

A large industrial facility, likely a power plant or refinery, is shown at sunset. Two tall smokestacks are visible, with smoke rising from them. The facility is surrounded by greenery and a body of water in the background. The sky is a mix of orange, yellow, and blue.

ENERGY CONSULTANCY FOR THE COMMERCIAL WORLD

Inspired Energy PLC
Annual Report & Accounts 2016

SKILLS INNOVATION EXPERTISE

Inspired Energy PLC brings momentum to the commercial world, developing and delivering a market-leading range of essential energy advisory services.

An independent approach, coupled with intelligent thinking, has enabled us to meet and exceed the expectations of every client, shareholder and employee to date. We continue to innovate and invest our time, passion and specialised industry knowledge to ensure that we remain at the forefront of energy purchasing.

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For more information visit:
www.inspiredplc.co.uk

HIGHLIGHTS

SIGNIFICANT GROWTH

2016 has seen another year of record revenues and profits for the Group.

Operational highlights

- Significant growth in the Corporate division as a result of:
 - Strong conversion of new business wins in both commercial and public sectors in addition to record renewals
 - Acquisition of Informed Business Solutions Limited ("Informed") in September 2016:
 - Broadening the Group's customer base and strengthening its presence in the multi-site retail and leisure markets
 - Fully integrated, with the entire Informed team now relocated to the Group's head office
 - Record revenue, profits and organic Procurement Corporate Order Book Sales during the year
- Robust organic growth, with the Procurement Corporate Order Book, excluding the impact of the acquisitions of WPUK, STC and Informed, increasing by 9% to £19.1 million as at 31 December 2016 (2015: £17.5 million)
- The Group's SME division performed strongly in the year, providing material contribution to cash generation
- High client retention rates maintained:
 - Risk Management division maintained 100% client retention
 - Renewals across the Corporate division at 85%
- Average headcount increased by 68% to 200 staff as a result of Corporate acquisitions and investment within the operational team

Financial highlights

Revenue (£m)	Gross profit (£m)	Adjusted EBITDA* (£m)	Adjusted profit before tax** (£m)	Profit before tax (£m)	Cash generated from operations (£m)
+42%	+50%	+45%	+38%	+15%	+83%
16 21.51	16 17.31	16 8.26	16 7.02	16 4.02	16 4.98
15 15.19	15 11.57	15 5.69	15 5.07	15 3.49	15 2.72
Net debt (£m)	Dividend per share*** (p)	Adjusted EPS (p)	Basic EPS (p)	Procurement Corporate Order Book**** (£m)	
+21%	+29%	+27%	+9%	+14%	
16 10.79	16 0.45	16 1.27	16 0.71	16 28.00	
15 8.90	15 0.35	15 1.00	15 0.65	15 24.50	

* Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation, excluding exceptional items and share-based payments.

** Adjusted profit before tax is earnings before amortisation, excluding exceptional items and share-based payments.

*** Full year dividend of 0.45 pence, including interim dividend of 0.13 pence (2015: 0.10 pence) and final dividend of 0.32 pence (2015: 0.25 pence).

**** Refer to page 16 for definition of the Procurement Corporate Order Book.

WE DELIVER COST-EFFECTIVE ENERGY SOLUTIONS THROUGH OUR EXTENSIVE SERVICES AND --- SKILLS

Who we are

We provide expert consultancy on the negotiation of energy contracts, offering a range of services to our clients throughout the life of each contract, including market analysis, bureau services and management services, all designed to reduce our customers' costs.

We continue to invest in people and technology and remain acquisitive, to ensure we remain at the forefront of energy purchasing. Whether it's energy procurement, market analysis, historical audits, energy management, bureau services or renewable energy projects, we remain dedicated to providing a best in class solution which is ready and able to manage our customers' energy needs.

Our core focus is servicing large businesses with essential energy advisory services to industrial and commercial clients. Our experienced buying team guides some of the UK's leading companies to ensure they maximise their buying opportunities in the energy markets.

What we do

Inspired Energy PLC offers a winning formula that blends effective buying strategies, market intelligence, effective negotiation and extensive contract management solutions, all of which are developed based on client-specific needs.



ENERGY PROCUREMENT

We can help to guide you on the acquisition and purchase of energy, using fixed price or flexible contracts.



MARKET ANALYSIS

Our experienced trading team will provide you with up-to-date intelligence and information concerning the energy market.



BUREAU SERVICES

IES can analyse and validate your utility invoices to ensure you are being charged the correct amount.



HISTORICAL AUDITS

We examine your past utility invoices to identify any overcharges, which we subsequently recover.



ENERGY MANAGEMENT

Our team is always on hand to provide energy efficiency advice to help your business reduce costs and comply with current legislation.



RENEWABLE PROJECTS

We provide guidance on renewable energy methods, including support with selling excess power back to the grid.



PUBLIC SECTOR PROCUREMENT

For public sector clients, IES has a division dedicated to EU-compliant procurement solutions in energy and associated services.



ESOS

Technology-driven solutions that ensure compliance to the mandatory ESOS.



WATER DEREGULATION

From April 2017, every business will be able to choose its water supplier. We can get you the best deals and maximum savings.



SITE OPERATIONS

We provide a service that allows customers to adopt a full management solution for site operations and utility metering.

Corporate division

The Corporate division, which includes Inspired Energy Solutions, DEP, Wholesale Power UK, STC Energy and Carbon Holdings and Informed Business Solutions, delivers core services which are the review, analysis and negotiation of gas and electricity contracts on behalf of corporate clients.

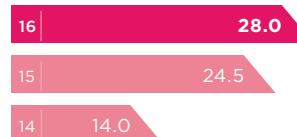
The Group's team of energy analysts reviews the historical energy consumption and purchasing on behalf of clients in order to understand and analyse each client's energy needs. Following this review and in-depth discussions with clients regarding their individual requirements, energy purchasing goals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

Through the acquisition of Informed, the Group has strengthened its environmental consultancy services, which further broadens the overall service offering to corporate clients.

Procurement Corporate Order Book (£m)

£28.0m

+14%



[Read more page 11](#)

SME division

EnergiSave was launched in October 2012 and forms the majority of the Group's SME division. EnergiSave's energy consultants contact prospective clients to offer reduced tariffs and contracts based on the unique situation of the customer.

Leads are generated and managed by the Group's internally generated, bespoke CRM and case management IT system. Tariffs are offered from a range of suppliers and the Group is actively working with new suppliers to increase the range of products available to SME clients.

ANOTHER EXCELLENT YEAR AND A CONFIDENT OUTLOOK FOR 2017



I am delighted to report another record year for the Inspired Group in 2016. The business continued to deliver across all fronts, excelling operationally and posting strong financial results in line with management expectations.

The results set out herein represent another record year with Group revenue increasing by 42% to £21.51 million (2015: £15.19 million) and adjusted EBITDA increasing by 45% to £8.26 million (2015: £5.69 million). Adjusted profit before tax increased by 38% to £7.02 million (2015: £5.07 million) and adjusted EPS increased by 27% to 1.27 pence (2015: 1.00 pence). Importantly, the Group generated cash from operations of £4.98 million, an increase of 83% from £2.72 million in 2015.

The results are testament to the talent and dedication of the entire Inspired team. Their commitment has once again delivered our organic growth strategy, supplemented by selective earnings-enhancing acquisitions, which have enabled us to maintain and improve our robust core business model. During the year, we completed the acquisition of Informed and I am pleased to report, as expected, that Informed has broadened the Group's customer base and strengthened the Group's presence in the multi-site retail and leisure markets

for corporate energy procurement. I would also like to thank the entire Informed team for their dedication post acquisition, during which period the entire business operation has relocated to Inspired Energy's head office.

As in previous years, the core business' Corporate Procurement Order Book is a consistent guide to the future performance of the Group and provides strong visibility of revenues for FY 2017 and the next three years. Accordingly, we are pleased to announce that the combined (including acquired businesses) Corporate Procurement Order Book totals £28.0 million as at 31 December 2016, representing a year-on-year increase of 14% (2015: £24.5 million). Excluding the impact of the acquisitions of Wholesale Power UK ("WPUK"), STC Energy and Carbon Holdings Limited ("STC") and Informed, the Procurement Corporate Order Book increased by 9% to £19.1 million as at 31 December 2016 (2015: £17.5 million). This growth was driven by an 11% like-for-like increase in Procurement Corporate Order Book sales, excluding the impact of WPUK, STC and Informed, to £13.5 million in the year to 31 December 2016 (2015: £12.2 million).

As outlined in previous announcements, our strategy to build out the Corporate division, via both organic and acquisitive growth. Group revenue from the Corporate division has increased to approximately 76%, an increase of 9% against 2015 (67%). This trend towards the Corporate division growth is expected to continue into the short and medium term, as we continue to focus our acquisition strategy on corporate businesses.

In addition to the strong performance from the Corporate division, the Group's SME division performed strongly in the year and in line with management expectations. Increasingly, the division continues to make a material contribution to cash generation for the Group, which is reflected in the strong operating cash

generated by the Group during the year. We have benefited in the year from previous investments made to infrastructure and operational expertise, with a 2% increase in SME revenue, delivering an impressive 14% increase in SME EBITDA.

Accordingly, the Board is pleased to propose a final dividend of 0.32 pence per share subject to shareholder approval at the AGM in June. This, combined with the interim dividend payment of 0.13 pence per share, results in a full year dividend of 0.45 pence per share, a 29% increase on 2015 (2015: 0.35 pence). The dividend increase in the year of 29% is a demonstration of the Board's confidence in the future for the enlarged Group.

With the Group structure firmly embedded, a proven strategy which combines organic growth with selective acquisitions, and the integration of the acquired businesses continuing as planned, we have a very strong platform from which to continue our growth. 2017 has started positively with the performance seen in 2016 continuing into the current year and the Board is confident that the Group will continue to go from strength to strength in 2017.

Michael Fletcher
Chairman
27 March 2017

WITH THE GROUP STRUCTURE
FIRMLY EMBEDDED, WE HAVE A
VERY STRONG PLATFORM FROM
WHICH TO CONTINUE OUR

GROWTH

Timeline of our Corporate division

2011



- Founder company
- Commercial and industrial energy
- Risk management team

2012



- Acquired 2012
- Multi-site specialists
- Significant bureau focus

2015



- Specialist technology and software enabled energy consultancy
- Enhances service offering through broad range of bureau, billing and energy management products and services
- Broadens client base through entry into public sector

2015



- Acquired 2015
- Integrated corporate energy solutions
- Corporate energy management services

2016



- Acquired 2016
- Integrated corporate energy
- Corporate energy management

2017

DELIVERING RECORD GROWTH

We have a unique combination of established supplier relationships, market expertise and technical capability.

Our offering

Our size and reputation enable us to partner with UK energy suppliers to offer exclusive contracts to our customers. Through optimising energy procurement on behalf of our clients, Inspired enables them to achieve greater certainty of their energy costs and in many cases delivers significant savings.

Our strengths



EXPERTISE AND MARKET KNOWLEDGE

The Group's team boasts a broad range of sector knowledge and specialism, supporting an independent view to market. The Corporate division benefits from a market-leading trading team.



MARKET-LEADING TERMS

Our clients are offered market-leading supplier terms which best support their individual energy procurement strategy.



HOLISTIC APPROACH TO ENERGY CONSULTANCY

The Group's approach to energy consultancy is comprehensive. The team actively looks to manage and support the client's entire energy management process.



PROGRESSIVE

The Group continues to innovate and invest its time, passion and specialised industry knowledge to ensure we remain at the forefront of energy consultancy.

Consultancy and tailored products

Risk-managed contracts



Flexible contracts



Corporate division

High value strategy-led contracts targeted to large high volume customers.

We acquired another corporate-focused business during 2016 to complement the Group's core Corporate division and further extend the Group's sector specialism.

Informed Business Solutions, an energy procurement and environmental compliance consultant based in Kirkham, Lancashire, which has a strong presence in the multi-site retail and leisure markets, was acquired in September 2016.



Fixed contracts



SME division

A broad range of customers receiving a mostly automated service based on skilful data management.

The SME division was launched in October 2012 and has grown rapidly since its launch.

SME energy consultants contact prospective clients to offer reduced tariffs and contracts based on the unique situation of the customer.



How the Group generates revenue

Inspired Energy PLC provides energy procurement consultancy to a range of UK business customers. The Group's core services are primarily the review, analysis and negotiation of gas and electricity contracts on behalf of our clients. The Group generates the majority of its income from commissions received from energy suppliers.

In addition to providing expert consultancy on the negotiation of energy contracts, the Group provides ongoing services to its clients throughout the life of each contract, including energy bureau, billing and management services.

Customer contracts
Additional services



Commission from energy suppliers
in relation to customer energy usage

Our additional services

The Group provides a variety of additional services such as:

- advice in relation to power purchasing agreements for customers who produce their own energy;
- retrospective billing audits; and
- energy reduction and management strategies.

 [View our strategy
page 10](#)

 [View our KPIs
page 11](#)

OUR BUSINESS MODEL continued

THE GROUP

Inspired Energy PLC provides energy procurement consultancy to a range of UK business customers. The Group's core services are primarily the review, analysis and negotiation of gas and electricity contracts on behalf of our clients. The Group generates the majority of its income from commissions received from energy suppliers.

In addition to providing expert consultancy on the negotiation of energy contracts, the Group provides ongoing services to our clients throughout the life of each contract, including energy bureau, billing and management services.

CUSTOMERS

Our size and reputation enable us to partner with UK energy suppliers to offer exclusive contracts to our customers.

Through optimising energy procurement on behalf of our clients, Inspired enables them to achieve greater certainty of their energy costs and in many cases delivers significant savings. The Group currently manages and negotiates gas and electricity supply agreements for more than 100,000 meters across the UK, operating on behalf of c.10,800 customers.

CORPORATE DIVISION

The Corporate division, which includes Inspired Energy Solutions, DEP, Wholesale Power UK, STC Energy and Carbon Holdings and Informed Business Solutions Limited, delivers core services, which are the review, analysis and negotiation of gas and electricity contracts on behalf of Corporate clients. In addition, the division provides customers with leading energy bureau, billing and management services.

ENERGY REVIEW AND BENCHMARKING

The Group's team of energy analysts reviews the historical energy consumption and purchasing on behalf of clients in order to understand and analyse the clients' 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 Inspired clients includes a number of contracts that are exclusive to the Group which have been

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 twelve and 36 months.

BUREAU AND BILL VALIDATION

In addition, the Group offers a market-leading energy bureau and 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 acts on behalf of the client to resolve queries and ensure that only valid charges are paid.

ADDITIONAL SERVICES

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.
- Retrospective Auditing – review of last six years' energy procurement charges to ensure no overcharges 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.

RISK-MANAGED TRADING MANAGED FRAMEWORKS

The Group's Corporate division benefits from a market-leading trading team of six analysts, who actively focus on high volume consumers and allow customers to operate more complex, long-term energy 'frameworks' based on agreed risk management strategies.

COMPREHENSIVE APPROACH

Inspired's approach to risk management is comprehensive. The team actively

manages the entire energy procurement process from wholesale commodity level to total cost at meter. This is necessary in order to create a succinct, robust and dynamic risk policy tailored to each individual client. Prior to commencement, Inspired undertakes a strategy workshop with clients to establish financial objectives, risk parameters and market engagement rules.

MARKET-LEADING TERMS

Inspired's risk management team ensures clients are offered market-leading supplier terms which support the trading strategy, ensuring each client meets its specific procurement objectives.

'WHOLE OF MARKET' ACCESS

Combined with the team's considerable industry experience and knowledge, the trading team uses all of the LEBA broker platforms and exchanges for the energy markets across the UK and Europe, which ensures all opportunities to mitigate price risk are identified and utilised. In addition to these platforms, the team also has access to leading-edge news and commentary, technical analysis, statistical models and other proprietary tools which helps provide clients with clear views on market behaviour and what future movements could be.

