INSPIRED
ENERGY PLC

COMMERCIAL ENERGY CONSULTANTS

Inspired Energy PLC
Annual Report & Accounts 2018

INSPIRED ENERGY PLC IS ONE OF THE UK'S LEADING UTILITIES THIRD-PARTY INTERMEDIARY (TPI).

Our mission is to optimise the value of every Pound spent on utilities by our clients through our innovation and dedication to client service, so our clients can focus on the growth of their business. We work with customers to understand and solve their utility cost, consumption, carbon and compliance problems, any or all of which can impact upon profitability, productivity and reputation of organisations if not managed correctly.

▷ Read more on **pages 2–3**

Operational highlights

- Record revenues delivered by the Corporate division, growing 34% to £27.3 million (2017: £20.4 million), contributing 84% of Group revenue for the period (2017: 77%). 8% of the Corporate division revenue growth in the year was organic (2017: 6%).
- Corporate division contributed adjusted EBITDA of £13.8 million, an increase of 43% (2017: £9.6 million).
- Corporate Order Book increased 36% to £53.0 million (2017: £39.0 million) with strong customer retention and robust performance from significant new customer wins.
- The Corporate Order Book provides twelve months' secured revenue of £26.0 million (2017: £18.6 million) for the Corporate division entering 2019.
- Excellent cash performance with cash generated from operations up 55% to £10.0 million (2017: £6.5 million), further enhancing cash conversion metrics of the Group.
- SME division generated EBITDA of £2.4 million (2017: £2.5 million) with EBITDA margins increasing to 45% (2017: 41%) following streamlining of the division.
- Completed the restructuring of the Corporate service offering by client category under a unified 'Inspired' brand, which the Board believes creates a more streamlined platform to deliver organic and acquisitive growth.
- Launch of three-year capital investment programme to raise the level of digitisation in the energy markets to ensure clients' services and solutions evolve to meet future market needs over the next three to five years.

Board transition

- Matthew Thornton today steps down as Non-Executive Director and has entered into an orderly market agreement in relation to his holding expiring 31 March 2020.
- The Board is now composed of two Executive Directors, supported by a Non-Executive Chairman and two independent Non-Executive Directors.

Financial highlights

		18	17
Revenue (£m)	+24%	32.69	26.36[1]
Adjusted EBITDA[2] (£m)	+32%	13.75	10.44[1]
Profit before tax (£m)	+40%	4.20	2.99[1]
Adjusted diluted EPS[4] (p)	+25%	1.61	1.29[1]
Gross profit (£m)	+27%	27.67	21.76[1]
Adjusted profit before tax[3] (£m)	+35%	11.38	8.40[1]
Cash generated from operations (£m)	+55%	10.01	6.45[1]
Diluted basic EPS (p)	+43%	0.53	0.37[1]

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

Acquisition highlights

Completion of five strategic acquisitions in 2018, further enhancing growth opportunities and client service offering:

- Acquisition of Inprova Finance Limited (“Inprova”) for a consideration of £19.5 million, funded by a £19.0 million placing, completed in December 2018. In the financial year ended 30 June 2018 (being the accounting period prior to acquisition), Inprova generated revenues of £7.8 million and EBITDA of £2.9 million.
- Acquisition of Inprova increased the Corporate Order Book and will provide a material contribution to Group revenues from the Corporate division in 2019, increasing the Corporate market share and significantly strengthening the Group’s position as market leader in the UK.
- Integration of Inprova has started well and is in line with management’s expectations.
- Integration of Squareone Limited and Professional Cost Management Group Limited, acquired in August and September 2018 respectively, is progressing well.
- SystemsLink 2000 Limited (“SystemsLink”) and Energy Cost Management Limited, both acquired in March 2018, are now fully integrated into the Group.

Net debt (£m)

+59%

18 | 23.54

17 | 14.79

Corporate Order Book (£m)

+36%

18 | 53.00

17 | 39.00

Full year dividend per share (p)

+18%

18 | 0.65

17 | 0.55

1. The Group’s 2017 comparative financials have been restated to revise the date from which Horizon Energy Group Limited (“Horizon”) was consolidated. This timing adjustment does not change the cash position of the Group, the 2018 results or future forecasts of the Group. See Updates to Accounting Policies within the Chief Executive Officer’s Statement.
2. Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation, excluding exceptional items and share-based payments.
3. Adjusted profit before tax is earnings before tax, amortisation of intangible assets (excluding internally generated amortisation related to computer software and customer databases), exceptional items, share-based payments, the unwinding of contingent consideration and foreign exchange variances (a reconciliation of this can be found in note 6 of the preliminary statements).
4. Adjusted diluted earnings per share represents the diluted earnings per share, as adjusted to remove amortisation of intangible assets (excluding internally generated amortisation related to computer software and customer databases), exceptional items, share-based payments, the unwinding of contingent consideration and foreign exchange variances.

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

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 is 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.

What we do

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

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

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

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

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

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

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

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

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

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

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

Our divisions

Ensuring we maintain a market-leading position for our clients is key as we drive the business forward combined with broadening our service offering through strategic acquisitions in order to enhance the service we provide.

Corporate division

The Corporate division, which includes Inspired Energy Solutions, Direct Energy Purchasing, Wholesale Power UK, STC Energy Management, Informed Business Solutions, Flexible Energy Management, Churchcom, Horizon Energy Group, SystemsLink 2000, Energy Cost Management, Squareone Enterprises, Professional Cost Management Group and Inprova Finance, 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 acquisitions of SystemsLink 2000, Energy Cost Management, Squareone Enterprises, Professional Cost Management Group and Inprova Finance the Group has extended its sector specialism and geographical spread which further broadens the overall service offering to Corporate clients.

Revenue (£000)

+34%

18 |	**27,311**
17 |	20,358

Gross profit (£000)

+40%

18 |	**25,388**
17 |	18,178

EBITDA (£000)

+43%

18 |	**13,769**
17 |	9,635

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.

Read more about our business model and strategy on **pages 10–13**

Revenue (£000)

-10%

18 |	**5,381**
17 |	5,998

Gross profit (£000)

-36%

18 |	**2,286**
17 |	3,582

EBITDA (£000)

-1%

18 |	**2,431**
17 |	2,454

Another record year for Inspired in 2018 in which the Group completed five complementary and value-enhancing acquisitions

I am delighted to report another record year for Inspired in 2018 in which the Group completed five complementary and value-enhancing acquisitions, including the completion of a £19.0 million placing in December. In addition, the Group continued to deliver sustained organic growth in the core Corporate division, delivering results in line with management's expectations.

We have today completed the transition of the Board composition to two Executive Directors, supported by a Non-Executive Chairman and two Non-Executive Directors, with the appointment of Gordon Oliver as an independent Non-Executive Director in January 2018 and the resignation of Matthew Thornton who is today stepping down as Non-Executive Director. On behalf of all shareholders and the Board, I would like to thank Matthew for his years of dedication to the Group since its founding over 18 years ago. Matthew was a member of the Board on the IPO of the business on AIM in 2011 and has been an intrinsic part of the Group's success to date.

▶ Read more about our Board on **pages 18–19**

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 market-leading position as a third-party intermediary (TPI) in the Industrial & Commercial (I&C) sector.

The Board was pleased to announce the grant of awards under the Long Term Incentive Plan (LTIP) for the benefit of the Senior Management Team (SMT) in May. The structure of the LTIP tracks the award to the Executive Directors in July 2017, albeit for an extended period to FY2023. The SMT is comprised of key senior directors of the Group, who are important to the long-term success and value of the Company, and the Board believes that the Group will continue to benefit from their drive and energy in the future.

> *The strong financial performance and the strategic initiatives delivered during the period provide an excellent platform for continued organic and acquisitive growth."*

The financial results highlight continued organic growth in our core Corporate division, which has been achieved whilst also executing the Group's acquisition strategy and completing the restructuring of the service offering within the Corporate division by client category under a unified 'Inspired' brand. The Board believes this client category-led structure positions the Corporate division with the best platform to facilitate future organic and acquisitive growth.

Contribution from the 2017 and 2018 acquisitions, in conjunction with sustained organic growth, increased Corporate division revenue to £27.3 million (2017: £20.4 million), an increase of 34% and representing 84% of Group revenue. The contribution from the Corporate division to Group revenues is anticipated to increase further in 2019, with further organic growth expected together with a full year contribution from Inprova. The restructuring of the service offering in the Corporate division has assisted in increasing the focus on driving organic growth which continues to be a primary objective of the Board.

Organic growth is calculated by reference to revenue growth of the Group, excluding current year acquisitions and taking into account the growth of previously acquired business from the last financial year prior to their acquisition by the Group. The Board is pleased to note that organic revenues in the Corporate division grew by 8% in the period (2017: 6%). Adjusted EBITDA for the Corporate division for the period was £13.8 million (2017: £9.6 million). This growth underpins the strong fundamentals of the Board's stated strategy to focus on growing the Corporate division both organically and through further acquisitions.

The Corporate Order Book has increased to £53.0 million as at 31 December 2018 (2017: £39.0 million), representing a year-on-year increase of 36% and providing twelve months' secured revenue of £26.0 million (2017: £18.6 million) for the Corporate division entering 2019. This remains a consistent guide to the future performance of the Group, providing strong visibility of revenues for FY2019 and the next three years, enabling the Board to look forward with great confidence over the short to medium term.

The acquisition of Inprova in December was a significant milestone in the development of the Group, both strategically and financially, and the Board is pleased to report that its integration has started well. The five acquisitions completed in 2018 reinforce the focus of the Group delivering on its well-established acquisition strategy, being complementary to the Corporate division, broadening the service offering and customer base of the Group and increasingly enabling the Group to benefit from operational leverage.

