INSPIRED
ENERGY PLC

BRINGING MOMENTUM TO THE COMMERCIAL WORLD

Inspired Energy PLC
Annual Report & Accounts 2017

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 clients, shareholders and employees 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.

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

Highlights

Operational highlights

- Record revenues delivered by the Corporate division, growing 32% to £21.5 million (2016: £16.3 million), with the division contributing EBITDA of £10.2 million, an increase of 34% (2016: £7.6 million).
- Procurement Corporate Order Book increased 39% to £39.0 million (2016: £28.0 million) with strong customer retention at 85% and robust performance from significant new customer wins.
- SME division has matured, generating record EBITDA of £2.46 million (2016: £1.75 million) with EBITDA margins up 7% to 41% (2016: 34%).
- Excellent cash performance with cash generated from operations of £6.9 million (2016: £5.0 million).
- Initiated process of restructuring the Corporate service offering by client category under a unified 'Inspired' brand, which is due to complete in H1 2018.

Acquisition highlights

- Integration of Flexible Energy Management Limited (FEML) and Churchcom Limited ("Churchcom"), acquired in April 2017, is progressing well and in line with expectations.
- Acquisition of Horizon Energy Group Limited ("Horizon") completed in July 2017, increasing the geographical presence of the Group and strengthening its position as a market leader in Ireland.
- Horizon traded in line with Board expectations in H2 2017, and trading in 2018 has started strongly. Final settlement, in cash, of the outstanding consideration due to the vendors of STC Energy and Carbon Holdings Limited, Wholesale Power UK and Informed Business Solutions, reflecting their strong post-acquisition performance.

Board transition

- Mark Dickinson appointed Chief Executive Officer (CEO) of the Group in October 2017, having joined Inspired as a Non-Executive Director in September 2016 and before subsequently becoming Chief Operating Officer (COO) in June 2017.
- Richard Logan, group finance director of Iomart Group PLC, appointed as an Independent Non-Executive Director in March 2017.
- Gordon Oliver, group finance director of James Halstead plc, appointed as an Independent Non-Executive Director in January 2018.
- Matthew Thornton today steps down as Sales Director and moves to Non-Executive Director, completing the transition of the Board composition to two Executive Directors, supported by a Non-Executive Chairman and three Non-Executive Directors (two of whom are independent).

Financial highlights

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Revenue (£m)	+28%	27.46	21.51
Gross profit (£m)	+32%	22.81	17.31
Adjusted EBITDA* (£m)	+33%	11.00	8.26
Adjusted profit before tax** (£m)	+38%	9.70	7.02
Profit before tax (£m)	-12%	3.55	4.02
Adjusted EPS (p)	+24%	1.57	1.27
Basic EPS (p)	-32%	0.48	0.71
Cash generated from operations (£m)	+39%	6.91	4.98
Net debt (£m)	+37%	14.79	10.79
Dividend per share*** (p)	+22%	0.55	0.45
Procurement Corporate Order Book**** (£m)	+39%	39.00	28.00

* 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, share-based payments, the unwinding of deferred consideration and foreign exchange variances.

*** Full year dividend of 0.55 pence, includes interim dividend of 0.16 pence (2016: 0.13 pence), and 0.39 pence final dividend (2016: 0.32 pence).

**** Refer to Chief Executive Officer's statement for definition of Procurement Corporate Order Book.

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

Group at a glance

Providing expert consultancy to manage energy costs effectively

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 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 market.

Our divisions

Corporate division

The Corporate division, which includes Inspired Energy Solutions, Direct Energy Purchasing, Wholesale Power UK, STC Energy and Carbon Holdings, Informed Business Solutions, Flexible Energy Management, Churchcom and Horizon Energy Group, 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 revises 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 Flexible Energy Management, Churchcom and Horizon Energy Group the Group has extended its sector specialism and geographical spread, which further broadens the overall service offering to Corporate clients.

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.

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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.

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

PUBLIC SECTOR PROCUREMENT
For public sector clients, Inspired Energy Solutions (IES) has a division dedicated to EU-compliant procurement solutions in energy and associated services.

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

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

ESOS
Technology-driven solutions that ensure compliance to the mandatory Energy Savings Opportunity Scheme (ESOS).

BUREAU SERVICES
Inspired Energy Solutions can analyse and validate your utility invoices to ensure you are being charged the correct amount.

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

WATER DEREGULATION
From April 2017, every business was 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.

Chairman's statement

The strong performance provides an excellent platform to continue our growth

I am delighted to report another record year for Inspired in 2017. The Group delivered on all strategic fronts in the year. We have strengthened the Board with the appointment of Mark Dickinson as CEO and Richard Logan and Gordon Oliver as Independent Non-Executive Directors; implemented a new Long Term Incentive Plan (LTIP) for the benefit of the Executive Directors; announced three corporate acquisitions; entered into new c.£35 million banking facilities with Santander; and further enhanced the Group's institutional shareholder register through an oversubscribed £9.0 million placing.

The strong financial performance and the strategic initiatives delivered during the period provide an excellent platform for continued organic and acquisitive growth, further establishing Inspired's position as a market-leading energy consultant to UK and Irish corporates and SMEs.

In October 2017, Mark Dickinson took the helm as CEO. Mark initially joined the Board as a Non-Executive Director in September 2016, before becoming Chief Operating Officer in June 2017. Mark brings over 20 years' experience of leading and advising companies in the energy sector. His expertise as an energy consultancy specialist continues to be invaluable, as we enter the next growth phase for the Group.

July 2017 saw the implementation of the LTIP, established to retain, motivate and reward the Executive Directors on delivery of sustainable and managed growth for the Company, creating alignment with shareholder interests over the long term. The Board believes that the Company will benefit significantly from their drive, energy and experience over the next six years.

The financial results set out herein represent another excellent year of profitable growth, with Group revenue increasing by 28% to £27.46 million (2016: £21.51 million) and adjusted EBITDA increasing by 33% to £11.00 million (2016: £8.26 million). Adjusted profit before tax increased by 38% to £9.70 million (2016: £7.02 million) and adjusted EPS increased by 24% to 1.57 pence (2016: 1.27 pence). Importantly, the Group generated cash from operations of £6.91 million, an increase of 39% from £4.98 million in 2016. On a reported basis, profit before tax and basic EPS were lower at £3.55 million (2016: £4.02 million) and 0.48 pence (2016: 0.71 pence), respectively, reflecting non-trading items including the amortisation charge acquired through business combinations, the unwinding of deferred consideration, the exceptional costs of £1.51 million (2016: £0.53 million) associated with the three strategic acquisitions and a higher share-based payments charge of £0.59 million (2016: £0.32 million) as a result of the initial awards under the LTIP.

Inspired's strategy to build out and further enhance the service offering of the Corporate division, whilst also expanding our geographical reach via both organic and acquisitive growth, continues to generate momentum. The core Corporate division now contributes c.78% of Group revenues (2016: 76%), with divisional revenue increasing by 31% to £21.46 million (2016: £16.32 million) and adjusted EBITDA increasing by 34% to £10.20 million (2016: £7.60 million).

The Procurement Corporate Order Book has increased to £39.0 million as at 31 December 2017 (2016: £28.0 million) representing a year-on-year increase of 39%. This remains a consistent guide to the future performance of the Group, providing strong visibility of revenues for FY 2018 and the next three years, enabling the Board to look forward with great confidence over the short to medium term.

The acquisition of Horizon in Cork was a significant milestone in the development of the Group, both strategically and financially, and the Board is pleased to report that integration is progressing well, with both UK and Irish operations benefiting from the sharing of regional knowledge and expertise. The three acquisitions completed in 2017 have all strengthened Inspired's service offering, further broadened the client base and extended the geographical reach within the Corporate division. Importantly, we are pleased to report that all three acquired businesses are trading in line with management's expectations.

In addition to the robust performance from the Corporate division, the Group's SME division also performed strongly in the year. 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 further in the year from previous investments made to infrastructure and operational expertise, resulting in the SME division reporting year-on-year increases of 16% in revenue and 41% in EBITDA.

Accordingly, the Board is pleased to propose a final dividend of 0.39 pence (2016: 0.32 pence), subject to shareholder approval at the AGM in June, resulting in a full year dividend of 0.55 pence per share, a 22% increase (2016: 0.45 pence). The dividend increase in the year is a demonstration of the Board's confidence in the future for the enlarged Group.

Inspired had an excellent year in 2017 and I am confident that 2018 is set to be another year of significant progress for the Group with strong trading in the current year to date.

Michael Fletcher
Chairman
22 March 2018

Chief Executive Officer's statement

Strengthening our offering through complementary acquisitions and looking forward to the future with confidence

The Board is delighted with the performance of the Group in the year to 31 December 2017, delivering record growth, enhanced by the three complementary and strategic acquisitions of FEML, Churchcom and Horizon.

The growth achieved by the Group in 2017 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 during 2017. We look forward to the coming year with confidence.

Corporate division

Overview

The Group's Corporate division comprises the following trading subsidiaries:

- Inspired Energy Solutions (founder business);
- DEP (acquired in 2012);
- WPUK (acquired in 2015);
- STC (acquired in 2015);
- Informed (acquired in 2016);
- FEML (acquired in April 2017);
- Churchcom (acquired in April 2017); and
- Horizon (acquired in July 2017).

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

Organic growth and integration of division

Whilst 2017 was an outstanding year for our Corporate division, delivering record revenue and profits, we believe there is scope to leverage specialist knowledge and improve efficiency by streamlining the business and refocusing the commercial structure. During the year, the Board initiated the process of consolidating the Corporate service offering from subsidiary brands, to operating under a unified 'Inspired' brand with the service offering segmented into five broad categories of customer focus, being:

- energy intensive;
- commercial/estate intensive;
- public services;
- corporate; and
- Ireland.

The customer-focused structure of the Corporate division ensures the delivery of a high level of tailored service to Corporate customers, combined with the continuous development of the product suite, to meet the individual energy management requirements of the clients.

The integration of the businesses is well progressed, and the Board expects the exercise to be completed in H1 2018.

In addition, through increased utilisation and optimisation of integrated IT platforms, which continue to be developed, the Corporate division has been able to increase efficiency whilst delivering increased levels of service to our valued clients. This is demonstrated by continued superb client retention rates in excess of 85%.

2017 acquisitions

FEML

FEML was founded in 2012 and is a public sector procurement and energy services specialist, based in Manchester. FEML has a strong presence in the public sector, having been spun out of the NHS at the time of its foundation, and the two directors of FEML have over 20 years' experience in the NHS.

The business has a large portfolio of customers including NHS trusts/hospitals and academic and sporting institutions which can now benefit from Inspired's energy procurement expertise and breadth of service offering. The acquisition of FEML enhanced Inspired's presence and credentials within the public sector,

> *Our record results and performance once again demonstrate the commitment, drive and expertise of our team."*

further augmenting the organic growth and presence established as a result of the STC acquisition. The Board believes the NHS-sponsored Official Journal of the European Union (OJEU) frameworks provide a vehicle to accelerate growth in the sector as the frameworks can be increased in size significantly from sales leads generated by the Group's public sector team, access to which has historically been a barrier to growth in the sector.

Chief Executive Officer's statement continued

Corporate division continued

2017 acquisitions continued

Churchcom

Churchcom is an energy procurement consultant based in Peterlee, County Durham. Churchcom operates under two trading divisions, Church Energy Purchasing Group, which specialises in energy procurement for churches, and Energy Partners, offering energy procurement services for commercial customers, complementing Inspired's core Corporate division.

The business benefits from a strong order book and has a long history of retaining customers and growing revenues within both divisions. The acquisition has added a new sector specialism.

Horizon

Horizon was the Group's first international acquisition. Based in Cork, Ireland, Horizon is a corporate energy procurement consultant with customers including large corporates, public sector bodies and SMEs. Horizon brings high earnings visibility and offers synergies with Inspired's core Corporate division and its strong Procurement Corporate Order Book. Horizon's sales team is also benefiting from the cross-selling opportunities and access to Inspired's broader capabilities.

Ireland's energy procurement sector is relatively underdeveloped compared to the UK marketplace, and this has provided a significant opportunity for Inspired to deploy its expertise to secure increased market share in a growing market.

The Board is pleased to report Horizon traded in line with expectations in H2 2017, and trading in 2018 has started strongly.

