days).

Going concern

Having made reasonable enquiries, the Directors are of the opinion that the Group has sufficient resources to continue in operational existence for the foreseeable future and hence these Financial Statements have been prepared on a going concern basis. Further details are disclosed within note 2.1 to the Group Financial Statements.

Substantial shareholdings

At 29 February 2013, notification had been received of the following interests which exceed a 3 per cent interest in the issued share capital of the Group, in addition to those of the Directors referred to above.

	Number of shares	%
Isis Equity Partners LLP	47,619,047	11.78
David Waite	26,081,755	6.45
Octopus Investments Ltd	23,722,732	5.86
Tim Forrest	13,218,334	3.40

Corporate Governance

The Directors are committed to maintaining high standards of corporate governance. This statement sets out how the Board has applied the principles of good corporate governance in its management of the business in the year ended 31 December 2012, relevant to the Group's size and complexity.

In applying the principle that the Board should maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets, the Directors recognise that they have overall responsibility for ensuring that the Group maintains proper accounting records and a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. However, there are inherent limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance particularly against misstatement or loss.

As might be expected in a Group of this size, a key control procedure during the period was the day to day supervision of the business by the Executive Directors.

Board Responsibilities

The Board is responsible for the overall strategy and direction of the Group and for approving acquisitions and disposals, management performance, major capital and development expenditure and significant financial matters. It monitors exposure to key business risks and reviews the strategic direction of the Group, their annual budgets, their progress against those budgets and their development programmes. The Board also considers employee issues and key appointments.

The Board has established an Audit Committee and a Remuneration Committee. Each committee operates within defined terms of reference. The Audit and Remuneration Committees comprise Bob Holt, Janet Thornton and Mike Fletcher. The Audit Committee is chaired by Bob Holt and the Remuneration Committee is chaired by Mike Fletcher. The Audit Committee is required to meet at least twice a year and its primary responsibilities include monitoring internal controls, approving the Group's accounting policies and reviewing the interim and annual reports.

Relationship Agreement

Janet Thornton, Matthew Thornton and David Waite, the original shareholders of Inspired Group Holdings, who together own 40.83 per cent of the enlarged share capital of the Group, the Company and Shore Capital and Corporate Limited (Nomad) have entered into an agreement dated 23 November 2011, (the "Relationship Agreement") which regulates the ongoing relationship between themselves and the Group. The Relationship Agreement will continue for so long as Janet Thornton, Matthew Thornton and David Waite, or any of them as individuals have an aggregate interest at least of 30 per cent of the equity voting rights of the Company.

Financial Risk Management

The Group uses various financial instruments, which include loans, cash and other items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks. These are liquidity risk, credit risk and interest rate risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity Risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs, by the use of bank facilities and loans, and to invest cash assets safely and profitably.

Credit Risk

The Group's debtors relate to amounts owed by UK Energy Suppliers. Given the size and stability of the core debtors, the Directors do not believe that credit risk to the Group is significant. However, the Directors monitor any default risk on an ongoing basis.

Interest Rate Risk

The Group has sought to manage its interest rate risk by undertaking an interest rate swap against 3 month LIBOR to cover £2.5 million of its total indebtedness at an interest rate of 1.31 per cent for the term of the loan. The Group does not adopt the principles of hedge accounting.

Long Term Incentives

There is a share option scheme in place, under which options are granted to senior staff members. The purpose of which is to assist in the recruitment or retention of employees and directors by enabling the Group to grant EMI Options to such persons pursuant to the rules of the Share Option Scheme 2011 (the "Rules"). The Share Option Scheme also facilitates the grant of Unapproved Options.

The following is a summary of the principal terms of the Share Option Scheme:

On 28 November 2011, options over 14,874,376 were granted to eight employees, with an exercise price of £0.03 (being the placing price and the amount agreed with HMRC as being market value per share on the date of grant). These options will become exercisable in four equal tranches on the following dates:

(i) the date on which the Group publishes its audited accounts for the year ending 31 December 2012;

(ii) the date on which the Group publishes its interim accounts for the six months ending 30 June 2013;

(iii) the date on which the Group publishes its audited accounts for the year ending 31 December 2013; and

(iv) the date on which the Group publishes its interim accounts for the six months ending 30 June 2014.

EMI Options were also granted on 11 December 2012 subject to an exercise price of 4.25 pence per share (being the closing mid price of the shares on the day prior to the grant of the options and hence the market value of the shares subject to the options) to 13 employees over a total of 11,000,000 shares in aggregate.

These options will become exercisable in four equal tranches on the following dates:

(i) the date on which the Group publishes its audited accounts for the year ending 31 December 2013;

(ii) the date on which the Group publishes its interim accounts for the six months ending 30 June 2014;

(iii) the date on which the Group publishes its audited accounts for the year ending 31 December 2014; and

(iv) the date on which the Group publishes its interim accounts for the six months ending 30 June 2015.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS's) and have elected to prepare the parent company financial statements in accordance with UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS's and UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements and the remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware there is no relevant audit information of which the Company's auditors are unaware; and

- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 489 of the Companies Act 2006.

On behalf of the Board

Janet Thornton
Managing Director

21 March 2013

Directors' Renumeration Report

This report to shareholders for the year ended 31 December 2012 sets out the Group's remuneration policies. As the Company's shares are registered on the AIM Market of the London Stock Exchange, the Company is required to report in accordance with the remuneration disclosure requirements of the AIM rules.

Composition and role of the Remuneration Committee

Membership of the Remuneration Committee during the period consisted of the Non-Executive Directors, Bob Holt (Chairman), Mike Fletcher (Non-executive Director) and the Managing Director, Janet Thornton. The committee is chaired by Mike Fletcher.

The Remuneration Committee oversees the remuneration policies and activities of the Group. The Committee met four times in 2012.

The Committee is responsible for determining on behalf of the Board, an appropriate remuneration policy for the Executive Directors and for designing a remuneration framework for them that is consistent with that policy. The Committee also monitors remuneration practice amongst other senior executives and determines the Chairman's fee level and that of the other Non-Executive Directors. No member of the Committee participates in discussions concerning their own remuneration.

Remuneration structure for Executive Directors

Overview

The Remuneration Committee is committed to maintaining high standards of corporate governance and has taken steps to comply with best practice in so far as it can be applied practically given the size of the Group and the nature of its operations.

Remuneration policy

The Committee aims to ensure that the total remuneration for the Executive Directors is soundly based, internally consistent, market competitive and aligned with the interests of shareholders. No Director takes part in decisions regarding their personal remuneration.

To design a balanced package for the Executive Directors and senior management the Committee considers the individual's experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality, while avoiding remunerating those Directors more than is necessary. The Committee also considers the link between the individual's remuneration package and the Group's long term performance.

Basic salary

Salaries are reviewed annually and are benchmarked against businesses acting within the energy consultancy and procurement market. The review process is undertaken having regard to the development of the Group and the contribution that individuals will continue to make as well as the need to retain and motivate individuals. The basic annual salaries payable to Managing Director and Sales Director are £115,000 and £95,000 per annum respectively.

Performance related pay

The Managing Director can earn a cash bonus of up to 50 per cent of her annual basic salary payable against meeting personal and business targets as set out by the Committee at the beginning of each year. The Sales Director is entitled, in certain circumstances, to receive a commission of up to 6 per cent of the contract value of new business generated or retained by the Group subject to performance criteria. The Finance Director is not entitled to a bonus.

Service contracts

Each Executive Director has a service contract with the Group which contains details regarding remuneration, restrictions and disciplinary matters. Executive Directors (excluding David Foreman) are appointed by the Group on contracts terminable on not more than 6 months notice.

On 23 November 2011, the Company agreed with Praetura Capital to procure the services of David Foreman as a part time Finance Director for the Group working 3 days per week with effect from Admission. The agreement is for an initial fixed term of 12 months and thereafter may be terminated by either party serving at least 6 months written notice on the other. In consideration of its services Praetura Capital will be entitled to a basic fee of £60,000 per annum, exclusive of value added tax but no benefits are to be provided.