In the first half of 2018, the Board took the decision to streamline the focus of the SME division and discontinue the non-profit-generating revenue streams, including the affiliate channel. This has shown to be a prudent decision as although revenue for the SME division for the year was down 10% at £5.4 million (2017: £6.0 million), margins have improved and the EBITDA contribution was maintained, such that the SME division has continued to contribute strong profits and cash during 2018. Adjusted EBITDA generated by the division was stable at £2.43 million (2017: £2.45 million).

Accordingly, the Board is pleased to propose a final dividend of 0.46 pence (2017: 0.39 pence), subject to shareholder approval at the AGM in June, resulting in a full year dividend of 0.65 pence per share, an 18% increase (2017: 0.55 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 2018 and I am confident that 2019 will be another year of significant progress for the Group with trading in the year so far in line with expectations.

Mike Fletcher
Chairman
3 April 2019

Chief Executive Officer's statement

Having established a strong and scalable platform for expansion, we have a clear strategy that will enable us to continue to build on the growth of the Group

Following the Group's achievements in 2018 we have carried that momentum into 2019. Ensuring we maintain a market-leading position for our clients is key as we drive the business forward combined with broadening our service offering through strategic acquisitions in order to enhance the service we provide.

The five acquisitions completed in 2018 underpin this strategy, with each acquisition complementing and broadening the service we provide our Corporate clients as well as increasing our client base. The Board remains focused on delivering continued organic growth and strives to maintain and build on the excellent performance of the Group for the year ahead.

Having established a strong and scalable platform for expansion, we have a clear strategy that will enable us to continue to build on the growth of the Group. We achieve this through four primary service lines:

1) Procurement: supporting clients with the selection of the best energy supply contracts;
2) Energy Accounting: supporting clients with the validation of their energy invoices and accounting processes;
3) Compliance: supporting clients with their compliance obligations with respect to energy and environmental reporting; and
4) Optimisation Services: supporting clients to increase the effectiveness of their energy consumption.

As the largest energy procurement consultant in the UK, we continue to benefit from a highly fragmented market with attractive dynamics for acquisitive growth which we expect to continue during FY2019, with a particular focus on businesses that complement our existing services and increase our market share in the Optimisation Services space.

▶ Read more about our strategy on **page 13**

Our organic growth engine is targeted to deliver 6% to 8% organic revenue growth per annum and is driven by focusing on three primary key performance indicators. During FY2018 we have achieved the following:

1) Units of Opportunity: the number of meters in the marketplace, owned by clients with which we have a transactional relationship, increased from c.100,000 to 350,000 during FY2018 (250% increase);
2) Meters Under Management: the number of meters (Units of Opportunity) covered by our core services of Energy Procurement and Energy Accounting in the UK increased from c.75,000 to 129,000 during FY2018 (72% increase); and
3) White Space Bank: the quantified value of cross-selling our broader Compliance and Optimisation Services to existing Meters Under Management clients is currently identified at c.£13 million of annual revenue.

As set out above, significant progress has been made in 2018, particularly in expanding our Units of Opportunity through the acquisitions of SystemsLink and Inprova. The acquisitions of ECM and PCMG have created a more robust platform for the Optimisation Services offering and the Board continues to actively review and assess organic and acquisitive opportunities for further growth in this area, as the business continues to evolve as a leading player in the sector.

As with any business, the effectiveness of the organic growth engine and the ability of the business to improve its services to clients requires systematic investment to increase the quality of the client experience.

Whilst the business continues to deliver excellent year-on-year performance the energy markets are a notable laggard in their adoption of technology. The Board is cognisant that it is not just important to deliver results today, but also to ensure the business platform is robust and capable of supporting such growth in the medium term (three to five years).

To this end, FY2019 will see the launch of a capital investment programme which will run for the next three years. The programme has been designed to ensure that the services received by our customers in 2022 and beyond are underpinned by the same level of technological excellence as comparable products in areas such as telecoms and financial services. The Board believes that this level of investment is unrivalled in the sector and continues to demonstrate our commitment to adding value to clients by ensuring our services remain state of the art and relevant to our clients' evolving needs.

Corporate division

Overview

The Corporate division's core services now operate under a unified 'Inspired' brand and it currently provides the review, analysis, negotiation and energy accounting for gas and electricity contracts with the service offering segmented into four broad categories of customer focus being:

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

The Group continues to develop its product suite to meet the individual energy management requirements of clients following the key themes we focus on in order to simplify, verify, protect, inform and optimise. The Group's current focus is 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: Further developing the Software Solutions division to provide software solutions across the energy value chain. SystemsLink, acquired in March 2018, is central to the development of the Group's software solutions.

Research and Development: Continuing to develop the '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.

Corporate division financial highlights

Highlights in the year include:

- Revenue increased 34% to £27.3 million (2017: £20.4 million), including 8% organic revenue growth (2017: 6%).
- The Corporate division generated adjusted EBITDA of £13.8 million (2017: £9.6 million), a 43% year-on-year increase.
- Corporate Order Book increased by 36% to £53.0 million as at 31 December 2018 (2017: £39.0 million).

The 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, or Inspired and a client in the instance of direct client fees, 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 Corporate Order Book only relates to the Corporate division, and does not include any SME revenue or contracts within it. The growth of the Corporate Order Book provides an indicator of the latent growth of the business which has yet to be recognised as revenue of the Group.

SME division

Within the SME division, the Group's energy consultants contact prospective SME clients to offer price comparison services and contract arrangement service based on the unique situation of the customer.

The division continues to mature, with management focusing on margin and cash generation to support the Group's continued growth. In the first half of 2018, the Board took the decision to streamline the focus of the division and discontinue the non-profit-generating revenue streams, including the affiliate channel. As a result of the reorganisation of the division, whilst revenue for the SME division in the year was down 10% at £5.4 million (2017: £6.0 million), it continued to contribute strong profits and cash in the period, delivering stable adjusted EBITDA of £2.43 million (2017: £2.45 million), with increased margins enabling the division to continue to contribute materially to the cash generation of the Group.

The SME division has now been structured to focus on the provision of complementary services that add value to SME consumers which is expected during 2019 to include proof of concept expansion into merchant services, insurance and telecoms.

Acquisition strategy

The Board continues to evaluate opportunities for the Group to participate in further industry consolidation. With a strong focus on building an enlarged and improved business, as demonstrated by the acquisitions to date, we believe that potential targets should offer one or more of the following criteria:

- additional technical and/or service capability increasing our Accessible Revenue;
- sector specialism and diversification increasing our Accessible Revenue;
- increased geographic footprint building our Units of Opportunity;
- increased number of meter points we have a commercial relationship with, building our Units of Opportunity; and
- significant opportunities for sales or cost synergies to generate further economies of scale.

The Board continues to explore acquisition opportunities which fit with the Group's strategy in order to augment the Group's services, products or markets.

Alternative performance measures
Acquisitional activity can significantly distort underlying financial performance from IFRS measures and therefore the Board deems it appropriate to report adjusted metrics as well as IFRS measures for the benefit of primary users of the Group financial statements.

Exceptional costs/(items)
Exceptional costs of £2.7 million (2017: £2.1 million) have been incurred in the year, which primarily relate to fees associated with the five acquisitions in the year, the Board transition, the restructuring associated with the integration of the Corporate division from trading subsidiaries into a customer-focused structure and the change in the fair value of contingent consideration. Exceptional costs/(items) also includes a gain on revaluation of contingent consideration of £970,000 in relation to the acquisition of Horizon in July 2017. The final aggregate consideration paid for Horizon was £12.7 million, with Horizon contributing £4.2 million and £2.6 million to Group revenues and EBITDA respectively in 2018, equating to a multiple of 4.9x EBITDA. These costs are considered by the Directors to be neither material in nature nor non-recurring and therefore require separate identification to give a true and fair view of the Group's result for the period.

Updates to accounting policies
IFRS 15 Revenue from Contracts with Customers
A key financial focus of the Group since IPO in 2011 remains to deliver a prudent set of financial statements, with an important focus on achieving a close alignment of revenues and cash, whilst adopting all appropriate accounting standards.

The financial statements reported for the year ended 31 December 2018 is the first year in which the Group has adopted the new revenue recognition accounting standard, IFRS 15. In preparation for adopting the standard, management has completed an extensive review of its revenue recognition policies in all divisions of the Group.

The 2018 results herein adopt IFRS 15, the impact of which is a £0.4 million increase in revenue in 2018. As outlined in the interim statement, the adoption of IRFS 15 has not had a significant impact on the Group's financial statements and therefore future forecasts of the Group remain unchanged. The impact in 2017, an increase of £0.2 million in revenue, has been adjusted through reserves.

IFRS 16 Leases
The Group is currently undertaking a review of the leases in place and assessing the impact of adopting IFRS 16. Although the review remains ongoing, management currently expects the impact of adopting IFRS 16 on the Group financial statements for the year ending 31 December 2019 to be minimal.

Accounting for acquisitions
We have restated the Group's 2017 comparative financials to revise the date from which we consolidated Horizon. In the financial statements for the year ended 31 December 2017, we consolidated Horizon from 31 March 2017 (the "Locked Box Date"), which was the date the economic benefits and risks of the trading of Horizon accrued to the Group. However, management has reconsidered the relevant accounting rules and deemed Horizon should have been consolidated from legal completion of the acquisition, being 17 July 2017. All FY2018 acquisitions have been consolidated from the legal completion date.