Corporate division financial highlights

Highlights in the year include:

- revenue increased 31% to £21.46 million (2016: £16.32 million);
- the Corporate division generated adjusted EBITDA of £10.20 million (2016: £7.60 million), a 34% year-on-year increase; and
- high customer retention rates maintained at 85% across the Corporate division, 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 £39.0 million, representing a year-on-year increase of 39%.

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 revenue or contracts within the SME division. 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 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 energy supplier for an agreed consumption value at an agreed commission rate.

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 situation of the customer.

The SME division has delivered another strong set of results in 2017. 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. The division has delivered a 16% increase in revenue to £6.0 million (2016: £5.19 million) and 41% increase in EBITDA to £2.46 million (2016: £1.75 million) in 2017, resulting in an increase in EBITDA margin to 41% (2016: 34%). The increase in EBITDA margin has resulted from continued improvement in operational leverage within the division and a small increase in headcount in the period. The division continues to provide material cash generation to the Group.

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 nine 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
- a broader geographic footprint.

The Board continues to seek acquisition opportunities in line with the Group's strategy to augment its services, products or markets.

Exceptional deal-related costs

Exceptional costs of £1,510,370 (2016: £530,285) have been incurred in the year, which primarily relate to fees associated with the three acquisitions in the year and the restructuring associated with the integration of the Corporate division from trading subsidiaries to a customer-focused structure. 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 2017, the Group had a cash balance of £5.18 million and outstanding balances on its senior term debt facilities of £19.85 million with the acquisition facility and revolving credit facility within the Group's debt facilities remaining undrawn.

As at 31 December 2017, net debt stood at £14.79 million, which is an increase of £4.00 million in comparison to 31 December 2016.

The increase in net debt reflects a year in which the cash generation of the Group was offset by the payment of £3.6 million of initial cash consideration to the vendors of FEML and Churchcom and £2.55 million of deferred cash consideration to the vendors of STC, WPUK and Informed.

To finance the acquisition of Horizon in July 2017, the Group entered into a new facility agreement with Santander UK plc ("Santander"), replacing the £10.0 million term loan, £1.5 million of drawn revolving credit facilities and £5.1 million of drawn acquisition facility.

The new facility agreement ("facility") was for a £29.6 million and €7.0 million term loan. £6.3 million and €7.0 million of the term facilities ("Tranche A and B") amortise over a period of five years with the balance, and the remaining £8.3 million ("Tranche C"), repayable by way of a bullet repayment on 19 October 2022. The facility has an interest rate of 2.75% over LIBOR in respect of Tranches A and B and 3.00% over LIBOR in respect of Tranche C. 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 £2.5 million, to be used for the purposes of satisfying future working capital requirements (the "RCF") and an acquisition facility of up to £12.5 million to fund future Group acquisitions ("Acquisition Facility"). The Acquisition Facility can be drawn on the same commercial terms as the facility at the election of the Group and subject to bank approval of any proposed acquisition. The RCF has an interest rate of 2.75% over LIBOR, and the Acquisition Facility has an interest rate of 3.25% over LIBOR. There are no ongoing monitoring fees.

Capital repayments of £1.26 million per annum are made on Tranche A, and the Group will start to make capital repayments on Tranche B from September 2018, of £1.75 million per annum.

Dividends

The Board is delighted to propose a final dividend of 0.39 pence per share, subject to shareholder approval at the Annual General Meeting of the Group. Following the payment of an interim dividend of 0.16 pence per share, the total dividend payable for the year ended 31 December 2017 is 0.55 pence per share. This represents an increase of 22% over the dividend payable in respect of 31 December 2016, being 0.45 pence per share. The continuing trend of improvement in cash generation of the Group supports the progressive dividend policy applied.

The dividend will be payable on 13 July 2018 to all shareholders on the register on 8 June 2018 and the shares will go ex-dividend on 7 June 2018.

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. In July 2017 the Board implemented the LTIP for the Executive Directors. The Board believes it is crucial to retain and incentivise its senior management to enable the Board to deliver long-term value creation for shareholders. It is therefore the Board's intention to grant 24.3 million shares to its wider senior management team under a Long Term Incentive Plan (the "Plan") extending over six years; further details on the Plan will be announced following the grant of the shares.

In addition, the Group continues to support its employees through professional qualifications and work-based learning. National Vocational Qualifications (NVQs) continue to be a great success. Finally, a number of staff are undertaking professional qualifications, including ACCA/AAT qualifications, to support their development within the business.

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

Outlook

I am delighted to report on a very strong period of growth for the Group across all key areas: financially, operationally and strategically. In 2017, the Group completed three value-enhancing corporate acquisitions, a debt refinancing and a £9.0 million placing, providing an excellent platform for the business to continue to deliver on our stated growth strategy. I am pleased to report all three acquisitions concluded in 2017 are performing in line with expectations and the integration process is progressing well.

Inspired Energy had an excellent 2017, and I am confident that 2018 will be another year of significant progress for the Group. In addition to continuing our focus on developing sustainable organic growth for 2018 the Group intends to focus on the following strategic areas:

Optimisation Services: Expansion of our Optimisation Services division to match client needs which are becoming increasingly sophisticated with respect to monitoring, targeting and efficiency.

Software Solutions: Creation of a Software Services division to provide software solutions across the energy value chain.

Research and development: Creation of an 'Inspired Incubator' to allow Inspired to support early stage energy and utility solutions which have the potential to add value to energy consumers in the future.

It is an exciting time for the Group which has started the year with strong trading in line with expectations.

Mark Dickinson
Chief Executive Officer
22 March 2018

Our business model

Innovative, cost effective energy solutions backed-up by proactive advice

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 deliver 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 three corporate-focused businesses during 2017 to further complement the Group's core Corporate division and extend both the Group's sector specialism and geographical spread.

Horizon Energy Group, a corporate energy procurement consultant based in Cork, Ireland, with customers including large corporates, public sector bodies and SMEs, was acquired in July 2017.

Flexible Energy Management, a public sector energy procurement specialist servicing a customer base comprising NHS foundation trusts/hospitals and academic and sporting institutions, through two sponsored OJEU frameworks, was acquired in April 2017.

Churchcom, an energy procurement consultancy operating through two principal divisions: the Church Energy Purchasing Group, which specialises in serving the church sector, and Energy Partners, a growing commercial energy procurement business, was acquired in April 2017.

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 and Ireland 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 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.

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Read our KPIs
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Our business model continued

The Group

Inspired 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 deliver 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.11,500 customers.

Corporate division

The Corporate division, which includes Inspired Energy Solutions, Direct Energy Purchasing, Wholesale Power UK, STC Energy and Carbon Holdings, Informed Business Solutions, FEML, Churchcom and Horizon, 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 with energy suppliers, on the client's behalf, 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 and 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, which actively focuses on high-volume consumers and allows 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 their 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 has grown rapidly since its launch in October 2012. 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, online quoting platform for SME customers looking to switch their energy supplier. In addition, the division has agreements in place with the majority of energy suppliers within the SME sector. Web-enabled capability is offered to new online customers, and is also used by the sales agents in the division.

Our strategy

Our strategy combines organic growth with selective acquisitions

	Customer service	Product innovation	Technology development	Acquisitions
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.	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.	Through developing our technology platforms, both organically and through acquisitions, Inspired is able to grow rapidly whilst minimising required headcount growth.	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.
Achievements in 2017	The acquisition of Flexible Energy Management, Churchcom and Horizon Energy Group Limited has extended the Group's sector specialism and geographical spread adding to the Group's overall service offering to the Corporate division.	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.	With the acquisition of Horizon Energy Group, small and medium-sized clients have access to its 'Energy Buddi' monitoring systems, with larger industrial users benefiting from their energy trading desk providing access to real-time information on power prices.	Inspired acquired Flexible Energy Management, Churchcom and Horizon Energy Group in the year. The acquisition brought sector specialism, geographical spread and enhanced service offering to the Group and will be integral to the growth of the Corporate division going forward.
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.	We will continue to work with UK energy suppliers to develop and market innovative, exciting and unique energy products.	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.	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.

The Group continues to demonstrate strong organic growth

Key performance indicators

Corporate

2017 was an outstanding year for the Corporate division, continuing to perform well in respect of the key KPIs within the business and demonstrate strong organic growth. The organic and acquisitive Procurement Corporate Order Book grew in the year to a record £39.0 million, representing a year-on-year increase of 37%.

Revenue (£'000)

+31%

17	21,460
16	16,320
15	10,074

Gross profit (£'000)

+32%

17	19,230
16	14,568
15	9,092

EBITDA (£'000)

+34%

17	10,197
16	7,596
15	4,973

EBITDA margin (%)

+1%

17	48
16	47
15	49

Headcount (#)

+31%

17	210
16	160
15	131

Procurement Order Book (£'000)

+37%

17	39,000
16	28,513
15	24,512

SME

The SME division, following a period of investment in the team and operational infrastructure, has become a strong, mature and consistent performer within the Group. As at 31 December the SME division had an average headcount of 54 (2016: 49).

Revenue
(£'000)

+15%

17 | 5,998
16 | 5,195
15 | 5,114

Gross profit
(£'000)

+31%

17 | 3,583
16 | 2,741
15 | 2,474

Gross profit margin
(%)

+7%

17 | 60
16 | 53
15 | 48

EBITDA
(£'000)

+40%

17 | 2,455
16 | 1,752
15 | 1,544

EBITDA margin
(%)

+7%

17 | 41
16 | 34
15 | 30

Headcount
(#)

+10%

17 | 54
16 | 49
15 | 49

Clients
(#)

+17%

17 | 10,500
16 | 9,000
15 | 7,250

We have identified our main risks and are taking appropriate action to prevent, manage or mitigate these

Risk review

Effectively managing risks is an integral part of Inspired's continuing success. 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	Change in level of risk
Customer service	No change
Product innovation	Increased risk
Technology development	Decreased risk
Acquisitions	

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 including a Long Term Incentive Plan implemented during the year. 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.

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

Board of Directors

A unique combination of established supplier relationships, market expertise and technical capability

Chairman's introduction

"The Board transition during the period ensures the Group can adopt a corporate governance approach in line with the size and complexity of the Group."

Michael Fletcher
Chairman
22 March 2018

Michael Fletcher (43)
Non-Executive Chairman

A R N

Skills and experience

Mike is a co-founder and managing partner of Praetura, a business specialising in venture investment and corporate advisory. Mike was previously a managing director of investment bank GCA Altium. He has 20 years' experience in mergers and acquisitions and corporate finance, advising public companies, private equity houses and entrepreneurs. He is a chartered accountant, having completed his training with PwC in 1999 and is both FCA and SRA approved.

External appointments

Mike sits on the board of a number of Praetura's investments including EC3 Brokers, Praetura Asset Finance, Artorius Wealth, Starcount, Sorted and Peak AI. Mike also recently joined the board as a non-executive director of SysGroup plc.

Mark Dickinson (45)
Chief Executive Officer

A R N

Skills and experience

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.

External appointments

None.

Key:

- (A) Audit Committee
- (N) Nominations Committee
- (R) Remuneration Committee
- Chairman

Paul Connor (33)
Finance Director

A

Skills and experience

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 six businesses. 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.

External appointments

None.

Matthew Thornton (44)
Non-Executive Director

A R N

Skills and experience

Matthew has more than 20 years' experience of the energy markets. He established the Risk Management division of Inspired Energy in 2005 and worked very closely with major suppliers in the development of innovative buying solutions to ensure market-leading energy supply and trading agreements for Inspired's growing portfolio of clients.

External appointments

None.

Richard Logan (60)
Non-Executive Director

A R N

Skills and experience

Richard Logan is a chartered accountant with 30 years' experience of working in industry.

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 the University of Stirling and in 2013 was Smaller Quoted FD of the Year at the FD's Excellence Awards.

External appointments

Richard is the finance director of cloud computing company iomart Group plc (AIM: IOM), a position he has held since 2006.

Gordon Oliver (59)
Non-Executive Director

A R N

Skills and experience

Gordon Oliver qualified with KPMG in 1982, following which he held positions at BPB Industries plc and Johnson & Firth Brown plc before joining the James Halstead Group in 1987 as group financial controller.

External appointments

Gordon is the group finance director of James Halstead plc, (AIM: JHD) a major international group of companies that manufacture commercial and contract flooring, a position he has held since 1999.

Directors' remuneration report

This report to shareholders for the year ended 31 December 2017 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 Richard Logan (Non-Executive Director), and the Chief Executive Officer, Mark Dickinson. 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 2017.