BUDGET CLARITY

All of our risk-managed products are supported by sophisticated internal systems which generate pricing automatically so clients are always aware of their total budgetary position.

SME DIVISION

The SME division was launched in October 2012 and has grown rapidly since its launch. SME energy consultants contact prospective clients to offer reduced tariffs and contracts based on the unique situation of the customer. Leads are generated and managed by the Group's internally generated, bespoke CRM and case management IT system. Tariffs are offered from a range of suppliers and the Group is actively working with new suppliers to increase the range of products available to SME clients.

Following the acquisitions made in 2014, the division has developed a fully automated, fully operational online quoting platform for SME customers looking to switch their energy supplier and it has agreements in place with the majority of energy suppliers within the SME sector. The web-enabled capability is offered to prospective new online customers, and is also used by the sales agents in the division.

WE HAVE A PROVEN TRACK RECORD
OF ACQUIRING AND SUCCESSFULLY
INTEGRATING COMPLEMENTARY

BUSINESSES

Acquisition of Informed Business Solutions Limited

In September we acquired Informed Business Solutions Limited, an energy procurement and environmental compliance consultancy based in Kirkham, Lancashire.

Informed has a strong presence in the multi-site retail and leisure markets for energy procurement and has complemented its service offering through the development of environmental compliance auditing services, which it launched in 2014.

Informed has also prepared itself for the forthcoming deregulation of water in England by implementing systems to support opportunities in Scotland, where water has already been deregulated. The Board believes that the acquisition will complement Inspired's core Corporate division and further extend the Group's sector specialism. In addition, Informed's environmental consultancy services division will broaden the Group's overall service offering to corporates. Following the acquisition, the Group's Procurement Corporate Order Book exceeds £28.8m.

BENEFITS



Strong presence in the multi-site retail and leisure markets



Enlarged Group's "Procurement Corporate Order Book"

Our people

Here at Inspired Energy we believe that our employees are the foundation of our success. Experts in the field, we hand pick our employees and deliver outstanding training to ensure we exceed our customers' expectations time and time again.

It's our hard work, excellent level of service and strategic advice that have seen Inspired Energy PLC grow 40% year on year. We stand out from the crowd, not just through our exceptional customer service but through the range of services we offer our clients.



Chief Executive Officer's statement
pages 14 to 17

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Our order book position and rapid progress in the SME market provides a strong platform for further investment towards our core objectives.



Customer service

Why it is important

Our customers are at the heart of what we do. Our goal is to manage a client's risk profile and to save them money as they purchase energy, whilst ensuring they feel valued, respected and part of the team.

Achievements in 2016

The acquisition of Informed Business Solutions Limited has extended the Group's sector specialism. In addition, Informed's environmental consultancy service division has broadened the Group's overall service offering to the Corporate division.

Looking ahead

We continue to look to enhance our service offering to customers, both through organic development and further acquisitions. Our ongoing training programme will be continually developed and updated and we will continue to reward those members of staff who excel in customer service.



Product innovation

Product innovation is how we differentiate Inspired from our competitors. Products such as the market-leading Multi-client Management (MCM) product are exclusively developed and marketed by Inspired and offer market-leading procurement opportunities to our clients.

Our unique MCM product has continued to prove hugely popular in the year with a significant number of new clients purchasing their energy within the framework.

We will continue to work with UK energy suppliers to develop and market innovative, exciting and unique energy products.



Technology development

Through developing our technology platforms, both organically and through acquisitions, Inspired is able to grow rapidly whilst minimising required headcount growth.

With the acquisition of STC in November 2015, the Group acquired a range of market-leading bureau products and services, aimed to service large multi-site organisations.

In 2016, the SME division implemented a complete, end-to-end, CRM and contracts management system. Leads and opportunities are managed efficiently and accurately to enable strong new client conversion and retention rates.

We will continue to develop and streamline our IT platforms within the Corporate and SME divisions. By reducing touchpoints, we can further improve our market-leading efficiencies within each division.



Acquisitions

Through acquisitions, Inspired is able to access sector specialisms or niche products that we cannot build organically. When adding market expertise to our established sales platform, we have proven we can accelerate the growth of the acquired businesses.

Inspired acquired Informed Business Solutions Limited in the year. The acquisition brought sector specialism, enhanced service offering and technology to the Group and will be integral to the growth of the Corporate division going forward.

We continue to investigate opportunities within the energy services space. We hope to conclude acquisitions which bring with them specialisms, niches or capabilities which can add value to the Group.

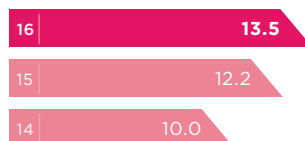
Key performance indicators

Corporate

The Group continues to perform well in respect of the key KPIs within the business and demonstrate strong organic growth, including the acquired procurement corporate order book of Informed, the procurement corporate order book exceeded £28.0 million, representing a year-on-year increase of 14%.

Procurement Corporate Order Book sales (excl. WPUK, STC and IBS) (£m)

+11%



Description

The expected value of contracts secured in the year. Once the contract commences, the Group begins to recognise revenue against the contract, determined by the actual consumption of the client in the period. Recognising revenue against a contract moves the value from the Order Book to the P&L of the Group.

Risk management retention rate (%)

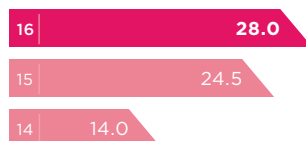
-%



The percentage of clients retained by the Risk Management team.

Procurement Corporate Order Book value (£m)

+14%



The Procurement Corporate Order Book value represents the expected revenue to be recognised by the Group on secured contracts.

Contract performance (%)

-%



The percentage for which revenue was recognised on a contract against the expected revenue for that contract, determined at point of sale. This provides an indication of forecasting accuracy.

Retention rate (%)

-%



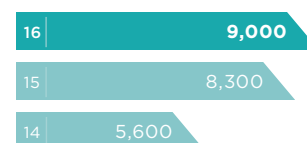
The percentage of clients retained by the entire Corporate division.

SME

The SME division has developed strongly and we look forward to continuing its impressive growth rates. As at 31 December the SME division had an average headcount of 49 (2015: 49).

Customer numbers

+8%



Average headcount

-%



TAKING APPROPRIATE ACTION

Effectively managing risks is an integral part of Inspired’s continuing success. We have identified our main risks and are taking appropriate action to prevent, manage or mitigate these.

Risk review

The responsibility for risk identification and mitigation lies with the management of the business. Risks have been identified as principal based on the likelihood of occurrence and the severity of the potential impact.

Our strategy

-  Customer service
-  Product innovation
-  Technology development
-  Acquisitions

Change in level of risk:

-  No change
-  Increased risk
-  Decreased risk

Principal risks

Key personnel



Risk area and potential impact

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.

Mitigation

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.

Change



Regulatory



Risk area and potential impact

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.

Mitigation

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.

Change



Exposure to underlying clients



Risk area and potential impact

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.

Mitigation

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.

Change



Performance of investments



Risk area and potential impact

Given the Group's commitment to continued growth via acquisition, the Group is at risk that investments do not perform as originally anticipated resulting in financial loss to the Group.

Mitigation

The Directors believe that the process in place to evaluate potential acquisition opportunities (including external due diligence and historical experience) is adequate enough to mitigate this risk sufficiently.

Change



STRONG ORGANIC GROWTH, FURTHER ENHANCED BY THE STRATEGIC ACQUISITION OF INFORMED, HAS HELPED THE GROUP CONTINUE TO ADVANCE ITS POSITION AS A MARKET LEADER



SUMMARY

- An exciting year for new business wins and renewals with key client wins including Victrex PLC, Travis Perkins PLC and Samworth Brothers.
- Successful execution of the acquisition of Informed which integrated seamlessly into the Group and performed in line with expectations.

The Board is delighted with the performance of the Group in the year to 31 December 2016, delivering record growth, enhanced by the complementary acquisition of Informed Business Solutions Limited ("Informed") in September 2016.

The growth achieved by the Group both in 2016 and during its time as a public company is a testament to the value of our customer proposition and the talent and dedication of our staff. The enlarged Group has a very strong platform from which to continue to build on the organic growth of the business, onto which we can add new service lines and sector specialisms via acquisition as demonstrated with Informed. We look forward to the coming year with confidence.

CORPORATE DIVISION OVERVIEW

The Group's Corporate division comprises:

- Inspired Energy Solutions (founder business);
- DEP (acquired in 2012);
- WPUK (acquired in 2015);
- STC (acquired in 2015); and
- Informed (acquired in 2016).

The division's core services include the review, analysis, negotiation and bureau of gas and electricity contracts.

ORGANIC GROWTH

2016 was an outstanding year for our Corporate division, delivering record revenue, profits and Procurement Corporate Order Book sales. The success of the division is built upon delivering a high level of service to Corporate customers combined with continuous development of the product suite available to clients from energy suppliers.

In addition, through increased utilisation and optimisation of IT platforms which continue to be developed, the Corporate team has been able to increase efficiency whilst delivering increased levels of service to our valued clients. This is

demonstrated by the continued superb client retention rates in excess of 85% with Risk Management at 100% retention.

The year was an exciting one for new business wins and renewals, with key client wins including Victrex PLC, Travis Perkins PLC and Samworth Brothers which reinforces our strong track record of tendering and winning high profile, significant users of energy in the UK corporate space. We are also particularly pleased to be able to report further strong client wins within the public sector arena, a market which Inspired believes can deliver significant growth through the introduction of a specific public sector focused team, comprising key individuals with significant experience in successfully negotiating the OJEU (the Official Journal of the European Union) tender process in addition to the expertise in this arena from the STC team. Key client wins in this market include West Thames College, Metropolitan Housing Trust, Westminster CC, The David Ross Education Trust and St Helens College.

2016 ACQUISITIONS

Inspired completed the acquisition of Informed in September 2016. Informed is an energy procurement and environmental compliance consultancy based in Kirkham, Lancashire, which has now been integrated into the Group's headquarters. Informed has a strong presence in the multi-site retail and leisure markets for energy procurement and has complemented its service offering through the development of environmental compliance auditing services, which it launched in 2014. As expected, the acquisition has complemented Inspired's core Corporate division and further extended the Group's sector specialism.

Informed was acquired in September 2016 for an initial consideration of £2.25 million, with a further contingent consideration of up to £2.00 million subject to achieving certain financial performance hurdles.



CHIEF EXECUTIVE OFFICER'S STATEMENT continued

CORPORATE DIVISION CONTINUED FINANCIAL HIGHLIGHTS

Highlights in the year include:

- revenue increased 62% to £16.32 million (2015: £10.74 million);
- the Corporate division generated adjusted EBITDA of £7.60 million (2015: £4.97 million), a 53% year-on-year increase;
- like-for-like Procurement Corporate Order Book sales, excluding the contribution of WPUK, STC and Informed, the acquisitions made in 2015 and 2016, increased by 11% to £13.5 million in the year to 31 December 2016 (2015: £12.2 million);
- like-for-like Procurement Corporate Order Book (previously reported as 'Corporate Order Book'), excluding WPUK, STC and Informed increased by 9% to £19.1 million as at 31 December 2016 (2015: £17.5 million);
- Procurement Corporate Order Book exceeded £28.0 million, representing a year-on-year increase of 14%; and
- high customer retention rates maintained, at 85% across the Group (100% in Risk Management), whilst delivering strong new customer win performance.

PROCUREMENT CORPORATE ORDER BOOK

The Group is proud to be able to report organic and acquisitive Procurement Corporate Order Book growth in the year to a record £28.0 million. This represents an increase of 14% during the year.

The Procurement Corporate Order Book is defined as the aggregate revenue expected by the Group in respect of signed contracts between an Inspired client and an energy supplier 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.

The Procurement Corporate Order Book only relates to the Corporate division, and does not include any SME revenue or contracts within it. The growth of the Procurement Corporate Order Book provides an indicator of the latent growth of the business which has yet to be recognised as revenue of the Group. This is because no revenue is recognised by Inspired's Corporate division until the energy is physically consumed by the client.

PROCUREMENT CORPORATE ORDER BOOK SALES

Procurement Corporate Order Book sales values represent the aggregated expected revenue due to the Group from contracts secured within a defined period. Expected revenue is calculated as the expected commission due to the Group from signed contracts between a client and an energy supplier for an agreed consumption value at an agreed commission rate.

A Procurement Corporate Order Book sales value which is in excess of revenue recognised, within a defined period, will increase the Procurement Corporate Order Book of the Group, providing an indicator of expected future growth already secured by the Group. In 2016, organic Procurement Corporate Order

Book sales (excluding WPUK, STC and Informed) were 13% in excess of revenue recognised in the year, which is manifested in the increase of the Procurement Corporate Order Book (excluding WPUK, STC and Informed) of £1.6 million.

SME DIVISION

The Group's SME division includes:

- EnergiSave Online ("EnergiSave");
- KWH Consulting ("KWH"); and
- Simply Business Energy ("SBE").

Within the SME division, the Group's energy consultants contact prospective SME clients to offer reduced tariffs and contracts based on the unique situation of the customer.

The SME division has delivered another strong set of results in 2016. Following a period of investment in the team and operational infrastructure, the SME division has become a strong, mature and consistent performer within the Group. Following a strategic decision to maintain, rather than increase, headcount, the division has delivered an 11% increase in gross profit to £2.74 million (2015: £2.47 million) and a 14% increase in EBITDA to £1.75 million (2015: £1.54 million) in 2016, resulting in an increase in EBITDA margin to 34% (2015: 30%). The division continues to provide material cash generation to the Group.

Following a year of expected stability, the Board may look to modestly increase headcount in the division in order to deliver increased growth in the division in the short to medium term but will ensure that cash generation is maintained at an appropriate level after taking into account any investment in staff.

Procurement Corporate Order Book analysis

	£m
Procurement Corporate Order Book b/f at 31 December 2015	17.5
Add: Procurement Corporate Order Book sales in period (excl. WPUK, STC and Informed)	13.5
Less: Revenue recognised from Procurement Corporate Order Book in period (excl. WPUK, STC and Informed)	(11.9)
Add: Acquired Procurement Corporate Order Book less revenue recognised in the period	8.9
Procurement Corporate Order Book c/f at 31 December 2016	28.0

ACQUISITION STRATEGY

The Board continues to investigate opportunities for the Group to participate in industry consolidation. To create an enlarged and improved business, as demonstrated with the six acquisitions since admission to trading on AIM, we believe that potential targets should offer one or more of the following criteria:

- additional technical and/or service capability;
- sector specialism and diversification; and
- increased geographic footprint.

The Board continues to seek acquisition opportunities which fit with the Group's strategy in order to augment the Group's services, products or markets and is delighted to have completed the acquisition of Informed in H2 of 2016.

EXCEPTIONAL DEAL-RELATED COSTS

Exceptional costs of £530,285 have been incurred in the year, all of which relate to fees and restructuring associated with the two acquisitions in H2 of 2015 and the acquisition of Informed in 2016. These costs are considered by the Directors to be either material in nature or non-recurring and therefore require separate identification to give a true and fair view of the Group's result for the period.

CASH AND BORROWINGS

As at 31 December 2016, the Group had a cash balance of £1.0 million. As at that date, the Group had outstanding balances on its term debt facilities of £13.6 million comprising:

- senior term debt of £8.6 million;
- £1.75 million drawn of the £3.5 million acquisition facility; and
- £1.5 million drawn of the £1.5 million revolving credit facility.

Capital repayments of £1.4 million per annum are made on the senior term debt.

As at 31 December 2016, net debt stood at £10.79 million, which is an increase of £1.89 million in comparison to 31 December 2015.

The increase in net debt reflects a year in which the cash generation of the Group was offset by the payment of £1.75 million of initial cash consideration to the vendors of Informed and £2.0 million of deferred cash consideration to the vendors of STC and WPUK.