This timing adjustment does not change the cash position of the Group, the 2018 results or future forecasts of the Group. The Group still retains the cash generated from operations from the Locked Box Date and the FY2017 impact is set out in note 1.2.

Cash and borrowings
As at 31 December 2018, the Group had a cash balance of £2.2 million and outstanding balances on its senior term debt facilities of £25.7 million with a resulting net debt of £23.5 million. Net debt increased by £8.8 million during the period under review. The increase in net debt reflects a year in which the cash generation of the Group was offset by the payment of £6.6 million of initial cash consideration (excluding placing proceeds) to the vendors of SystemsLink, ECM, Squareone, PCMG and Inprova and £3.6 million of deferred cash consideration to the vendors of Informed and Horizon.

In July 2017, the Group entered into a facility agreement ("Facility") with Santander UK plc ("Santander"). The Facility incorporates a £29.6 million and €7.0 million term loan. £6.3 million and €7.0 million of the term facilities ("Tranches A and B") amortise over a period of five years. £8.3 million ("Tranche C") along with the £15 million balance (described further below) is 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.

The Group also entered into a revolving credit facility (RCF) with Santander, for the sum of £2.5 million, to be used for the purposes of satisfying future working capital requirements 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.

As at 31 December 2018, the Acquisition Facility and the RCF had £5.5 million and £1.9 million drawn respectively and therefore had £7.0 million and £0.6 million undrawn respectively.

Capital repayments of £1.3 million per annum are made on Tranche A and the Group commenced capital repayments on Tranche B of £1.6 million per annum of the Facility from September 2018.

Dividends
The Board is delighted to propose a final dividend of 0.46 pence per share, subject to shareholder approval at the Annual General Meeting of the Group. Following the payment of an interim dividend of 0.19 pence per share, the total dividend payable for the year ended 31 December 2018 is 0.65 pence per share (2017: 0.55 pence per share) representing an increase of 18% in respect of the previous year. The continuing trend of improvement in cash generation of the Group supports our progressive dividend policy applied.

The dividend will be payable on 25 July 2019 to all shareholders on the register on 14 June 2019 and the shares will go ex-dividend on 13 June 2019.

Focus on our people

We firmly believe that investment in staff development and welfare builds a stronger business and we are committed to continuing to make appropriate investment in order to further develop our team and our environment. The Board was pleased to announce the grant of awards under the LTIP for the benefit of the SMT in May.

The structure of the LTIP tracks the award to the Executive Directors in July 2017, albeit for an extended period to FY2023.

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 and the Board believes that the Group will continue to benefit from their drive and energy in the future.

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

The momentum created in 2018 has continued into Q1 2019, with the integration of our five acquisitions broadening our service offering and materially increasing the Group's client Meters under Management (Units of Opportunity). We will continue to systematically engage with clients to quantify cross-selling opportunities and increase the accessible revenue at each meter point across our growing number of clients throughout the UK and Ireland.

Ensuring we maintain a market-leading position for our clients is key as we drive the business forward combined with continually refining our service offering in order to optimise the service we provide.

Our sector remains fragmented, highlighted by the five acquisitions completed in 2018 alone and there is significant scope for growth, as we continue to strengthen our Corporate division and demonstrate the significant benefit we can provide clients, optimising the value of every Pound spent on utilities.

We value our team and the 2018 results are testament to their commitment and hard work which shows no sign of abating as we increase momentum across the Group. We are very encouraged by developments in the first quarter and look forward to another year of sustainable growth in line with market expectations.

Mark Dickinson
Chief Executive Officer
3 April 2019

We firmly believe that investment in staff development and welfare builds a stronger business and we are committed to continuing to make appropriate investment in order to further develop our team and our environment."

We create cost and efficiency benefits for you through long-term partnerships that centre on our value proposition of: buy it well; use it better; make your own; and do it right

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 its 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 strategies.

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 it remains 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 five corporate-focused businesses during 2018 to further complement the Group's core Corporate division and extend both the Group's sector specialism and geographical spread.

SystemsLink 2000, a UK-based supplier of energy management software, enabling customers to effectively monitor and manage their utilities consumption, was acquired in March 2018. Its energy management platform, 'Energy Manager', is licensed to public and private sector energy users, energy consultancies and third-party intermediaries and this acquisition brings this capability in house, providing security of access.

Energy Cost Management, a UK-based niche operator of water and energy management services, specialising in water engineering solutions and providing a range of water management services to Corporate customers including water procurement, bill validation, retrospective audit of water bills, leak detection and repair and compliance services, was acquired in March 2018.

Squareone Enterprises, a UK-based company providing energy consultancy and procurement services to a range of Corporate customers with a strong presence in the education and manufacturing sectors, was acquired in August 2018.

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.

Professional Cost Management Group, a UK-based provider of forensic auditing services to identify and recover overpayments of utilities and telecoms bills on behalf of its clients and provides optimisation analysis enabling clients to improve their tariff and billing structure, was acquired in September 2018.

Inprova Finance, a UK-based significant operator within the UK TPI market providing energy procurement services to its customers, analysing usage data to recommend the appropriate options on either flexible procurement arrangements or a fixed price basis and enabling customers to buy energy efficiently and monitor and reduce their carbon footprint, was acquired in December 2018.

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 its 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.

▶ Read about our strategy on **page 13**

▶ Read about our KPIs on **pages 14–15**

Our business model continued

Principal activities

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 its clients. The Group generates the majority of its income from commissions received from energy suppliers.

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

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 its clients, Inspired enables them to achieve greater certainty of their energy costs and in many cases delivers significant savings.

Corporate division

The Corporate division, which includes Inspired Energy Solutions, Direct Energy Purchasing, Wholesale Power UK, STC Energy Management, Informed Business Solutions, Flexible Energy Management, Churchcom, Horizon Energy Group, SystemsLink 2000, Energy Cost Management, Squareone Enterprises, Professional Cost Management Group and Inprova Finance, delivers core services, which are the review, analysis and negotiation of gas and electricity contracts on behalf of Corporate clients. In addition, the division provides customers with leading energy bureau, billing and management services.

Energy review and benchmarking

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

Negotiation

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

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

Bureau and bill validation

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

Additional services

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

- CRC reporting – production of management information for customers to comply with Carbon Reduction Commitment legislation.
- Retrospective auditing – review of last six years' energy procurement charges to ensure no overcharges have been made. The Group operates on a share of savings revenue model in respect of rebates achieved.
- Power purchasing agreements – the Group is able to trade green energy certificates on behalf of renewable energy producers.

Risk-managed trading

Managed frameworks

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

Following the acquisitions made in 2014, the division has developed a fully automated, fully operational online quoting platform for SME customers looking to switch their energy supplier and it has agreements in place with the majority of energy suppliers within the SME sector. The web-enabled capability is offered to prospective new online customers, and is also used by the sales agents in the division. In the first half of 2018, the Board took the decision to streamline the focus of the division and discontinue the non-profit-generating revenue streams, including the affiliate channel. Whilst this led to a decrease in revenue in 2018, the reorganisation of the division has allowed it to continue to contribute strong profits and cash in the period.

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 it 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 2018	The acquisition of SystemsLink 2000, Energy Cost Management, Squareone Enterprises, Professional Cost Management Group and Inprova Finance 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 SystemsLink 2000 the Group has now brought the energy management platform 'Energy Manager' capability in house, providing security of access.	Inspired acquired SystemsLink 2000, Energy Cost Management, Squareone Enterprises, Professional Cost Management and Inprova Finance in the year. The acquisition brought sector specialism, geographical spread, enhanced service offering and technology 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.

Our KPIs

The Group continues to demonstrate strong organic growth

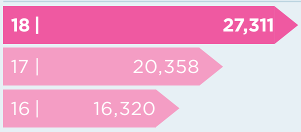
Key performance indicators

Corporate

2018 was another outstanding year for the Corporate division, continuing to perform well in respect of the KPIs within the business and demonstrating strong organic growth. The organic and acquisitive Corporate Order Book grew in the year to a record £53.0 million, representing a year-on-year increase of 36%.

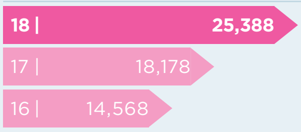
Revenue
(£000)

+34%



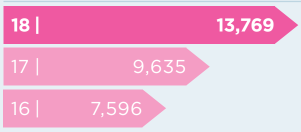
Gross profit
(£000)

+40%



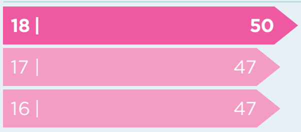
EBITDA
(£000)

+43%



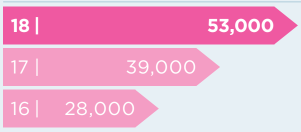
EBITDA margin
(%)

+3%



Procurement Order Book
(£000)

+36%



SME

The SME division continues to mature with the focus on margin and cash generation to support the Group's growth. In the first half of 2018 it was decided to streamline the focus of the division and discontinue the non-profit-generating revenue streams, including the affiliate channel.

Revenue (£000)

-10%

18	**5,381**
17	5,998
16	5,195

Gross profit (£000)

-36%

18	**2,286**
17	3,582
16	2,741

EBITDA (£000)

-1%

18	**2,431**
17	2,454
16	1,752

EBITDA margin (%)

+4%

18	**45**
17	41
16	34

Clients (#)

+5%

18	**11,000**
17	10,500
16	9,000

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.