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 and Finance Director are £150,000 and £125,000 respectively.

Performance-related pay

The Chief Executive Officer can earn a cash bonus of up to 50% of their annual basic salary payable against meeting personal and business targets as set out by the Committee at the beginning of each year.

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 are appointed by the Group on contracts terminable on no more than twelve months' notice.

Non-Executive Directors

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

The annual fee levels as at 31 December 2017 were:

- Chairman – £48,000
- Non-Executive Directors – £40,000

There is no right to any further benefits in kind.

Directors' emoluments for the year ended 31 December 2017 are summarised below:

	Salary/fees/ bonus £	Share-based payment costs £	**Year ended 31 December 2017 £**	Year ended 31 December 2016 £
Executive				
Janet Thornton (resigned 11 October 2017)	382,373	—	**382,373**	200,740
Matthew Thornton**	190,773	—	**190,773**	140,740
Paul Connor	150,773	79,104	**229,877**	219,634
Mark Dickinson*	74,001	104,442	**178,443**	—
David Foreman (resigned 11 October 2017)	46,685	—	**46,685**	60,000
	844,605	183,546	**1,028,151**	621,114
Non-Executive				
Mark Dickinson*	106,376	—	**106,376**	10,681
Mike Fletcher	61,315	—	**61,315**	48,000
Richard Logan (appointed 27 March 2017)	27,218	—	**27,218**	—
Bob Holt	—	—	**—**	32,000
	194,909	—	**194,909**	90,681
Total	1,039,514	183,546	**1,223,060**	711,795

* Mark Dickinson became an Executive on 20 June 2017.

** Matthew Thornton became a Non-Executive on 22 March 2018; the emoluments received during 2017 were all in his capacity as an Executive.

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 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 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 published its audited accounts for the year ended 31 December 2016; and

(iv) the date on which the Group published its interim accounts for the six months ending 30 June 2017.

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 became/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 ending 31 December 2016;

(ii) the date on which the Group published its interim accounts for the six months ending 30 June 2017;

(iii) the date on which the Group published 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 became/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 ending 31 December 2016;

(ii) the date on which the Group published its interim accounts for the six months ending 30 June 2017;

(iii) the date on which the Group published 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 and Mark Dickinson were granted a combined 14,850,000 LTIP share options on 20 July 2017. Further details can be found in note 7.

Directors' interests in shares of the Company as at 31 December 2017:

	Number of shares	%
Matthew Thornton	38,590,578	6.78
Praetura Ventures (1) LLP*	11,137,039	1.96
Mark Dickinson	689,655	0.12
Richard Logan	344,828	0.06

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

Paul Connor did not exercise any options during the current year and, at the year end, 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
22 March 2018

Group Directors' report

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

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 2017 and for the year ended 31 December 2016.

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

Cash and borrowings

As at 31 December 2017, the Group had cash balances of £5.2 million. As at this date, the Group had outstanding balances on its senior term debt of £20.0 million. As at the 31 December 2017, the acquisition facility and revolving credit facility within the Group's debt facility remained undrawn.

Capital repayments of £1.26 million per annum are made on facility A, and the Group will start to make capital repayments on facility B from September 2018, of £1.75 million per annum.

As at 31 December 2017, net debt stood at £14.9 million, which is an increase of £4.1 million in comparison to 31 December 2016.

The increase in net debt reflects a year in which the cash generation of the Group was offset by the payment of £3.6 million of initial cash consideration to the vendors of FEML and Churchcom and £2.55 million of deferred cash consideration to the vendors of STC, WPUK and Informed.

To finance the acquisition of Horizon in July 2017, the Group entered into a new facility agreement with Santander UK plc, replacing the £10.0 million term loan, £1.5 million of drawn RCF facilities and £5.1 million of drawn acquisition facility.

The new facility agreement was for a £29.6 million and €7.0 million term loan. £6.3 million and €7.0 million of the term facilities ("Tranche A and B") amortise over a period of five years with the balance, and the remaining £8.3 million ("Tranche C"), repayable by way of a bullet repayment on 19 October 2022. The facility has an interest rate of 2.75% over LIBOR in respect of Tranches A and B and 3.00% over LIBOR in respect of Tranche C. 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 £2.5 million, to be used for the purposes of satisfying future working capital requirements (the "RCF") and an acquisition facility of up to £12.5 million to fund future Group acquisitions ("acquisition facility"). The acquisition facility can be drawn on the same commercial terms as the facility at the election of the Group and subject to bank approval of any proposed acquisition. The revolving credit facility has an interest rate of 2.75% over LIBOR, and the acquisition facility has an interest rate of 3.25% over LIBOR. There are no ongoing monitoring fees.

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	%
Matthew Thornton	38,590,577	6.78
Praetura Ventures (1) LLP*	11,137,039	1.96
Mark Dickinson	689,655	0.12
Richard Logan	344,828	0.06

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

Dividends
The Board is delighted to propose a final dividend of 0.39 pence per share subject to approval at the Annual General Meeting of the Group. Following the payment of an interim dividend of 0.16 pence per share, the total dividend payable for the year ended 31 December 2017 is 0.55 pence per share. This represents an increase of 22% over the dividend payable in respect of 31 December 2016, being 0.45 pence per share.

The dividend will be payable to all shareholders on the register as at 8 June 2018 and will be paid on 13 July 2018.

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 2017, 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 Committee comprises Mike Fletcher, Richard Logan and Gordon Oliver as Non-Executive Directors and Mark Dickinson and Paul Connor as Executive Directors. The Audit Committee is chaired by Richard Logan. The Remuneration Committee comprises Mike Fletcher and Richard Logan as Non-Executive Directors and Mark Dickinson as Executive Director. 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.

Substantial shareholdings
At 14 February 2018, 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 20.

	Number of shares	%
Miton Asset Management	80,317,230	14.11
Living Bridge EP LLP	67,139,617	11.80
Hargreave Hale, stockbrokers	49,500,000	8.70
Janet Thornton	38,590,579	6.78
Slater Investments	31,519,695	5.54
Regent Gas Holdings Limited	30,667,380	5.39
Business Growth Fund	17,094,340	3.00

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 20.

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 two interest rate swaps. A euro (€) interest rate swap is against three-month EURIBOR to cover €3.5 million of its total indebtedness at an interest rate of 0.23% for the term of the loan. A GBP (£) interest rate swap is against three-month LIBOR to cover £7.0m of its total indebtedness at an interest rate of 1.39% for the term of the loan. The Group does not adopt the principles of hedge accounting.

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

Mark Dickinson
Chief Executive Officer
22 March 2018

Independent auditors' report

To the members of Inspired Energy PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Inspired Energy PLC (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2017, which comprise the Group statement of total comprehensive income, the Group and Company statement of financial position, the Group and Company statement of changes in equity, the Group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's profit and parent company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

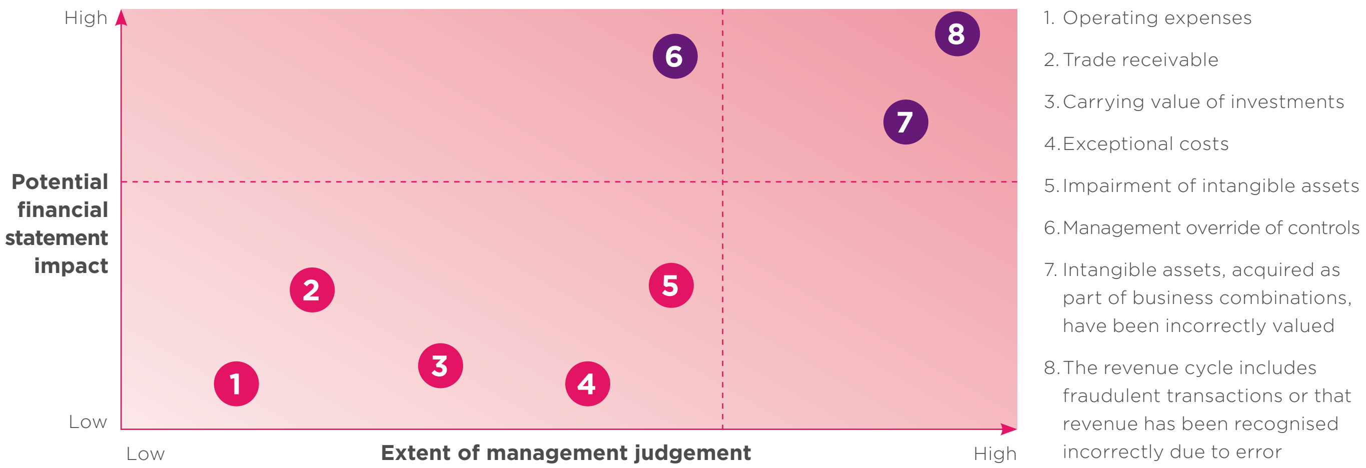
- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £280,000, which represents 5% of the Company's profit before taxation, excluding exceptional items.
- Key audit matters were identified as the risk that the revenue cycle includes fraudulent transactions or that revenue has been recognised incorrectly due to error and that intangible assets have been incorrectly valued.
- There have been no significant changes in audit scope from previous periods and we audited the parent company and each subsidiary within the Group to an individual materiality level. We have also visited Horizon Energy Group Limited based in Cork, since this was a material acquisition in the year, based away from the Group's main operations in Lancashire.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



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

Key audit matter – Group	How the matter was addressed in the audit – Group
Risk 1: The revenue cycle includes fraudulent transactions or revenue has been recognised incorrectly due to error. There is a risk that revenue has been misstated through fraudulent entries, or entries made in error. This is considered to be a key audit matter given the importance of reported revenue to key stakeholders. Under ISAs (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' this is also a presumed risk, present in all entities. We therefore identified this risk as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing the accounting policies to confirm compliance with the financial reporting framework (IAS 18 'Revenue') and in particular that revenue is measured at the fair value of the services rendered and by reference to the stage of completion of the services; • assessing the historical accuracy of estimates made by management in respect of revenue recognition, and in particular the amount of revenue recognised at the point the contract is authorised by the energy supplier in the SME division; • testing of a sample of revenue transactions in the year through agreement to source documentation in order to confirm the service has been rendered and that the stage of completion is appropriate; • testing a sample of revenue items accrued as at 31 December 2017 through to post-year-end invoice, or where the revenue item had not been invoiced to other evidence that the service had been rendered; • assessing the historical accuracy of estimates made by management in respect of revenue items accrued at the end of previous reporting periods; • testing of specific journals posted to revenue which met pre-determined criteria; and • trend analysis and ratio analysis to identify any potential unusual movements in revenue. The Company's accounting policy on this risk is shown in note 2 to the financial statements and related disclosures are included in note 6. **Key observations** Our work did not find any material misstatements within the revenue recorded for the year. We conclude that the revenue recognition policy as set out on page 35 is applied consistently, and in line with IAS 18 'Revenue'.

Key audit matters continued

Key audit matter – Group	How the matter was addressed in the audit – Group
Risk 2: Intangible assets, acquired as part of business combinations, have been incorrectly valued. There is a risk that intangible assets have been misstated through errors in the valuation techniques used by management to recognise intangible assets such as customer databases, customer contracts, customer relationships and other intangible assets. Included within the fair value of net identifiable assets recognised on the three business combinations during the year is £6,182,000 of separately identifiable intangible assets. This is considered to be a key audit matter as the technique involved in valuing these assets requires a high degree of judgement, with estimates including future sales and discount rates. We therefore identified this risk as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • inspection of the sale and purchase agreements in order to identify key terms of the transactions and how they may impact the accounting treatment, in particular the point at which the Group has the ability to control subsidiaries and therefore consolidate the results; • an assessment of the work performed by the Group, which was informed by an external valuation specialist engaged by the entity, who advised on the methodology and assumptions used to identify and value the separately identifiable intangible assets; • an examination and challenge of the key judgements adopted in preparing the underlying forecasts, such as forecast revenue and cash flows, used to value the separately identifiable intangible assets; • with the assistance of our internal valuation specialists, evaluating the valuation methodologies used as well as assessing the discount rate against externally benchmarked data; and • performing sensitivity analysis relating to the valuation of intangible assets, specifically around the discount rate. The Company's accounting policy on this risk is shown in note 2 to the financial statements and related disclosures are included in note 12. **Key observations** Our work concluded that the intangible assets recognised in the year have not been materially incorrectly valued, and they have been recognised in accordance with IAS 38 'Intangible Assets'. Disclosures included within the financial statements have been tested to ensure they are free from material misstatement.