To finance the acquisition of STC in November 2015, the Group entered into a new facility agreement with Santander UK plc ("Santander"), replacing the £5.0 million term loan facility and £0.6 million of drawn RCF facilities. The new facility agreement ("Facility") was for a £10.0 million term loan. £7.0 million of the term facilities ("Tranche A") amortise over a period of five years with the balance, and the remaining £3.0 million ("Tranche B"), repayable by way of a bullet repayment on 16 May 2021. The Facility has an interest rate of 3.0% over LIBOR in respect of Tranche A and 3.25% over LIBOR in respect of Tranche B. There are no ongoing monitoring fees.

In addition, the Group has also entered into a new revolving credit facility with Santander, for the sum of £1.5 million, of which £1.5 million is drawn, to be used for the purposes of satisfying future working capital requirements (the "RCF") and an acquisition facility of up to £3.5 million to fund future Group acquisitions (the "Acquisition Facility"), of which £1.75 million is currently drawn. 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.

DIVIDENDS

The Board is delighted to propose a final dividend of 0.32 pence per share subject to approval at the Annual General Meeting of the Group. Following the payment of an interim dividend of 0.13 pence per share, the total dividend payable for the year ended 31 December 2016 is 0.45 pence per share. This represents an increase of 29% over the dividend payable in respect of 31 December 2015, being 0.35 pence per share.

The dividend will be payable to all shareholders on 13 July 2017 to shareholders on the register on 9 June 2017 and the shares will go ex-dividend on 8 June 2017.

FOCUS ON OUR PEOPLE

The Group believes that investment in staff development and welfare builds a stronger business and we will continue to make appropriate investment in order to further develop our team and our environment. This is demonstrated by the Group supporting employees through professional qualifications and work-based learning. National

Vocational Qualifications (NVQs) continue to be a great success, with employees delivering a 100% pass rate in 2016. In addition, a number of staff are undertaking professional qualifications including ACCA/AAT qualifications to support their development within the business.

Throughout the year, Directors of the Group provide guidance and mentor employees, engaging in consultation with them to ensure that their views are heard and considered.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitude 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.

OUTLOOK

I am delighted with the Group's achievements over the past year, delivering strong growth on all fronts as we continue to deliver value-added services to our customers. Our strong organic growth has been further enhanced by the successful execution of the acquisition of Informed, which has integrated seamlessly into the Group and performed in line with expectations.





Integration of Informed is now complete, and we continue to advance our position as a market leader. On behalf of the Board, I would like to thank all of the Inspired team for the hard work over the past year, and we look forward to another exciting year of growth and development of the business.

Janet Thornton
Chief Executive Officer
27 March 2017

MARKET EXPERTISE

Unique combination of established supplier relationships, market expertise and technical capability.

KEY:

-  Audit Committee
-  Remuneration Committee
-  Nominations Committee
-  Chairman



Michael Fletcher (42)
Non-Executive Chairman



Mike is a co-founder and managing partner of Praetura Capital LLP, a business specialising in venture investment and corporate advisory, and was formerly a managing director at Altium Capital Limited. Mike sits on the board of a number of Praetura Capital's investments including PIB Limited, EC3 Brokers, Praetura Asset Finance Limited, Artorius Wealth Limited, Starcount Pte Limited, Incorporate Travel Management and Myparceldelivery Holdings Limited. Mike is also a non-executive director of Fairpoint Group plc. He has over 15 years' experience in mergers, 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, and is both FCA and SRA approved.



Janet Thornton (54)
Chief Executive Officer



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.

Since admission, Janet has been responsible for the integration of the acquired DEP, WPUK and STC and the inception and development of the Group's SME division. During 2016, Janet has overseen the successful acquisition and integration of Informed Business Solutions Limited.



David J Foreman (35)
Corporate Development Director



David is a Chartered Accountant, having qualified with KPMG in 2006. 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. David operates as a non-executive director for a number of Praetura investments, including Praetura Asset Finance Limited, myparceldelivery.com Limited and Big Red Holdings Limited.



Matthew Thornton (43)
Sales Director



Matthew has more than 19 years' experience of the energy markets. He established the Risk Management division of Inspired Energy in 2005, which now manages in excess of 11.25TWh of gas and power annually. Matthew works very closely with major suppliers in the development of innovative buying solutions to ensure market-leading energy supply and trading agreements for the growing portfolio of clients.

The risk management division continues to deliver, complex, strategic energy buying solutions to high profile clients and during 2016 the team signed many accounts including Travis Perkins PLC, Samworth Brothers, Victrex PLC and Four Seasons Healthcare.



Paul Connor (32)
Finance Director



Paul was appointed Finance Director in December 2014. Paul joined the Company as Head of Finance in September 2013, leading the day-to-day finance function of the business and working closely with the Board, successfully supporting David Foreman, who since AIM admission had worked as Finance Director on a part-time basis. Since joining the Board, Paul has been responsible for facilitating and delivering the acquisitions of Wholesale Power UK Limited, STC Energy and Carbon Holdings Limited and Informed Business Solutions Limited. Paul qualified as a Chartered Accountant in 2009, before going on to hold senior finance positions within two growing national legal services providers, Weightmans LLP and Forster Dean Limited, during a period of rapid change within the sector.



Mark Dickinson (44)
Non-Executive Director



Mark joined the Board during 2016 as a Non-Executive Director. Mark is an energy consultancy specialist with over 20 years' experience of developing and advising companies in the sector. Mark was CEO of M&C Energy Group where he led the buy and build strategy completing four acquisitions before selling the company to Schneider Electric in 2013. He brings significant industry knowledge coupled with experience in executing acquisitions and has a Master's in Finance from the London Business School where he was voted Accomplished Entrepreneur of the Year in 2012.



Richard Logan (59)
Non-Executive Director



Richard Logan is a chartered accountant with 30 years' experience of working in industry. He is the finance director of cloud computing company iomart Group plc (AIM: IOM), a position he has held since 2006.

Prior to that, having qualified with Ernst & Young in 1984, he has held senior roles with Ben Line Group, a shipping and oil company, and Kingston SCL Limited, a provider of mobile phone billing software where he was involved in a private equity backed management buyout and subsequent trade sale.

Richard holds a BA in accountancy from Stirling University and in 2013 was Smaller Quoted FD of the Year at the FD's Excellence Awards.

DIRECTORS' REMUNERATION REPORT

This report to shareholders for the year ended 31 December 2016 sets out the Group's remuneration policies. As the Company's shares are registered on the AIM sub-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, Mike Fletcher (Chairman) and Mark Dickinson (Non-Executive Director), and the Chief Executive Officer, 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 2016.

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.

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 insofar 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 the Chief Executive Officer, Sales Director and Finance Director are £200,000, £150,000 and £125,000 respectively.

PERFORMANCE-RELATED PAY

The Chief Executive Officer can earn a cash bonus of up to 50% 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 can earn a discretionary bonus payable against new and retained business targets as set by the Committee.

The Finance Director can earn a discretionary bonus payable against business targets as set by the Committee.

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 no more than twelve 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 three days per week with effect from admission. The agreement was for an initial fixed term of twelve months and thereafter could be terminated by either party serving at least six months' written notice on the other. The terms of the agreement remain consistent despite the change of role to Corporate Development Director. In consideration of its services, Praetura Capital is 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 Director by the Board following a recommendation from the Chairman. The Chairman and Non-Executive Director are not involved in any discussions or decisions about their own remuneration.

The annual fee levels as at 31 December 2016 were:

- Chairman – £48,000
- Non-Executive Director – £42,000

There is no right to any further benefits in kind.

Directors' emoluments for the year ended 31 December 2016 are summarised below:

	Salary/fees/ bonus £	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Executive			
Janet Thornton	200,740	200,740	233,212
Matthew Thornton	140,740	140,740	147,457
David Foreman	60,000	60,000	60,000
Paul Connor	132,755	132,755	105,712
	534,235	534,235	546,381
Non-Executive			
Bob Holt (resigned 29 September 2016)	32,000	32,000	43,200
Mike Fletcher	48,000	48,000	43,200
Mark Dickinson (appointed 29 September 2016)	10,681	10,681	—
	90,681	90,681	86,400
Total	624,916	624,916	632,781

Paul Connor was granted 1,500,000 EMI Share Options on 15 January 2014 subject to an exercise price of 8.75 pence (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).

These options became exercisable in four equal tranches on the following dates, subject to continuing employment at each exercise date:

- (i) the date on which the Group published its audited accounts for the year ended 31 December 2014;
- (ii) the date on which the Group published its interim accounts for the six months ended 30 June 2015;
- (iii) the date on which the Group published its audited accounts for the year ended 31 December 2015; and
- (iv) the date on which the Group published its interim accounts for the six months ended 30 June 2016.

Paul Connor was granted a further 1,000,000 EMI Share Options on 16 April 2015 subject to an exercise price of 11.25 pence (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).

These options will become exercisable in four equal tranches on the following dates, subject to continuing employment at each exercise date:

- (i) the date on which the Group published its audited accounts for the year ended 31 December 2015;
- (ii) the date on which the Group published its interim accounts for the six months ended 30 June 2016;
- (iii) the date on which the Group publishes its audited accounts for the year ended 31 December 2016; and
- (iv) the date on which the Group publishes its interim accounts for the six months ending 30 June 2017.

DIRECTORS' REMUNERATION REPORT continued

REMUNERATION STRUCTURE FOR EXECUTIVE DIRECTORS CONTINUED

NON-EXECUTIVE DIRECTORS CONTINUED

Paul Connor was granted a further 2,000,000 EMI Share Options on 22 December 2015 subject to an exercise price of 13.375 pence (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).

These options will become exercisable in four equal tranches on the following dates, subject to continuing employment at each exercise date:

- (i) the date on which the Group publishes its audited accounts for the year ending 31 December 2016;
- (ii) the date on which the Group publishes its interim accounts for the six months ending 30 June 2017;
- (iii) the date on which the Group publishes its audited accounts for the year ending 31 December 2017; and
- (iv) the date on which the Group publishes its interim accounts for the six months ending 30 June 2018.

Paul Connor was granted a further 1,750,000 EMI Share Options on 7 April 2016 subject to an exercise price of 12.50 pence (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).

These options will become exercisable in four equal tranches on the following dates, subject to continuing employment at each exercise date:

- (i) the date on which the Group publishes its audited accounts for the year ending 31 December 2016;
- (ii) the date on which the Group publishes its interim accounts for the six months ending 30 June 2017;
- (iii) the date on which the Group publishes its audited accounts for the year ending 31 December 2017; and
- (iv) the date on which the Group publishes its interim accounts for the six months ending 30 June 2018.

Directors' interests in shares of the Company as at 31 December 2016:

	Number of shares	%
Janet Thornton	38,590,578	7.95
Matthew Thornton	38,590,578	7.95
Praetura Ventures (1) LLP*	11,137,039	2.29
Mark Dickinson	344,827	0.07

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

On 12 January 2016, Paul Connor exercised options over 750,000 ordinary shares, which were immediately sold, generating a gain on disposal of £33,750.

On 28 October 2016, Paul Connor exercised options over 750,000 ordinary shares, which were immediately sold, generating a gain on disposal of £33,750.

Following this exercise, he holds options over 4,750,000 ordinary shares. No other Director holds options in the Group.

This report has been approved by the Board and has been signed on behalf of the Board by:

Michael Fletcher

Chairman of Remuneration Committee

27 March 2017

GROUP DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Board has continued the commercial development of the business and is pleased with the progress made as noted in further detail in the Chief Executive Officer's statement and Strategic report.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In accordance with IFRSs, the financial statements reflect the results of Inspired Energy PLC and its subsidiaries for the year ended 31 December 2016 and for the year ended 31 December 2015.

Further details are provided in notes 2.1 and 2.2 to the financial statements.

CASH AND BORROWINGS

As at 31 December 2016, the Group had cash balances of £1.0 million. As at this date, the Group had outstanding balances on its senior term debt of £11.77 million, for which annual capital repayments are £1.4 million, plus £1.75 million drawn of the £3.50 million acquisition facility and £1.50 million drawn of the £1.50 million revolving credit facility.

To finance the acquisition of STC Energy and Carbon Holdings Limited in November 2015, the Group entered into a new facility agreement with Santander UK plc for a £10.0 million term loan. £7.0 million of the term facilities will amortise over a period of five years and the remaining £3.0 million will be repayable by way of a bullet repayment on 16 May 2021. The facility replaced the Group's previous £5.0 million term loan facility.

In addition, the Group has also entered into a revolving credit facility, also with Santander, for the sum of £1.5 million, of which £1.5 million is drawn, to be used for the purposes of satisfying future working capital requirements and an

acquisition facility of up to £3.5 million to fund future Group acquisitions, of which £1.75 million is drawn. 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.

As at 31 December 2016, net debt stood at £10.79 million, which is an increase of £1.89 million in comparison to 31 December 2015.

The increase in net debt reflects a year in which the cash generation of the Group was offset by the payment of £1.75 million of initial cash consideration to the vendors of Informed Business Solutions Limited and £2.0 million of deferred cash consideration to the vendors of STC Energy and Carbon Holdings Limited and Wholesale Power UK Limited.

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:

	Number of shares	%
Janet Thornton	38,590,578	7.95
Matthew Thornton	38,590,578	7.95
Praetura Ventures (1) LLP*	11,137,039	2.29
Mark Dickinson	344,827	0.07

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

GROUP DIRECTORS' REPORT continued

DIVIDENDS

The Board is delighted to propose a final dividend of 0.32 pence per share subject to approval at the Annual General Meeting of the Group. Following the payment of an interim dividend of 0.13 pence per share, the total dividend payable for the year ended 31 December 2016 is 0.45 pence per share. This represents an increase of 30% over the dividend payable in respect of 31 December 2015, being 0.35 pence per share.

The dividend will be payable to all shareholders on the register as at 3 June 2016 and will be paid on 13 July 2017.

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.

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 2016, relevant to the Group's size and complexity. The Group is not required to follow, and does not comply with, the UK Corporate

Governance Code. Nevertheless, the Board is committed to high standards of corporate governance which it considers are critical to business integrity and to maintaining investors' trust.

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, its annual budgets, its progress against those budgets and its 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 Mike Fletcher and Mark Dickinson as Non-Executive Directors and Janet Thornton as an Executive Director. The Audit Committee is chaired by Mike Fletcher 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.

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 principal terms of the Share Option Scheme are summarised in note 19.

FINANCIAL RISK MANAGEMENT

The Group uses various financial instruments, which include loans, cash and other items such as trade receivables and trade payables 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 include 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 trade receivables relate to amounts owed by UK energy suppliers. Given the size and stability of the core receivables, 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 three-month LIBOR to cover £5.0 million of its total indebtedness at an interest rate of 1.88% for the term of the loan. The Group does not adopt the principles of hedge accounting.

SUBSTANTIAL SHAREHOLDINGS

At 14 February 2017, notification had been received of the following interests which exceed a 3% interest in the issued share capital of the Group, in addition to those of the Directors referred to on page 22.

	Number of shares	%
Living Bridge EP LLP	56,191,341	11.66
Miton Asset Management	49,613,336	10.29
Hargreave Hale, stockbrokers	39,000,000	8.09
Regent Gas Holdings Limited	30,383,880	6.30
Simon Clayton	28,349,397	5.88
Slater Investments	27,980,000	5.80
River and Mercantile Asset Management	17,000,000	3.53
Business Growth Fund	15,094,340	3.13

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic report, the Group Directors' report, the Remuneration 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 (IFRSs). The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs 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 and Group 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 the Group and enable them to ensure that the financial statements and the Remuneration report comply with the Companies Act 2006 and article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the 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 preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

To the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the annual report, including the Strategic report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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.