Risk area and potential impact	Mitigation	Change	Link to strategy
1. Key personnel			
The Group's business is dependent upon maintaining relationships with its clients and suppliers. These relationships are maintained through the Group's senior personnel and analysts, particularly the Directors. If any key person resigns, there is a risk that no suitable replacement with the requisite skills, contacts and experience would be found to replace such person.	The Directors have equity interests in the Group including a Long Term Incentive Plan implemented during the both the prior year and current year. In addition, certain senior management personnel have equity interest in the Group including a Long Term Incentive Plan.		
2. Regulatory			
Currently energy consultancy and broking is an unregulated market. Should regulation be introduced to cover the Group's activities, the increased regulatory burden could impact on the results of the Group.	The Directors believe that the Group operates in line with best market practice, as directed by OFGEM.		

Our strategy	Change in level of risk
Customer service	No change
Product innovation	Increased risk
Technology development	Decreased risk
Acquisitions	

Risk area and potential impact	Mitigation	Change	Link to strategy
3. Exposure to underlying clients			
The Group's clients pay the energy supplier directly for the energy consumed, with the Group receiving its commissions directly from the energy supplier. The Group is, however, at risk should the client cease trading or consume less energy than anticipated. Should this occur the Group would suffer a loss in future revenues related to the commissions associated with the future energy consumption by that client.	The energy supplier and the Group undertake credit checks on any client prior to entering into a contract to supply energy. In addition, there is limited individual customer concentration for the Group in revenue terms and client consumption of energy compared to forecasts is monitored by the Group.	No change	Customer service, Product innovation
4. Performance of investments			
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.	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.	No change	Customer service, Product innovation, Acquisitions

On 29 March 2019, the UK was due to leave the European Union, with negotiations still ongoing and the exact outcome unclear. Despite this, the Directors do not believe the impact of Brexit to be material as the majority of our trading is within the UK. Any adverse impact to exchange rates due to Brexit is not considered material to the performance of the Group from our subsidiary Horizon Energy Group Limited. We do not supply any goods so do not anticipate a material impact from changes in import/export taxes or delays to supply chain.

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

Chairman's introduction

We have completed the transition of the Board composition to two Executive Directors, supported by a Non-Executive Chairman and two Non-Executive Directors.

Mike Fletcher
Chairman
3 April 2019

Mike Fletcher (44)
Non-Executive Chairman

A R N

Skills and experience

Mike is Group CEO of Praetura, a business specialising in asset-backed finance, venture investment and corporate advisory, which he co-founded in 2011. Prior to that, Mike was 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 FCA approved.

External appointments

Mike sits on the board of a number of Praetura's investments including financial services businesses EC3 Brokers and Artorius and technology businesses Sorted and Peak AI. Outside of Praetura, Mike is also a Non-Executive Director of AIM-listed SysGroup plc (SYS.L).

Mark Dickinson (46)
Chief Executive Officer

R N

Skills and experience

Mark joined the Board during 2016 as a Non-Executive Director and became CEO in June 2017. 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 (34)
Finance Director

Skills and experience

Paul was appointed Finance Director in December 2014, having joined the Company as Head of Finance in September 2013. Paul has been responsible for facilitating and delivering the acquisitions of eleven businesses. Paul qualified as a chartered accountant in 2009.

External appointments

None.

Richard Logan (61)
Non-Executive Director

A R N

Skills and experience

Richard 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 was Finance Director of cloud computing company iomart Group plc (AIM: IOM) from 2006 until his retirement in December 2018.

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

None.

Gordon Oliver (60)
Non-Executive Director

A R N

Skills and experience

Gordon 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 manufactures commercial and contract flooring, a position he has held since 1999. Gordon is also a member of the Institute of Corporate Treasurers.

Corporate governance statement

Ensuring high standards of corporate governance

From 28 September 2018 all AIM companies had to adopt a corporate governance code per AIM Rule 26. The Company has adopted the Quoted Companies Alliance (QCA) Code. Details of how that Code has been implemented are given below in our corporate governance report for the year ended 31 December 2018.

Subsequent to Matthew Thornton stepping down from his position as Non-Executive Director, the Board of Inspired Energy PLC consists of two Executive Directors and three independent Non-Executive Directors. The Board's principal responsibilities are to:

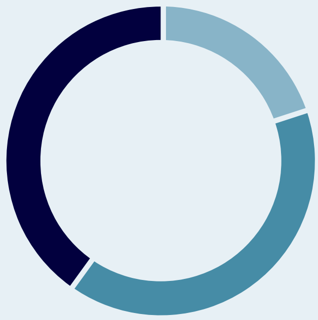
- agree strategy, performance and financial objectives of the business;
- regularly review performance against agreed objectives and exposure to risk;
- identify and approve investment and acquisition opportunities as part of the Group's longer-term growth plans;
- monitor exposure to key business risks; and
- consider employee issues and key business appointments.

The Board recognises its responsibility for the proper management of the Company and the benefit of corporate governance commensurate with the size and nature of the Company and the interests of its shareholders. The Directors have chosen to adopt the QCA Corporate Governance Code to support the application of best practice corporate governance for Inspired Energy PLC.

The Board believes that good governance is fundamental to the successful growth of our business. The Board and its Committees play a central role in the Company's governance by providing an external and independent perspective on matters material to Inspired Energy PLC stakeholders and by seeking to ensure that effective internal controls and risk management measures are in place.

The Board promotes a culture of good governance throughout the Company by creating an environment of openness, transparency, accountability and responsibility.

Board composition at 3 April 2019



QCA PRINCIPLES AND INSPIRED ENERGY PLC'S APPROACH

Principle 1 – Establish a strategy and business model which promote long-term value for shareholders

Our goals:
As a public limited company, we are focused on delivering value for our shareholders whilst optimising the value of every Pound spent on utilities by our clients through our innovation and dedication to client service, so our clients can focus on the growth of their businesses.

Vision and strategy:
The Company's vision and strategy is to continue to look to enhance the service offering to customers, both through organic development and further acquisitions, and to work with UK energy suppliers to develop and market innovative and exciting energy products.

By achieving the above, we fully expect to increase shareholder value.

- For our approach to strategy and the benefits of our strategic priorities, please see our strategy on page 13 of this annual report.
- For key challenges and how they will be addressed, please see principal risks on pages 16 and 17 of this annual report.

Principle 2 – Seek to understand and meet shareholder needs and expectations

The Board of Inspired Energy PLC has a proven track record of delivering dividends for shareholders and regularly talks to institutional and private investors and the financial press to ensure that the Company's strategy and objectives are communicated through its public announcements. The Company hosts institution and broker site visits to update on progress and the Executive Directors are in ongoing contact with the nominated advisor, which communicates more closely with the market. Shareholders with questions can use the contact us page on the inspiredplc.co.uk website or contact the Company Secretary, who will refer questions to the Directors. In addition, the AGM operates as a forum for all shareholders to meet with the Board.

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises that the Group has responsibilities to many stakeholders other than its shareholders. This includes employees, clients, suppliers and the wider society in which we operate. Communications are relevant to the stakeholder and may take the form of formal announcements, individual meetings (for example, appraisals with employees) and negotiations with other stakeholders. The environmental impact of our business is monitored along with our impact on and commitment to the community and increasingly to our clients which look for suppliers and supply chains with strong ethical values. The business seeks feedback from clients and has a process in place to share this feedback with the Senior Management Team.

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board meets regularly during which business and other risks are assessed. Organisational divisions have their own management boards which also meet regularly and assess the risks relevant to that specific division. These are communicated to the main Board via Group management structures.

For further details of the Company's approach to risk and its management, please refer to the principal risks section of the strategic report and to the independent auditors' report in the governance section of this annual report and accounts.

Principle 5 – Maintain the Board as a well-functioning, balanced team led by the Chair

Mike Fletcher, the Non-Executive Chairman, is responsible for ensuring that the Group maintains the highest standards of corporate governance. The Executive Directors have responsibility for implementation of the Board's strategy. All the Directors have appropriate skills and experience for the roles they perform at Inspired Energy PLC, including as members of Board Committees. A monthly report is provided to the Board of the financial and operational performance of the Group. Information is provided in advance of meetings. The Board is responsible for all strategic decisions and the overall governance and culture of the Group. All the Directors have access to the services and advice of the Company Secretary and are able to take independent professional advice. The Board operates Committees for audit, nomination and remuneration, providing governance and experience for these topic areas. For details on Board membership of the Committees, please see pages 18 and 19 of this annual report.

Corporate governance statement continued

QCA PRINCIPLES AND INSPIRED ENERGY PLC'S APPROACH continued

Principle 6 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board evaluates consistently those skills that are required and whether they are adequately provided for. In doing so, where relevant, it will consider guidance available on appointment and training of Board members. The Company Secretary has the responsibility of making the Board aware of legal changes. The Nominations Committee oversees the process of identifying candidates and makes recommendations to the Board. Appointments are made on merit against objective criteria and with regard to the benefits that will be brought to the Board and the Group. The Nominations Committee also considers succession planning. The Company Secretary supports the Chairman in addressing the training and development needs of the Directors. In the case of new Directors there is an induction to ensure they become aware of the operations of the Group. The Directors are aware of their individual responsibility to undertake appropriate continuing development.

Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Financial Reporting Council's Guidance on Board Effectiveness is used as the basis of the Board's performance evaluation. The auditors meet the Audit Committee biannually and beyond the audit report comment on the systems, procedures and efficacy of the management. The nominated advisor has access to the Chairman and meets the Non-Executives on an ad hoc basis as the need arises. A rigorous recruitment process is undertaken for new Directors prior to their proposal and election. In terms of re-election their performance is reconsidered prior to them being proposed to ensure they remain effective in their role and that they retain their independence. Re-election is considered by the shareholders at the AGM, at which shareholders have the opportunity as a body to approve or otherwise Board membership. The Remuneration Committee meets formally and is tasked with not only the remuneration of the Executive Directors but also evaluation of performance. To this end the Board is circulated with press comment and market feedback on the business. Market share data and peer group analysis are available.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours

The Board expects the highest ethical standards of its members and management across the Group. The Group has documented procedures with respect to its responsibilities regarding ethical behaviour, specifically bribery, corrupt practices and modern slavery, and these are applicable across its operations including supply and customer chains. The Board takes seriously its responsibilities towards the sustainability of its operations and the impact on the environment. As an employer and member of the community, strong ethical and cultural values along with a robust recruitment process are vital to ensuring the Group is a 'good member of the community'.

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The roles and responsibilities of specific Directors and membership of the Board Committees are available on our website. The Board formally meets a minimum of six times per year. Each Committee has terms of reference outlining the specific responsibilities delegated to it. Corporate governance disclosures are made every year in our annual report and accounts. The Board assesses at least annually whether the structures and processes are fit for purpose.

Principle 10 – Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The AGM is a key forum for communications with any shareholder who wishes to attend, and the Directors are available here to listen to views expressed both formally and informally. This, combined with the normal cycle of announcements, is the key method of communication. The outcomes of resolutions put to the AGM are published and available on the Company's website. The Company uses the London Stock Exchange Regulatory News Service (RNS) to advise the market (i.e. shareholders and others) of performance and significant matters. Brokers are updated and circulate notes regularly. These updates are also visible on the inspiredplc.co.uk website.

Directors' remuneration report

This report to shareholders for the year ended 31 December 2018 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), Richard Logan (Non-Executive Director) and Gordon Oliver (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 2018.

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 aims.

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 £250,000 and £175,000 respectively.

Performance-related pay
The Chief Executive Officer and Finance Director can earn a cash bonus of up to 100% of their annual basic salary payable against meeting personal and business targets as set out by the Committee at the beginning of each year.

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 2018 were:

- Chairman – £48,000; and
- Non-Executive Directors – £40,000.

There is no right to any further benefits in kind.

Remuneration structure for Executive Directors continued

Non-Executive Directors continued

Directors' emoluments for the year ended 31 December 2018 are summarised below:

	Salary/fees/ bonus £000	Compensation for loss of office £000	Share-based payment costs £000	2018 £000	2017 £000
Executive					
Mark Dickinson*	327	—	81	**408**	178
Paul Connor	270	—	50	**320**	230
Matthew Thornton**	35	265	—	**300**	191
Janet Thornton (resigned 11 October 2017)	—	—	—	**—**	382
David Foreman (resigned 11 October 2017)	—	—	—	**—**	47
	632	265	131	**1,028**	1,028
Non-Executive					
Mike Fletcher	48	—	—	**48**	61
Richard Logan (appointed 27 March 2017)	40	—	—	**40**	27
Gordon Oliver (appointed 29 January 2018)	37	—	—	**37**	—
Matthew Thornton**	31	—	—	**31**	—
Mark Dickinson*	—	—	—	**—**	107
	156	—	—	**156**	195
Total	788	265	131	**1,184**	1,223

* 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 1,000,000 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 ended 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 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 ended 30 June 2017;

(iii) the date on which the Group published its audited accounts for the year ended 31 December 2017; and

(iv) the date on which the Group published its interim accounts for the six months ended 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).

Remuneration structure for Executive Directors continued

Non-Executive Directors 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 2016;

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

(iii) the date on which the Group published its audited accounts for the year ended 31 December 2017; and

(iv) the date on which the Group published its interim accounts for the six months ended 30 June 2018.

Paul Connor and Mark Dickinson were granted a combined 14,850,000 LTIP share options on 20 July 2017. Paul Connor and Mark Dickinson were granted a further 1,800,000 LTIP share options on 31 December 2018. Further details can be found in note 7.

Directors' interests in shares of the Company as at 31 December 2018:

	Number of shares	%
Matthew Thornton	38,590,577	5.41
Praetura Ventures (1) LLP*	11,137,039	1.56
Mark Dickinson	689,655	0.10
Richard Logan	344,828	0.05

* Praetura Ventures (1) LLP is partly owned by Mike Fletcher.

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:

Mike Fletcher
Chairman of the Remuneration Committee
3 April 2019

Group Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

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 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 2018 and for the year ended 31 December 2017.

The Group's financial statements for the year ended 31 December 2017 were sampled by the Financial Reporting Council as part of the thematic review of smaller listed and AIM quoted companies' reports and accounts, with focus on the Group's cash flow statement and accounting policies, including critical judgements and estimates. As a result of the review, management was challenged on the basis of preparation note in the 2017 financial statements, in particular the date from which the Group consolidated acquired subsidiaries. This challenge related to the acquisition of Horizon Energy Group Limited.

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

Cash and borrowings

As at 31 December 2018, the Group had a cash balance of £2.2 million and outstanding balances on its senior term debt facilities of £25.7 million.

As at 31 December 2018, net debt stood at £23.5 million, which is an increase of £8.7 million in comparison to 31 December 2018.

To finance the acquisition of Horizon in July 2017, the Group entered into a new facility agreement with Santander UK plc ("Santander"), with the new facility agreement ("Facility") including a £29.6 million and €7.0 million term loan. £6.3 million and €7.0 million of the term facilities ("Tranches 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.

The Group also entered into a new revolving credit facility (RCF) with Santander, for the sum of £2.5 million, to be used for the purposes of satisfying future working capital requirements 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.

The increase in net debt reflects a year in which the cash generation of the Group was offset by the payment of £6.1 million of initial cash consideration to the vendors of SystemsLink, ECM, Squareone and PCMG and £3.6 million of deferred cash consideration to the vendors of Informed and Horizon. As at 31 December 2018, £2.9 million of deferred consideration is held payable to the vendors of Horizon, ECM, Squareone, PCMG and pre-existing amounts within Inprova.

As at 31 December 2018, the Acquisition Facility and RCF within the Group's debt facility had £5.5 million and £1.9 million drawn respectively.

Capital repayments of £1.3 million per annum are made on Tranche A and the Group commenced capital repayments of £1.6 million per annum on Tranche B from September 2018.

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	5.41
Praetura Ventures (1) LLP*	11,137,039	1.56
Mark Dickinson	689,655	0.10
Richard Logan	344,828	0.05

* Praetura Ventures (1) LLP is partly owned by Mike Fletcher, a Director of the Group.

Dividends

The Board is delighted to propose a final dividend of 0.46 pence per share subject to approval at the Annual General Meeting of the Group. Following the payment of an interim dividend of 0.19 pence per share, the total dividend payable for the year ended 31 December 2018 is 0.65 pence per share. This represents an increase of 18% over the dividend payable in respect of 31 December 2017, being 0.55 pence per share.

The dividend will be payable to all shareholders on the register as at 14 June 2019 and will be paid on 25 July 2019.

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. Further information can be found on pages 20 to 22 in the statement of corporate governance.

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

The Audit Committee

The members of the Audit Committee during the year were Richard Logan, Mike Fletcher and Gordon Oliver.

The Audit Committee, chaired by Richard Logan, who has recent and relevant experience, is authorised by the Board to conduct any activity within its terms of reference and to seek any information it requires from any employee. The Audit Committee has written terms of reference, which are available on request, and include reviewing and monitoring:

- interim and annual reports, including consideration of the appropriateness of accounting policies;
- material assumptions and estimates adopted by management;
- developments in accounting and reporting requirements;
- external auditors' plans for the year-end audit of the Company and its subsidiaries;
- the effectiveness of the Committee;
- the performance and independence of the external auditors concluding in a recommendation to the Board on the reappointment of the auditors by shareholders at the Annual General Meeting;
- non-audit fees charged by the external auditors; and
- the formal engagement terms entered into with the external auditors.

At the invitation of the Committee, meetings may be attended by the Chief Executive Officer and the Finance Director. Representatives of the external auditors, Grant Thornton, also attend each meeting. The Chairman of the Committee also meets separately with the external auditors.

Under its terms of reference, the Audit Committee is responsible for monitoring the independence, objectivity and performance of the external auditors and for making a recommendation to the Board regarding the appointment of external auditors on an annual basis. The Group's external auditors, Grant Thornton UK LLP, were first appointed as external auditors of the Group for the period ended 31 December 2011.

The auditors have confirmed to the Committee that in relation to their services to the Company they comply with UK regulatory and professional requirements, including Ethical Standards issued by the Auditing Practices Board and that their objectivity is not compromised.

The auditors are required each year to confirm in writing that they have complied with the independence rules of their profession and regulations governing independence. Before Grant Thornton takes on any engagement for other services from the Company, careful consideration is given as to whether the project could conflict with their role as auditors or impair their independence.

Group Directors' report continued

Substantial shareholdings

At 15 January 2019, 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 26.

	Number of shares	%
Miton Asset Management	100,276,599	14.04
Gresham House Asset Management	90,401,975	12.66
Regent Gas Holdings Limited	62,043,768	8.69
Business Growth Fund	50,427,673	7.06
Canaccord Genuity Wealth Management	46,185,606	6.47
BlackRock	42,344,210	5.93
Janet Thornton	38,590,579	5.41
Inspired Energy EBT Limited	38,250,000	5.36
Slater Investments Limited	33,119,695	4.64

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 and Irish corporates, public sector organisations and 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 £7.3 million 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.

Directors' responsibilities statement

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 as adopted by the European Union 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 are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

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 their 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
3 April 2019

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 2018, which comprise the Group statement of total comprehensive income, the Group and Company statements of financial position, the Group and Company statements 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 2018 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 'Auditors' 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.