There are no key audit matters relating to the parent company.

Our application of materiality

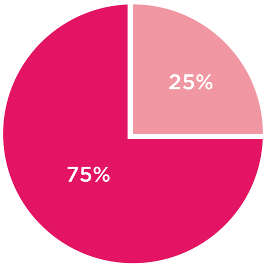
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

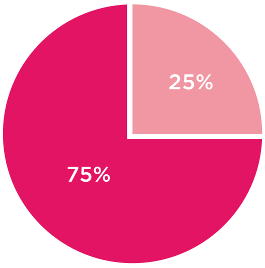
Materiality measure	Group	Parent
Financial statements as a whole.	£280,000, which is 5% of profit before taxation, excluding exceptional items. This benchmark is considered the most appropriate because of the importance that management applies to this measure in relation to the performance of the business, and the measure on which growth is monitored. Materiality for the current year is broadly consistent with what we determined for the year ended 31 December 2016.	£209,000, which is 0.37% of total assets. This benchmark is considered the most appropriate because the parent company does not trade and largely holds investments in subsidiaries. Materiality for the current year is broadly consistent with the level that we determined for the year ended 31 December 2016.
Performance materiality used to drive the extent of our testing.	75% of financial statement materiality.	75% of financial statement materiality.
Communication of misstatements to the Audit Committee.	£14,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£10,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Our application of materiality continued
The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – parent



Tolerance for potential uncorrected misstatements

Performance materiality

An overview of the scope of our audit
Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included:

- an evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. We audited the parent company and each subsidiary within the Group to an individual materiality level, which was lower than the overall Group materiality figure. No separate component audit teams were used as the Group audit team undertook all audit work to support the Group audit opinion. Our full scope and targeted procedures obtained coverage of 88% of total revenue and 97% of total assets;
- an evaluation of the Group's internal controls environment including its IT systems and controls relevant to the audit;
- an assessment of material accounting policies for compliance with the financial reporting framework; and
- an evaluation of significant management estimates or judgements.

There were no significant changes in the current year audit scope compared to the prior year audit scope, other than additional work performed over the three business combinations in the year and the related entities. This included the audit of the accounting for each business combination and the audit of Horizon Energy Group Limited, which was deemed a significant component. We visited Cork to audit Horizon Energy Group Limited, since this is based away from the Group's main operations in Lancashire.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 23, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
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.

Independent auditors' report continued
To the members of Inspired Energy PLC

Matters on which we are required to report under the Companies Act 2006

In the 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 in relation to which 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.

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Michael Frankish
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditors, Chartered Accountants
Manchester
22 March 2018

Group statement of comprehensive income
For the year ended 31 December 2017

	Note	2017 £	2016 £
Revenue	6	**27,458,397**	21,514,911
Cost of sales		**(4,645,550)**	(4,205,931)
Gross profit		**22,812,847**	17,308,980
Administrative expenses		**(17,702,755)**	(12,470,995)
Operating profit		**5,110,092**	4,837,985
Analysed as:			
Earnings before exceptional costs, depreciation, amortisation and share-based payment costs		**11,004,142**	8,257,775
Exceptional costs	4	**(1,510,370)**	(530,285)
Depreciation	11	**(495,080)**	(422,279)
Amortisation of intangible assets	12	**(3,297,120)**	(2,149,198)
Share-based payment costs		**(591,480)**	(318,028)
		5,110,092	4,837,985
Finance expenditure	5	**(1,561,833)**	(742,085)
Other financial items		**4,668**	(77,315)
Profit before income tax	4	**3,552,927**	4,018,585
Income tax expense	9	**(1,020,374)**	(616,430)
Profit for the year		**2,532,553**	3,402,155
Other comprehensive income:			
Exchange differences on translation of foreign operations		**210,432**	—
Total other comprehensive income for the year		**210,432**	—
Total comprehensive income from continuing operations		**2,742,985**	3,402,155
Attributable to:			
Equity owners of the Company		**2,742,985**	3,402,155
Basic earnings per share attributable to the equity holders of the Company (pence)	10	**0.48**	0.71
Diluted earnings per share attributable to the equity holders of the Company (pence)	10	**0.46**	0.68

The notes on pages 33 to 63 form part of these financial statements. All items relate to continuing operations.

Group statement of financial position

At 31 December 2017

	Note	2017 £	2016 £
ASSETS			
Non-current assets			
Goodwill	12	**21,680,234**	12,987,651
Other intangible assets	12	**11,662,173**	7,390,982
Property, plant and equipment	11	**1,405,642**	1,331,603
Non-current assets		**34,748,049**	21,710,236
Current assets			
Trade and other receivables	13	**16,305,545**	12,408,789
Cash and cash equivalents		**5,182,633**	984,403
Current assets		**21,488,178**	13,393,192
Total assets		**56,236,227**	35,103,428
LIABILITIES			
Current liabilities			
Trade and other payables	14	**2,532,086**	1,712,175
Bank borrowings	16	**2,036,984**	3,337,500
Contingent consideration	18	**3,035,996**	2,460,354
Current tax liability		**3,022,319**	2,413,464
Current liabilities		**10,627,385**	9,923,493
Non-current liabilities			
Bank borrowings	16	**17,808,507**	8,286,462
Trade and other payables	14	**32,500**	61,866
Contingent consideration	18	**1,374,627**	797,433
Interest rate swap		**144,452**	149,120
Deferred tax liability	15	**1,126,300**	1,010,869
Non-current liabilities		**20,486,386**	10,305,750
Total liabilities		**31,113,771**	20,229,243
Net assets		**25,122,456**	14,874,185
EQUITY			
Share capital	19	**711,397**	606,987
Share premium account	19	**14,202,921**	2,318,619
Merger relief reserve	19	**14,913,911**	14,913,911
Share-based payment reserve		**1,230,669**	794,120
Retained earnings		**7,853,954**	7,623,321
Investment in own shares		**(2,618,055)**	—
Translation reserve		**210,432**	—
Reverse acquisition reserve		**(11,382,773)**	(11,382,773)
Total equity		**25,122,456**	14,874,185

The financial statements were approved and authorised for issue by the Board of Directors on 22 March 2018 and were signed on its behalf by:

Mark Dickinson
Chief Executive Officer

Paul Connor
Finance Director

Company registration number: 07639760.

The notes on pages 33 to 63 form part of these financial statements.

Group statement of changes in equity
For the year ended 31 December 2017

	Share capital £	Share premium account £	Merger relief reserve £	Share-based payment reserve £	Retained earnings £	Investment in own shares £	Translation reserve £	Reverse acquisition reserve £	Total shareholders' equity £
Balance at 1 January 2016	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
Profit and total comprehensive income for the period	—	—	—	—	2,532,553	—	210,432	—	2,742,985
Shares issued (30 March 2017)	2,000	169,250	—	—	—	—	—	—	171,250
Shares issued (20 April 2017)	3,742	496,258	—	—	—	—	—	—	500,000
Shares issued (24 April 2017)	563	50,063	—	—	—	—	—	—	50,626
Shares issued (17 July 2017)	77,586	8,396,382	—	—	—	—	—	—	8,473,968
Shares issued (20 July 2017)	18,563	2,599,493	—	—	—	—	—	—	2,618,056
Shares issued (29 August 2017)	1,956	172,856	—	—	—	—	—	—	174,812
Share-based payment cost	—	—	—	591,480	—	—	—	—	591,480
Share options exercised	—	—	—	(154,931)	154,931	—	—	—	—
Purchase of own shares	—	—	—	—	—	(2,618,055)	—	—	(2,618,055)
Dividends paid	—	—	—	—	(2,456,851)	—	—	—	(2,456,851)
Total transactions with owners	104,410	11,884,302	—	436,549	230,633	(2,618,055)	210,432	—	10,248,271
Balance at 31 December 2017	**711,397**	**14,202,921**	**14,913,911**	**1,230,669**	**7,853,954**	**(2,618,055)**	**210,432**	**(11,382,773)**	**25,122,456**

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.

Translation reserve
The translation reserve comprises translation differences arising from the translation of the financial statements of the Group's foreign entities into GBP (£).

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 33 to 63 form part of these financial statements.

Group statement of cash flows

For the year ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit before income tax	3,552,927	4,018,585
Adjustments		
Depreciation	495,080	422,279
Amortisation	3,297,120	2,149,198
Share-based payment costs	591,480	318,028
Finance expenditure	1,557,165	742,085
Exchange rate variances	(92,269)	—
Other financial items	(200,000)	77,315
Cash flows before changes in working capital	9,201,503	7,727,490
Movement in working capital		
Increase in trade and other receivables	(2,441,252)	(2,948,615)
Increase in trade and other payables	152,373	199,551
Cash generated from operations	6,912,624	4,978,426
Income taxes paid	(1,417,807)	(532,786)
Net cash flows from operating activities	5,494,817	4,445,640
Cash flows from investing activities		
Contingent consideration paid	(2,550,000)	(1,250,000)
Acquisition of subsidiaries, net of cash acquired (note 22)	(10,671,960)	(1,374,189)
Payments to acquire property, plant and equipment	(455,251)	(368,873)
Payments to acquire intangible assets	(1,221,690)	(1,071,274)
Net cash used in investing activities	(14,898,901)	(4,064,336)
Cash flows from financing activities		
New bank loans (net of debt issue costs)	23,960,003	2,623,750
Proceeds from issue of new shares	8,870,444	423,015
Repayment of bank loans	(16,149,554)	(1,509,375)
Interest on bank loans paid	(626,858)	(712,921)
Dividends paid	(2,456,851)	(1,826,221)
Net cash inflow/(outflow) from financing activities	13,597,184	(1,001,752)
Net increase/(decrease) in cash and cash equivalents	4,193,100	(620,448)
Cash and cash equivalents brought forward	984,403	1,604,851
Exchange differences on cash and cash equivalents	5,130	—
Cash and cash equivalents carried forward	5,182,633	984,403

The notes on pages 33 to 63 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 (IFRSs). They have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments measured at fair value.

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 21 to 23. The financial position of the Group, its cash flows and liquidity position are described on pages 5 to 7. In addition, note 18 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 2019 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 historical 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 2017 was £6,894,117 (2016: £5,097,651).

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. However, stringently conservative estimates were applied to revenue growth along with a range of discount rates, up to 10%, and no impairment was noted at any level. The value of goodwill at 31 December 2017 is £21,680,234 (2016: £12,987,651).

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 20). 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 £591,480 (2016: £318,028).

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 2017 is £11,662,173 (2016: £7,390,982).

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 2017, is £4,410,623 (2016: £3,257,787). The maximum undiscounted consideration payable is £5.4 million producing an additional £1.0 million of additional liability as at 31 December 2017.

vi. Consolidation date

Management has judged the date at which control passes to the Group, after considering the definitions included within IFRS 10, to be the date at which a locked box mechanism is entered into between the vendor and the Group. As management considers that the locked box date is the point at which control passes, all subsidiaries that have been acquired through the usage of a locked box mechanism have been consolidated from this date rather than the date of legal completion. The point at which control passes is considered to be a significant judgement by management.

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 2017. 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. As referred to within the 'Significant judgements and estimates' section of these financial statements, the results of all companies acquired through a locked box mechanism have been consolidated from the locked box date.

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 £546,076 and £59,650 have been made to the goodwill balances of STC and WPUK during the prior 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.

2. Summary of significant accounting policies continued

2.2 Basis of consolidation and business combinations continued

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.

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 (range of services tailored to a client's specific requirement), 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 is 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 unless an indicator of impairment triggers a review of impairment; 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.

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 – four years straight line
- 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 payments 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 2018 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 has undertaken a detailed analysis of the impact of IFRS 15 on the Group. Further work is required to ascertain the impact, if any, the new standard will have on revenues generated from the Corporate division. A communication, qualifying the impact, will be issued in the first half of 2018.

IFRS 16 Leases

The Group is currently undertaking a review of the leases in place and assessing the impact of IFRS 16 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.

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. Summary of significant accounting policies continued

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 Foreign currency

Functional currency and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in GBP (£).

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the date of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

Translation of Group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated from their functional currency to GBP (£) using the closing exchange rate. Income and expenses are translated using the average rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of Group companies are recognised in other comprehensive income and are not reclassified to profit or loss.

Goodwill and fair value adjustments on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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 2017 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, Informed Business Solutions Limited, Flexible Energy Management Limited, Churchcom Limited and Horizon Energy Group 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, which actively focuses 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.