DIRECTORS' LIABILITY INSURANCE

The Group maintains liability insurance for the Directors and officers of all Group companies. The Directors and officers have also been granted a qualifying third provision under section 236 of the Companies Act 2006. Neither the Group's indemnity nor insurance providers cover in the event that a Director or officer is proved to have acted fraudulently or dishonestly.

AUDITORS

Grant Thornton UK LLP, having expressed its willingness to continue in office, will be proposed for reappointment for the next financial year, at the AGM, in accordance with section 489 of the Companies Act 2006.

On behalf of the Board

Janet Thornton
Chief Executive Officer
27 March 2017

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the members of Inspired Energy PLC

We have audited the financial statements of Inspired Energy PLC for the year ended 31 December 2016 which comprise the Group statement of comprehensive income, the Group statement of financial position, the Group statement of changes in equity, the Group statement of cash flows, the Company balance sheet, the Company statement of changes in equity 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 Principles), including FRS101 Reduced Disclosure Framework.

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 auditors' 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 AUDITORS

As explained more fully in the Statement of Directors' responsibilities set out on page 25 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 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 Principles; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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.

Christopher Martin

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditors, Chartered Accountants

Manchester

27 March 2017

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 £	2015 £
Revenue	6	21,514,911	15,188,071
Cost of sales		(4,205,931)	(3,622,110)
Gross profit		17,308,980	11,565,961
Administrative expenses		(12,470,995)	(7,651,117)
Operating profit		4,837,985	3,914,844
Analysed as:			
Earnings before exceptional costs, depreciation, amortisation and share-based payment costs		8,257,775	5,688,954
Exceptional costs	4	(530,285)	(480,128)
Depreciation	11	(422,279)	(194,358)
Amortisation of intangible assets	12	(2,149,198)	(786,705)
Share-based payment costs		(318,028)	(312,919)
		4,837,985	3,914,844
Finance expenditure	5	(742,085)	(358,593)
Other financial items		(77,315)	(61,658)
Profit before income tax	4	4,018,585	3,494,593
Income tax expense	9	(616,430)	(651,344)
Profit for the year and total comprehensive income from continuing operations		3,402,155	2,843,249
Attributable to:			
Equity owners of the Company		3,402,155	2,843,249
Basic earnings per share attributable to the equity holders of the Company (pence)	10	0.71	0.65
Diluted earnings per share attributable to the equity holders of the Company (pence)	10	0.68	0.62

The notes on pages 32 to 59 form part of these financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 £	2015 £
ASSETS			
Non-current assets			
Goodwill	12	12,987,651	9,400,834
Other intangible assets	12	7,390,982	7,537,906
Property, plant and equipment	11	1,331,603	1,360,303
Non-current assets		21,710,236	18,299,043
Current assets			
Trade and other receivables	13	12,408,789	9,460,174
Cash and cash equivalents		984,403	1,604,851
Current assets		13,393,192	11,065,025
Total assets		35,103,428	29,364,068
LIABILITIES			
Current liabilities			
Trade and other payables	14	1,712,175	1,357,231
Bank borrowings	16	3,337,500	2,000,000
Contingent consideration	17	2,460,354	1,654,601
Current tax liability		2,413,464	1,144,139
Current liabilities		9,923,493	6,155,971
Non-current liabilities			
Bank borrowings	16	8,286,462	8,490,569
Trade and other payables	14	61,866	50,000
Deferred consideration	17	—	—
Contingent consideration	17	797,433	1,788,506
Interest rate swap		149,120	76,571
Deferred tax liability	15	1,010,869	1,495,244
Non-current liabilities		10,305,750	11,900,890
Total liabilities		20,229,243	18,056,861
Net assets		14,874,185	11,307,207
EQUITY			
Share capital	18	606,987	589,505
Share premium account	18	2,318,619	1,901,747
Merger relief reserve	18	14,913,911	13,675,249
Share-based payment reserve		794,120	631,023
Retained earnings		7,623,321	5,892,456
Reverse acquisition reserve		(11,382,773)	(11,382,773)
Total equity		14,874,185	11,307,207

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2017 and were signed on its behalf by:

Janet Thornton
Chief Executive Officer

Paul Connor
Finance Director

Company registration number: 07639760.

The notes on pages 32 to 59 form part of these financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital £	Share premium account £	Merger relief reserve £	Share-based payment reserve £	Retained earnings £	Reverse acquisition reserve £	Total shareholders' equity £
Balance at 1 January 2015	529,602	1,596,028	8,925,737	457,728	4,120,212	(11,382,773)	4,246,534
Profit and total comprehensive income for the period	—	—	—	—	2,843,249	—	2,843,249
Shares issued (1 April 2015)	2,675	84,707	—	—	—	—	87,382
Shares issued (20 May 2015)	3,704	—	296,296	—	—	—	300,000
Shares issued (31 July 2015)	5,800	—	494,200	—	—	—	500,000
Shares issued (21 August 2015)	6,740	221,012	—	—	—	—	227,752
Shares issued (17 November 2015)	40,984	—	3,959,016	—	—	—	4,000,000
Share-based payment cost	—	—	—	312,919	—	—	312,919
Share options lapsed/exercised	—	—	—	(139,624)	139,624	—	—
Dividends paid	—	—	—	—	(1,210,629)	—	(1,210,629)
Total transactions with owners	59,903	305,719	4,749,512	173,295	(1,071,005)	—	4,217,424
Balance at 31 December 2015	589,505	1,901,747	13,675,249	631,023	5,892,456	(11,382,773)	11,307,207
Profit and total comprehensive income for the period	—	—	—	—	3,402,155	—	3,402,155
Shares issued (19 January 2016)	2,188	131,565	—	—	—	—	133,753
Shares issued (3 May 2016)	1,672	122,859	—	—	—	—	124,531
Shares issued (23 May 2016)	6,906	—	743,094	—	—	—	750,000
Shares issued (2 September 2016)	1,347	97,760	—	—	—	—	99,107
Shares issued (28 September 2016)	4,432	—	495,568	—	—	—	500,000
Shares issued (3 November 2016)	937	64,688	—	—	—	—	65,625
Share-based payment cost	—	—	—	318,028	—	—	318,028
Share options exercised	—	—	—	(154,931)	154,931	—	—
Dividends paid	—	—	—	—	(1,826,221)	—	(1,826,221)
Total transactions with owners	17,482	416,872	1,238,662	163,097	1,730,865	—	3,566,978
Balance at 31 December 2016	606,987	2,318,619	14,913,911	794,120	7,623,321	(11,382,773)	14,874,185

MERGER RELIEF RESERVE

Merger relief reserve represents the premium arising on shares issued as part or full consideration for acquisitions, where advantage has been taken of the provisions of section 612 of the Companies Act 2006.

REVERSE ACQUISITION RESERVE

The reverse acquisition reserve relates to the reverse acquisition between Inspired Energy Solutions Limited and Inspired Energy PLC on 28 November 2011 and arises on consolidation.

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 32 to 59 form part of these financial statements.

GROUP STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit before income tax	4,018,585	3,494,593
Adjustments		
Depreciation	422,279	194,358
Amortisation	2,149,198	786,705
Share-based payment costs	318,028	312,919
Contingent consideration	—	—
Finance expenditure	742,085	358,593
Other financial items	77,315	61,658
Cash flows before changes in working capital	7,727,490	5,208,826
Movement in working capital		
Increase in trade and other receivables	(2,948,615)	(2,200,656)
Increase/(decrease) in trade and other payables	199,551	(289,165)
Cash generated from operations	4,978,426	2,719,005
Income taxes paid	(532,786)	(987,833)
Net cash flows from operating activities	4,445,640	1,731,172
Cash flows from investing activities		
Contingent consideration paid	(1,250,000)	(50,000)
Acquisition of subsidiaries, net of cash acquired (note 21)	(1,374,189)	(5,571,279)
Payments to acquire property, plant and equipment	(368,873)	(246,091)
Payments to acquire intangible assets	(1,071,274)	(529,772)
Proceeds for disposal of property, plant and equipment	—	19,911
Net cash used in investing activities	(4,064,336)	(6,377,231)
Cash flows from financing activities		
New bank loans (net of debt issue costs)	2,623,750	7,363,158
Proceeds from issue of new shares	423,015	315,134
Repayment of bank loans	(1,509,375)	(613,158)
Interest on bank loans paid	(712,921)	(355,192)
Dividends paid	(1,826,221)	(1,210,629)
Repayment of hire purchase agreements	—	(23,225)
Net cash (outflow)/inflow from financing activities	(1,001,752)	5,476,088
Net (decrease)/increase in cash and cash equivalents	(620,448)	830,029
Cash and cash equivalents brought forward	1,604,851	774,822
Cash and cash equivalents carried forward	984,403	1,604,851

The notes on pages 32 to 59 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” or “Inspired”) provide energy purchasing and energy consultancy services to Corporate and SME 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 is 29 Progress Business Park, Orders Lane, Kirkham, Lancashire, PR4 2TZ.

Inspired Energy PLC is a company registered and domiciled 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 applicable law and International Financial Reporting Standards as adopted by the European Union (IFRS).

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 Chief Executive Officer’s statement, the Strategic report and the Group Directors’ report on pages 23 to 25. The financial position of the Group, its cash flows and liquidity position are described on pages 14 to 17. In addition, note 17 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’s forecasts, which have been prepared for the period to 31 December 2018 after taking into account the contracted order 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.

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles under IFRSs, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

KEY SOURCES OF ESTIMATION UNCERTAINTY

There are no critical judgements, other than those involving estimations. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

I. REVENUE RECOGNITION – SME DIVISION

Energy procurement revenue is recorded at the estimated value of the service provided, which is calculated using expected energy use of the business customer at agreed commission rates with the energy provider. The Group believes that, based on historic usage data, it can reliably measure commission revenue for the SME division; however, there is inevitably a variability in these calculations for energy use by the business customer and this is taken into account when assessing the initial value. The value estimate is to be assessed on an ongoing basis to ensure it remains appropriate. The value of SME division accrued income at 31 December 2016 was £5,097,651 (2015: £3,742,103).

II. GOODWILL IMPAIRMENT

The Group determines whether goodwill arising on acquisitions is impaired on at least an annual basis. This requires an estimation of the ‘recoverable amount’ – the higher of ‘value in use’ and fair value less costs to sell – of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires the Directors to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (see note 12). The actual cash flows may be different from the Directors’ estimates, which could impact the carrying value of the goodwill and, therefore, operating results negatively. The value of goodwill at 31 December 2016 is £12,987,651 (2015: £9,400,834).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.1 BASIS OF PREPARATION CONTINUED

KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

III. SHARE-BASED INCENTIVE ARRANGEMENTS

Share-based incentive arrangements are provided to management and certain employees. These are valued at the date of grant using the Black-Scholes option pricing model for options with non-market vesting conditions. Management has to exercise judgement over the likely exercise period, interest rate and share price volatility (note 19). Management uses various sources of information, including its own share price performance, experience from the historical exercise of options and published data on risk-free rates. The charge recognised in the current year in respect of these arrangements is £318,028 (2015: £312,919).

IV. INTANGIBLE ASSETS

On acquisition, specific intangible assets are identified and recognised separately from goodwill and then amortised over their estimated useful lives. These include items such as brand names and customer lists, to which value is first attributed at the time of acquisition. The capitalisation of these assets and the related amortisation charges are based on judgements about the value and economic life of such items.

The economic lives for customer relationships, contracts, databases and computer software are estimated at between two and five years. The economic life of trade names included within acquisition intangibles is estimated at 20 years. The value of intangible assets, excluding goodwill, at 31 December 2016 is £7,390,982 (2015: £7,537,906).

V. CONTINGENT CONSIDERATION

An element of consideration relating to the three business acquisitions made is contingent on the future revenue targets being achieved by the acquired businesses. On acquisition, estimates are made of the expected future revenue based on forecasts prepared by management. These estimates are reassessed at each reporting date and adjustments are made where necessary. Amounts of deferred consideration payable after one year are discounted. The carrying value of contingent consideration, after discounting, at 31 December 2016, is £3,257,787 (2015: £3,443,107).

2.2 BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS

The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2016. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December. These are adjusted, where appropriate, to conform to Group accounting policies. Acquisitions are accounted for under the acquisition method. The results of companies acquired or disposed of are included in the Group statement of comprehensive income 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. As set out in note 12, adjustments of £546,075 and £59,650 have been made to the goodwill balances of STC and WPUK during the year. 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.

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.

The full accounting policy in respect of the reverse acquisition reserve is detailed in note 2.2 of the accounting policies in the 2011 financial statements, which are publicly available at Companies House.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.3 REVENUE RECOGNITION

Revenue is comprised 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 Corporate and SME customers. 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 income has been recognised as follows:

CORPORATE DIVISION

Commissions received from the energy suppliers are based upon the energy usage of the Corporate customer at agreed commission rates with the energy suppliers. Commission income is recognised in line with the energy usage of the Corporate customer over the term of the contract, which is considered to be the point at which commission income can be reliably measured. This is due to the impact of the observed variability of actual to estimated energy usage on Corporate customer contracts on the substantial order book of the Corporate division.

The majority of contracts are entered into as 'direct billing' contracts, whereby commissions are received in cash terms in line with the billing profile of the ultimate customer, which can be on a monthly or quarterly basis. For a minority of suppliers, 'up-front payment' contracts are entered into, whereby the supplier pays a percentage of the commission on the contract commencement date, with the remaining percentage on contract reconciliation at a future specified date.

Accrued income for the Corporate division represents commission income recognised at the year end in respect of customer energy usage prior to the year end which has not been settled by the energy supplier at that point.

For risk-managed contracts, where a number of services are provided to the Corporate customer over the term of the contract, commission income is similarly recognised in line with the energy usage of the customer which approximates to recognition on a straight-line basis over the contract period.

In respect of contracts for ongoing services billed directly to the Corporate customer, including bureau services, revenue represents the value of work done in the year. Revenue in respect of contracts for ongoing consultancy services is recognised as it becomes unconditionally due to the Group as services are delivered and is measured by reference to stage of completion as determined by cost profile.

SME DIVISION

The SME division provides services through procuring contracts with energy suppliers on behalf of SME customers and generates revenues by way of commissions received directly from the energy suppliers. No further services regarding procurement are performed once the contract is authorised by the supplier. Commissions earned by the SME division fall into two broad categories:

CHANGE OF TENANCY AGREEMENTS (COTS)

COTS agreements are largely entered into by customers on moving into new premises. Revenue relates to an up-front fixed commission received from the energy supplier on setting up a new supply agreement. The commission received has no linkage to future energy usage and hence revenue can be reliably measured at the point the contract has been authorised by the energy supplier. Revenue is recognised at the point the contract has been authorised by the energy supplier.

OTHER SME AGREEMENTS

For other SME agreements, commissions are based upon the energy usage of the SME customer at agreed commission rates with the energy suppliers. The expected commission over the full term of the contract is recognised at the point the contract is authorised by the supplier. Where actual energy use by the business differs to that calculated at the date the contract goes live, an adjustment is made to revenue once the actual data is known.

The cash received profile relating to these revenues varies according to the contract terms in place with the energy supplier engaged and can be received before the date the contract goes live or spread over the terms of the contract between the energy supplier and the end customer, which can be for a period of up to three years. This amount is not discounted as the impact would be immaterial. Accrued revenue relates to commission earned, not yet received or paid.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.4 COST OF SALES

Cost of sales represents internal or external commissions paid in respect of sales made and is recognised as follows:

CORPORATE DIVISION

Sales commissions paid in respect of the Corporate division are recognised in profit or loss on a straight-line basis over the life of the contract, being a reasonable approximation of how the relative revenues are recognised.

SME DIVISION

Sales commissions paid in respect of both COTS and other SME agreements are recognised in profit or loss at the point when the contract is authorised with the supplier, and is therefore recognised in the same period as the associated commission income.

2.5 EXCEPTIONAL COSTS

Exceptional costs represent those costs/(income) that are considered by the Directors to be either material 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.