Non-Executive Directors

The fees of the Chairman are determined by the Committee and the fees of the Non-Executive Directors by the Board following a recommendation from the Chairman. The Chairman and Non-Executive Directors are not involved in any discussions or decisions about their own remuneration.

The annual fee levels as at 31 December 2012 were:

- Chairman – £36,000
- Non-Executive Director – £36,000

There is no right to any further benefits in kind.

Directors' emoluments for the year ended 31 December 2012 are summarised below:

	Salary/Fees/ Bonus	*Year ended 31 December 2012*
Executive	*£*	*£*
Janet Thornton	115,000	115,000
Matthew Thornton	166,482	166,482
David Foreman	60,000	60,000
	341,482	341,482
Non-executive		
Bob Holt	36,000	36,000
Mike Fletcher	36,000	36,000
	72,000	72,000
Total	**413,482**	**413,482**

No Director has any interest in share options or received any pension contributions from the Group.

Directors' interest in shares as at 31 December 2012:

	Number of shares	*%*
Janet Thornton	69,486,295	17.19
Matthew Thornton	69,486,295	17.19
Praetura Ventures (1) LLP *	35,266,667	8.73
Bob Holt	7,270,833	1.80

* Praetura Ventures (1) LLP is jointly owned by Michael Fletcher and David Foreman.

Michael Fletcher
Chairman of Remuneration Committee

21 March 2013

Independent Auditor's Report to the Members of Inspired Energy PLC

We have audited the financial statements of Inspired Energy plc for the year ended 31 December 2012 which comprise the group income statement, the group statement of financial position, the group statement of changes in equity, the group statement of cash flows, the parent company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 17 and 18 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

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 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Directors' Report, Chairman's Statement and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Stuart Muskett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

21 March 2013

Group Income Statement

For the year ended 31st December 2012

	Note	***31 December 2012 £***	*30 December 2011 £*
Revenue	6	**5,260,518**	1,527,623
Cost of sales		**(283,540)**	(125,876)
Gross profit		**4,976,978**	1,401,747
Administrative expenses		**(3,804,087)**	(1,993,797)
Operating profit/(loss)		**1,172,891**	(592,050)
Analysed as:			
Earnings before exceptional costs, depreciation, amortisation and share-based payments costs		**2,641,307**	907,756
Exceptional costs	4	**(429,499)**	(1,489,465)
Depreciation	11	**(33,458)**	(10,341)
Amortisation of intangible assets		**(793,361)**	–
Share based payment costs		**(212,098)**	–
		1,172,891	(592,050)
Finance expenditure	5	**(256,123)**	(14,584)
Other financial items		**(26,358)**	–
Profit/(loss) before income tax	4	**890,410**	(606,634)
Income tax expense	9	**(251,242)**	(240,247)
Profit/(loss) for the period and total comprehensive income/(loss)		**639,168**	(846,881)
Attributable to:			
Equity holders of the company		**639,168**	(846,881)
Basic earnings/(loss) per share attributable to the equity holders of the company (pence)	10	0.16	(0.26)
Diluted earnings/(loss) per share attributable to the equity holder of the company (pence)		0.16	(0.26)

The profit/(loss) for the period per the income statement is also the total comprehensive profit/(loss) for the period and consequently no separate statement of comprehensive income is presented.

The notes on pages 27 to 51 form part of these financial statements

Group Statement of Financial Position

at 31st December 2012

	Note	***31 December 2012 £***	*31 December 2011 £*
ASSETS			
Non-current assets			
Intangible assets	12	**2,892,956**	–
Property, plant and equipment	11	**198,266**	112,045
		3,091,222	112,045
Current assets			
Trade and other receivables	13	**2,437,732**	922,210
Cash and cash equivalents		**1,070,468**	1,258,403
		3,508,200	2,180,613
Total assets		**6,599,422**	2,292,658
LIABILITIES			
Current liabilities			
Trade and other payables	14	**541,275**	404,200
Bank borrowings	16	**524,000**	507,000
Contingent consideration		**1,000,000**	–
Current tax liability		**870,319**	634,700
		2,935,594	1,545,900
Non-current liabilities			
Bank borrowings	16	**2,371,867**	2,852,976
Trade and other payables	14	**102,959**	11,239
Contingent consideration		**501,145**	–
Interest rate swap		**26,358**	–
Deferred tax liability	15	**253,612**	17,292
		3,255,941	2,881,507
Total liabilities		**6,191,535**	4,427,407
Net asset/(liabilities)		**407,887**	(2,134,749)
EQUITY			
Share capital	18	**505,190**	442,690
Share premium account	18	**1,043,606**	137,950
Merger relief reserve	18	**8,623,237**	7,900,023
Share based payment reserve		**212,098**	–
Retained earnings		**1,406,529**	767,361
Reverse acquisition reserve		**(11,382,773)**	(11,382,773)
Total equity/(deficit)		**407,887**	(2,134,749)

The financial statements were approved and authorised for issue by the Board of directors on 21 March 2013 and were signed on its behalf by:

J Thornton, *Managing Director* D Foreman, *Finance Director*

Company registration number: 07639760.

The notes on pages 27 to 51 form part of these financial statements

Group Statement of Changes In Equity

for the Year ended 31 december 2012

	Share Capital £	Share Premium Account £	Merger Relief Reserve £	Share-based payment reserve £	Retained Earnings £	Reverse Acquisition Reserve £	Total Shareholders Equity/ (Deficit) £
Balance at 1 July 2010	**142**	**–**	**–**	**–**	**762,665**	**–**	**762,807**
Profit and total comprehensive income for the year	–	–	–	–	910,077	–	910,077
Transaction with owners:							
– equity dividends	–	–	–	–	(58,500)	–	(58,500
Balance at 30 June 2011	**142**	**–**	**–**	**–**	**1,614,242**	**–**	**1,614,384**
Loss and total comprehensive loss for six months ended 31 December 2011	**–**	**–**	**–**	**–**	**(846,881)**	**–**	**(846,881**
Shares issued by legal parent prior to reverse acquisition	1,610	216,840	–	–	–	–	218,450
Bonus issue by legal parent prior to reverse acquisition (7 November 2011)	78,890	(78,890)	–	–	–	–	–
Deemed cost of listing	–	–	–	–	–	911,005	911,005
Return on equity to original shareholders (28 November 2011)	–	–	–	–	–	(7,382,915)	(7,382,915
Shares issued by legal parent on reverse acquisition (28 November 2011)	362,190	–	8,330,366	–	–	–	8,692,556
Share issue expenses	–	–	(430,343)	–	–	–	(430,343
Reverse acquisition adjustment	(142)	–	–	–	–	(4,910,863)	(4,911,005
Transactions with owners	**442,548**	**137,950**	**7,900,023**	**–**	**–**	**(11,382,773)**	**(2,902,252**
Balance at 31 December 2011	**442,690**	**137,950**	**7,900,023**	**–**	**767,361**	**(11,382,773)**	**(2,134,749**
Profit and total comprehensive profit for the period	**–**	**–**	**–**	**–**	**639,168**	**–**	**639,168**
Shares issued (4 April 2012)	35,714	964,286	–	–	–	–	1,000,000
Share issue expenses	–	(58,630)	–	–	–	–	(58,630
Share based payment cost	–	–	–	212,098	–	–	212,098
Shares issued in respect of consideration (16 April 2012)	26,786	–	723,214	–	–	–	750,000
Balance at 31 December 2012	**505,190**	**1,043,606**	**8,623,237**	**212,098**	**1,406,529**	**(11,382,773)**	**407,887**

Merger relief reserve

Merger relief reserve represents the premium arising on shares issued as part or full consideration for acquisitions.

Reverse acquisition reserve

As disclosed in Note 2.2, the reverse acquisition reserve relates to the reverse acquisition between Inspired Energy Solutions Limited and Inspired Energy plc on 28 November 2011.

Share based Payment Reserve

The share based payment reserve is a reserve to recognise those amounts in equity in respect of share-based payments.