3. Segmental information continued

Revenue and segmental reporting continued

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.

	2017				2016			
	Corporate £	SME £	PLC costs £	Total £	Corporate £	SME £	PLC costs £	Total £
Revenue	21,460,206	5,998,191	—	27,458,397	16,320,105	5,194,806	—	21,514,911
Cost of sales	(2,229,926)	(2,415,624)	—	(4,645,550)	(1,752,147)	(2,453,783)	—	(4,205,930)
Gross profit	19,230,280	3,582,567	—	22,812,847	14,567,958	2,741,023	—	17,308,981
Administrative expenses	(10,568,731)	(1,532,827)	(5,601,197)	(17,702,755)	(7,838,521)	(1,437,217)	(3,195,258)	(12,470,996)
Operating profit	8,661,549	2,049,740	(5,601,197)	5,110,092	6,729,437	1,303,806	(3,195,258)	4,837,985
Analysed as:								
EBITDA	10,196,512	2,455,077	(1,647,447)	11,004,142	7,596,048	1,751,987	(1,090,259)	8,257,776
Depreciation	(460,105)	(34,975)	—	(495,080)	(387,334)	(34,945)	—	(422,279)
Amortisation	(374,916)	(357,097)	(2,565,107)	(3,297,120)	(169,459)	(405,026)	(1,574,713)	(2,149,198)
Share-based payments	(277,872)	(13,265)	(300,343)	(591,480)	(309,818)	(8,210)	—	(318,028)
Exceptional costs	(422,070)	—	(1,088,300)	(1,510,370)	—	—	(530,286)	(530,286)
	8,661,549	2,049,740	(5,601,197)	5,110,092	6,729,437	1,303,806	(3,195,258)	4,837,985
Finance expenditure				(1,561,833)				(742,085)
Other financial items				4,668				(77,315)
Profit before income tax				3,552,927				4,018,585
Total assets	20,016,955	4,420,161	31,799,111	56,236,227	15,150,679	3,142,071	16,810,678	35,103,428
Total liabilities	3,703,144	461,673	26,948,954	31,113,771	2,394,173	653,166	17,181,904	20,229,243

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.

	2017 £	2016 £
Profit before income tax is stated after charging:		
Amortisation of intangible assets	3,297,120	2,149,198
Depreciation:		
– owned	443,495	390,584
– held under hire purchase	51,585	31,695
Operating lease rentals:		
– buildings	497,707	341,697
Interest rate swap (credit)/charge	(4,668)	77,315
Auditors' remuneration:		
– fees payable for the audit of the Company's annual accounts	10,300	10,000
– fees payable in respect of the audit of the Company's subsidiaries, pursuant to legislation	115,060	87,580
– other assurance services	77,500	50,000
– other taxation advisory services	8,000	3,400
– taxation compliance services	21,500	22,500
– other non-audit services	6,750	5,500
Exceptional costs:		
– fees associated with acquisitions	896,217	407,750
– restructuring costs	614,153	122,535
	1,510,370	530,285

4. Profit before income tax continued

Exceptional costs

One-off costs include costs of £614,153 relating to restructuring programmes associated with the integration of the Corporate division from trading subsidiaries to a customer-focused structure. 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 year. Costs associated with business combinations of £896,217 have been incurred which would not normally be seen as costs or income relating to the underlying principal activities of the Group.

5. Finance expenditure

	2017 £	2016 £
Interest payable on bank borrowings	626,858	712,921
Unwinding of deferred consideration	607,039	—
Foreign exchange variance	136,108	—
Amortisation of debt issue costs	191,828	29,164
	1,561,833	742,085

6. Revenue

	2017 £	2016 £
Rendering of services	27,458,397	21,514,911

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 £	2017 £	Corporate £	SME £	2016 £
Energy supplier A	2,098,047	468,275	2,566,322	1,627,989	294,532	1,922,521
Energy supplier B	726,477	1,559,959	2,286,436	n/a	n/a	n/a
Energy supplier C	1,087,146	1,061,980	2,149,126	1,244,334	1,377,639	2,621,973
Energy supplier D	n/a	n/a	n/a	1,694,312	76,897	1,771,209

All revenue has been earned in the United Kingdom and Ireland.

7. Directors' remuneration

	2017 £	2016 £
Remuneration	1,220,003	702,380
Pension contributions	3,057	9,415
	1,223,060	711,795
The emoluments of Directors disclosed above include the following:		
In respect of the highest paid Director:		
– Directors' remuneration	381,731	200,000
– employer's pension contributions	642	740

Paul Connor is the only Director to have an interest in the share options (2016: Paul Connor) of the Company. Both Paul Connor and Mark Dickinson have been granted interests in a Long Term Incentive Plan (LTIP).

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.

Pal 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).

7. Directors' remuneration continued

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 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 published its audited accounts for the year ended 31 December 2016; and

(iv) the date on which the Group published its interim accounts for the six months ending 30 June 2017.

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 became/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 2016;

(ii) the date on which the Group published its interim accounts for the six months ending 30 June 2017;

(iii) the date on which the Group published 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 became/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 2016;

(ii) the date on which the Group published its interim accounts for the six months ending 30 June 2017;

(iii) the date on which the Group published 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 and Mark Dickinson were granted a combined 14,850,000 LTIP share options on 20 July 2017. These ordinary shares were issued to Inspired Energy EBT Limited as trustee of the Inspired Energy PLC Employee Benefit Trust (EBT). These shares (JSOP Award) will be held by the trustee for the joint benefit of itself and the Executives. The JSOP Award vests in three separate tranches which are individually governed by achievement of adjusted EPS performance targets over a three-year period, as set out in the table below. Should there be a change in control of the Company, by way of an offer for the entire issued share capital of the Company, during the award period the JSOP Award will automatically vest in full.

	EPS target set	FY17	FY18	FY19	FY20	FY21	Total
Mark Dickinson							
Tranche 1	Target for three years ended Dec 2019, set at time of award	**1,100,000**	1,100,000	1,100,000	—	—	3,300,000
Tranche 2	Target for three years ended Dec 2020, set at 1 Jan 2018	**—**	1,100,000	1,100,000	1,100,000	—	3,300,000
Tranche 3	Target for three years ended Dec 2021, set at 1 Jan 2019	**—**	—	1,100,000	1,100,000	1,100,000	3,300,000
		1,100,000	2,200,000	3,300,000	2,200,000	1,100,000	9,900,000
Paul Connor							
Tranche 1	Target for three years ended Dec 2019, set at time of award	**550,000**	550,000	550,000	—	—	1,650,000
Tranche 2	Target for three years ended Dec 2020, set at 1 Jan 2018	**—**	550,000	550,000	550,000	—	1,650,000
Tranche 3	Target for three years ended Dec 2021, set at 1 Jan 2019	**—**	—	550,000	550,000	550,000	1,650,000
		550,000	1,100,000	1,650,000	1,100,000	550,000	4,950,000
		1,650,000	3,300,000	4,950,000	3,300,000	1,650,000	14,850,000

7. Directors' remuneration continued

The Executives will benefit from the growth in value of their respective JSOP Award from the date of grant. The Executives also hold a nil-cost option over the EBT's interest in the JSOP Award which may be exercised in certain circumstances. The subscription monies for these ordinary shares have been satisfied in cash advanced by the Company to the EBT.

Adjusted earnings per share ("adjusted EPS")

The JSOP Award vests subject to the achievement of adjusted EPS performance targets. Adjusted EPS will be calculated by taking the net attributable profit and adjusting by:

- adding back acquisition-related amortisation items;
- adding back exceptional items;
- adding back share-based payments charge; and
- removing any impact (positive or negative) of any deferred tax.

The resultant figure is then divided by the number of ordinary shares in issue on a fully diluted basis.

Vesting performance conditions

Tranche 1

The JSOP Award in respect of Tranche 1 will vest on the achievement of an adjusted EPS of 1.34 pence, 1.52 pence and 1.66 pence for FY17, FY18 and FY19 respectively. Should adjusted EPS fall below these target levels in any of the financial years, the award for that financial year will be lost and not be capable of vesting by the Executives.

Tranches 2 and 3

The Remuneration Committee will, on 1 January 2018 and 1 January 2019 respectively, determine the adjusted EPS targets for Tranche 2 and 3 respectively. The adjusted EPS targets for Tranche 2 have not been disclosed due to sensitivity but will be disclosed in the next year financial statements. The adjusted EPS targets for Tranche 2 will cover the three financial years ending 31 December 2020 and for Tranche 3 will cover the three financial years ending 31 December 2021. The targets set by the Remuneration Committee for both Tranches 2 and 3 represent a target below which none of the award will vest to the Executives for that financial period (threshold targets).

For both Tranches 2 and 3, the criteria for full vesting of awards will be set at 110% of the threshold targets (maximum targets) for each financial year within each tranche, with the amount vesting rising on a straight-line basis between the threshold target and the maximum targets.

As part of the Tranche 2 and 3 awards, if the threshold target is not achieved in any given year, then the Executives will not receive the share awards attributable to that financial year and will have no means of recovery. If the threshold target is achieved, but the maximum target not met to enable vesting of the full award, the Executives will have the opportunity to recover the part of the award that did not vest in that financial year by achieving adjusted EPS above the maximum target in a subsequent year, within that tranche of awards, whereby the value of adjusted EPS above the maximum target is deemed to be carried back into the prior financial years and used to calculate a revised adjusted EPS for that prior year.

In order to further align the LTIP with shareholder interests, the Board has set a cap on maximum leverage of 2x EBITDA for any financial year which is subject to the LTIP. In financial years where leverage is above this level, vesting in respect of that financial year, under any of Tranches 1, 2, or 3, would be zero, unless specifically agreed by the Board.

Exercise and hold period

The Executives will only become fully entitled to the JSOP Award in respect of each tranche at the end of the three-year period relating to that tranche. The Executives will be empowered to sell up to 50% of the JSOP Award at the end of the three-year period with the balance being subject to an undertaking that they will not dispose of any further ordinary shares subject to that award for a period of twelve months, except in very limited circumstances. Accordingly, 50% of Tranche 1 awards could be sold in FY20 and a further 50% in FY21 or beyond. Similarly, the earliest sale date of the Tranche 3 JSOP Award would be in FY22 in respect of 50% of the award and FY23 or later in respect of the remaining 50% of the award.

Further information regarding Directors' remuneration is provided in the Directors' remuneration report on pages 18 to 20.

Notes to the Group financial statements continued

8. Employee benefit expense

	2017 £	2016 £
Wages and salaries	**10,452,175**	7,078,258
Social security costs	**1,112,155**	736,388
Pension contributions	**134,405**	100,215
	11,698,734	7,914,861

	No.	No.
Average number of persons employed:		
Management	**9**	9
Energy procurement services	**213**	147
Administration and finance	**44**	44
	266	200

Key management personnel disclosure is contained within note 23.

9. Income tax expense

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

	2017 £	2016 £
Current tax		
Current tax charge	**1,399,169**	1,212,067
Adjustments in respect of prior periods	**88,073**	65,050
	1,487,242	1,277,117
Deferred tax		
Origination and reversal of temporary differences	**(600,152)**	(489,625)
Adjustment in respect of prior periods	**133,284**	(171,062)
	(466,868)	(660,687)
Total income tax charge	**1,020,374**	616,430
Reconciliation of tax charge to accounting profit:		
Profit on ordinary activities before taxation	**3,552,927**	4,018,585
Tax at UK income tax rate of 19.25% (2016: 20.00%)	**683,938**	803,717
Disallowable expenses	**271,618**	33,805
Share options	**(50,132)**	(46,050)
Adjust closing deferred tax to reflect change in tax rate	**(106,407)**	(69,030)
Effects of current period events on current tax prior period balances	**221,357**	(106,012)
Total income tax charge	**1,020,374**	616,430

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 2017 £	Year ended 31 December 2016 £
Profit attributable to equity holders of the Group	2,532,553	3,402,155
Fees associated with acquisition	896,217	407,750
Restructuring costs	614,153	122,536
Amortisation of intangible assets	3,297,120	2,149,198
Unwinding of deferred consideration	607,039	—
Foreign exchange variance	136,108	—
Deferred tax in respect of amortisation of intangible assets	(407,265)	(299,195)
Share-based payment costs	591,480	318,028
Adjusted profit attributable to owners of the Group	8,267,405	6,100,472
Weighted average number of ordinary shares in issue	528,034,301	478,910,478
Dilutive effect of share options	16,756,254	20,216,912
Diluted weighted average number of ordinary shares in issue	544,790,555	499,127,390
Basic earnings per share (pence)	0.48	0.71
Diluted earnings per share (pence)	0.46	0.68
Adjusted basic earnings per share (pence)	1.57	1.27
Adjusted diluted earnings per share (pence)	1.52	1.22

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.