2.6 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 statement of comprehensive income and is not subsequently reversed. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated. This is calculated as the higher of the value in use and the fair value less cost to sell. 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.

2.7 PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less depreciation 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% reducing balance
- Motor vehicles: 25% reducing balance
- Computer equipment: 25% reducing balance
- Leasehold improvements: ten years straight line

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

2.8 IMPAIRMENT

The carrying values of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Where an indicator exists, an impairment test is performed and the recoverable amount of the asset or cash-generating units (CGUs) is calculated.

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 represents the difference between the recoverable amount and the carrying value and is recognised in the Group statement of comprehensive income whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.9 OTHER INTANGIBLE ASSETS

Customer relationships, customer contracts, computer software and trade names acquired as part of a business combination are initially measured at fair value and are amortised over their expected lives. Customer relationships and customer contracts have both been valued using the excess earnings approach, which calculates the value as the sum of the present value of projected cash flow in excess of returns on contributory assets. The valuation of technology-based intangible assets is based on both an income and cost (replacement cost) approach, whilst trade names have been valued by means of the royalty savings (relief-from-royalty) method of income approach. Separate values are not attributed to internally generated customer and supplier relationships.

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; and
- 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 – amortised on a straight-line basis across the life of the contract
- Computer software – five years straight line
- Customer databases – two years straight line
- Trade name – 20 years straight line
- Customer relationships – four years straight line

2.10 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 statement of comprehensive income 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 statement of financial position date.

2.11 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 statement of comprehensive income, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.12 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.

2.13 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.

2.14 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 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)

The following new accounting standards, interpretations and amendments to existing standards have been published and are mandatory for the accounting period beginning on 1 January 2017 or later. The Group has not early adopted them.

IFRS 9 FINANCIAL INSTRUMENTS

The standard addresses the accounting principles for the financial reporting of financial assets and financial liabilities, including classification, measurement, impairment, derecognition and hedge accounting. It will be mandatory for the accounting period beginning on 1 January 2018. The Group has undertaken a review of all financial liabilities, particularly those measured at fair value through profit or loss and has concluded that the application of IFRS 9 will not have a material impact on the consolidated results or financial position.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

This standard combines, enhances and replaces specific guidance on recognising revenue with a single standard. It defines a new five-step model to recognise revenue from customer contracts. The Group is currently undertaking a review of the main types of commercial arrangement used with customers under this model and is currently assessing the impact of IFRS 15 on the consolidated results and financial position.

2.15 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.

Financial assets are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. 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 Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.16 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.

2.17 FINANCIAL LIABILITIES

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

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 statement of comprehensive income. Items within this category relate to derivative financial instruments (interest rate swaps) and contingent consideration. 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 statement of comprehensive income. Amortised cost liabilities are also initially recognised at fair value.

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

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.

2.18 HIRE PURCHASE LEASES

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the statement of financial position and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the statement of financial position.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of lease obligation so as to achieve a constant rate of interest on the balance of the liability. Finance charges are charged directly against income.

3. SEGMENTAL INFORMATION

REVENUE AND SEGMENTAL REPORTING

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Directors. Operating segments for the year to 31 December 2016 were determined on the basis of the reporting presented at regular Board meetings of the Group which is by nature of customer and level of procurement advice provided. The segments comprise:

THE CORPORATE DIVISION ("CORPORATE")

This sector comprises the operations of Inspired Energy Solutions Limited, Direct Energy Purchasing Limited, Wholesale Power UK Limited, STC Energy and Carbon Holdings Limited and Informed Business Solutions Limited. Corporate's core services are primarily in the review, analysis and negotiation of gas and electricity contracts on behalf of Corporate clients. Additional services provided include energy review and benchmarking, negotiation and bill validation. The Group's Corporate division benefits from a market-leading trading team, who actively focus on high volume customers, providing more complex, long-term energy frameworks based on agreed risk management strategies.

THE SME DIVISION ("SME")

This sector comprises the operations of Energisave Online Limited, KWH Consulting Limited, Simply Business Energy Limited and Inspired 4U Limited. Within the SME division, the Group's energy consultants contact prospective SME clients to offer reduced tariffs and contracts based on the unique situation of the customer. Leads are generated and managed by the Group's internally generated, bespoke CRM and case management IT system. Tariffs are offered from a range of suppliers and the Group is actively working with new suppliers to increase the range of products available to SME clients.

PLC COSTS

This comprises the costs of running the PLC, incorporating the cost of the Board, listing costs and other professional service costs such as audit, tax, legal and Group insurance.

	2016				2015			
	Corporate £	SME £	PLC costs £	Total £	Corporate £	SME £	PLC costs £	Total £
Revenue	16,320,105	5,194,806	—	21,514,911	10,073,654	5,114,417	—	15,188,071
Cost of sales	(1,752,147)	(2,453,783)	—	(4,205,930)	(981,536)	(2,640,574)	—	(3,622,110)
Gross profit	14,567,958	2,741,023	—	17,308,981	9,092,118	2,473,843	—	11,565,961
Administrative expenses	(7,838,521)	(1,437,217)	(3,195,258)	(12,470,996)	(4,430,546)	(1,286,006)	(1,934,565)	(7,651,117)
Operating profit	6,729,437	1,303,806	(3,195,258)	4,837,985	4,661,572	1,187,837	(1,934,565)	3,914,844
Analysed as:								
EBITDA	7,596,048	1,751,987	(1,090,259)	8,257,776	4,973,426	1,543,532	(828,004)	5,688,954
Depreciation	(387,334)	(34,945)	—	(422,279)	(177,681)	(16,677)	—	(194,358)
Amortisation	(169,459)	(405,026)	(1,574,713)	(2,149,198)	(134,173)	(339,018)	(313,514)	(786,705)
Share-based payments	(309,818)	(8,210)	—	(318,028)	—	—	(312,919)	(312,919)
Exceptional costs	—	—	(530,286)	(530,286)	—	—	(480,128)	(480,128)
	6,729,437	1,303,806	(3,195,258)	4,837,985	4,661,572	1,187,837	(1,934,565)	3,914,844
Finance expenditure				(742,085)				(358,593)
Other financial items				(77,315)				(61,658)
Profit before income tax				4,018,585				3,494,593
Total assets	15,150,679	3,142,071	16,810,678	35,103,428	10,804,672	4,376,283	14,183,113	29,364,068
Total liabilities	2,394,173	653,166	17,181,904	20,229,243	1,505,147	2,347,433	14,204,282	18,056,861

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

4. PROFIT BEFORE INCOME TAX

Profit before income tax is attributable to the principal activity of the Group, which is carried out entirely in the United Kingdom.

	2016 £	2015 £
Profit before income tax is stated after charging:		
Amortisation of intangible assets	2,149,198	786,705
Depreciation:		
– owned	390,584	188,420
– held under hire purchase	31,695	5,938
Operating lease rentals:		
– buildings	341,697	279,791
Interest rate swap charge	77,315	61,658
Auditors' remuneration:		
Audit fees:		
– fees payable for the audit of the Company's annual accounts	10,000	10,000
– fees payable in respect of the audit of the Company's subsidiaries, pursuant to legislation	87,580	65,750
Non-audit fees:		
– services relating to corporate finance transactions	50,000	109,000
– taxation advisory services	3,400	—
– taxation compliance services	22,500	16,600
– non-audit services not covered above	5,500	4,500
Exceptional costs:		
– fees associated with acquisitions	407,750	480,128
– restructuring costs	122,535	—
	530,285	480,128

EXCEPTIONAL COSTS

One-off costs include costs of £122,536 relating to restructuring programmes and costs associated with business combinations of £407,750 which would not normally be seen as costs or income relating to the underlying principal activities of the Group.

5. FINANCE EXPENDITURE

	2016 £	2015 £
Interest payable on bank borrowings	712,921	265,339
Amortisation of debt issue costs	29,164	93,254
	742,085	358,593

6. REVENUE

	2016 £	2015 £
Rendering of services	21,514,911	15,188,071

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

	Corporate £	SME £	2016 £	Corporate £	SME £	2015 £
Energy supplier A	1,244,334	1,377,639	2,621,973	809,718	1,493,214	2,302,932
Energy supplier B	1,627,989	294,532	1,922,521	1,585,598	191,098	1,776,696
Energy supplier C	1,694,312	76,897	1,771,209	1,514,574	46,709	1,561,283

All revenue has been earned in the United Kingdom.

7. DIRECTORS' REMUNERATION

	2016 £	2015 £
Aggregate emoluments	624,916	632,781

The emoluments of Directors disclosed above include the following:

In respect of the highest paid Director:

– Director's remuneration	200,000	233,212
– employer's pension contributions	740	249

Paul Connor is the only Director to have an interest in the share options (2015: Paul Connor) of the Company. Janet Thornton and Matthew Thornton each received £740 pension contributions (2015: £249), Paul Connor received £7,754 pension contributions (2015: £249) and Mark Dickinson received £181 pension contributions (2015: £nil) from the Group.

Paul Connor was granted 1,500,000 EMI Share Options on 15 January 2014 subject to an exercise price of 8.75 pence (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).

These options became exercisable in four equal tranches on the following dates, subject to continuing employment at each exercise date:

- (i) the date on which the Group published its audited accounts for the year ended 31 December 2014;
- (ii) the date on which the Group published its interim accounts for the six months ended 30 June 2015;
- (iii) the date on which the Group published its audited accounts for the year ended 31 December 2015; and
- (iv) the date on which the Group published its interim accounts for the six months ended 30 June 2016.

Paul Connor was granted a further 1,000,000 EMI Share Options on 16 April 2015 subject to an exercise price of 11.25 pence (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).

These options will become exercisable in four equal tranches on the following dates, subject to continuing employment at each exercise date:

- (i) the date on which the Group published its audited accounts for the year ended 31 December 2015;
- (ii) the date on which the Group published its interim accounts for the six months ended 30 June 2016;
- (iii) the date on which the Group publishes its audited accounts for the year ended 31 December 2016; and
- (iv) the date on which the Group publishes its interim accounts for the six months ending 30 June 2017.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

7. DIRECTORS' REMUNERATION CONTINUED

Paul Connor was granted a further 2,000,000 EMI Share Options on 22 December 2015 subject to an exercise price of 13.375 pence (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).

These options will become exercisable in four equal tranches on the following dates, subject to continuing employment at each exercise date:

- (i) the date on which the Group publishes its audited accounts for the year ended 31 December 2016;
- (ii) the date on which the Group publishes its interim accounts for the six months ending 30 June 2017;
- (iii) the date on which the Group publishes its audited accounts for the year ending 31 December 2017; and
- (iv) the date on which the Group publishes its interim accounts for the six months ending 30 June 2018.

Paul Connor was granted a further 1,750,000 EMI Share Options on 7 April 2016 subject to an exercise price of 12.50 pence (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).

These options will become exercisable in four equal tranches on the following dates, subject to continuing employment at each exercise date:

- (i) the date on which the Group publishes its audited accounts for the year ended 31 December 2016;
- (ii) the date on which the Group publishes its interim accounts for the six months ending 30 June 2017;
- (iii) the date on which the Group publishes its audited accounts for the year ending 31 December 2017; and
- (iv) the date on which the Group publishes its interim accounts for the six months ending 30 June 2018.

Further information regarding Directors' remuneration is provided in the Directors' remuneration report on pages 20 to 22.

8. EMPLOYEE BENEFIT EXPENSE

	2016 £	2015 £
Wages and salaries	7,078,258	4,934,373
Social security costs	736,388	426,061
Pension contributions	100,215	25,119
	7,914,861	5,385,553

	No.	No.
Average number of persons employed:		
Management	9	9
Energy procurement services	147	68
Administration and finance	44	42
	200	119

Key management personnel disclosure is contained within note 22.

9. INCOME TAX EXPENSE

The income tax expense is based on the profit for the year and comprises:

	2016 £	2015 £
Current tax		
Current tax charge	1,212,067	638,969
Adjustments in respect of prior periods	65,050	(39,044)
	1,277,117	599,925
Deferred tax		
Origination and reversal of temporary differences	(489,625)	51,419
Adjustment in respect of prior periods	(171,062)	—
	(660,687)	51,419
Total income tax charge	616,430	651,344
Reconciliation of tax charge to accounting profit:		
Profit on ordinary activities before taxation	4,018,585	3,494,593
Tax at UK income tax rate of 20.00% (2015: 20.25%)	803,717	707,655
Disallowable expenses	33,805	82,350
Share options	(46,050)	(99,617)
Adjust closing deferred tax to reflect change in tax rate	(69,030)	—
Effects of current period events on current tax prior period balances	(106,012)	(39,044)
Total income tax charge	616,430	651,344

10. EARNINGS PER SHARE

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

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Profit attributable to equity holders of the Group	3,402,155	2,843,249
Fees associated with acquisition	407,750	480,128
Restructuring costs	122,536	—
Amortisation of intangible assets	2,149,198	786,705
Deferred tax in respect of amortisation of intangible assets	(299,195)	(62,703)
Share-based payment costs	318,028	312,919
Adjusted profit attributable to owners of the Group	6,100,472	4,360,298
Weighted average number of ordinary shares in issue	478,910,478	434,844,094
Dilutive effect of share options	20,216,912	24,005,835
Diluted weighted average number of ordinary shares in issue	499,127,390	458,849,929
Basic earnings per share (pence)	0.71	0.65
Diluted earnings per share (pence)	0.68	0.62
Adjusted basic earnings per share (pence)	1.27	1.00
Adjusted diluted earnings per share (pence)	1.22	0.95

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

10. EARNINGS PER SHARE CONTINUED

The weighted average number of shares in issue for the adjusted diluted earnings per share includes the dilutive effect of the share options in issue to senior staff of the Group.

Adjusted earnings per share represents the earnings per share, as adjusted to remove the effect of fees associated with acquisitions, restructuring costs, the amortisation of intangible assets and share-based payment costs which have been expensed to the Group statement of comprehensive income in the year. The adjustments to earnings per share have been disclosed to give a clear understanding of the Group's underlying trading performance.

11. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Leasehold improvements £	Total £
Cost					
At 1 January 2015	315,873	38,326	263,071	183,796	801,066
Acquisitions through business combinations	30,802	13,100	724,349	—	768,251
Additions	101,768	—	109,460	34,863	246,091
Disposals	—	(38,326)	—	—	(38,326)
At 31 December 2015	448,443	13,100	1,096,880	218,659	1,777,082
Acquisitions through business combinations	15,929	—	8,777	—	24,706
Additions	150,930	—	123,733	94,210	368,873
Disposals	—	—	—	—	—
At 31 December 2016	615,302	13,100	1,229,390	312,869	2,170,661
Depreciation					
At 1 January 2015	98,086	12,478	111,673	18,599	240,836
Charge for the year	68,876	8,213	96,950	20,319	194,358
Disposals	—	(18,415)	—	—	(18,415)
At 31 December 2015	166,962	2,276	208,623	38,918	416,779
Charge for the year	98,035	1,456	297,902	24,886	422,279
Disposals	—	—	—	—	—
At 31 December 2016	264,997	3,732	506,525	63,804	839,058
Net book value					
At 31 December 2016	350,305	9,368	722,865	249,065	1,331,603
At 31 December 2015	281,481	10,824	888,257	179,741	1,360,303

Included within the net book value is £147,330 (31 December 2015: £nil) 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 £31,695 (31 December 2015: £5,938).