The notes on pages 27 to 51 form part of these financial statements

Group Statement of Financial Position

for the sIx months ended 31 December 2011

	Year ended 31 December 2012 £	*Six months ended 30 December 2011 £*
Cash flows from operating activities		
Profit/(loss) before income tax	**890,410**	(606,634)
Adjustments		
Depreciation	**33,458**	10,342
Amortisation	**793,361**	–
Shared based payment costs	**212,098**	–
Finance expenditure	**256,123**	–
Other financial items	**26,358**	–
Deemed cost of listing	**–**	911,005
Loss on disposal of property, plant and equipment	**–**	4,563
Cash flows before changes in working capital	**2,211,808**	319,276
Movement in working capital		
Increase in trade and other receivables	**(1,131,870)**	(296,284)
Increase in trade and other payables	**44,176**	19,411
Cash generated from operations	**1,124,114**	42,403
Income taxes paid	**(414,333)**	(20,669)
Net cash flows from operating activities	**709,781**	21,734
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash acquired	**(844,922)**	–
Return on equity to original shareholders	**–**	(7,382,915)
Increase in directors’ loan accounts	**–**	(1,246,798)
Repayment of directors’ loan accounts	**–**	1,889,139
Payments to acquire property, plant and equipment	**(83,389)**	(52,651)
Payments to acquire intangible assets	**(182,666)**	–
	(1,110,977)	(6,793,225)
Cash flows from financing activities		
New bank loans (net of debt issue costs)	**–**	3,429,958
Net proceeds from equity fundraising	**941,370**	4,000,001
Repayment of bank loans	**(507,000)**	–
Interest on bank loans	**(212,829)**	–
Fees charged to merger relief reserve	**–**	(430,343)
Repayment of hire purchase agreements	**(8,280)**	(4,140)
	213,261	6,995,476
Net (decrease)/increase in cash and cash equivalents	**(187,935)**	223,985
Cash and cash equivalents brought forward	**1,258,403**	1,034,418
Cash and cash equivalents carried forward	**1,070,468**	1,258,403

The notes on pages 27 to 51 form part of these financial statements

Notes to the Group Financial Statements

1. General Information

Inspired Energy Plc (the "Company") and its subsidiaries (together, the "Group", "Inspired") provide energy purchasing and energy consultancy services to corporate energy users. Through optimising energy procurement strategies, Inspired enables clients to achieve greater certainty or cost efficiency in respect of their energy costs. The address of its registered office and principal place of business are disclosed on page 56 of the annual report.

Inspired Energy plc is a company registered and resident in England and Wales. Inspired Energy plc's consolidated full year financial statements are presented in British Pounds (£), which is also the functional currency of the parent company.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Group financial statements are set out below.

2.1 *Basis of preparation*

The Group financial statements have been prepared under the measurement and recognition criteria of IFRS as adopted by the European Union.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement, Business Review, Financial Review and Group Directors' Report on pages 3 to 18. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review on page 10. In addition, note 2 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group, together with its ultimate parent company, has sufficient financial resources to continue to operate for the foreseeable future. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Group's forecasts, which have been prepared for the period to 31 December 2015 after taking account the contracted orders book, future sales performance, expected overheads, capital expenditure and debt service costs, show that the Group should be able to operate profitably and within the current financial resources available to the Group.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group financial statements are disclosed below. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the present circumstances.

Critical estimates

Acquisition of Direct Energy Purchasing Limited

The acquisition of DEP was completed for a total consideration of up to £4.35 million. The initial £2.35 million payment which was satisfied by cash of £1.60 million and the issue of 21,428,572 ordinary shares of Inspired. In addition, two contingent payments of up to £1.0 million each contingent on the financial performance of DEP in the years to 31 March 2013 and 31 March 2014 are also payable. Management have estimated that the contingent consideration payable in respect of these will be £1,501,145.

A provisional fair value exercise to determine the fair value of assets and liabilities acquired in relation to DEP has been carried out and is detailed in note 21. The fair value of the customer contracts includes only values ascribed to valid energy supply contracts and letters of authority granting DEP exclusivity to negotiate future energy supply contracts. No value was ascribed to the customer relationships themselves, or any likely renewals of contracts outside of a period of exclusivity, due to the uncertainties associated with any such future revenue opportunities.

2.2 ***Initial Public Offering and Reverse acquisition***

On 24 November 2011, the company, Finemore Energy Limited, re-registered as a public limited company and consequently changed its name to Inspired Energy plc. On 28 November 2011, the Company became the legal holding company of Inspired Group Holdings Limited and its trading subsidiary undertaking Inspired Energy Solutions Limited via a share for share exchange and the payment of cash consideration of £7,382,915 (Initial Public Offering and reverse acquisition).

This transaction was deemed outside the scope of IFRS 3 (Revised 2008) and not considered a business combination because the directors made a judgement that prior to the transaction, Finemore Energy Limited was not considered a business under the definition of IFRS 3 Appendix A and the application guidance in IFRS 3.B7-B12 due to Finemore Energy Limited being a shell company that had no processes or capability for outputs (IFRS 3.B7).

On this basis, the directors developed an accounting policy for this transaction, applying the principles set out in IAS 8.10-12, in that the policy adopted is:

- relevant to the users of the financial information;
- more representative of the financial position, performance and cash flows of the Group;
- reflects the economic substance of the transaction, not merely the legal form; and
- free from bias, prudent and complete in all material aspects.

The accounting policy adopted by the directors applies the principles of IFRS 3 in identifying the accounting acquirer and the presentation of the consolidated financial statements of the legal parent (Inspired Energy plc) as a continuation of the accounting acquirer's financial statements (Inspired Energy Solutions Limited). This policy reflects the commercial substance of this transaction as follows:

- the creation of Inspired Energy plc was to enable the initial public offering. In substance, Inspired Energy plc was not deemed to be the acquiring entity;
- the original shareholders of the legal subsidiary undertakings are the most significant shareholders post initial public offering, owning 46.2 per cent of the issued share capital of the legal parent; and

- the cash consideration paid as part of the initial public offering returned equity to the original shareholders of the subsidiary undertaking and as a consequence diluted their shareholding to 46.2 per cent.

Accordingly, the following accounting treatment and terminology has been applied in respect of the reverse acquisition:

- the asset and liabilities of the legal subsidiary Inspired Energy Solutions Limited are recognised and measured in the Group financial statements at the precombination carrying amounts, without reinstatement to fair value;
- the retained earnings and other equity balances recognised in the Group financial statements reflect the retained earnings and other equity balances of Inspired Energy Solutions Limited immediately before the business combination, and the results of the period from 1 July 2011 to the date of the business combination are those of Inspired Energy Solutions Limited. However, the equity structure appearing in the Group financial statements reflects the equity structure of the legal parent, including the equity instruments issued under the share for share exchange to effect the business combination;
- comparative numbers presented in the Group financial statements are those reported in the financial statements of the legal subsidiary for Inspired Energy Solutions Limited the six months ended 31 December 2011;
- the cost of the combination has been determined from the perspective of Inspired Energy Solutions Limited. The fair value of the shares in Inspired Energy Solutions Limited has been determined from the issue of Inspired Energy Plc shares on initial public offering of 3 pence per share. The difference between the value of the consideration shares of £4,911,005 and the fair value of the Inspired Energy Plc net assets acquired of £4,000,000 has been charged to the Group Income Statement as a deemed cost of listing amounting to £911,005 with a corresponding entry to the reverse acquisition reserve; and
- the cash consideration of £7,382,915 paid as a result of the transaction has been debited to a reverse acquisition reserve as in substance, this represents a "return of equity to the original shareholders" in relation to the reverse acquisition as opposed to consideration for the combination or an equity dividend.

Inspired Energy plc had no significant assets, other than cash and a bank loan, nor other liabilities or contingent liabilities of its own at the time that the share for share exchange took effect.

Transaction costs of equity transactions relating to the issue and listing of the Company's shares are accounted for as a deduction from equity where they relate to the issue of new shares and listing costs are charged to the Group Income Statement as an exceptional item within administrative expenses.

Basis of consolidation and business combinations

The group financial statements incorporate the accounts of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill is reviewed annually for impairment. The results of companies acquired or disposed of are included in the Group Income Statement after or up to the date that control passes, respectively.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

Provisional fair values are adjusted against goodwill if additional information is obtained within one year of the acquisition date, about facts or circumstances existing at the acquisition date. Other changes in provisional fair values are recognised through profit or loss.