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:

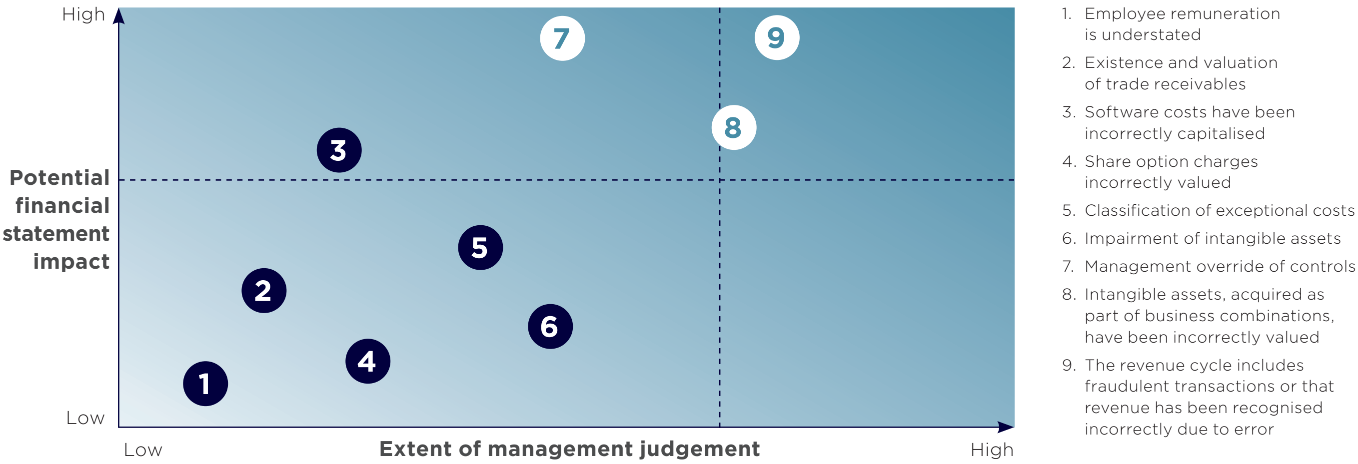
- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's 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: £385,000, which represents 2.8% 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. In addition to performing audit testing in relation to Horizon Energy Group Limited at its offices in Cork, we also performed audit testing in relation to Inprova Finance Limited at their offices in Warrington, 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 ISA (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 (IFRS 15 Revenue from Contracts with Customers) and in particular that any transition adjustments have been appropriately captured; • 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 the operating effectiveness of key controls in place around the recognition of revenue; • testing of a sample of revenue transactions in the year through agreement to source documentation in order to confirm the occurrence of such revenue; • testing a sample of revenue items accrued as at 31 December 2018 through to post-year-end invoice, or where the revenue item had not been invoiced to other evidence that the revenue has occurred; • assessing the historical accuracy of estimates made by management in respect of revenue items accrued at the end of previous reporting periods; and • testing of specific journals posted to revenue which met pre-determined criteria. 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 pages 41 to 44 is applied consistently and in line with IFRS 15 Revenue from Contracts with Customers.

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

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 five business combinations during the year is £6,224,000 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, which 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 notes 12 and 22. **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.

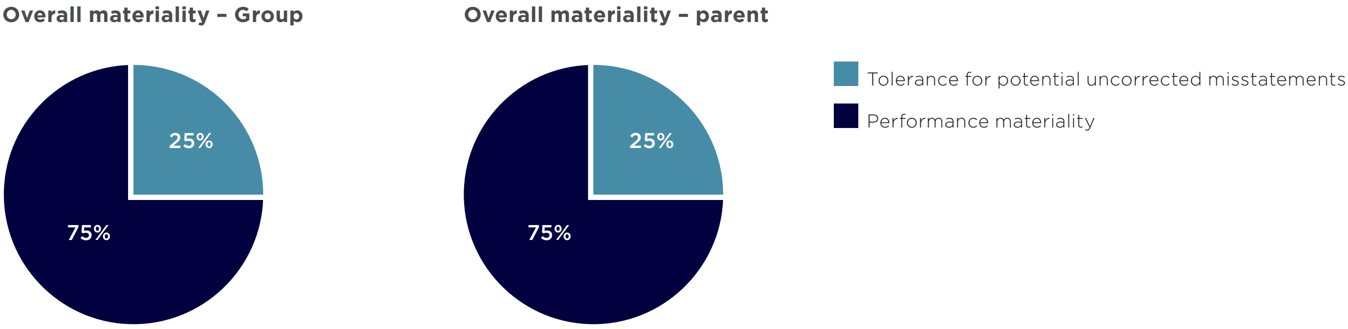
Our application of materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of 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.	£385,000, which is 2.8% 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 higher than the level that we determined for the year ended 31 December 2017 to reflect the growth of the business both in revenue and profitability.	£350,000, which is 0.4% 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 higher than the level that we determined for the year ended 31 December 2017 to reflect the increase in the asset base of the entity, primarily driven by further investments in subsidiary undertakings.
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.	£20,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£17,500 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.



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 its 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 99% of total revenue and 98% 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 five business combinations in the year and the related entities. This included the audit of the accounting for each business combination and the audit of the Inprova Finance group companies, which was deemed a significant component following the acquisition by Inspired Energy PLC during the year. We visited the Inprova Finance head office in Warrington to audit these entities, since these are based away from the Group's main operations in Lancashire.

Consistent with the prior year, we visited Horizon Energy Group Limited's head office in Cork to perform our audit procedures over this entity.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors' 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 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 29, 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.

Auditors' 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 auditors' 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.

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 auditors' report.

Use of our report

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

Michael Frankish
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditors, Chartered Accountants
Manchester
3 April 2019

Group statement of comprehensive income
For the year ended 31 December 2018

	Note	2018 £000	2017 (restated, note 24) £000
Revenue	6	**32,692**	26,356
Cost of sales		**(5,018)**	(4,596)
Gross profit		**27,674**	21,760
Administrative expenses		**(22,171)**	(17,819)
Operating profit		**5,503**	3,941
Analysed as:			
Earnings before exceptional costs, depreciation, amortisation and share-based payment costs		**13,752**	10,442
Exceptional costs	4	**(2,704)**	(2,117)
Depreciation	11	**(569)**	(495)
Amortisation of acquired intangible assets	12	**(3,749)**	(2,565)
Amortisation of internally generated intangible assets		**(756)**	(732)
Share-based payment cost		**(471)**	(592)
		5,503	3,941
Finance expenditure	5	**(1,380)**	(955)
Other financial items		**76**	5
Profit before income tax	4	**4,199**	2,991
Income tax expense	9	**(960)**	(958)
Profit for the year		**3,239**	2,033
Other comprehensive income:			
Exchange differences on translation of foreign operations		**112**	210
Total other comprehensive income for the year		**112**	210
Total comprehensive income from continuing operations		**3,351**	2,243
Attributable to:			
Equity owners of the Company		**3,351**	2,243
Basic earnings per share attributable to the equity holders of the Company (pence)	10	**0.55**	0.39
Diluted earnings per share attributable to the equity holders of the Company (pence)	10	**0.53**	0.37

The notes on pages 39 to 81 form part of these financial statements. All items relate to continuing operations.

Group statement of financial position

At 31 December 2018

	Note	2018 £000	2017 (restated, note 24) £000
ASSETS			
Non-current assets			
Goodwill	12	**44,366**	22,190
Other intangible assets	12	**14,978**	11,662
Property, plant and equipment	11	**2,083**	1,407
Non-current assets		**61,427**	35,259
Current assets			
Trade and other receivables	13	**21,906**	15,877
Cash and cash equivalents		**2,190**	5,183
Current assets		**24,096**	21,060
Total assets		**85,523**	56,319
LIABILITIES			
Current liabilities			
Trade and other payables	14	**7,037**	2,532
Bank borrowings	16	**3,047**	2,037
Contingent consideration	18	**1,479**	3,619
Current tax liability		**2,857**	3,022
Current liabilities		**14,420**	11,210
Non-current liabilities			
Bank borrowings	16	**22,393**	17,809
Trade and other payables	14	**92**	33
Contingent consideration	18	**1,379**	1,375
Interest rate swap		**68**	144
Deferred tax liability	15	**1,856**	1,126
Non-current liabilities		**25,788**	20,487
Total liabilities		**40,208**	31,697
Net assets		**45,315**	24,622
EQUITY			
Share capital	19	**892**	711
Share premium account	19	**37,422**	14,203
Merger relief reserve	19	**15,535**	14,914
Share-based payment reserve		**1,361**	1,231
Retained earnings		**7,908**	7,354
Investment in own shares		**(6,742)**	(2,618)
Translation reserve		**322**	210
Reverse acquisition reserve		**(11,383)**	(11,383)
Total equity		**45,315**	24,622

The financial statements were approved and authorised for issue by the Board of Directors on 3 April 2019 and were signed on its behalf by:

Mark Dickinson
Chief Executive Officer

Paul Connor
Finance Director

Company registration number: 07639760.

The notes on pages 39 to 81 form part of these financial statements.