Notes to the Group financial statements continued

11. Property, plant and equipment

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Leasehold improvements £	Total £
Cost					
At 1 January 2016	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
Acquisitions through business combinations	30,385	54,754	17,626	14,519	117,284
Foreign exchange variances	639	1,641	528	435	3,243
Additions	96,229	21,325	224,115	113,582	455,251
Disposals	—	(22,197)	—	—	(22,197)
At 31 December 2017	**742,555**	**68,623**	**1,471,659**	**441,405**	**2,724,242**
Depreciation					
At 1 January 2016	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
Charge for the year	107,690	13,563	335,640	38,187	495,080
Disposals	—	(15,538)	—	—	(15,538)
At 31 December 2017	**372,687**	**1,757**	**842,165**	**101,991**	**1,318,600**
Net book value					
At 31 December 2017	**369,868**	**66,866**	**629,494**	**339,414**	**1,405,642**
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 £151,707 (31 December 2016: £147,330) 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 £51,585 (31 December 2016: £31,695).

12. Intangible assets and goodwill

	Computer software £	Trade name £	Customer databases £	Customer contracts £	Customer relationships £	Total other intangibles £	Goodwill £	Total £
Cost								
At 1 January 2016	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
Additions	1,043,419	—	178,271	—	—	1,221,690	—	1,221,690
Acquisitions through business combinations	—	—	—	6,182,445	—	6,182,445	8,625,805	14,808,250
Foreign exchange variances	—	—	—	164,176	—	164,176	66,778	230,954
At 31 December 2017	**5,804,893**	**115,000**	**1,497,761**	**10,751,471**	**1,989,000**	**20,158,125**	**21,680,234**	**41,838,359**
Amortisation								
At 1 January 2016	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
Charge for the year	1,032,216	5,750	356,097	1,405,807	497,250	3,297,120	—	3,297,120
At 31 December 2017	**2,273,080**	**12,177**	**1,317,185**	**3,840,430**	**1,053,080**	**8,495,952**	**—**	**8,495,952**
Net book value								
At 31 December 2017	**3,531,813**	**102,823**	**180,576**	**6,911,041**	**935,920**	**11,662,173**	**21,680,234**	**33,342,407**
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

Computer software is a combination of assets internally generated and assets acquired through business combinations. Amortisation charge in the period to 31 December 2017 associated with computer software acquired through business combinations is £656,300 (2016: £601,800). The additional £375,916 (2016: £169,459) charged in the period relates to the amortisation of internally generated computer software. Amortisation of customer databases of £356,097 (2016: £405,026) is also in relation to internally generated intangible assets. The total amortisation charged in the period to 31 December 2017 associated with intangible assets acquired through business combinations is £2,565,107 (2016: £1,574,713).

Annual test for impairment

During the year, the Board initiated the process of consolidating the Corporate service offering from subsidiary brands, to operating under a unified 'Inspired' brand. Replacing the divisional model with a functional one is seen to further enhance the service offering. As a result, consolidation of relevant subsidiaries into a Corporate division CGU better reflects the business undertaking. Goodwill had previously been allocated to divisional CGUs but now cannot be identified or associated with an asset group at a level lower than a functional CGU.

The Group has three cash-generating units (CGUs) being the Corporate division, the SME division and Horizon Energy Group Limited. 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, Informed Business Solutions Limited, Flexible Energy Management Limited, Churchcom Limited and Horizon Energy Group Limited. The goodwill relating to Direct Energy Purchasing Limited, Wholesale Power UK Limited, STC Energy and Carbon Holdings Limited, Informed Business Solutions Limited, Flexible Energy Management Limited and Churchcom Limited has been allocated to the Corporate division CGU. The goodwill relating to KWH Consulting Limited and Simply Business Energy Limited has been allocated to the SME division CGU.

12. Intangible assets and goodwill continued

Annual test for impairment continued

The goodwill arising on the acquisition of STC Energy and Carbon Holdings Limited was revised in the prior 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:

	2017 £	2016 £
Corporate division	16,176,050	12,579,713
SME division	407,938	407,938
Horizon Energy Group Limited	5,096,246	—
	21,680,234	12,987,651

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 and market risk and 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

Cash flows for the five-year period to 2023 have been extrapolated assuming no further growth. The Group considers that this is a 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. Despite adopting a conservative approach there is no indication of impairment.

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	
	2017 £	2016 £	2017 £	2016 £
Trade receivables	3,347,413	2,610,360	—	—
Other receivables	145,195	57,276	393,457	85,314
Prepayments	1,418,852	819,463	15,172	13,795
Accrued income	11,394,085	8,921,690	—	—
	16,305,545	12,408,789	408,629	99,109

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 44 days (31 December 2016: 46 days).

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

	Not past due	31–60 days	61–90 days	Older	Total
31 December 2017	2,274	213	428	432	3,347
31 December 2016	1,773	437	137	263	2,610

As at 31 December 2017, £1,073,000 (31 December 2016: £837,000) of the trade receivables had gone beyond their terms of 30 days. None of these assets are considered to be impaired and are stated at amortised cost which approximates to fair value.

14. Trade and other payables

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Current				
Trade payables	963,324	487,381	214,269	124,548
Social security and other taxes	1,238,868	1,028,449	—	—
Accruals and deferred income	236,550	102,142	217,723	—
Amounts due under hire purchase agreements	93,344	94,203	—	—
	2,532,086	1,712,175	431,992	124,548
Non-current				
Amounts due under hire purchase agreements	32,500	61,866	—	—
	32,500	61,866	—	—

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 2017			
Trade payables	963,324	—	—
Bank borrowings	657,500	1,434,484	18,001,007
Debt issue costs	(27,500)	(27,500)	(192,500)
Interest rate swaps	—	—	144,452
Contingent consideration	1,662,070	1,345,644	1,402,909
	3,255,394	2,752,628	19,355,868
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

Revolving loan facility
During the year, the Group entered into a new revolving credit facility with Santander, for the sum of £2.5 million to be used for the purposes of satisfying future working capital requirements. As at the year end £nil was drawn down.

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 £77,394 (2016: £95,890):

	Minimum lease payments at 31 December 2017 £	Interest at 31 December 2017 £	Principal at 31 December 2017 £	Minimum lease payments at 31 December 2016 £	Interest at 31 December 2016 £	Principal at 31 December 2016 £
Hire purchase agreements:						
Less than one year	**77,347**	**7,229**	**70,118**	53,177	6,305	46,872
Between one and two years	**35,483**	**3,373**	**32,110**	41,802	4,907	36,895
Between two and five years	**400**	**9**	**391**	27,983	3,012	24,970
	113,230	**10,611**	**102,619**	122,962	14,224	108,737

15. Deferred tax liability

Deferred taxation is calculated at a tax rate of 17% (2016: 19%) and is set out below:

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Liability brought forward	**1,010,869**	1,495,244	**—**	—
Credited to income for the period	**(466,868)**	(667,383)	**—**	—
Movement arising from business combinations	**582,299**	176,890	**—**	—
Deferred tax liability acquired through business combinations	**—**	6,118	**—**	—
Liability carried forward	**1,126,300**	1,010,869	**—**	—

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Excess of taxation allowances over depreciation on all non-current assets	**188,660**	55,376	**—**	—
Share options	**(261,712)**	(195,451)	**—**	—
Temporary differences on intangible assets	**1,199,352**	1,144,826	**—**	—
Deferred tax liability acquired through business combinations	**—**	6,118	**—**	—
	1,126,300	1,010,869	**—**	—

Corporation tax for the year ended 31 December 2017 was calculated at 19.25% of profits for the year.

On 1 April 2017 a further reduction in the UK corporation tax rate to 19% was substantively enacted into law and became effective. By 1 April 2020 there is to be a further reduction to 17%; the relevant deferred tax balances were remeasured at this rate.

Deferred taxation at the period end is analysed as follows:

	2017 £	2016 £
Deferred tax liability	**1,126,300**	1,010,869
	1,126,300	1,010,869

16. Bank borrowings

Bank borrowings are repayable as follows:

	Group		Company	
	2017 **£**	2016 £	**2017** **£**	2016 £
Within one year	**2,036,984**	3,337,500	**2,036,984**	3,337,500
One to two years	**2,813,967**	1,837,500	**2,813,967**	1,837,500
Two to five years	**14,994,540**	6,448,962	**14,994,540**	6,448,962
	19,845,491	11,623,962	**19,845,491**	11,623,962

The above facility is for the principal sum of £35,000,000 (2016: £15,000,000).

To finance the acquisition of Horizon in July 2017, the Group entered into a new facility agreement with Santander UK plc ("Santander"), replacing the £10.0 million term loan, £1.5 million of drawn RCF facilities and £5.1 million of the drawn acquisition facility.

The new facility agreement ("facility") was for a £29.6 million and €7.0 million term loan. £6.3 million and €7.0 million of the term facilities ("Tranche A and B") amortise over a period of five years with the balance, and the remaining £8.3 million ("Tranche C"), repayable by way of a bullet repayment on 19 October 2022. The facility has an interest rate of 2.75% over LIBOR in respect of Tranches A and B and 3.00% over LIBOR in respect of Tranche C. 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 £2.5 million, to be used for the purposes of satisfying future working capital requirements (the "RCF") and an acquisition facility of up to £12.5 million to fund future Group acquisitions ("acquisition facility"). The acquisition facility can be drawn on the same commercial terms as the facility at the election of the Group and subject to bank approval of any proposed acquisition. The revolving credit facility has an interest rate of 2.75% over LIBOR, and the acquisition facility has an interest rate of 3.25% over LIBOR. There are no ongoing monitoring fees.

As at 31 December 2017, net debt stood at £14.9 million, which is an increase of £4.1 million in comparison to 31 December 2016.

The increase in net debt reflects a year in which the cash generation of the Group was offset by the payment of £3.6 million of initial cash consideration to the vendors of FEML and Churchcom and £2.55 million of deferred cash consideration to the vendors of STC, WPUK and Informed.

As at 31 December 2017, the acquisition facility and revolving credit facility within the Group's debt facility remained undrawn.

Capital repayments of £1.26 million per annum are made on facility A, and the Group will start to make capital repayments on facility B from September 2018, of £1.75 million per annum.

17. Reconciliation of liabilities arising from financing activities

	Long-term borrowings £	Short-term borrowings £	Total £
At 31 December 2016	8,286,462	3,337,500	11,623,962
Cash flows			
Repayment	(12,633,125)	(3,516,429)	(16,149,554)
Proceeds	21,923,019	2,036,984	23,960,003
Non-cash			
Acquisition	—	178,929	178,929
Foreign exchange differences	92,877	—	92,877
Debt issue costs releases	139,274	—	139,274
At 31 December 2017	**17,808,507**	**2,036,984**	**19,845,491**

Notes to the Group financial statements continued

18. 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 and 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. Although the Group now has a €7 million loan facility the Directors feel that repayment of this loan can be satisfied through profits generated by Horizon Energy Group Limited.

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.

18.1 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.

18.2 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.

18.3 Categories of financial instrument

Financial assets

	Loans and receivables £	Non-financial assets £	Total £
31 December 2017			
Trade receivables	3,347,413	—	3,347,413
Other receivables	145,195	—	145,195
Prepayments	—	1,418,852	1,418,852
Accrued income	11,394,085	—	11,394,085
Cash and cash equivalents – Sterling	3,364,228	—	3,364,228
Cash and cash equivalents – Euros	1,818,405	—	1,818,405
Current assets	20,069,326	1,418,852	21,488,178

18. Financial instruments continued

18.3 Categories of financial instrument continued

Financial assets continued

	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

Financial liabilities

	Other liabilities (amortised cost) £	Fair value through profit or loss £	Liabilities not within scope of IAS 39 £	Total £
31 December 2017				
Trade payables	**963,324**	**—**	**—**	**963,324**
Social security and other taxes	**—**	**—**	**1,238,868**	**1,238,868**
Accruals	**236,550**	**—**	**—**	**236,550**
Bank borrowings – Sterling	**13,629,623**	**—**	**—**	**13,629,623**
Bank borrowings – Euros	**6,215,868**	**—**	**—**	**6,215,868**
Current tax liability	**—**	**—**	**3,022,319**	**3,022,319**
Contingent consideration	**—**	**4,410,623**	**—**	**4,410,623**
Interest rate swap	**—**	**144,452**	**—**	**144,452**
Deferred tax liability	**—**	**—**	**1,126,300**	**1,126,300**
	21,045,365	**4,555,075**	**5,387,487**	**30,987,927**

	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

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

With the acquisition of Horizon Energy Group Limited during the year the Group now undertakes some transactions denominated in foreign currencies. The financial risk management objectives and policies are disclosed in the Group Directors' report.