Changes in contingent consideration arising from additional information, obtained within one year of the acquisition date, about facts or circumstances that existed at the acquisition date are recognised as an adjustment to goodwill. Other changes in contingent consideration that arise from legally binding agreements since the acquisition are recognised through profit or loss, unless the contingent consideration is classified as equity. In such circumstances, changes are recognised within equity.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 ***Goodwill***

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition.

Upon the acquisition of subsidiaries, goodwill is separately recognised.

Goodwill is recognised as an asset and reviewed for impairment at least annually, Any impairment is recognised immediately in the Group Income Statement and is not subsequently reversed. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal, along with the net book value of assets disposed and costs incurred in the disposal process.

2.5 ***Revenue recognition***

Revenue comprises of commissions received from energy suppliers, net of value added tax, for the procurement as an agent of fixed, flexible or risk managed energy contracts with end customers in accordance with IAS 18.8. The Group recognises revenue for services provided where the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. Commission has been recognised as follows:

Direct billing contracts between energy supplier and end customers

Commission is recognised in line with actual energy usage. Commission is invoiced to Energy suppliers in arrears following consumption of energy by end customers. Commission rates per Kwh are derived from agreed contractual rates with Energy suppliers.

Up front payment contracts between energy supplier and end customers

Commission is recognised in line with estimated energy usage as agreed with the end customer based on historic usage data. Revenue is recognised on straight line basis over the life of the contract when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Contractual commissions that cannot be reliably measured until final usage reconciliations are performed with the energy suppliers are only recognised on completion of the usage reconciliation. Commission rates per Kwh are derived from agreed contractual rates with Energy suppliers.

2.6 ***Cost of sales***

Cost of sales represents internal or external commissions paid in respect of sales made plus the cost of obtaining sales leads, including the purchase of telesales data. Commissions paid in respect of sales made are recognised on a straight line basis over the life of the contract. The cost of obtaining sales leads is expensed as incurred.

2.7 ***Exceptional cost***

Exceptional costs represent those costs/(income) that are considered by the directors to be either exceptional in nature or non-recurring and that require separate identification to give a true and fair view of the group's profit for the period.

2.8 ***Property, plant and equipment***

Plant and equipment is stated at historical cost less depreciation plus and any provision for impairment. Depreciation of assets is calculated using either the straight line or the reducing balance method to allocate their cost over their estimated useful lives as follows:

- Fixtures and fittings: 20 per cent reducing balance
- Motor vehicles: 25 per cent reducing balance
- Computer equipment: 25 per cent reducing balance
- Leasehold improvements: 10 years straight line

Material residual value estimates are updated as required, but at least annually. Gains and losses on disposal are determined by comparing net proceeds with carrying amount and are included in the Group Income Statement.

2.9 ***Impairment***

The carrying values of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment.

The recoverable amount of an asset is the higher of its fair value less costs to sell, and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

An impairment loss is recognised in the Group Income Statement whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

2.10 ***Other intangible assets***

Customer contracts acquired as part of a business combination are initially measured at fair value and amortised on over the expected life of the customer contract. Assumptions are used in estimating the fair value of acquired intangible assets and include management's estimate of revenue and profits to be generated by the acquired businesses. Separate values are not attributed to internally generated customer and supplier relationships.

Acquired computer software is capitalised on the basis of costs incurred to acquire and install the specific software.

Internally developed computer software costs are recognised as intangible assets, during the development phase, provided that they meet the following criteria:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project

- the Group has the ability to use or sell the software
- the software will generate probable future economic benefits,

Development costs not meeting these criteria are expensed as incurred. Directly attributable costs include employee (other than directors) costs incurred on software development along with an appropriate portion of relevant overheads.

Amortisation is calculated to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

- Customer contracts – dependent on the nature of the contract, currently over 3 years.
- Customer software – 5 years straight line.

2.11 ***Current tax***

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from profit as reported in the Group Income Statement because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

2.12 ***Deferred tax***

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Temporary differences include those associated with shares in subsidiaries, if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward are assessed for recognition based on their recoverability.

Deferred tax liabilities that are recognised are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Group Income Statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

2.13 ***Share based payments***

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date.

Share options are valued at the date of grant using the Black-Scholes option pricing model and are charged to operating profit over the vesting period of the award with a corresponding credit to the share-based payments reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and where appropriate share premium account.

2.14 ***Operating lease commitments***

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit on a straight line basis over the period of the lease.

2.15 ***Recently issued accounting pronouncements***

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective and have not been applied in these financial statements.

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)
- Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2013)

The directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group.

2.16 ***Financial assets***

The Group currently has loans and receivables recognised within the financial statements. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the company retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the company transfers substantially all the risks and rewards of ownership of the asset, or if the company neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

2.17 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash in hand and demand deposits together with other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Short term deposits are defined as deposits with an initial maturity of three months or less.

2.18 ***Financial liabilities***

The Group's financial liabilities comprise bank loans, and trade and other payables. Financial liabilities are obligations to pay cash or other financial assets are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial liabilities categorised as at fair value through profit or loss are remeasured at each reporting date at fair value, with changes in fair value being recognised in the Group Income Statement. Items within this category relate to derivative financial instruments. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in the Group Income Statement.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

2.19 ***Trade payables***

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 ***Hire purchase leases***

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3. Segmental Information

The Group's Board of Directors is considered to be the Chief Operating Decision Maker (CODM) and the Board of Directors review the business based on the nature of the service provided. There is only one service sold being the supply of energy procurement advice, predominantly within the United Kingdom. The financial information provided to the CODM is under the same measurement basis as the group financial statements. Consequently, management have identified one segment, energy procurement advice, and so no further segmental information is required. Details of major customers are included in note 6 to these financial statements.

4. Profit/(loss) before income tax

Profit/(loss) before income tax is attributable to the principal activity of the Group, which is carried on entirely in the United Kingdom.

	Year ended 31 December 2012 £	*6 months ended 31 December 2011 £*
(Loss)/profit before income tax is stated after charging:		
Amortisation of intangible assets	793,361	–
Depreciation		
– owned	28,634	7,582
– held under hire purchase	4,824	2,760
Loss on disposal of plant and equipment	–	4,563
Operating lease rentals:		
– buildings	125,747	28,805
Auditor's remuneration:		
Audit fees:		
– fees payable for the audit of the Company's annual accounts	10,000	12,000
– fees payable in respect of the audit of the Company's subsidiaries, pursuant to legislation	20,750	11,000
– fee payable for the audit of the Company on registration as a Plc	–	4,000
Non-audit fees:		
– fees payable for the provision of tax compliance services	11,000	–
– fees payable for the provision of tax advisory services	–	10,750
– fees payable for the provision of due diligence services(i)	31,750	68,250

	Year ended 31 December 2012 £	*6 months ended 31 December 2011 £*
Exceptional Costs:		
Fees associated with acquisition	195,404	–
Restructuring costs regarding DEP	234,095	–
Deemed cost of listing(ii)	–	911,005
Fees associated with listing	–	578,460
	429,499	1,489,465

(i) Due diligence services relate to the Company's acquisition of Direct Energy Purchasing Limited.

(ii) The difference between the consideration transferred in the business combination of £4,911,005 and the fair value of net assets acquired amounting to £4,000,000, £911,005 has consequently been charged to the Group Income Statement in the 6 months ended 31 December 2011.

5. Finance Expenditure

	Year ended 31 December 2012 £	*6 months ended 31 December 2011 £*
Interest payable on bank borrowings	213,232	14,584
Amortisation of debt issue costs	42,891	–
	256,123	14,584

6. Revenue

	Year ended 31 December 2012 £	*6 months ended 31 December 2011 £*
Rendering of services	5,260,518	1,527,623

The Group has earned commission payable by the following energy suppliers, being energy suppliers which represent more than 10 per cent of the Group's revenues in each period:

	Year ended 31 December 2012 £	*6 months ended 31 December 2011 £*
Energy Supplier A	1,807,800	899,941
Energy Supplier B	699,189	203,210
Energy Supplier C	380,502	84,333

7. Directors' Remuneration

	Year ended 31 December 2012 £	*6 months ended 31 December 2011 £*
Aggregate emoluments	413,482	58,082
The emoluments of directors disclosed above include the following in respect of the highest paid director:		
Directors' remuneration	166,482	37,032

No director has any interest in share options (2011: none) or received any pension contribution from the Group (2011: none).