Group statement of changes in equity
For the year ended 31 December 2018

	Share capital £000	Share premium account £000	Merger relief reserve £000	Share-based payment reserve £000	Retained earnings (as restated) £000	Investment in own shares £000	Translation reserve £000	Reverse acquisition reserve £000	Total shareholders' equity £000
Balance at 1 January 2017	607	2,319	14,914	794	7,623	—	—	(11,383)	14,874
Profit and total comprehensive income for the period	—	—	—	—	2,533	—	210	—	2,743
Prior period adjustment (note 24)	—	—	—	—	(500)	—	—	—	(500)
Shares issued (30 March 2017)	2	169	—	—	—	—	—	—	171
Shares issued (20 April 2017)	4	496	—	—	—	—	—	—	500
Shares issued (24 April 2017)	1	50	—	—	—	—	—	—	51
Shares issued (17 July 2017)	77	8,396	—	—	—	—	—	—	8,473
Shares issued (20 July 2017)	18	2,600	—	—	—	—	—	—	2,618
Shares issued (29 August 2017)	2	173	—	—	—	—	—	—	175
Share-based payment cost	—	—	—	592	—	—	—	—	592
Share options exercised	—	—	—	(155)	155	—	—	—	—
Purchase of own shares	—	—	—	—	—	(2,618)	—	—	(2,618)
Dividends paid	—	—	—	—	(2,457)	—	—	—	(2,457)
Total transactions with owners (as restated)	104	11,884	—	437	(269)	(2,618)	210	—	9,748
Balance at 31 December 2017 (as restated)	711	14,203	14,914	1,231	7,354	(2,618)	210	(11,383)	24,622
Profit and total comprehensive income for the period	—	—	—	—	3,239	—	112	—	3,351
Prior year IFRS 15 impact	—	—	—	—	222	—	—	—	222
Shares issued (22 March 2018)	4	—	621	—	—	—	—	—	625
Shares issued (29 March 2018)	2	145	—	—	—	—	—	—	147
Shares issued (24 May 2018)	29	4,095	—	—	—	—	—	—	4,124
Shares issued (7 June 2018)	1	37	—	—	—	—	—	—	38
Shares issued (7 September 2018)	1	86	—	—	—	—	—	—	87
Shares issued (31 December 2018)	144	18,856	—	—	—	—	—	—	19,000
Share-based payment cost	—	—	—	471	—	—	—	—	471
Share options exercised	—	—	—	(341)	341	—	—	—	—
Purchase of own shares	—	—	—	—	—	(4,124)	—	—	(4,124)
Dividends paid	—	—	—	—	(3,248)	—	—	—	(3,248)
Total transactions with owners	181	23,219	621	130	554	(4,124)	112	—	20,693
Balance at 31 December 2018	**892**	**37,422**	**15,535**	**1,361**	**7,908**	**(6,742)**	**322**	**(11,383)**	**45,315**

Merger relief reserve
The 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 39 to 81 form part of these financial statements.

Group statement of cash flows
For the year ended 31 December 2018

	2018 £000	2017 (restated, note 24) £000
Cash flows from operating activities		
Profit before income tax	4,199	2,991
Adjustments		
Depreciation	569	495
Amortisation	4,505	3,297
Share-based payment cost	471	592
Finance expenditure	1,304	950
Exchange rate variances	(248)	(92)
Other financial items	(577)	407
Cash flows before changes in working capital	10,223	8,640
Movement in working capital		
Increase in trade and other receivables	(1,689)	(2,391)
Increase in trade and other payables	1,479	202
Cash generated from operations	10,013	6,451
Income taxes paid	(1,853)	(1,418)
Net cash flows from operating activities	8,160	5,033
Cash flows from investing activities		
Contingent consideration paid	(3,625)	(2,550)
Acquisition of subsidiaries, net of cash acquired (note 22)	(25,479)	(10,210)
Payments to acquire property, plant and equipment	(869)	(455)
Payments to acquire intangible assets	(1,509)	(1,222)
Net cash flows used in investing activities	(31,482)	(14,437)
Cash flows from financing activities		
New bank loans (net of debt issue costs)	7,400	23,960
Proceeds from issue of new shares	19,272	8,870
Repayment of bank loans	(2,044)	(16,149)
Interest on bank loans paid	(1,049)	(627)
Dividends paid	(3,248)	(2,457)
Net cash flows from financing activities	20,331	13,597
Net (decrease)/increase in cash and cash equivalents	(2,991)	4,193
Cash and cash equivalents brought forward	5,183	985
Exchange differences on cash and cash equivalents	(2)	5
Cash and cash equivalents carried forward	2,190	5,183

The notes on pages 39 to 81 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 round thousand GBP (£000), 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.

Prior year restatement – business combinations
In the financial statements for the year ended 31 December 2017, management judged the date at which control of Horizon Energy Group Limited ("Horizon") passed to the Group, to be the date at which the locked box mechanism was entered into between the vendors and the Group. Following legal completion of the acquisition, the locked box date is the date at which the economic risks and benefits of ownership of Horizon transferred to Group.

As detailed in the Chief Executive Officer's statement, management has reconsidered this accounting policy and concluded it was not consistent with the requirements of IFRS 10. Management acknowledges whilst there are significant indicators of control such as economic and protective measures including the benefit of cash generated by the acquired entity from locked box date, that, in its current form, the share purchase agreement does not contain sufficient substantive rights to conclude the ability to control the acquired entity passes at locked box date.

The locked box date in respect of Horizon was 31 March 2017 and legal completion was 17 July 2017. The impact on revenue and earnings before exceptional costs, depreciation, amortisation and share-based payment costs ("adjusted EBITDA") of consolidation from the locked box date rather than legal completion was £1.1 million and £0.6 million respectively. The impact on reported profit before tax was £0.6 million and on basic earnings per share was 0.09 pence. This change in date of consolidation had no impact on the acquired cash reserves or the trading for the full financial year of Horizon.

The restatement had no impact on the 2018 Group statement of comprehensive income or future forecasts of the Group. The restatement had no impact on the organic growth of the Group in 2017.

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 1 to 29. The financial position of the Group, its cash flows and liquidity position are described on pages 6 to 9. 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 2021 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting 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.

2. Summary of significant accounting policies continued

2.1 Basis of preparation continued

Key sources of estimation uncertainty

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. Item (vi) is considered a critical judgement:

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 2018 was £8,296,000 (2017: £6,894,000).

ii. Goodwill impairment

The Group assesses 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 7.5%, and no impairment was noted at any level. The value of goodwill at 31 December 2018 is £44,366,000 (2017 (restated, note 24): £22,190,000).

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. Graded vesting is applicable for some options; see note 7 for details of the vesting periods. 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 £471,000 (2017: £592,000).

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 2018 is £14,978,000 (2017: £11,662,000).

v. Contingent consideration

An element of consideration relating to three of the 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 2018, is £2,858,000 (2017: £4,994,000). The maximum undiscounted consideration payable is £3.0 million, producing an additional £0.1 million of additional liability as at 31 December 2018.

vi. Revenue recognition – Corporate division

When assessing the measurement of progress towards complete satisfaction of the performance obligation of the corporate sector revenue within the Corporate division, management deemed that the input method best depicted the transfer of the services to the customer.

After thorough assessment of the Group's costs-to-serve model, consideration of tendering costs and costs to obtain a contract that do not contribute to the Group's progress in satisfying the performance and additional services provided over the life of a corporate sector contract, management judged that recognition of 10% of the expected full contract value at the time the contract starts was suitable recognition of the proportion of time spent on the contract relative to the total expected inputs to the complete satisfaction of the performance obligation. The timing of satisfaction of this performance obligation is considered to be a significant judgement by management.

2. Summary of significant accounting policies continued

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 2018. 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 key sources of estimation uncertainty section of these financial statements, the results of all companies acquired prior to 31 December 2017 through a locked box mechanism have been consolidated from the locked box date. All acquisitions acquired from 1 January 2018 have been consolidated from the legal completion 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 £34,000 and £1,196,000 have been made to the goodwill balances of FEML and HEG during the year. Other changes in contingent consideration that arise from legally binding agreements since the acquisition are recognised through profit or loss, unless the contingent consideration is classified as equity.

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

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

2.3 Revenue recognition/cost of sales

The below represents the impact of the adoption of IFRS 15 Revenue from Contracts with Customers.

Existing accounting policy	Policy to be applied from 1 January 2018
Revenue	
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.	Revenue is comprised of commissions received from energy suppliers and fees received from customers, net of value-added tax, for the review, analysis and negotiation of gas and electricity contracts on behalf of UK and Irish businesses. To the extent that invoices are raised to a different pattern than the revenue recognition described below, appropriate adjustments are made through deferred and accrued revenue to account for revenue when performance obligations have been met. In respect of contract assets and contract liabilities, please see notes 13 and 14 respectively for a full breakdown. Other than the general growth of the business, the only significant factor which has impacted contract assets during the year has been the acquisition of Inprova Finance Limited, which resulted in accrued revenue of £800,000 being recognised.

FINANCIAL STATEMENTS

2. Summary of significant accounting policies continued

2.3 Revenue recognition/cost of sales continued

Revenue – Corporate division

Existing accounting policy

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.

Policy to be applied from 1 January 2018

The Corporate division core services are the review, analysis and negotiation of gas and electricity contracts on behalf of UK and Irish Corporate clients (procurement revenue). Additional services provided include bill validation, cost recovery and optimisation services (optimisation revenue).

Procurement revenue

Procurement revenue is generated by way of commissions received from energy suppliers, based upon energy usage of the Corporate customer, and fees received directly from customers.

The Group subcategorises the Corporate division into the following sectors, and given the differing service offerings provided by each, the measurement and recognition of procurement revenue should be assessed individually:

1. Estate intensive clients.
2. Energy intensive clients.
3. Public sector clients.
4. Corporate clients.

Estate intensive, energy intensive and public sector clients

Within these sectors, there are a number of promises made within a contract, including, but not limited to, development of a risk management strategy, budgeting and forecasting, bill validation, ongoing market intelligence and ongoing account management. The various promises made within each contract are not distinct and each of the promises made are inputs into the combined output that each customer has contracted for, being a cost-effective energy management solution. Thus there is considered to be one performance obligation within each contract.