12. INTANGIBLE ASSETS AND GOODWILL

	Computer software £	Trade name £	Customer databases £	Customer contracts £	Customer relationships £	Total other intangibles £	Goodwill £	Total £
Cost								
At 1 January 2015	954,903	—	516,015	1,835,850	—	3,306,768	2,075,739	5,382,507
Additions	101,487	—	428,285	—	—	529,772	—	529,772
Acquisitions through business combinations	3,009,000	115,000	—	1,638,000	1,989,000	6,751,000	7,325,095	14,076,095
At 31 December 2015	4,065,390	115,000	944,300	3,473,850	1,989,000	10,587,540	9,400,834	19,988,374
Additions	696,084	—	375,190	—	—	1,071,274	—	1,071,274
Alteration to initial recognition	—	—	—	—	—	—	605,726	605,726
Acquisitions through business combinations	—	—	—	931,000	—	931,000	2,981,091	3,912,091
At 31 December 2016	4,761,474	115,000	1,319,490	4,404,850	1,989,000	12,589,814	12,987,651	25,577,465
Amortisation								
At 1 January 2015	210,035	—	217,044	1,835,850	—	2,262,929	—	2,262,929
Charge for the year	259,570	677	339,018	128,860	58,580	786,705	—	786,705
At 31 December 2015	469,605	677	556,062	1,964,710	58,580	3,049,634	—	3,049,634
Charge for the year	771,259	5,750	405,026	469,913	497,250	2,149,198	—	2,149,198
At 31 December 2016	1,240,864	6,427	961,088	2,434,623	555,830	5,198,832	—	5,198,832
Net book value								
At 31 December 2016	3,520,610	108,573	358,402	1,970,227	1,433,170	7,390,982	12,987,651	20,378,633
At 31 December 2015	3,595,785	114,323	388,238	1,509,140	1,930,420	7,537,906	9,400,834	16,938,740

Within computer software there are additions of £592,022 relating to ongoing development of the IT platform which are not currently being depreciated.

ANNUAL TEST FOR IMPAIRMENT

The Group has six cash-generating units (CGUs) being Inspired Energy Solutions Limited, Direct Energy Purchasing Limited, Wholesale Power UK Limited, STC Energy and Carbon Holdings Limited, Informed Business Solutions Limited and the SME division. The goodwill results from the acquisitions of Direct Energy Purchasing Limited, KWH Consulting Limited, Simply Business Energy Limited, Wholesale Power UK Limited, STC Energy and Carbon Holdings Limited and Informed Business Solutions Limited. The goodwill relating to KWH Consulting Limited and Simply Business Energy Limited has been allocated to the SME division CGU.

The goodwill arising on the acquisition of STC Energy and Carbon Holdings Limited has been revised in the year to reflect the identification of a previously unrecognised liability within the Company acquisition balance sheet of £231,176. The recognition of the liability is not considered to impact the consideration paid for the business, leading to an increase in goodwill.

For the purpose of annual impairment testing, goodwill is allocated to the CGUs expected to benefit from the synergies of the business combinations in which the goodwill arises, as follows:

	2016 £	2015 £
Direct Energy Purchasing Limited	1,667,801	1,667,801
SME division	407,938	407,938
Wholesale Power UK Limited	1,613,898	1,554,248
STC Energy and Carbon Holdings Limited	6,316,923	5,770,847
Informed Business Solutions Limited	2,981,091	—
	12,987,651	9,400,834

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

12. INTANGIBLE ASSETS AND GOODWILL CONTINUED

ANNUAL TEST FOR IMPAIRMENT CONTINUED

The Group tests goodwill annually for impairment in accordance with IAS 36 Impairment of Assets, or more frequently if there is indication that the goodwill might be impaired.

The recoverable amounts of the CGU have been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering the next five-year period. The key assumptions in the value in use calculation are those regarding the discount rate, growth rate and expected changes to the selling prices, volumes and direct costs.

DISCOUNT RATES

The discount rate has been calculated using the capital asset pricing model (CAPM), which takes into account the required rate of return of the asset, market risk, as well as the expected return of the market. The pre-tax discount rate of 10% is consistent with the rate of return expected by the market considering the CGU forecast cash flow amounts, timing and risk profile.

CASH FLOW ASSUMPTIONS

Revenues are based on current trading levels and future expected changes in the market. The revenue growth rate assumption of 6% (2015: 6%) per annum applied to years post 2018 (up to where forecasts currently run) is considered reasonable and is consistent with past experience. Changes in direct costs of 6% (2015: 6%) per annum are based on historic trends.

Cash flows beyond the five-year period have been extrapolated assuming no further growth. The Group considers that this is an appropriate but conservative growth rate based upon current rates of inflation, the Group's targeted growth rates and the rate of growth that the Directors believe to be achievable from the market.

The Directors do not believe that any reasonably possible changes in the value of the key assumptions noted above would cause the CGU carrying amount to exceed its recoverable amount.

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Trade receivables	2,610,360	1,998,904	—	—
Other receivables	57,276	3,238	85,314	—
Prepayments	819,463	798,648	13,795	21,056
Accrued income	8,921,690	6,659,384	—	—
	12,408,789	9,460,174	99,109	21,056

All the trade and other receivables were receivable under normal commercial terms. Accrued income has not been discounted as doing so would not result in a material adjustment to the financial statements.

The Group does not hold any collateral as security. Group debtor days were 46 days (31 December 2015: 43 days).

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

	Not past due	31-60 days	61-90 days	Older	Total
31 December 2016	1,773	437	137	263	2,610
31 December 2015	1,605	234	66	94	1,999

As at 31 December 2016, £837,000 (31 December 2015: £394,000) of the trade receivables had gone beyond their terms of 30 days. With the exception of £170,286, resulting from the acquisition of STC Energy and Carbon Holdings Limited, which has been fully provided against, 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	
	2016 £	2015 £	2016 £	2015 £
Current				
Trade payables	487,381	469,126	124,548	46,241
Social security and other taxes	1,028,449	749,723	—	—
Accruals and deferred income	102,142	138,382	—	—
Amounts due under hire purchase agreements	94,203	—	—	—
	1,712,175	1,357,231	124,548	46,241
Non-current				
Accruals and deferred income	—	50,000	—	—
Amounts due under hire purchase agreements	61,866	—	—	—
	61,866	50,000	—	—

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 the 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 2016			
Trade payables	487,381	—	—
Bank borrowings	2,418,750	918,750	8,403,125
Interest rate swaps	—	—	149,120
Contingent consideration	—	2,750,000	1,000,000
	2,906,131	3,668,750	9,552,245
31 December 2015			
Trade payables	469,126	—	—
Bank borrowings	1,340,500	721,000	8,865,500
Interest rate swaps	—	—	76,571
Contingent consideration	—	1,750,000	2,000,000
	1,809,626	2,471,000	10,942,071

REVOLVING LOAN FACILITY

During the year, the Group maintained the existing revolving credit facility with Santander, for the sum of £1.5 million, of which £1.5 million was drawn at the year end.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

14. TRADE AND OTHER PAYABLES CONTINUED

HIRE PURCHASE AGREEMENTS

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 £95,890 (2015: £nil):

	Minimum lease payments at 31 December 2016 £	Interest at 31 December 2016 £	Principal at 31 December 2016 £	Minimum lease payments at 31 December 2015 £	Interest at 31 December 2015 £	Principal at 31 December 2015 £
Hire purchase agreements						
Less than one year	53,177	6,305	46,872	—	—	—
Between one and two years	41,802	4,907	36,895	—	—	—
Between two and five years	27,983	3,012	24,970	—	—	—
	122,962	14,224	108,737	—	—	—

15. DEFERRED TAX LIABILITY/(ASSET)

Deferred taxation is calculated at a tax rate of 19% (2015: 20%) and is set out below:

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Liability/(asset) brought forward	1,495,244	(50,076)	—	—
Credited to income for the period	(667,383)	51,419	—	—
Movement arising from business combinations	176,890	1,316,143	—	—
Deferred tax liability acquired through business combinations	6,118	177,758	—	—
Liability carried forward	1,010,869	1,495,244	—	—

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Excess of taxation allowances over depreciation on all non-current assets	55,376	175,379	—	—
Share options	(195,451)	(157,658)	—	—
Temporary differences on intangible assets	1,144,826	1,477,523	—	—
Deferred tax liability acquired through business combinations	6,118	—	—	—
	1,010,869	1,495,244	—	—

Corporation tax for the year ended 31 December 2016 was calculated at 20% of profits for the year.

During the year ended 31 December 2016 a further reduction in the UK corporation tax rate to 19% was substantively enacted into law and was effective from 1 April 2017; the relevant deferred tax balances were remeasured at this rate.

Deferred taxation at the period end is analysed as follows:

	2016 £	2015 £
Deferred tax liability	1,010,869	1,495,244
	1,010,869	1,495,244

16. BANK BORROWINGS

Bank borrowings are repayable as follows:

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Within one year	3,337,500	2,000,000	3,337,500	2,000,000
One to two years	1,837,500	1,400,000	1,837,500	1,400,000
Two to five years	6,448,962	7,090,569	6,598,082	7,090,569
	11,623,962	10,490,569	11,773,082	10,490,569

The above facility is for the principal sum of £15,000,000 (2015: £15,000,000).

To finance the acquisition of STC Energy and Carbon Holdings Limited in November 2015, the Group entered into a new facility agreement with Santander UK plc for a £10.0 million term loan. £7.0 million of the term facilities (facility A) will amortise over a period of five years and the remaining £3.0 million (facility B) will be repayable by way of a bullet repayment on 16 May 2021. The facility replaced the Group's previous £5.0 million term loan facility.

In addition, the Group has also entered into a revolving credit facility (facility C), also with Santander, for the sum of £1.5 million, of which £1.5 million is drawn, to be used for the purposes of satisfying future working capital requirements, and an acquisition facility of up to £3.5 million to fund future Group acquisitions (facility D). 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.

To finance the acquisition of Informed Business Solutions Limited in September 2016, the Group drew £1.75 million from the acquisition facility (facility D). The amount drawn crystallised on the first anniversary of the new facility agreement and started to amortise on a quarterly basis over the remaining four years of the facility.

As at 31 December 2016, net debt stood at £10.79 million, which is an increase of £1.89 million in comparison to 31 December 2015.

The increase in net debt reflects a year in which the cash generation of the Group was offset by the payment of £1.75 million of initial cash consideration to the vendors of Informed Business Solutions Limited and £2.0 million of deferred cash consideration to the vendors of STC Energy and Carbon Holdings Limited and Wholesale Power UK Limited.

Sums due under the facility agreement are 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 and the amount to be hedged is not less than 50% of the amount drawn down and the period of the hedge is to be not less than three years from the date of drawdown. The Group hedged its loan position accordingly.

Facilities A and C have an interest rate of 3.0% above LIBOR. Facility B has an interest rate of 3.25% above LIBOR. Facility D has an interest rate of 3.5% above LIBOR.

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 and energy suppliers, 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 is not materially different from the fair value of those instruments.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

17. FINANCIAL INSTRUMENTS CONTINUED

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, 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

	Loans and receivables £	Non-financial assets £	Total £
31 December 2016			
Trade receivables	2,610,360	—	2,610,360
Other receivables	57,276	—	57,276
Prepayments	—	819,463	819,463
Accrued income	8,921,690	—	8,921,690
Cash and cash equivalents	984,403	—	984,403
Current assets	12,573,729	819,463	13,393,192
	Loans and receivables £	Non-financial assets £	Total £
31 December 2015			
Trade receivables	1,998,904	—	1,998,904
Other receivables	3,238	—	3,238
Prepayments	—	798,648	798,648
Accrued income	6,659,384	—	6,659,384
Cash and cash equivalents	1,604,851	—	1,604,851
Current assets	10,266,377	798,648	11,065,025

17. FINANCIAL INSTRUMENTS CONTINUED

17.3 CATEGORIES OF FINANCIAL INSTRUMENT CONTINUED
FINANCIAL LIABILITIES

	Other liabilities (amortised cost) £	Fair value through profit or loss £	Liabilities not within scope of IAS 39 £	Total £
31 December 2016				
Trade payables	487,381	—	—	487,381
Social security and other taxes	—	—	1,028,449	1,028,449
Accruals	102,142	—	—	102,142
Bank borrowings	11,594,797	—	—	11,594,797
Current tax liability	—	—	2,419,582	2,419,582
Contingent consideration	—	3,257,787	—	3,257,787
Interest rate swap	—	149,120	—	149,120
Deferred tax liability	—	—	1,004,751	1,004,751
	12,184,320	3,406,907	4,452,782	20,044,009
	Other liabilities (amortised cost) £	Fair value through profit or loss £	Liabilities not within scope of IAS 39 £	Total £
31 December 2015				
Trade payables	469,126	—	—	469,126
Social security and other taxes	—	—	749,723	749,723
Accruals	188,382	—	—	188,382
Bank borrowings	10,490,569	—	—	10,490,569
Current tax liability	—	—	1,144,139	1,144,139
Contingent consideration	—	3,443,107	—	3,443,107
Interest rate swap	—	76,571	—	76,571
Deferred tax liability	—	—	1,495,244	1,495,244
	11,148,077	3,519,678	3,389,106	18,056,861

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

17. FINANCIAL INSTRUMENTS CONTINUED

17.4 INTEREST RATE SENSITIVITY

The following table illustrates the sensitivity of the profit for the period and equity to a reasonably possible change in interest rates of 1% 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 borrowings 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 2016		Year ended 31 December 2015	
	+1%	-1%	+1%	-1%
Profit for the period	107,887	(107,887)	88,857	(88,857)
Equity	107,887	(107,887)	88,857	(88,857)

FAIR VALUE MEASUREMENT

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial liabilities measured at fair value on a recurring basis at 31 December 2016 and 31 December 2015:

31 December 2016	Level 1 £	Level 2 £	Level 3 £	Total £
Financial liabilities				
Interest rate swaps	—	149,120	—	149,120
Contingent consideration	—	—	3,257,787	3,257,787
Total liabilities	—	149,120	3,257,787	3,406,907
31 December 2015	Level 1 £	Level 2 £	Level 3 £	Total £
Financial liabilities				
Interest rate swaps	—	76,571	—	76,571
Contingent consideration	—	—	3,443,107	3,443,107
Total liabilities	—	76,571	3,443,107	3,519,678

There were no transfers between Level 1 and Level 2 in 2016 or 2015.

17. FINANCIAL INSTRUMENTS CONTINUED**MEASUREMENT OF FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third-party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Group Finance Director (FD).

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

INTEREST RATE SWAPS (LEVEL 2)

The Group's interest rate swap contracts are not traded in active markets. These have been fair valued using observable interest rates corresponding to the maturity of the contract, through direct confirmation from the provider of the contract.

CONTINGENT CONSIDERATION (LEVEL 3)

The fair value of contingent consideration at 31 December 2016 related to the acquisitions of Wholesale Power UK Limited, STC Energy and Carbon Holdings Limited and Informed Business Solutions Limited and is estimated using a present value technique. The £3,257,787 fair value is measured by reference to the future cash outflows. The cash outflows reflect the management's best estimate of the amount payable.

The fair value of contingent consideration at 31 December 2015 related to the acquisitions of Wholesale Power UK Limited and STC Energy and Carbon Holdings Limited and is estimated using a present value technique. The £3,443,107 fair value is measured by reference to the future cash outflows.

The contingent consideration liability is included within the Inspired Energy PLC single entity and Group accounts.