Further information regarding Director's remuneration is provided in the Director's Remuneration Report on pages 19 and 20.

8. Employee Benefit Expense

	Year ended 31 December 2012 £	*6 months ended 31 December 2011 £*
Wages and salaries	2,008,701	427,630
Social security costs	224,256	54,725
	2,232,957	482,355

	No.	*No.*
Average number of persons employed:		
Management	7	3
Energy procurement services	26	14
Administration and finance	21	15
	54	32

Key management personnel disclosure is contained within note 22.

9. Income Tax Expense

The income tax charge is based on the profit/(loss) for the period and comprises:

	Year ended 31 December 2012 £	*6 months ended 31 December 2011 £*
Current tax		
Current tax charge	522,278	235,310
Adjustments in respect of prior periods	(58,249)	–
Deferred tax		
Origination and reversal of temporary timing differences	(210,985)	5,412
Effect of tax rate change on opening balance	(1,802)	(475)
	(212,787)	4,937
Total income tax charge	251,242	240,247

	Year ended 31 December 2012 £	*6 months ended 31 December 2011 £*
Reconciliation of tax charge to accounting profit/(loss):		
Profit/(loss) on ordinary activities before taxation	890,410	(606,634)
Tax at UK income tax rate of 24.5% (2011: 28%)	218,150	(169,858)
Disallowable expenses	315,271	405,583
Surplus of capital allowances over depreciation	(11,143)	(415)
Movement in deferred tax	(212,787)	4,937
Effects of current period events on current tax prior period balances	(58,249)	–
Total income tax charge	251,242	240,247

10. Earnings/(loss) per share

The earnings/(loss) per share is based on the net profit/(loss) for the year/period attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of ordinary shares for the year ended 31 December 2012 assumes that the 50,000,000 ordinary shares issued, cumulatively, in relation to the £1.0 million placing completed on 5 April 2012 and the consideration shares issued on 16 April 2012 have been included since their respective issue dates.

	Year ended 31 December 2012 £	*Six months ended 31 December 2011 £*
Profit/(loss) attributable to equity holders of the Group	639,168	(846,881)
Fees associated with acquisition	195,404	–
Restructuring costs regarding DEP	234,095	–
Amortisation of intangible assets	793,361	–
Deferred tax in respect of amortisation of intangible assets	(198,772)	–
Share-based payment costs	212,098	–
Deemed cost of listing	–	911,005
Fees associated with listing	–	578,460
Adjusted profit attributable to equity holders of the Group	1,875,354	642,584
Weighted average number of ordinary shares in issue	387,485,179	326,868,482
Diluted weighted average number of ordinary shares in issue	406,196,483	342,362,623
Basic earnings/(loss) per share (pence)	0.16	(0.26)
Diluted earnings/(loss) per share (pence)	0.16	(0.26)
Adjusted basic earnings per share (pence)	0.48	0.20
Adjusted diluted earnings per share (pence)	0.46	0.19

The weighted average number of shares in issue for the basic and adjusted diluted earnings per share include the dilutive effect of the 29,592,970 share options in issue to senior staff of the Group.

In the six months ended 31 December 2011, the share options in issue were anti-dilutive in respect of the basic loss per share.

Adjusted earnings/(loss) per share represents the earnings/(loss) per share, as adjusted to remove the effect of fees associated with acquisition/listing, the amortisation of intangible assets, share-based payment costs and the deemed cost of listing which have been expensed to the Group Income Statement in the period.

11. Property, Plant and Equipment

Group	*Fixtures and Fittings £*	*Motor Vehicles £*	*Computer Equipment £*	*Leasehold Improve-ments £*	*Total £*
As at 1 July 2011	7,751	27,600	79,865	–	115,216
Additions	6,310	–	23,465	22,876	52,651
Disposals	–	(4,563)	–	–	(4,563)
As at 31 December 2011 and 1 January 2012	14,061	23,037	103,330	22,876	163,304
Acquisitions through business combinations	17,540	–	18,750	–	36,290
Additions	37,712	–	44,477	1,200	83,389
Disposals	–	–	–	–	–
As at 31 December 2012	**69,313**	**23,037**	**166,557**	**24,076**	**282,983**

	Fixtures and Fittings	*Motor Vehicles*	*Computer Equipment*	*Leasehold Improve-ments*	*Total*
Depreciation	£	£	£	£	£
As at 1 July 2011	6,284	960	33,673	–	40,917
Charge for the period	356	2,760	7,226	–	10,342
As at 31 December 2011 and 1 January 2012	6,640	3,720	40,899	–	51,259
Charge for the year	10,480	4,824	16,053	2,101	33,458
As at 31 December 2012	**17,120**	**8,544**	**56,952**	**2,101**	**84,717**
Net Book Value					
At 31 December 2012	**52,193**	**14,493**	**109,605**	**21,975**	**198,266**
At 31 December 2011	7,421	19,317	62,431	22,876	112,045

Included within the net book value is £14,493 (31 December 2011: £19,317) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £4,824 (31 December 2011: £2,760).

12. Intangible assets and goodwill

	Intangible assets			
	Computer Software	*Customer contracts*	*Goodwill*	*Total*
Cost	£	£	£	£
At 1 July 2011 and 31 December 2011	–	–	–	–
Additions	182,666	–	–	182,666
Acquisitions through business combinations (note 21)	–	1,835,850	1,667,801	3,503,651
At 31 March 2012	**182,666**	**1,835,850**	**1,667,801**	**3,686,317**
Amortisation				
At 1 July 2011 and 31 December 2011	–	–	–	–
Charge for the year	8,953	784,408	–	793,361
At 31 December 2012	**8,953**	**784,408**	**–**	**793,361**
Net book value				
At 31 December 2012	**173,713**	**1,051,442**	**1,667,801**	**2,892,956**
At 31 December 2011	–	–	–	–

The group has two cash generating units (CGU's) being Inspired Energy Solutions Limited and Direct Energy Purchasing Limited. The additions to goodwill in the year have arisen on the acquisition of Direct Energy Purchasing Limited. This has been allocated to the Direct Energy Purchasing CGU.

The receivable amount of the CGU has been determined based on value-in-use calculations, covering a detailed two year forecast. The present value of the expected cashflows exceeds the carrying value of the goodwill and on this basis no impairment is required.

The key assumptions for the value-in-use calculation were 6 per cent growth in sales and a discount factor of 5 per cent.

13. Trade and other receivables

	Group		*Company*	
	31 December 2012 £	*31 December 2011 £*	***31 December 2012 £***	*31 December 2011 £*
Trade receivables	**942,789**	288,173	**–**	–
Other receivables	**3,238**	146,260	**778**	146,260
Prepayments and accrued income	**1,491,705**	487,777	**–**	–
	2,437,732	922,210	**778**	146,260

All the trade and other receivables were receivable under normal commercial terms.

The Group does not hold any collateral as security. Group debtor days were 64 days (31 December 2011: 35 days).

The ageing of trade receivables was as follows (£'000):

	Not past due	*31-60 days*	*61-90 days*	*Older*	*Total*
31 December 2012	**730**	**146**	**–**	**67**	**943**
31 December 2011	259	21	2	6	288

As at 31 December 2012: £213,125 (31 December 2011: £29,000) of the trade receivables had gone beyond their terms of 30 days. None of these assets are considered to be impaired and are stated at amortised cost which approximates to fair value.