18. Financial instruments continued

18.4 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 2017		Year ended 31 December 2016	
	+1%	-1%	+1%	-1%
Profit for the period	**148,073**	**(148,073)**	107,887	(107,887)
Equity	**148,073**	**(148,073)**	107,887	(107,887)

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 2017 and 31 December 2016:

31 December 2017	Level 1 £	Level 2 £	Level 3 £	Total £
Financial liabilities				
Interest rate swaps	**—**	**144,452**	**—**	**144,452**
Contingent consideration	**—**	**—**	**4,410,623**	**4,410,623**
Total liabilities	**—**	**144,452**	**4,410,623**	**4,555,075**

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

There were no transfers between Level 1 and Level 2 in 2017 or 2016.

18. 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 considerations at 31 December 2017 related to the acquisitions of Horizon Energy Group Limited and Informed Business Solutions Limited and is estimated using a present value technique. The £4,410,623 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 contingent events for Informed Business Solutions Limited are if revenue for FY17 exceeds £1,650,000, then £25,000 will be payable and £5 for every £1 by which revenue exceeds £1,650,000 up to a maximum of £250,000 on or before 28 February 2018. If contracted income for FY18 exceeds £1,600,000, then £250,000 will be payable and £5 for every £1 by which contracted income exceeds £1,600,000 up to a maximum of £250,000 on or before 31 July 2018. A discount rate of 18% has been applied and the full amount has been assumed to be payable.

The contingent events for Horizon Energy Group Limited are if EBITDA for FY17 exceeds €2,200,000, then €1,250,000 will be payable and €1 for every €1.25 by which EBITDA exceeds £2,200,000 up to a maximum of €750,000 on or before 31 March 2018. If EBITDA for FY18 exceeds €2,450,000, then €1,250,000 will be payable and €1 for every €2 by which EBITDA exceeds €2,450,000 up to a maximum of €750,000 on or before 31 March 2019. If contracted income at 31 December 2018 exceeds €14,500,000, then €1 for every €2 will be payable by which contracted income exceeds €14,500,000 up to a maximum of €1,000,000 on or before 31 March 2019. A discount rate of 13% has been applied and a range of probabilities applied to assess the amount payable.

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 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	
	2017	2016
Balance as at 1 January	**3,257,787**	3,443,107
Arising on business combinations	**3,295,797**	1,622,719
Consideration paid	**(2,550,000)**	(2,000,000)
Unwinding recognised in profit or loss under:		
– finance expenditure	**407,039**	191,961
Balance at 31 December	**4,410,623**	3,257,787
Analysed as:		
– current liability	**3,035,996**	2,460,354
– non-current liability	**1,374,627**	797,433

Notes to the Group financial statements continued

19. 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 2016	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	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
Shares issued to satisfy exercise of share options on 30 March 2017	1,600,000	2,000	169,250	—
Shares issued on acquisition of subsidiary on 20 April 2017 (note 22)	2,993,653	3,742	496,258	—
Shares issued to satisfy exercise of share options on 24 April 2017	450,000	563	50,063	—
Shares issued on acquisition of subsidiary on 17 July 2017 (note 22)	62,068,966	77,586	8,396,382	—
Shares issued to Long Term Incentive Plan on 20 July 2017	14,850,000	18,563	2,599,493	—
Shares issued to satisfy exercise of share options on 29 August 2017	1,565,000	1,956	172,856	—
Ordinary shares of 0.125 pence each as at 31 December 2017	**569,116,574**	**711,397**	**14,202,921**	**14,913,911**

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 and 11.25 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.

On 30 March 2017, the Company issued 1,600,000 new ordinary shares of 0.1675 pence each to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 8.75 and 11.25 pence each.

On 20 April 2017, the Company issued 2,993,653 new ordinary shares of 0.167 pence each as partial consideration for the acquisition of Flexible Energy Management Limited.

On 24 April 2017, the Company issued 450,000 new ordinary shares of 0.1725 pence each to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 11.25 pence each.

On 17 July 2017, the Company issued 62,068,966 new ordinary shares of 0.145 pence each to raise up to £9.0 million as partial consideration for the acquisition of Horizon Energy Group Limited.

On 20 July 2017, the Company issued 14,850,000 new ordinary shares of 0.1763 pence each to Inspired Energy EBT Limited as trustee of the Inspired Energy PLC Employee Benefit Trust.

On 29 August 2017, the Company issued 1,565,000 new ordinary shares of 0.1968 and 0.21 pence each to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 8.75 and 11.25 pence each.

20. 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:

	2017		2016	
	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	18,807,240	10.96	28,322,240	10.31
Lapsed during the period	—	—	(6,350,000)	9.14
Granted during the period	8,700,000	18.13	1,750,000	12.50
Exercised during the period	(3,615,000)	10.97	(4,915,000)	8.61
Outstanding at the end of the period	23,892,240	13.56	18,807,240	10.96
Exercisable at the end of the period	6,817,237	10.40	7,282,237	9.04

The options outstanding at 31 December 2017 had a weighted average exercise price of 13.56 pence (2016: 10.96 pence) and a weighted average remaining contractual life of one year (2016: one year).

The weighted average share price at the date options exercised in the year was 10.97 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	250,000
18 March 2014	10.00p	18 March 2024	5,000,000	—
16 April 2015	11.25p	16 April 2025	7,100,000	2,885,000
31 July 2015	10.75p	31 July 2025	6,000,000	—
22 December 2015	13.38p	22 December 2025	3,000,000	1,500,000
7 April 2016	12.50p	7 April 2026	1,750,000	875,000
17 July 2017	18.13p	17 July 2027	8,700,000	—

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.

EMI Options were granted on 1 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.

20. Share-based payments continued

Approved share options continued

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 became 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 published 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 15 employees over a total of 7,100,000 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 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 published its audited accounts for the year ended 31 December 2016; and

(iv) the date on which the Company published 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 became/will become exercisable in two equal tranches on the following dates:

(i) the date on which the Group published 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.

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 became/will 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 2016;

(ii) the date on which the Company published its interim accounts for the six months ending 30 June 2017;

(iii) the date on which the Company published 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.

20. Share-based payments continued

Approved share options continued

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 became/will 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 2016;

(ii) the date on which the Company published its interim accounts for the six months ending 30 June 2017;

(iii) the date on which the Company published 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 17 July 2017 subject to an exercise price of 18.13 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 twelve employees over a total of 8,700,000 shares in aggregate.

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

(i) the date on which the Company publishes its audited accounts for the year ended 31 December 2019; and

(ii) the date on which the Company publishes its audited accounts for the year ending 31 December 2020.

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:

	2017
Share price (pence)	17.50
Exercise price (pence)	17.50
Expected volatility (%)	39
Risk-free rate (%)	0.22–0.47
Expected dividends (%)	2
Dividend yield (%)	2.5

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 net expenses of £436,549 (2016: £163,097) in the income statement related to equity-settled share-based payment transactions in the period.

21. Operating lease commitments

The future minimum lease payments under operating lease agreements are:

	31 December 2017 £	31 December 2016 £
Within one year	469,582	387,744
Within one to two years	375,506	360,714
Within five years	951,817	978,245
Total	1,796,905	1,726,703

There are considered to be no capital commitments at 31 December 2017.

22. Business combinations

Flexible Energy Management Limited (FEML)

On 20 April 2017, the Group acquired the trade and assets of Flexible Energy Management Limited, a company based in the United Kingdom. FEML is a public sector energy procurement specialist, servicing a customer base comprising of NHS foundation trusts/hospitals and academic and sporting institutions, through two sponsored OJEU frameworks. The OJEU frameworks will allow the Group to accelerate its growth into the public sector and increase the strength of the Inspired public sector team, which was created in 2016.

The acquisition of FEML was completed for a total consideration of £2,700,000. The payment was satisfied by £2,200,000 cash and the issue of 2,993,653 ordinary shares (with an aggregate fair value at completion of £500,000) of Inspired Energy PLC.

The acquisition was financed through the drawdown on the Group's existing acquisition 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 £
Intangible assets	—	349,300	349,300
Total assets	—	349,300	349,300
Deferred tax liability	—	59,381	59,381
Total liabilities	—	59,381	59,381
Provisional fair value of identifiable net assets			289,919
Provisional goodwill			2,410,081
Fair value of consideration transferred			2,700,000
Satisfied by:			
– cash consideration paid			2,200,000
– fair value of shares issued on 20 April 2017			500,000
			2,700,000
Net cash outflow arising from business combinations:			
– cash consideration paid			2,200,000
Net cash outflow			2,200,000

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.

Identifiable net assets

A provisional fair value exercise to determine the fair value of assets and liabilities acquired in relation to FEML has been carried out. Fair values are provisional as they are still within the twelve-month hindsight period to adjust fair values. The fair value of the customer contracts was calculated as £349,300, which includes only values ascribed to valid energy supply contracts and letters of authority granting FEML 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 £96,882. These costs are included within exceptional costs in the Group statement of comprehensive income.

22. Business combinations continued

Churchcom Limited

On 20 April 2017, the Group acquired 100% of the issued share capital and voting rights of Churchcom Limited, a company based in the United Kingdom. Churchcom is an energy procurement consultancy operating through two principal divisions, the Church Energy Purchasing Group, which specialises in serving the church sector, and Energy Partners, a growing commercial energy procurement business. Churchcom benefits from a strong secured order book and strong retention rates and is a complementary addition to the Group's core Corporate division.

The acquisition of Churchcom was completed for a total consideration of £1,642,595 satisfied in cash.

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	9,060	—	9,060
Intangible assets	—	355,000	355,000
Trade and other receivables	25,064	—	25,064
Cash and cash equivalents	339,474	—	339,474
Total assets	373,598	355,000	728,598
Trade and other payables	57,160	27,872	85,032
Current tax liability	—	60,350	60,350
Deferred tax liability	76,878	—	76,878
Total liabilities	134,038	88,222	222,260
Provisional fair value of identifiable net assets			506,338
Provisional goodwill			1,136,257
Fair value of consideration transferred			1,642,595
Satisfied by:			
– cash consideration paid			1,642,595
			1,642,595
Net cash outflow arising from business combinations:			
– cash consideration paid			1,642,595
– cash and cash equivalents acquired			(339,474)
Net cash outflow			1,303,121

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.

Identifiable net assets

A provisional fair value exercise to determine the fair value of assets and liabilities acquired in relation to Churchcom has been carried out. Fair values are provisional as they are still within the twelve-month hindsight period to adjust fair values. The fair value of the customer contracts was calculated as £355,000, which includes only values ascribed to valid energy supply contracts and letters of authority granting Churchcom 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 £78,909. These costs are included within exceptional costs in the Group statement of comprehensive income.

22. Business combinations continued

Horizon Energy Group Limited (HEG)

On 17 July 2017, the Group acquired 90% of the issued share capital and voting rights of Horizon Energy Limited, a company based in Cork, Ireland. This company was acquired using a locked box mechanism. The Directors have not recognised a non-controlling interest as, in their view, they have full control of HEG and the Share Purchase Agreement (SPA) is structured in such a way that the previous owners have no rights to profit distributions subsequent to the locked box date. As previously disclosed within the 'Significant judgements and estimates' section of these financial statements, the results of HEG have therefore been consolidated from the locked box date as it is the Director's opinion that this is the date at which control passes. The locked box date in respect of HEG is 31 March 2017, with the legal completion date being 17 July 2017. The impact on profit after tax of consolidation from locked box date rather than legal completion date is £0.5 million.

The acquisition of HEG was completed for an initial consideration of €9,000,000 satisfied in cash to acquire 90% of the issued share capital of HEG. Inspired has a put and call option to acquire the outstanding 10% of the share capital of HEG for a payment of €1,000,000 in cash.