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

	Contingent consideration	
	2016	2015
Balance as at 1 January	—	—
Arising on business combinations	3,257,787	3,443,107
Consideration paid	—	—
Losses recognised in profit or loss under:		
– exceptional costs	—	—
Reclassified to deferred consideration	—	—
Balance at 31 December	3,257,787	3,443,107
Analysed as:		
– current liability	2,460,354	1,654,601
– non-current liability	797,433	1,788,506

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

18. SHARE CAPITAL AND RESERVES GROUP AND COMPANY

	Number of shares	Share capital £	Share premium £	Merger relief reserve £
Issued and fully paid				
Ordinary shares of 0.125 pence each as at 1 January 2015	423,681,746	529,602	1,596,028	8,925,737
Shares issued to satisfy exercise of share options on 1 April 2015	2,139,824	2,675	84,707	—
Shares issued to satisfy deferred consideration on 20 May 2015	2,962,962	3,704	—	296,296
Shares issued on acquisition of subsidiary on 31 July 2015 (note 21)	4,640,372	5,800	—	494,200
Shares issued to satisfy exercise of share options on 21 August 2015	5,391,709	6,740	221,012	—
Shares issued on acquisition of subsidiary on 17 November 2015 (note 21)	32,786,885	40,984	—	3,959,016
Ordinary shares of 0.125 pence each as at 31 December 2015	471,603,498	589,505	1,901,747	13,675,249
Shares issued to satisfy exercise of share options on 12 January 2016	1,750,000	2,188	131,565	—
Shares issued to satisfy exercise of share options on 5 May 2016	1,337,500	1,672	122,859	—
Shares issued to satisfy deferred consideration on 23 May 2016	5,524,861	6,906	—	743,094
Shares issued to satisfy exercise of share options on 1 September 2016	1,077,500	1,347	97,760	—
Shares issued on acquisition of subsidiary on 28 September 2016 (note 21)	3,545,596	4,432	—	495,568
Shares issued to satisfy exercise of share options on 3 November 2016	750,000	937	64,688	—
Ordinary shares of 0.125 pence each as at 31 December 2016	485,588,955	606,987	2,318,619	14,913,911

On 1 April 2015, the Company issued 2,139,824 new ordinary shares of 0.125 pence each to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 3.00, 4.25 and 8.75 pence each.

On 20 May 2015, the Company issued 2,962,962 new ordinary shares of 0.125 pence each as settlement of deferred consideration for the acquisition of Simply Business Energy Limited.

On 31 July 2015, the Company issued 4,640,372 new ordinary shares of 0.125 pence each as partial consideration for the acquisition of Wholesale Power UK Limited.

On 21 August 2015, the Company issued 5,391,709 new ordinary shares of 0.125 pence each to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 3.00, 4.25 and 8.75 pence each.

On 17 November 2015, the Company issued 32,786,885 new ordinary shares of 0.125 pence each as partial consideration for the acquisition of STC Energy and Carbon Holdings Limited.

On 12 January 2016, the Company issued 1,750,000 new ordinary shares of 0.1325 pence each to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 3.00, 4.25 and 8.75 pence each.

On 5 May 2016, the Company issued 1,337,500 new ordinary shares of 0.1358 pence each to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 8.75 pence each.

On 23 May 2016, the Company issued 5,524,861 new ordinary shares of 0.1358 pence each as partial deferred consideration for the acquisition of STC Energy and Carbon Holdings Limited.

On 1 September 2016, the Company issued 1,077,500 new ordinary shares of 0.135 pence each to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 4.25, 8.75 and 11.25 pence each.

On 5 May 2016, the Company issued 3,545,596 new ordinary shares of 0.141 pence each as partial consideration for the acquisition of Informed Business Solutions Limited.

On 3 November 2016, the Company issued 750,000 new ordinary shares of 0.1325 pence each to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 8.75 pence 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 the share options outstanding during the year are as follows:

	2016		2015	
	Number of share options	Weighted average exercise price p	Number of share options	Weighted average exercise price p
Outstanding at the beginning of the period	28,322,240	10.31	20,253,773	6.60
Lapsed during the year	(6,350,000)	9.14	(500,000)	4.25
Granted during the period	1,750,000	12.50	16,100,000	11.46
Exercised during the period	(4,915,000)	8.61	(7,531,533)	0.42
Outstanding at the end of the period	18,807,240	10.96	28,322,240	10.31
Exercisable at the end of the period	7,282,237	9.04	3,697,236	6.42

The options outstanding at 31 December 2016 had a weighted average exercise price of 10.96 pence (2015: 10.31 pence) and a weighted average remaining contractual life of one year (2015: one year).

The weighted average share price at the date options exercised in the year was 8.61 pence.

The following summarises the approved share options:

Date of grant	Subscription price	Expiry date	Number of shares for which rights are exercisable	Total number of shares for which rights are exercisable at the end of the period
Approved share options				
28 November 2011	3.00p	28 November 2021	18,592,970	232,413
1 December 2012	4.25p	1 December 2022	11,000,000	1,074,824
15 January 2014	8.75p	15 January 2024	5,050,000	650,000
18 March 2014	10.00p	18 March 2024	5,000,000	—
16 April 2015	11.25p	16 April 2025	7,100,000	3,050,000
31 July 2015	10.75p	31 July 2025	6,000,000	—
22 December 2015	13.38p	22 December 2025	3,000,000	—
7 April 2016	12.50p	7 April 2026	1,750,000	—

On 28 November 2011, options over 18,592,970 ordinary shares were granted to eight employees with an exercise price of 3.00 pence (being the placing price and the amount agreed with HMRC as being market value per share on the date of grant). These options became exercisable in four equal tranches on the following dates:

- (i) the date on which the Company published its audited accounts for the year ended 31 December 2012;
- (ii) the date on which the Company published its interim accounts for the six months ended 30 June 2013;
- (iii) the date on which the Company published its audited accounts for the year ended 31 December 2013; and
- (iv) the date on which the Company published its interim accounts for the six months ended 30 June 2014.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

19. SHARE-BASED PAYMENTS CONTINUED

APPROVED SHARE OPTIONS CONTINUED

EMI Options were 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 became exercisable in four equal tranches on the following dates:

- (i) the date on which the Company published its audited accounts for the year ended 31 December 2013;
- (ii) the date on which the Company published its interim accounts for the six months ended 30 June 2014;
- (iii) the date on which the Company published its audited accounts for the year ended 31 December 2014; and
- (iv) the date on which the Company published its interim accounts for the six months ended 30 June 2015.

EMI Options were granted on 15 January 2014 subject to an exercise price of 8.75 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 5,050,000 shares in aggregate.

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

- (i) the date on which the Group published its audited accounts for the year ended 31 December 2014;
- (ii) the date on which the Group published its interim accounts for the six months ended 30 June 2015;
- (iii) the date on which the Group published its audited accounts for the year ended 31 December 2015; and
- (iv) the date on which the Group published its interim accounts for the six months ended 30 June 2016.

EMI Options were granted on 18 March 2014, following the acquisition of Simply Business Energy Limited, subject to an exercise price of 10.00 pence per share to two employees over a total of 5,000,000 shares in aggregate. These are linked to future employment and therefore are not part of the business combination accounting.

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

- (i) the date on which the Group published its audited accounts for the year ended 31 December 2015; and
- (ii) the date on which the Group publishes its audited accounts for the year ended 31 December 2016.

EMI Options were granted on 16 April 2015 subject to an exercise price of 11.25 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 17 employees over a total of 7,100,000 shares in aggregate.

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

- (i) the date on which the Company published its audited accounts for the year ended 31 December 2015;
- (ii) the date on which the Company published its interim accounts for the six months ended 30 June 2016;
- (iii) the date on which the Company publishes its audited accounts for the year ended 31 December 2016; and
- (iv) the date on which the Company publishes its interim accounts for the six months ending 30 June 2017.

EMI Options were granted on 31 July 2015, following the acquisition of Wholesale Power UK Limited, subject to an exercise price of 10.75 pence per share to four employees over a total of 6,000,000 shares in aggregate. These are linked to future employment and therefore are not part of the business combination accounting.

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

- (i) the date on which the Group publishes its audited accounts for the year ending 31 December 2017; and
- (ii) the date on which the Group publishes its audited accounts for the year ending 31 December 2018.

19. SHARE-BASED PAYMENTS CONTINUED**APPROVED SHARE OPTIONS CONTINUED**

EMI Options were granted on 22 December 2015 subject to an exercise price of 13.38 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 two employees over a total of 3,000,000 shares in aggregate.

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

- (i) the date on which the Company publishes its audited accounts for the year ended 31 December 2016;
- (ii) the date on which the Company publishes its interim accounts for the six months ending 30 June 2017;
- (iii) the date on which the Company publishes its audited accounts for the year ending 31 December 2017; and
- (iv) the date on which the Company publishes its interim accounts for the six months ending 30 June 2018.

EMI Options were granted on 7 April 2016 subject to an exercise price of 12.50 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 one employee over a total of 1,750,000 shares in aggregate.

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

- (i) the date on which the Company publishes its audited accounts for the year ended 31 December 2016;
- (ii) the date on which the Company publishes its interim accounts for the six months ending 30 June 2017;
- (iii) the date on which the Company publishes its audited accounts for the year ending 31 December 2017; and
- (iv) the date on which the Company publishes its interim accounts for the six months ending 30 June 2018.

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:

	2016
Share price (p)	12.50
Exercise price (p)	12.50
Expected volatility (%)	87%
Risk-free rate (%)	0.25-0.32
Expected dividends (%)	2

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.

The Group recognised total expenses of £163,097 (2015: £173,295) related to equity-settled share-based payment transactions in the period.

20. OPERATING LEASE COMMITMENTS

The future minimum lease payments under operating lease agreements are:

	31 December 2016 £	31 December 2015 £
Within one year	387,744	363,570
Within one to two years	360,714	355,633
Within five years	978,245	990,795
Total	1,726,703	1,709,998

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

21. BUSINESS COMBINATIONS

INFORMED BUSINESS SOLUTIONS LIMITED (IBSL)

On 28 September 2016, the Group acquired 100% of the issued share capital and voting rights of Informed Business Solutions Limited, a company based in the United Kingdom. The principal reason for the acquisition was to strengthen the Group's existing service offering to its core Corporate customers, as well as providing the Group with environmental consultancy services, which was seen to broaden the Group's overall service offering to corporates.

The acquisition of IBSL was completed for a total consideration of £4,250,000. The initial £2,250,000 payment was satisfied by £1,750,000 cash and the issue of 3,545,596 ordinary shares (with an aggregate value at completion of £500,000) of Inspired Energy PLC. In addition, £2,000,000 is contingent upon IBSL achieving challenging revenue targets until 30 June 2018, and will be payable in four instalments, on 31 July 2017, 30 September 2017, 28 February 2018 and 31 July 2018. The agreed cash consideration totalled £1,750,000 prior to calculation of the normalised working capital position of the business. A further £479,000 was added to the cash consideration to reflect excess cash in the business at acquisition.

The acquisition was financed through the drawdown on the Group's existing facility with Santander. The details of the business combination are as follows:

RECOGNISED AMOUNTS OF IDENTIFIABLE NET ASSETS

	Book value £	Provisional fair value adjustment £	Provisional fair value £
Property, plant and equipment	24,706	—	24,706
Intangible assets	—	931,000	931,000
Trade and other receivables	303,224	—	303,224
Cash and cash equivalents	854,811	—	854,811
Total assets	1,182,741	931,000	2,113,741
Trade and other payables	257,791	—	257,791
Current tax liability	150,314	152,000	302,314
Deferred tax liability	6,118	176,890	183,008
Total liabilities	414,223	328,890	743,113
Provisional fair value of identifiable net assets			1,370,628
Provisional goodwill			2,981,091
Fair value of consideration transferred			4,351,719
Satisfied by:			
– cash consideration paid			2,229,000
– shares issued on 28 September 2016			500,000
– contingent consideration			2,000,000
– discounting impact on contingent consideration			(377,281)
			4,351,719
Net cash outflow arising from business combinations:			
– cash consideration paid			2,229,000
– cash and cash equivalents acquired			(854,811)
Net cash outflow			1,374,189

GOODWILL

The goodwill arising on this acquisition is attributable to niche market expertise enabling cross-selling opportunities achieved from combining the acquired customer bases and trade with the existing Group.

21. BUSINESS COMBINATIONS CONTINUED**INFORMED BUSINESS SOLUTIONS LIMITED (IBSL) CONTINUED****IDENTIFIABLE NET ASSETS**

A provisional fair value exercise to determine the fair value of assets and liabilities acquired in relation to IBSL has been carried out. The fair value of the customer contracts was calculated as £931,000, which includes only values ascribed to valid energy supply contracts and letters of authority granting IBSL 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.

The Group estimates costs incurred in relation to the transaction to be £102,675. These costs are included within exceptional costs in the Group statement of comprehensive income.

22. RELATED PARTY TRANSACTIONS

The Directors consider that as there is no controlling shareholder 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 David Foreman and Michael Fletcher are partners, invoiced £129,600 (2015: £111,407) 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 2016, the balance outstanding was £10,800 (31 December 2015: £10,320).

In 2011 at the time of admission of the Group to AIM an HMRC enquiry was ongoing into IES's corporation tax return for its accounting period ended 30 June 2009, specifically in relation to the taxation consequences of EBT planning which had been undertaken by IES. Furthermore HMRC had indicated that it would also investigate aggregate contributions by IES to an EFRBS during 2010 and 2011. The precise scope of HMRC's enquiries was unknown at the stage of admission and it was anticipated that it could take many years to conclude. However, the vendors provided a pound for pound indemnity in favour of the Company against any tax liabilities, costs and interest that may arise in connection with these transactions. During the current financial year the Company has made total payments of £564,103 to HMRC in relation to this case and these costs have been reimbursed to the Company in full by Janet Thornton, Matthew Thornton and David Waite (a previous shareholder of the Group).

KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration of the key management personnel, the Directors, in the year ended 31 December 2016 is set out below:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Short-term employee benefits		
Employee emoluments	484,916	486,381
Social security costs	60,629	67,121
Share-based payments	86,879	23,814
	632,424	577,316

The aggregate dividends paid to Directors in the year were £476,155. The shareholdings of the Directors are disclosed within the Directors' remuneration report on page 22.

COMPANY BALANCE SHEET

As at 31 December 2016

	Note	2016 £	2015 £
Investments	24	36,036,267	31,684,547
Current assets			
Debtors – other debtors	13	99,109	21,056
Amounts owed from subsidiary undertakings		—	1,912,970
Cash and cash equivalents		52,900	233,377
		152,009	2,167,403
Creditors: amounts falling due within one year			
Trade creditors	14	124,548	46,241
Bank borrowings	16	3,337,500	2,000,000
Contingent consideration	17	2,460,354	1,654,601
Amounts owed to subsidiary undertakings		30,814	—
Other creditors		—	34,353
		5,953,216	3,735,195
Net current liabilities		(5,801,207)	(1,567,792)
Total assets less current liabilities		30,235,060	30,116,755
Creditors: amounts falling due after more than one year			
Bank borrowings	16	8,435,582	8,490,569
Contingent consideration	17	797,433	1,788,506
Other creditors		—	50,000
		9,233,015	10,329,075
Net assets		21,002,045	19,787,680
Share capital	18	606,987	589,505
Share premium account	18	2,318,619	1,901,747
Merger relief reserve	18	14,913,911	13,675,249
Share-based payment reserve		581,099	581,099
Retained profit		2,581,429	3,040,080
Shareholders' funds		21,002,045	19,787,680

The Company incurred a loss of £1,367,570 during the financial year (2015: £2,097,743).

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2017 and were signed on its behalf by:

Janet Thornton
Director

Paul Connor
Director

Company registration number: 07639760.