14. Trade and other payables

	Group		*Company*	
	31 December 2012 £	*31 December 2011 £*	***31 December 2012 £***	*31 December 2011 £*
Current				
Trade payables	**112,351**	192,524	**29,579**	148,558
Social security and other taxes	**299,046**	167,608	**–**	–
Accruals and deferred income	**121,598**	35,788	**5,608**	84,582
Amounts due under hire purchase agreements	**8,280**	8,280	**–**	–
	541,275	404,200	**35,187**	233,140
Non-current				
Accruals and deferred income	**100,000**	–	**–**	–
Amounts due under hire purchase agreements	**2,959**	11,239	**–**	–
	102,959	11,239	**–**	–

Trade payables are paid under normal commercial terms.

Amounts due under hire purchase agreements are secured on the related leased assets.

The table below analyses the Group's financial liabilities, into relevant maturity groupings based on the remaining period from statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Current		*Non-Current*
	within 6 months	*6-12 months*	*1–5 years*
	£	*£*	*£*
31 December 2012			
Trade payables	112,351	–	–
Hire purchase obligations	4,140	4,140	2,959
Bank borrowings	262,000	262,000	2,371,867
Interest rate swaps	–	–	26,358
Contingent consideration	–	1,000,000	501,145
	378,491	1,266,140	2,902,329
31 December 2011			
Bank borrowings	253,500	253,500	2,852,976
Trade payables	192,524	–	–
Hire purchase obligations	4,140	4,140	11,239
	450,164	257,640	2,864,215

The fair value of current and non current hire purchase agreements, based on a discounted cash flow analysis of future repayments based on current available borrowing terms and interest rates is £10,843 (31 December 2011: £19,906):

Hire purchase agreements	*Minimum lease payments at 31 December 2012 £*	*Interest at 31 December 2012 £*	*Principal at 31 December 2012 £*	*Minimum lease payments at 31 December 2011 £*	*Interest at 31 December 2011 £*	*Principal at 31 December 2011 £*
Less than one year	9,398	1,118	8,280	9,398	1,118	8,280
Between one and two years	3,331	372	2,959	9,398	1,118	8,280
Between two and five years	–	–	–	3,332	372	2,960
	12,729	1,490	11,239	22,128	2,608	19,520

15. Deferred Tax Liability

Deferred taxation is calculated at a tax rate of 23 per cent and is set out below:

	Group		*Company*	
	31 December 2012 £	*31 December 2011 £*	***31 December 2012 £***	*31 December 2011 £*
Provision brought forward	**17,292**	–	**17,292**	–
Credited to income for the period	**(214,357)**	17,292	**(17,292)**	17,292
Credit arising from business combinations	**450,677**	–	**–**	–
Provision carried forward	**253,612**	17,292	**–**	17,292
Excess of taxation allowances over depreciation on all non-current assets	**11,780**	17,292	**–**	17,292
Temporary differences on intangible assets	**241,832**	–	**–**	–
	253,612	17,292	**–**	17,292

Deferred taxation has been calculated at a rate of 23 per cent (2011: 26 per cent).

Corporation tax for the year ended 31 December 2012 was calculated at 24.5 per cent of profits for the year. During the year ended 31 December 2012, as a result of the reduction in the UK corporation tax rate to 24 per cent from 26, corporation tax has been calculated at an effective rate of 24.5 per cent.

During the year ended 31 December 2012 a further reduction in the UK corporation tax rate to 23 per cent was substantively enacted into law and will be effective from 1 April 2013, the relevant deferred tax balances have been re-measured at this rate. Further reductions in the main rate are proposed to reduce the rate by 1 per cent per annum to 22 per cent by 1 April 2014. These further changes have not been substantively enacted into law at 31 December 2012 and therefore are not included in the financial statements.

Deferred taxation at the period end is analysed as follows:

	2012 £	*2011 £*
Deferred tax liability	**253,612**	17,292
	253,612	17,292

16. Bank Borrowings

Bank borrowings are repayable as follows:

	Group		*Company*	
	31 December 2012 £	*31 December 2011 £*	***31 December 2012 £***	*31 December 2011 £*
Within one year	**524,000**	507,000	**524,000**	507,000
One to two years	**524,000**	496,000	**524,000**	496,000
Two to five years	**1,847,867**	2,356,976	**1,847,867**	2,356,976
	2,895,867	3,359,976	**2,895,867**	3,359,976

The above facilities take the form of 2 term loans, one for the principal sum of £2,500,000 ("Facility A") and one for £1,000,000 ("Facility B").

Interest on Facility A is to be charged at 4.25 per cent above LIBOR and interest on Facility B is to be charged at 4.75 per cent above LIBOR.

Both Facility A and Facility B are to be repaid in full on or by 30 September 2016 however whilst Facility B is to be repaid in one bullet repayment on that date, Facility A is to amortise over time by a first instalment of £142,000 which was paid on 31 March 2012 and thereafter payments are due on each of 30 June, 30 September, 31 December and 31 March instalments each in an amount of £131,000 are to be paid up to and including the Repayment Date.

Sums due under the Facility Agreement are to be secured by debentures and cross guarantees.

It is a condition that interest rate hedging is to be put into place following drawdown of the Facility A and Facility B and the amount to be hedged is not less than 50 per cent of amount drawn down and the period of the hedge is to be not less than three years from the date of drawdown. On 19 January 2012, the Group hedged its loan position accordingly.

17. Financial Instruments

The Group holds or issues financial instruments in order to achieve two main objectives, being:

(a) to finance its operations; and

(b) to manage its exposure to interest risk arising from its operations and from its sources of finance.

Transactions in financial instruments result in the Group assuming or transferring to another party one or more of the financial risks described below.

Credit risk

The Group monitors credit risk closely and considers that its current policies of credit checks meet its objectives of managing exposure to credit risk. Credit risk arises from cash and cash equivalents, deposits with banks as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks, only independently rated parties with a minimum rating of AA are accepted. Credit assessments are carried out when accepting new customers. Amounts shown in the statement of financial position best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

Liquidity risk

The Group monitors its available cash resources and aims to keep credit funds available for operational strategic goals.

Currency risk

The Group has no significant exposure to any foreign exchange rate risks.

Fair values of financial assets and liabilities

The book value of financial instruments held or issued to finance the Group's operations are not materially different from the fair value of those instruments.

17.1 *Capital risk management*

The group's main objective when managing capital is to generate returns to shareholders by investing in line with its approved investment strategy whilst safeguarding the group's ability to continue as a going concern. The group aims to maintain a strong credit rating and headroom whilst optimising return to shareholders through an appropriate balance of debt and equity funding. The group manages its capital structure and makes adjustments to it with regard to the risks inherent in the business and in light of changes to economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may in the future issue new shares, raise additional debt finance, sell assets to reduce debt, adjust the amount of dividends paid to shareholders or return capital to shareholders.

Capital is managed by maximising retained profits. Working capital is managed in order to generate maximum conversion of these profits into cash and cash equivalents.

Capital includes share capital, share premium reserve, merger relief reserve and retained earnings. There were no changes to the group's approach to capital management during the year.

17.2 *Significant accounting policies*

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

17.3 *Categories of financial instrument*

Financial assets

31 December 2012	*Loans and receivables* £	*Non financial assets* £	*Total* £
Trade receivables	942,789	–	942,789
Other receivables	3,238	–	3,238
Prepayments and accrued income	1,036,531	455,174	1,491,705
Cash and cash equivalents	1,070,468	–	1,070,468
	3,053,026	455,174	3,508,200

31 December 2011	*Loans and receivables* £	*Non financial assets* £	*Total* £
Trade receivables	288,173	–	288,173
Other receivables	146,260	–	146,260
Prepayments and accrued income	283,071	204,706	487,777
Cash and cash equivalents	1,258,403	–	1,258,403
	1,975,907	204,706	2,180,613

Financial liabilities
Group

31 December 2012	*At amortised cost* £	*Fair value through profit and loss* £	*Liabilities not within scope of IAS 39* £	*Total* £
Trade payables	112,351	–	–	112,351
Social security and other taxes	–	–	299,046	299,046
Accruals	221,598	–	–	221,598
Bank borrowings	2,895,867	–	–	2,895,867
Amounts due under hire purchase agreements	11,239	–	–	11,239
Current tax liability	–	–	870,319	870,319
Deferred tax	–	–	253,612	253,612
Contingent consideration	–	1,501,145	–	1,501,145
Interest rate swap	–	26,358	–	26,358
	3,241,055	1,527,503	1,422,977	6,191,535

31 December 2011	*At amortised cost* £	*Liabilities not within scope of IAS 39* £	*Total* £
Trade payables	192,524	–	192,524
Social security and other taxes	–	167,608	167,608
Accruals	35,788	–	35,788
Bank borrowings	3,359,976	–	3,359,976
Amounts due under hire purchase agreements	19,519	–	19,519
Current tax liability	–	634,700	634,700
Deferred tax	–	17,292	17,292
	3,607,807	819,600	4,427,407

The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables.