To finance the acquisition, the Group entered into a new facility agreement with Santander UK plc. Further details can be found in note 16. 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	108,224	—	108,224
Intangible assets	—	5,478,145	5,478,145
Trade and other receivables	1,409,384	—	1,409,384
Cash and cash equivalent	842,018	—	842,018
Total assets	2,359,626	5,478,145	7,837,771
Trade and other payables	973,005	—	973,005
Deferred tax liability	—	684,769	684,769
Total liabilities	973,005	684,769	1,657,774
Provisional fair value of identifiable net assets			6,179,997
Provisional goodwill			5,029,486
Fair value of consideration transferred			11,209,483
Satisfied by:			
– cash consideration paid			7,960,857
– contingent consideration			3,645,458
– discounting impact on contingent consideration			(396,832)
			11,209,483
Net cash outflow arising from business combinations:			
– cash consideration paid			7,960,857
– cash and cash equivalents acquired			(842,018)
Net cash outflow			7,118,839

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.

Identifiable net assets

A provisional fair value exercise to determine the fair value of assets and liabilities acquired in relation to HEG has been carried out. Fair values are provisional as they are still within the twelve-month hindsight period to adjust fair values. The fair value of the customer contracts was calculated as £5,478,145, which includes only values ascribed to valid energy supply contracts and letters of authority granting HEG 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 £363,122. These costs are included within exceptional costs in the Group statement of comprehensive income.

23. 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 £134,348 (2016: £129,600) 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 2017, the balance outstanding was £nil (31 December 2016: £10,800).

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 Employer-Financial Retirement Benefits Scheme (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 prior financial year the Company 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). No further payments were made during the current financial year.

Key management personnel remuneration

The remuneration of the key management personnel, the Directors, in the year ended 31 December 2017 is set out below:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Short-term employee benefits		
Employee emoluments	830,255	484,916
Social security costs	108,138	60,629
Share-based payments	51,529	86,879
	989,922	632,424

The aggregate dividends paid to Directors in the year were £426,686. The shareholdings of the Directors are disclosed within the Directors' remuneration report on page 20.

24. Post balance sheet events

On 21 March 2018 the Group completed the acquisition of 100% of the share capital of Systemslink 2000 Limited ("Systemslink") and Energy Cost Management Limited (ECM).

The consideration for the acquisition of Systemslink is £3.875 million, to be satisfied by a cash payment of £3.25 million and the issue of 2,948,113 new ordinary shares in the capital of Inspired Energy PLC.

The consideration for the acquisition of ECM is up to £2.0 million. An initial cash payment of £0.5 million will be paid on completion. Further contingent consideration of up to £1.5 million may be payable, in cash of up to £1.0 million and shares of up to £0.5 million, subject to the achievement of certain financial performance criteria for the period ending 31 December 2020.

Company statement of financial position

As at 31 December 2017

	Note	2017 £	2016 £
Investments	26	**48,938,346**	36,036,267
Current assets			
Debtors			
Debtors – other debtors	13	**408,629**	99,109
Amounts owed from subsidiary undertakings		**6,361,395**	—
		6,770,024	99,109
Cash and cash equivalents		**1,338,992**	52,900
		8,109,016	152,009
Creditors: amounts falling due within one year			
Trade creditors	14	**431,992**	124,548
Bank borrowings	16	**2,036,984**	3,337,500
Contingent consideration	18	**3,035,996**	2,460,354
Amounts owed to subsidiary undertakings		**—**	30,814
		5,504,972	5,953,216
Net current assets/(liabilities)		**2,604,044**	(5,801,207)
Total assets less current liabilities		**51,542,390**	30,235,060
Creditors: amounts falling due after more than one year			
Bank borrowings	16	**17,808,507**	8,286,462
Contingent consideration	18	**1,374,627**	797,433
Interest rate swap		**144,452**	149,120
		19,327,586	9,233,015
Net assets		**32,214,804**	21,002,045
Share capital	19	**711,397**	606,987
Share premium account	19	**14,202,921**	2,318,619
Merger relief reserve	19	**14,913,911**	14,913,911
Share-based payment reserve		**581,099**	581,099
Retained profit		**1,805,476**	2,581,429
Shareholders' funds		**32,214,804**	21,002,045

The Company generated a profit of £1,680,898 during the financial year (2016: £1,367,570).

The financial statements were approved and authorised for issue by the Board of Directors on 22 March 2018 and were signed on its behalf by:

Mark Dickinson
Director

Paul Connor
Director

Company registration number: 07639760.

The notes on pages 66 and 67 form part of these Company financial statements.

Company statement of changes in equity

For the year ended 31 December 2017

	Share capital £	Share premium account £	Merger relief reserve £	Share-based payment reserve £	Retained earnings £	Total shareholders' equity £
Balance at 1 January 2016	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
Dividends paid	—	—	—	—	(1,826,221)	(1,826,221)
Total transactions with owners	17,482	416,872	1,238,662	—	(458,651)	1,214,365
Balance at 31 December 2016	606,987	2,318,619	14,913,911	581,099	2,581,429	21,002,045
Profit and total comprehensive income for the period	—	—	—	—	1,680,898	1,680,898
Shares issued (30 March 2017)	2,000	169,250	—	—	—	171,250
Shares issued (20 April 2017)	3,742	496,258	—	—	—	500,000
Shares issued (24 April 2017)	563	50,063	—	—	—	50,626
Shares issued (17 July 2017)	77,586	8,396,382	—	—	—	8,473,968
Shares issued (20 July 2017)	18,563	2,599,493	—	—	—	2,618,056
Shares issued (29 August 2017)	1,956	172,856	—	—	—	174,812
Dividends paid	—	—	—	—	(2,456,851)	(2,456,851)
Total transactions with owners	104,410	11,884,302	—	—	(775,953)	11,212,759
Balance at 31 December 2017	**711,397**	**14,202,921**	**14,913,911**	**581,099**	**1,805,476**	**32,214,804**

Notes to the Company financial statements

25. 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 2017.

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 £1,680,898 (2016: £1,367,570).

A summary of the material accounting policies are 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. See note 2 for further details.

Share-based payments

All goods and services received in exchange for the grant of any share-based payments 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.

26. Investments

	£
Cost and net book value	
At 31 December 2016	36,036,267
Additions – acquisition of subsidiaries (note 22)	12,902,079
At 31 December 2017	**48,938,346**

26. Investments continued

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
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
Flexible Energy Management Limited*	100%	£1	1
Churchcom Limited*	100%	£1	100
Bluebell Energy Supply Limited*	100%	£1	1
Horizon Energy Group Limited***	100%	£1	211
Inspired Energy EBT Limited*	100%	£1	1

* Directly held subsidiary.

** Indirectly held subsidiary.

*** Horizon Energy Group Limited is registered in the Republic of Ireland.

Further to note 22, the Company also purchased a 100% shareholding in Bluebell Energy Supply Limited during the year. Given the immateriality of this acquisition, no acquisition table has been presented in respect of this.

27. Employee benefit expense

	2017 £	2016 £
Wages and salaries	**1,309,193**	921,334
Social security costs	**150,518**	95,236
	1,459,711	1,016,570

	No.	No.
Average number of persons employed:		
Management	**2**	2
Administration and finance	**19**	14
	21	16

28. Dividends paid

	2017 £	2016 £
Dividends paid on equity capital – 0.48 pence per share (2016: 0.38 pence)	**2,456,851**	1,826,221

During 2017, the Group paid dividends of £2,456,851 (2016: £1,826,221) to its equity shareholders. This represents a payment of 0.48 pence per share (2016: 0.38 pence per share). Also during 2017, the Directors proposed the payment of a final dividend of 0.39 pence per share (2016: 0.32 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 2017 consolidated financial statements.

29. Related party transactions

The Company has taken advantage of the exemption in FRS 101 and has not disclosed transactions with wholly owned Group undertakings. Refer to note 23 for details of other related party transactions entered into in the year.

Inspired Energy PLC

Company number: 07639760

Notice of Annual General Meeting

NOTICE IS GIVEN that the Annual General Meeting (AGM) of Inspired Energy PLC will be held at Gateley PLC, Ship Canal House, 98 King Street, Manchester M2 4WU on 20 June 2018 at 10.00 a.m. to consider and, if thought fit, pass the following resolutions, of which 1 to 7 (inclusive) will be proposed as ordinary resolutions and 8 will be proposed as a special resolution.

Ordinary resolutions

1. To receive the Company's annual report and accounts for the financial year ended 31 December 2017.
2. To declare a final dividend recommended by the Directors of £0.39 per ordinary share for the financial year ended 31 December 2017 to be paid on 13 July 2018 to members whose names appear on the register at the close of business on 8 June 2018.
3. To re-elect Richard Logan, who was appointed during the year and retires in accordance with article 28.1.2.1 of the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.
4. To re-elect Gordon Oliver, who was appointed during the year and retires in accordance with article 28.1.2.1 of the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.
5. To reappoint Grant Thornton LLP as auditors of the Company.
6. To authorise the Directors to determine the remuneration of the auditors of the Company.
7. 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 Companies Act 2006 (the "Act"):

   7.1 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 £238,360 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

   7.2 to allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal value of £476,720 (such amount to be reduced by the nominal value of any relevant securities allotted pursuant to the authority in paragraph 7.1 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.

Special resolution

8. That if resolution 7 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 7 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:

   8.1 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

   8.2 the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 8.1 above) up to an aggregate nominal amount of £35,754, 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, at the close of business on 20 September 2019) but, in each case, 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.

By order of the Board

Mark Dickinson
22 March 2018

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

Notes

1. A member of the Company entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to exercise any of his rights to attend, speak and vote at that meeting on his 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, Lacing, West Sussex BN99 6DA by 10.00 a.m. on 18 June 2018. 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 intention to revoke his proxy appointment and deposit it at the office of the Company's registrars, Equiniti, at Aspect House, Spencer Road, Lacing, West Sussex BN99 6DA before the 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, (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 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 6.00 p.m. on 18 June 2018 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.

Explanatory notes

Resolution 1 – Receiving the annual report and accounts
The Directors will present the audited financial statements of the Company for the period ended 31 December 2017 together with the Directors' report and the auditors' report on those financial statements.

Resolution 2 – Declaration of dividend
The Directors are recommending a final dividend of 0.39 pence per ordinary share in respect of the year ended 31 December 2017 which, if approved, will be payable on 13 July 2018 to the shareholders on the register of members on 8 June 2018.

Resolutions 3 and 4 – Directors
To comply with best practice, the Directors are offering themselves for annual re-election as a Director of the Company, to take effect at the conclusion of the AGM.

Resolution 5 – Appointment of auditors
The auditors of a company must be reappointed at each general meeting at which accounts are laid, to hold office until the conclusion of the next such meeting. It is proposed that Grant Thornton LLP be reappointed as auditors of the Company to hold office from the conclusion of this AGM until the conclusion of the next general meeting at which the accounts are laid.

Resolution 6 – Remuneration of auditors
This resolution authorises the Directors to fix the auditors' remuneration.

Resolution 7 – 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 £238,360, which is equal to 33% 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 £476,720, which is equal to a further 66% 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 8 – 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 £35,754, which is equal to 5% of the nominal value of the current ordinary share capital of the Company, subject to resolution 7 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).

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 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 2018 at 10.00 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 2017.			
2. To declare a final dividend for the year ended 31 December 2017.			
3. To re-elect Richard Logan as a Director.			
4. To re-elect Gordon Oliver as a Director.			
5. To reappoint Grant Thornton LLP as auditors.			
Special business			
6. To authorise the Directors to determine the remuneration of the auditors.			
7. To authorise the Directors to allot securities pursuant to section 551 of the Companies Act 2006.			
8. To authorise the Directors to allot securities pursuant to section 570 of the Companies Act 2006.			

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 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.

Please cut along the dotted line

Proxy form continued

Notes continued

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 sees fit in his absolute discretion in relation to each resolution and any other matter which is put before the meeting.
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, Lacing, 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 6.00 p.m. on 18 June 2018 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.

Directors, secretary and advisors to the Group

Directors
Michael (Mike) Fletcher (Non-Executive Chairman)
Mark Dickinson (Chief Executive Officer)
Paul Connor (Finance Director)
Matthew Thornton (Non-Executive Director)
Richard Logan (Non-Executive Director)
Gordon Oliver (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

Peel Hunt LLP
Moor House
120 London Wall
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Auditors
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Spinningfields
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Registrars
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