The notes on pages 62 and 63 form part of these Company financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital £	Share premium account £	Merger relief reserve £	Share-based payment reserve £	Retained earnings £	Total shareholders' equity £
Balance at 1 January 2015	529,602	1,596,028	8,925,737	457,728	2,152,966	13,662,061
Profit and total comprehensive income for the period	—	—	—	—	2,097,743	2,097,743
Shares issued (1 April 2015)	2,675	84,707	—	—	—	87,382
Shares issued (20 May 2015)	3,704	—	296,296	—	—	300,000
Shares issued (31 July 2015)	5,800	—	494,200	—	—	500,000
Shares issued (21 August 2015)	6,740	221,012	—	—	—	227,752
Shares issued (17 November 2015)	40,984	—	3,959,016	—	—	4,000,000
Share-based payment cost	—	—	—	312,919	—	312,919
Share options – granted to subsidiary employees	—	—	—	(189,548)	—	(189,548)
Dividends paid	—	—	—	—	(1,210,629)	(1,210,629)
Total transactions with owners	59,903	305,719	4,749,512	123,371	(1,210,629)	4,027,876
Balance at 31 December 2015	589,505	1,901,747	13,675,249	581,099	3,040,080	19,787,680
Profit and total comprehensive income for the period	—	—	—	—	1,367,570	1,367,570
Shares issued (12 January 2016)	2,188	131,565	—	—	—	133,753
Shares issued (5 May 2016)	1,672	122,859	—	—	—	124,531
Shares issued (23 May 2016)	6,906	—	743,094	—	—	750,000
Shares issued (1 September 2016)	1,347	97,760	—	—	—	99,107
Shares issued (28 September 2016)	4,432	—	495,568	—	—	500,000
Shares issued (3 November 2016)	937	64,688	—	—	—	65,625
Share-based payment cost	—	—	—	—	—	—
Share options exercised	—	—	—	—	—	—
Dividends paid	—	—	—	—	(1,826,221)	(1,826,221)
Total transactions with owners	17,482	416,872	1,238,662	—	(1,826,221)	(153,205)
Balance at 31 December 2016	606,987	2,318,619	14,913,911	581,099	2,581,429	21,002,045

NOTES TO THE COMPANY FINANCIAL STATEMENTS

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 Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company's financial statements are presented in Sterling, which is the functional currency.

The principal accounting policies adopted by the Company are set out below.

ACCOUNTING POLICIES

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1; and
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- (b) the requirements of paragraphs 10(d) and 134-136 of IAS 1 Presentation of Financial Statements and the requirements of IAS 7 Statement of Cash Flows;
- (c) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (d) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- (e) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account. Inspired Energy plc reported a profit for the financial period of £1,367,570 (2015: £2,097,743).

A summary of the more important accounting policies is set out below.

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. In accordance with IFRS 2 Share-based Payment, the resulting cost is charged to the profit and loss account over the vesting period of the plans.

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.

Equity-settled share-based payments issued to employees of subsidiary undertakings are treated in the financial statements of the Company as an increase in investment in subsidiary companies, together with a corresponding increase in equity, over the vesting period based on the Group's estimate of shares which will eventually vest.

MERGER RELIEF RESERVE

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

24. INVESTMENTS

		£
Cost and net book value		
At 31 December 2015		31,684,547
Additions – acquisition of IBSL (note 21)		4,351,720
Share-based payment charge		—
At 31 December 2016		36,036,267

The principal investment comprises shares at cost in the following companies, all of which are registered in England and Wales, except where stated below. The principal activity of all companies is energy procurement and management.

	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
Inspired Energy (Ireland) Limited***	100%	£1	2
KWH Consulting Limited	100%	£1	2
Simply Business Energy Limited	100%	£1	2
Inspired 4U Limited	100%	£1	2
Wholesale Power UK Limited	100%	£1	2
STC Energy and Carbon Holdings Limited	100%	£1	2
STC Energy Management Limited	100%	£1	2
Informed Business Solutions Limited	100%	£1	367

* Directly held subsidiary.

** Indirectly held subsidiary.

*** Inspired Energy (Ireland) Limited is registered in the Republic of Ireland.

25. EMPLOYEE BENEFIT EXPENSE

	2016 £	2015 £
Wages and salaries	921,334	610,867
Social security costs	95,236	72,903
	1,016,570	683,770

	No.	No.
Average number of persons employed:		
Management	2	2
Administration and finance	14	8
	16	10

26. DIVIDENDS PAID

	2016 £	2015 £
Dividends paid on equity capital – £0.38 per share (2015: £0.28)	1,826,221	1,210,629

During 2016, the Group paid dividends of £1,826,221 (2015: £1,210,629) to its equity shareholders. This represents a payment of 0.38 pence per share (2015: 0.28 pence per share). Also during 2016, the Directors proposed the payment of a final dividend of 0.32 pence per share (2015: 0.25 pence per share). As the distribution of dividends by the Group requires approval at the shareholders' meeting, no liability in this respect is recognised in the 2016 consolidated financial statements.

27. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in IAS 24 and has not disclosed transactions with wholly owned Group undertakings. Refer to note 22 for details of other related party transactions entered into in the year.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the Annual General Meeting of the above named Company will be held at Gateley Plc, Ship Canal House, 98 King Street, Manchester M2 4WU on 20 June 2017 at 10 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive the Company's annual accounts for the financial year ended 31 December 2016 together with the Directors' report, the Directors' remuneration report and the Auditors' report on those accounts.
2. To declare a final dividend for the year ended 31 December 2016, to be paid on 13 July 2017 on the issued ordinary shares of £0.00125 each in the capital of the Company at the rate of 0.32 pence per ordinary share to the shareholders on the register of members of the Company as at the close of business on 9 June 2017.
3. To re-elect Mark Dickinson, who retires by rotation pursuant to article 28.1 of the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.
4. To reappoint Grant Thornton UK LLP as auditors of the Company and to authorise the Directors to fix its remuneration.

SPECIAL BUSINESS

5. To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

"THAT, in substitution for all existing and unexercised authorities and powers, the Directors of the Company be generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 (the "Act"):

- 5.1 to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares of the Company (such shares and rights being together referred to as relevant securities) up to an aggregate nominal value of £202,016 to such persons at such times and generally on such terms and conditions as the Directors may determine (subject always to the articles of association of the Company); and further
- 5.2 to allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal value of £404,032 (such amount to be reduced by the nominal value of any relevant securities allotted pursuant to the authority in paragraph 5.1 above) in connection with a rights issue or similar offer in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, subject only to such exclusions or other arrangements as the Directors of the Company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory,

PROVIDED THAT this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next Annual General Meeting or on the date which is six months after the next accounting reference date of the Company (if earlier) save that the Directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities or equity securities (as the case may be) to be allotted after the expiry of such period and the Directors of the Company may allot relevant securities or equity securities (as the case may be) in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired."

6. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

"THAT, if resolution 5 above is passed, the Directors of the Company be authorised to allot equity securities (as defined in section 560 of the Act) for cash under the authority given by that resolution 5 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be limited to:

- 6.1 the allotment of equity securities or sale of treasury shares in connection with a rights issue or similar offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, subject only to such exclusions or other arrangements as the Directors of the Company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory; and
- 6.2 the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 6.1 above) up to an aggregate nominal amount of £30,302.40, representing approximately 5% of the current share capital of the Company,

such authority to expire at the end of the next Annual General Meeting of the Company or (if earlier) on the date which is 15 months after the date of the Annual General Meeting to which this notice relates save if, prior to its expiry, the Company may make offers and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires, and the Directors of the Company may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired."

7. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

“THAT, the following amendments be made to the Inspired Energy PLC Share Option Scheme 2011:

- 7.1 the words “have been or” be deleted from Rule 4.1.1;
- 7.2 the words “have been or” be deleted from Rule 4.1.2; and
- 7.3 the number “12.5” in the outdent of Rule 4.1 be replaced with the number “10”.

By order of the Board

Janet Thornton
27 March 2017

Registered office:
29 Progress Park
Orders Lane
Kirkham
Preston PR4 2TZ

NOTES

1. A member of the Company entitled to attend and/or vote at the meeting convened by this notice is entitled to appoint one or more proxies to exercise any of his/her rights to attend, speak and/or vote at that meeting on his/her behalf. If a member appoints more than one proxy, each proxy must be entitled to exercise the rights attached to different shares. A proxy need not be a member of the Company.
2. A proxy may only be appointed using the procedures set out in these notes and the notes to the proxy form. To appoint a proxy, a member may complete, sign and date the enclosed proxy form and deposit it at the office of the Company's registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA by 10 a.m. on 16 June 2017. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be enclosed with the proxy form.
3. In order to revoke a proxy appointment, a member must sign and date a notice clearly stating his/her intention to revoke his/her proxy appointment and deposit it at the office of the Company's registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA before the start date time stated in this notice as being the start date and time of the AGM.
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so in relation to the meeting, and any adjournment(s) of that meeting, by utilising the procedures described in the CREST Manual. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (whose CREST ID is RA19) by the latest time for receipt of proxy appointments specified in note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
5. Any corporation which is a member of the Company may authorise one or more persons (who need not be a member of the Company) to attend, speak and/or vote at the meeting as the representative of that corporation. A certified copy of the board resolution of the corporation appointing the relevant person as the representative of that corporation in connection with the meeting must be deposited at the office of the Company's registrars prior to the commencement of the meeting.
6. The right to vote at the meeting shall be determined by reference to the register of members of the Company. Only those persons whose names are entered on the register of members of the Company at 6.30 p.m. on 16 June 2017 shall be entitled to attend and/or vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.

Inspired Energy PLC

NOTICE OF ANNUAL GENERAL MEETING continued

EXPLANATORY NOTES

RESOLUTION 5 – DIRECTORS’ POWER TO ALLOT RELEVANT SECURITIES

Under section 551 of the Act, relevant securities may only be issued with the consent of the shareholders, unless the shareholders pass a resolution generally authorising the Directors to issue shares without further reference to the shareholders. This resolution authorises the general issue of shares up to an aggregate nominal value of £202,016, which is equal to 1/3 of the nominal value of the current ordinary share capital of the Company, and a further issue of shares up to an aggregate nominal value of £202,016, which is equal to a further 1/3 of the nominal value of the current share capital of the Company, for the purposes of fully pre-emptive rights issues. Such authorities will expire at the conclusion of the next Annual General Meeting of the Company or the date which is six months after the next accounting reference date of the Company (whichever is the earlier).

RESOLUTION 6 – DISAPPLICATION OF PRE-EMPTION RIGHTS ON EQUITY ISSUES FOR CASH

Section 561 of the Act requires that a company issuing shares for cash must first offer them to existing shareholders following a statutory procedure which, in the case of a rights issue, may prove to be both costly and cumbersome. This resolution excludes that statutory procedure as far as rights issues are concerned. It also enables the Directors to allot shares up to an aggregate nominal value of £30,302.40, which is equal to 5% of the nominal value of the current ordinary share capital of the Company, subject to resolution 5 being passed. The Directors believe that the limited powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplication will expire on the conclusion of the next Annual General Meeting of the Company or on the date which is 15 months after the resolution being passed (whichever is the earlier).

RESOLUTION 7 – AMENDMENT TO THE INSPIRED ENERGY PLC SHARE OPTION SCHEME 2011

Under the above employee share scheme, the Company can grant subscription options over 12.5% of its share capital. This limit takes into account shares that can be issued under any other employee share scheme which the Company may operate as well as the shares issued under any employee share scheme, including the above scheme, in the last ten years. The purpose of the amendment is to disregard any shares issued in the past on the exercise of employee share scheme options so that only the shares which could be issued under unexercised options are taken into account. The limit will also be lowered to 10% of the Company’s share capital before the grant of the option.

Inspired Energy PLC

PROXY FORM FOR USE AT ANNUAL GENERAL MEETING

Please insert full name and address

I/We.....

of

(please use block letters)

being member(s) of INSPIRED ENERGY PLC (the "Company") appoint the Chair of the Annual General Meeting or
(see notes 1 and 2)

(please use block letters)

as my/our proxy to attend and/or vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Gateley Plc, Ship Canal House, 98 King Street, Manchester M2 4WU on 20 June 2017 at 10 a.m. and at any adjournment of that meeting.

I/We request such proxy to vote on the following resolutions in the manner specified below (see note 3).

Resolutions	For	Against	Withheld
ORDINARY BUSINESS			
1. To receive the Company's annual accounts for the financial year ended 31 December 2016.			
2. To declare a final dividend for the year ended 31 December 2016.			
3. To re-elect Mark Dickinson as a Director.			
4. To reappoint Grant Thornton UK LLP as auditors.			
SPECIAL BUSINESS			
5. To authorise the Directors to allot securities pursuant to section 551 of the Companies Act 2006.			
6. To authorise the Directors to allot securities pursuant to section 570 of the Companies Act 2006.			
7. To amend the Inspired Energy PLC Share Option Scheme 2011.			

Signature (see note 4)

Joint holders (if any) (see note 9)

Name: Signature:

Name: Signature:

NOTES

1. If you wish to appoint someone other than the Chairman as your proxy, please insert his/her name and address, and strike out and initial the words "the Chair of the Annual General Meeting or". A proxy need not be a member of the Company. Appointing a proxy will not preclude you from personally attending and voting at the meeting (in substitution for your proxy vote) if you subsequently decide to do so. If no name is entered on this form, the return of this form, duly signed, will authorise the Chairman of the meeting to act as your proxy.
2. You may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please return a separate form in relation to each proxy, clearly indicating next to the name of each proxy the number and class of shares in respect of which he/she is appointed. If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.
3. To direct your proxy how to vote on the resolutions, please mark the appropriate box next to each resolution with an "X". If no voting instruction is given, your proxy will vote or abstain from voting as he/she sees fit in his/her absolute discretion in relation to each resolution and any other matter which is put before the meeting.



Please cut along the dotted line

Inspired Energy PLC

PROXY FORM continued

NOTES CONTINUED

4. In the case of:
 - 4.1 an individual, this proxy form must be signed by the relevant member appointing the proxy or a duly appointed attorney on behalf of such member; and
 - 4.2 a corporation, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or a duly appointed attorney for the company.
5. To appoint a proxy using this form, the form must be:
 - 5.1 completed and signed;
 - 5.2 sent or delivered to the registrars of the Company, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA; and
 - 5.3 received by the registrars no later than 48 hours (excluding non-working days) before the time appointed for the meeting, or adjourned meeting, at which it is to be used.
6. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
7. Any alteration to this proxy form must be initialled by the person in whose hand it is signed or executed.
8. If, after returning a duly completed proxy form, you wish to revoke your proxy appointment, you must sign and date a notice clearly stating your intention to revoke that proxy appointment and deposit it at the registered office of the Company before the time appointed for the meeting.
9. In the case of joint holders:
 - 9.1 where more than one of the joint holders purports to appoint a proxy, only the appointment, submitted by the most senior holder will be accepted; and
 - 9.2 the vote of the most senior holder who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of all other joint holders.

Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. The right to vote at the meeting shall be determined by reference to the register of members of the company. Only those persons whose names are entered on the register of members of the Company at 6.30 p.m. on 16 June 2017 shall be entitled to attend and/or vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.

DIRECTORS, SECRETARY AND ADVISORS TO THE GROUP

DIRECTORS

Michael (Mike) Fletcher (Non-Executive Chairman)
Janet Thornton (Chief Executive Officer)
David Foreman (Corporate Development Director)
Matthew Thornton (Sales Director)
Paul Connor (Finance Director)
Mark Dickinson (Non-Executive Director)
Richard Logan (Non-Executive Director)

COMPANY SECRETARY

GATELEY SECRETARIES LIMITED

REGISTERED OFFICE

29 Progress Park
Orders Lane
Kirkham
Lancashire PR4 2TZ

NOMINATED ADVISOR

SHORE CAPITAL AND CORPORATE LIMITED

Bond Street House
14 Clifford Street
London W1S 4JU

JOINT BROKERS

SHORE CAPITAL STOCKBROKERS LIMITED

Bond Street House
14 Clifford Street
London W1S 4JU

PANMURE GORDON & CO. LIMITED

One New Change
London EC4M 9AF

AUDITORS

GRANT THORNTON UK LLP

4 Hardman Square
Spinningfields
Manchester M3 3EB

REGISTRARS

EQUINITI

Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

COMPANY WEBSITE

www.inspiredplc.co.uk

FINANCIAL PR

GABLE COMMUNICATIONS LIMITED

34 Lime Street
London EC3M 7AT

consultancy, design and production by
designportfolio
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INSPIRED ENERGY PLC

29 Progress Park
Orders Lane
Kirkham
Preston PR4 2TZ

www.inspiredplc.co.uk