Currently the Group does not undertake any significant transactions denominated in foreign currencies. The financial risk management objectives and policies are disclosed in the Group Directors' Report.

17.4 *Interest rate sensitivity*

The following table illustrates the sensitivity of the profit/(loss) for period and equity to a reasonably possible change in interest rates of 1 per cent with effect from the beginning of the period. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's long term liabilities and the Group's cash and cash equivalents held at the statement of financial position date. All other variables are held constant.

	Year ended 31 December 2012		*6 months ended 31 December 2011*	
	+1%	−1%	+1%	−1%
Profit/(Loss) for the period	31,045	(31,045)	2,917	(2,917)
Equity	31,045	(31,045)	2,917	(2,917)

18. Share Capital and Reserves

Group and Company

	Number of Shares No.	*Share Capital £*	*Share Premium £*	*Merger Relief Reserve £*
Issued and Fully Paid				
At incorporation	–	–	–	–
Ordinary shares of £1.00 each as at 19 May 2011	50	50	–	–
Shares issued in respect of share split on 30 June 2011	999,950	–	–	–
Shares issued to seed investors on 30 June 2011	24,000,000	1,200	1,200	–
Shares issued in respect of initial fundraising on 29 September 2011	7,199,998	360	215,640	–
Bonus issue of 49 for 1 on 7 November 2011	1,577,799,902	78,890	(78,890)	–
Share consolidation (25 to 1) on 7 November 2011	(1,545,599,854)	–	–	–
Shares issued in respect of Admission	126,051,670	157,565	–	3,623,986
Shares issued in respect of Consideration ("Consideration Shares")	163,700,179	204,625	–	4,706,380
Share issue expenses	–	–	–	(430,343)
Ordinary shares of 0.125 pence each as at 31 December 2011 and 1 January 2012	354,151,895	442,690	137,950	7,900,023
Shares issued in respect of equity fundraising on 4 April 2012	28,571,429	35,714	964,286	–
Share issue expenses	–	–	(58,630)	–
Shares issued in respect of acquisition of Direct Energy Purchasing Limited on 17 April 2012	21,428,572	26,786	–	723,214
Ordinary shares of 0.125 pence each as at 31 December 2012	**404,151,896**	**505,190**	**1,043,606**	**8,623,237**

On 30 June 2011, each ordinary share of £1 was split into 20,000 ordinary shares of 0.005p each.

On 30 June 2011, the Company issued 24,000,000 ordinary shares of 0.005p at a subscription price of 0.01p each.

On 29 September 2011, the Company issued 7,199,998 ordinary shares of 0.005p at a subscription price of 3.0p each.

On 7 November 2011, the Company made a bonus issue of 49 new ordinary shares of 0.005p each for each existing ordinary share of 0.005p each.

On 7 November 2011, the ordinary shares of 0.005p each were consolidated into ordinary shares of 0.125p each.

On 28 November 2011, the Company issued 126,051,670 shares of 0.125p each at a subscription price of 3.0p each on admission to AIM.

On 28 November 2011, the Company issued 163,700,179 shares of 0.125p each at a subscription price of 3.0p each in consideration of acquiring Inspired Energy Holdings Limited and its trading subsidiary, Inspired Energy Solutions Limited.

On 28 November 2011, the Company's enlarged share capital was admitted to trading on AIM, a market operated by the London Stock Exchange.

On 4 April 2012, the Company issued 28,571,429 ordinary shares of 0.125p each at a subscription price of 3.5p each.

On 17 April 2012, the Company issued 21,428,572 ordinary shares of 0.125p each as partial consideration for the acquisition of Direct Energy Purchasing Limited, at a subscription price of 3.5p each.

19. Share-Based Payments

Approved share options

The company has granted equity-settled share options to selected employees. The exercise price is the market value of the shares at the date of grant. The vesting periods are between 18 months and three years. If the options remain unexercised after a period of ten years from the date of grant the options expire.

Details of these share options outstanding during the year are as follows:

	2012		*2011*	
	Number of share options	*Weighted average exercise price p*	*Number of share options*	*Weighted average exercise price p*
Outstanding at beginning of the period	18,592,970	3.0	–	–
Granted during the period	11,000,000	4.25	18,592,970	3.0
Outstanding at the end of the period	29,592,970	3.46	18,592,970	3.0

No options were exercised during the year. The options outstanding at 31 December 2012 had a weighted average exercise price of 3.46p (2011: 3.00p) and a weighted average remaining contractual life of 3 years (2011: 3 years).

The following summarises the approved share options:

Date of grant	*Subscription price*	*Expiry date*	*Number of shares for which rights are exercisable*
Approved share options			
28 November 2011	3.0p	28 November 2011	18,592,970
1 December 2012	4.25p	1 December 2022	11,000,000

On 28 November 2011, options over 14,874,376 were granted to eight employees with an exercise price of £0.03 (being the placing price and the amount agreed with HMRC as being market value per share on the date of grant). These options will become exercisable in four equal tranches on the following dates:

(i) the date on which the Company publishes its audited accounts for the year ending 31 December 2012;

(ii) the date on which the Company publishes its interim accounts for the six months ending 30 June 2013;

(iii) the date on which the company publishes its audited accounts for the year ending 31 December 2013; and

(iv) the date on which the Company publishes its interim accounts for the six months ending 30 June 2014.

EMI Options were also granted on 11 December 2012 subject to an exercise price of 4.25 pence per share (being the closing mid price of the shares on the day prior to the grant of the options and hence the market value of the shares subject to the options) to 13 employees over a total of 11,000,000 shares in aggregate.

These options will become exercisable in four equal tranches on the following dates:

(i) the date on which the Company publishes its audited accounts for the year ending 31 December 2013;

(ii) the date on which the Company publishes its interim accounts for the six months ending 30 June 2014;

(iii) the date on which the company publishes its audited accounts for the year ending 31 December 2014; and

(iv) the date on which the Company publishes its interim accounts for the six months ending 30 June 2015.

The fair value of options granted under the scheme is measured by use of the Black-Scholes model. The inputs into the Black-Scholes model are as follows:

	2012	*2011*
Share Price (p)	**4.25**	3.975
Exercise price (p)	**4.25**	3.00
Expected volatility (%)	**56**	56
Risk-free rate (%)	**5.00**	5.00
Expected dividends (%)	**3.00**	3.00

Expected volatility was based upon the historical volatility over the expected life of the schemes. The vesting period is based upon vesting restrictions, as detailed above.

Share-based compensation

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

20. Operating Lease Commitments

The Group leases a commercial unit under an operating lease agreement. The future minimum lease payments are:

	31 December 2012 £	*31 December 2011 £*
Within one year	**75,152**	75,152
Within one to two years	**75,152**	75,152
Within five years	**206,668**	206,668
Total	**356,972**	356,972

21. Business Combination

On 16 April 2012, the Group acquired 100 per cent of the issued share capital and voting rights of Direct Energy Purchasing Limited, a company based in the United Kingdom. The principle reason for the acquisition was to enhance the Group's service offering and diversify the client base into new sectors, namely healthcare and multi-site retail. The acquisition of DEP was completed for a total consideration of up to £4.35 million. The initial £2.35 million payment which was satisfied by cash of £1.60 million and the issue of 21,428,572 ordinary shares in the capital of Inspired Energy Plc. In addition, two deferred payments of up to £1.0 million each contingent on the financial performance of DEP in the years to 31 March 2013 and 31 March 2014 are also payable. The acquisition was part financed by a £1.0 million equity placing, completed 5 April 2012, by the Group and partly from cash on the Group's balance sheet. The details of the business combination are as follows:

	Book value	Fair value adjustment	Fair value
Recognised amounts of identified net assets	*£*	*£*	*£*
Property, plant and equipment	44,573	(8,283)	36,290
Intangible assets	–	1,835,850	1,835,850
Trade and other receivables	383,652	–	383,652
Cash and cash equivalents	755,349	–	755,349
Total assets	1,183,574	1,827,567	3,011,141
Trade and other payables	376,849	–	376,849
Deferred tax liability	10,073	440,604	450,677
Total liabilities	386,922	440,604	827,526
Provisional fair value of identifiable net assets			2,183,615
Provisional goodwill			1,667,801
Fair value of consideration transferred			3,851,416
Satisfied by			
– cash consideration paid			1,600,271
– shares issued 16 April 2012			750,000
– contingent cash consideration payable			1,501,145
			3,851,146
Net cash outflow arising from business combinations			
– cash consideration paid			1,600,271
– cash and cash equivalents acquired			(755,349)
Net cash outflow			**844,922**

Goodwill

The goodwill arising on this acquisition is attributable to cross selling opportunities and niche market expertise that expected to be achieved from combining the acquired customer bases and trade with the existing group.

Contingent consideration is dependent upon the performance of Direct Energy Purchasing Limited for the twelve months ended 31 March 2013 and 31 March 2014 and was identified at the acquisition date to amount to £1,501,145. This was determined by management with reference to the forecasts produced for the periods under consideration.

Consideration Transferred

Acquisition related costs amounting to £195,404 are not included as part of consideration transferred and have been recognised as an expense in the Group Income Statement, as part of administrative expenses.

The fair value of the shares issued has been determined with reference to the Company's share price on the acquisition date.

Identifiable Net Assets

A provisional fair value exercise to determine the fair value of assets and liabilities acquired in relation to DEP has been carried out. The fair value of the customer contracts includes only values ascribed to valid energy supply contracts and letters of authority granting DEP exclusivity to negotiate future energy supply contracts. No value was ascribed to the customer relationships themselves, or any likely renewals of contracts outside of a period of exclusivity.

22. Related Party Transactions

The Directors consider that there is no ultimate controlling party of the Group.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Group and other related parties are disclosed below:

Praetura Capital LLP, a company of which D Foreman and M Fletcher are Partners, invoiced £48,000 (31 December 2011: £205,841) for services provided, and expenses incurred, by Praetura Capital LLP in relation to services provided as directors of Inspired Energy Plc. As at 31 December 2012, the balance outstanding was £nil (31 December 2011: £nil).

During the year, Praetura Capital LLP have provided the services of David Foreman as a part time Finance Director for the Group working 3 days per week with effect from Admission. The agreement is for an initial fixed term of 12 months and thereafter may be terminated by either party serving at least 6 months written notice on the other. In consideration of its services Praetura Capital will be entitled to a basic fee of £60,000 per annum, exclusive of value added tax but no benefits are to be provided.

Key management personnel remuneration

The remuneration of the key management personnel, including all directors, in the year ended 31 December 2012 is set out below:

	Year ended 31 December 2012	*Six months ended 31 December 2011*
	£	*£*
Employee emoluments:	£376,672	£112,842
Social security costs:	£36,810	£13,949
	£413,482	£126,791

Company Balance Sheet

as at 31st December 2012

	Note	2012 £	2011 £
Investments	24	**16,357,166**	12,293,920
		16,357,166	12,293,920
Current assets			
Debtors – other debtors	13	**778**	146,260
Cash and cash equivalents		**503,208**	–
		503,986	146,260
Creditors: amounts falling due within one year			
Trade creditors	14	**35,187**	233,140
Bank borrowings	16	**524,000**	507,000
Other creditors		**1,000,000**	–
		1,559,187	740,140
Net current liabilities		**(1,055,201)**	(593,880)
Total assets less current liabilities		**15,301,965**	11,700,040
Creditors: amounts falling due after more than one year			
Bank borrowings	16	**2,371,867**	2,852,976
Amounts owed to subsidiary undertakings		**3,247,919**	959,444
Other creditors		**501,145**	–
		6,120,931	3,812,420
Net assets		**9,181,034**	7,887,620
EQUITY			
Share capital	18	**505,190**	442,690
Share premium account	26	**1,043,606**	137,950
Merger relief reserve	26	**8,623,237**	7,900,023
Share based payment reserve	26	**212,098**	–
Retained losses	25	**(1,203,097)**	(593,043)
Shareholders' funds	27	**9,181,034**	7,887,620

The financial statements were approved and authorised for issue by the Board of Directors on 21 March 2013 and were signed on its behalf by:

J Thornton, *Director* D Foreman, *Director*

Company registration number 07639760.

The notes on pages 53 to 55 form part of these company financial statements.

Notes to the Company Balance Sheet

23. Accounting Policies (Parent Company)

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice).

Investments

Investments are stated at cost, less any provision for impairment. Cost is determined as the fair value of shares issued and the consideration paid.

Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangements, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Share Based Payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date.

Share options are valued at the date of grant using the Black-Scholes option pricing model and are charged to operating profit over the vesting period of the award with a corresponding credit to the 'other reserves'.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital and where appropriate share premium account.

Merger relief reserve

Merger relief reserve represents the premium arising on shares issued as part or full consideration for acquisitions.

Cash flow statement exemption

The company has taken advantage of the exemption permitted by FRS 1 not to present a cash flow statement, on the grounds it is included within the group financial statements.

24. Investments

	£
Cost and net book value	
As at 31 December 2011	12,293,920
Additions – inception of Energisave Online Limited	2
Additions – acquisition of DEP (note 21)	3,851,146
Additions – share based payment cost	212,098
As at 31 December 2012	16,357,166

The principal investment comprises shares at cost in the following companies, all of whom are registered in England and Wales:

	Percentage Held	*Nominal Value*	*Number of Shares*
Inspired Group Holdings Limited*	100%	£1	200
Inspired Energy Solutions Limited**	100%	£1	142
Direct Energy Purchasing Limited*	100%	£1	2
Energisave Online Limited*	100%	£1	2

* Directly held subsidiary

** Indirectly held subsidiary

25. Profit and loss account

	2011 £
As at 31 December 2011	(593,043)
Loss for the financial year	(610,054)
As at 31 December 2012	(1,203,097)

The company has taken advantage of s408(4) of the Companies Act 2006 and has not included its own profit and loss account in these financial statements.

26. Reserves

	Share based payment reserve £	*Share premium account* £	*Merger relief reserve* £
As at 31 December 2011	–	137,950	7,900,023
Shares issued on 4 April 2012 (net of issue expenses)	–	905,656	–
Shares issued on 17 April 2012	–	–	723,214
Share based payment	212,098	–	–
As at 31 December 2012	212,098	1,043,606	8,623,237

27. Shareholders' funds

	2012 £	*2011* £
Loss for the financial period	(610,054)	(593,043)
Share based payment	212,098	–
Shares issued in the period (net of expenses)	1,691,370	8,480,663
Movement in shareholders' funds	1,293,414	7,887,620
Opening shareholders' funds	7,887,620	–
Closing shareholders' funds	9,181,034	7,887,620

28. Related Party transactions

The company has taken advantage of the exemption in FRS 8 and has not disclosed transactions with Group undertakings. Refer to note 22 for details of other related party transactions entered into in the year.

DIRECTORS, SECRETARY AND ADVISORS TO THE GROUP

Directors	Robert (Bob) Holt (Non-Executive Chairman) Michael (Mike) Fletcher (Non-Executive Director) Janet Thornton (Managing Director) David Foreman (Finance Director) Matthew Thornton (Sales Director)
Company Secretary	Gateley Secretaries Limited
Registered Office	29 Progress Park Orders Lane Kirkham Lancashire PR4 2TZ
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
Auditors	Grant Thornton UK LLP 4 Hardman Square Spinningfields Manchester M3 3EB
Registrars	Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6DA
Financial PR	Gable Communications Limited 34 Lime Street, London EC3M 7AT
Company Website	www.inspiredenergy.co.uk