Estate intensive, energy intensive and public sector clients are provided with an outsourcing arrangement that requires significant input over the life of a contract. The customer receives and consumes the benefits of the services provided as Inspired performs, and revenue is recognised evenly over time.

Thus the change in accounting policy has no impact on revenue recognition within these sectors.

Corporate clients

Corporate clients require less input from Inspired over the life of the contract than the outsourcing arrangements provided to estate intensive, energy intensive and public sector clients. Corporate clients are provided with energy reviews, bill validation and account management, which are implied services, over the life of a contract. These promises are not distinct from the promise to provide procurement and therefore are combined into a single performance obligation.

The profile of revenue recognition, using a cost-based input method, should reflect the performance of the Company, with the more labour intensive contract negotiation being recognised up front.

After assessment of the costs to serve a corporate customer, we judged that an element of revenue proportional to the progress towards complete satisfaction of the performance obligation should be recognised upon contract live date.

The revenue recognised is constrained by the proportion of the revenue that is expected to reverse over the life of the contract, due to consumption variances and contract attrition. This amount is calculated by comparing total amount realised versus total amount expected across all completed contracts within the portfolio.

The expected value of the contract recognised on the go-live date of the contract is 10% of the total contract value.

This represents a change in policy. The impact of this change is disclosed overleaf.

Optimisation revenue

Optimisation revenue encompasses separate works carried out for customers, including, but not limited to, energy audits, infrastructure and metering services and legislative compliance. Each assignment is a separate engagement and each engagement is a separate performance obligation.

Revenue is generated by way of fees received directly from customers and recognised as the service is provided.

Thus the change in accounting policy has no impact on optimisation revenue recognition.

2. Summary of significant accounting policies continued

2.3 Revenue recognition/cost of sales continued

Revenue – SME division

Existing accounting policy

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.

Policy to be applied from 1 January 2018

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 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 as this is the point at which control of the service is seen to transfer to the customer.

The revenue recognised is constrained by the proportion of the revenue that is expected to reverse over the life of the contract, due to consumption variances and contract attrition. This amount is calculated by comparing total amount realised versus total amount expected across all completed contracts within the portfolio.

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 five years. This amount is not discounted as the impact is immaterial. Accrued revenue relates to commission earned, not yet received or paid.

The above assessment under IFRS 15 mirrors the Group's recognition of revenue under IAS 18 and, as a result, the change in accounting policy has no impact on revenue recognition within this division.

Cost of sales

Existing accounting policy

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.

Policy to be applied from 1 January 2018

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

Corporate division
Commissions paid in respect of the Corporate division are capitalised and released over the length of the contract to which they relate. The value of capitalised commissions as at 31 December 2018 is £741,000.

SME division
Commissions paid in respect of the SME division are recognised in profit or loss at the point when the contract is authorised with the supplier, thus mirroring the recognition of the associated revenue.

2. Summary of significant accounting policies continued

2.3 Revenue recognition/cost of sales continued

Based on the above changes in accounting policy, the Group has decided to apply a modified retrospective change to the 2018 accounts, resulting in the following adjustments:

	£000
Revenue	
Under IAS 18	32,334
Impact	358
Under IFRS 15	**32,692**

	£000
Underlying operating profit	
Under IAS 18	5,145
Corporate revenue restatement	358
Under IFRS 15	**5,503**

The impact of the adjustment on net assets at 31 December 2018 is an increase of £482,000.

Impact on basic earnings per share (pence)	
Under IAS 18	0.50
Under IFRS 15	0.55
Impact on diluted earnings per share (pence)	
Under IAS 18	0.48
Under IFRS 15	0.53
Impact on adjusted basic earnings per share (pence)	
Under IAS 18	1.63
Under IFRS 15	1.68
Impact on adjusted diluted earnings per share (pence)	
Under IAS 18	1.56
Under IFRS 15	1.61

2.4 Exceptional costs/(items)

Exceptional costs/(items) 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.

2.5 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. Summary of significant accounting policies continued

2.6 Property, plant and equipment

Property, 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 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 the carrying amount and are included in the Group statement of comprehensive income.

2.7 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.

2.8 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. Summary of significant accounting policies continued

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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 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 2019 or later. The Group has not early adopted them.

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. Management is currently considering the impact of this on the financial statements and consider it to be minimal.

2. Summary of significant accounting policies continued

2.14 Newly applicable accounting standards

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 for the first time for the year commencing 1 January 2018. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowances for all trade receivables.

IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 for the first time for the year commencing 1 January 2018. The 2018 results herein adopt IFRS 15, the impact of which is a £0.4 million increase in revenue in 2018. As outlined in the interim statement, the adoption of IFRS 15 has not had a significant impact on the Group's financial statements, and therefore the future forecasts of the Group remain unchanged. The impact in 2017, an increase of £0.2 million in revenue, has been adjusted through reserves.

Further details can be found in note 2.3.

2.15 Financial assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial Instrument.

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.

2.17 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. Summary of significant accounting policies continued

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 round thousand GBP (£000).

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.

2.19 Employee Benefit Trust (EBT)

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Group financial statements. Any assets held by the EBP cease to be recognised on the Group balance sheet when the assets vest unconditionally in identified beneficiaries.

The costs of purchasing own shares held by the EBT are shown as a deduction within shareholders' equity. The proceeds from the sale of own shares are recognised in shareholders' equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the income statement.

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 2018 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, Horizon Energy Group Limited, Energy Cost Management Limited, SystemsLink 2000 Limited, Professional Cost Management Group Limited, Squareone Enterprises Limited and Inprova Finance Limited. Corporate's core services are the review, analysis and negotiation of gas and electricity contracts on behalf of UK and Irish Corporate clients. Additional services provided include energy review and benchmarking, negotiation, bill validation, cost recovery, optimisation services and software solutions. The Group's Corporate division benefits from a market-leading trading team, which actively focuses on energy intensive and public sector 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 and Simply Business Energy 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.

	2018				2017 (restated, note 24)			
	Corporate £000	SME £000	PLC costs £000	Total £000	Corporate £000	SME £000	PLC costs £000	Total £000
Revenue	27,311	5,381	—	32,692	20,358	5,998	—	26,356
Cost of sales	(1,923)	(3,095)	—	(5,018)	(2,180)	(2,416)	—	(4,596)
Gross profit	25,388	2,286	—	27,674	18,178	3,582	—	21,760
Administrative expenses	(13,848)	(157)	(8,166)	(22,171)	(10,078)	(1,533)	(6,208)	(17,819)
Operating profit	11,540	2,129	(8,166)	5,503	8,100	2,049	(6,208)	3,941
Analysed as:								
EBITDA	13,769	2,431	(2,448)	13,752	9,635	2,454	(1,647)	10,442
Depreciation	(514)	(36)	(19)	(569)	(460)	(35)	—	(495)
Amortisation	(727)	(120)	(3,658)	(4,505)	(375)	(357)	(2,565)	(3,297)
Share-based payment cost	(157)	(19)	(295)	(471)	(278)	(13)	(301)	(592)
Exceptional costs	(831)	(127)	(1,746)	(2,704)	(422)	—	(1,695)	(2,117)
	11,540	2,129	(8,166)	5,503	8,100	2,049	(6,208)	3,941
Finance expenditure				(1,380)				(955)
Other financial items				76				5
Profit before income tax				4,199				2,991
Total assets	26,134	6,938	52,451	85,523	20,017	4,420	31,882	56,319
Total liabilities	7,641	684	31,883	40,208	3,703	462	27,532	31,697

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.

	2018 £000	2017 £000
Profit before income tax is stated after charging:		
Amortisation of intangible assets	4,505	3,297
Depreciation:		
– owned	513	443
– held under hire purchase	56	52
Operating lease rentals:		
– buildings	734	498
Interest rate swap credit	(76)	(5)
Auditors' remuneration:		
– fees payable for the audit of the Company's annual accounts	10	10
– fees payable in respect of the audit of the Company's subsidiaries, pursuant to legislation	193	115
– services related to corporate finance transactions not covered above	245	78
– other taxation advisory services	25	8
– taxation compliance services	60	22
– other non-audit services	—	7
Exceptional costs/(items):		
– fees associated with acquisitions	2,345	896
– restructuring costs	935	614
– change in fair value of contingent consideration	(576)	607
	2,704	2,117

4. Profit before income tax continued

Exceptional costs

One-off costs include costs of £935,000 relating to restructuring programmes associated with the Board transition, the integration of the Corporate division from trading subsidiaries to a customer-focused structure, and the integration of businesses acquired in 2017 and 2018. 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 £2,345,000 have been incurred which would not normally be seen as costs or income relating to the underlying principal activities of the Group.

Change in fair value of contingent consideration includes a gain on revaluation of contingent consideration of £970,000 in relation to the acquisition of Horizon Energy Group Limited ("Horizon") in July 2017. The final aggregate consideration paid for Horizon was £12.7 million, with Horizon contributing £2.6 million to Group EBITDA in 2018, equating to a multiple of 4.9x EBITDA.

5. Finance expenditure

	2018 £000	2017 £000
Interest payable on bank borrowings	1,071	627
Foreign exchange variance	254	136
Amortisation of debt issue costs	55	192
	1,380	955

6. Revenue

	2018 £000	2017 (restated, note 24) £000
Rendering of services	32,692	26,356

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 £000	SME £000	2018 £000	Corporate £000	SME £000	2017 £000
Energy supplier A	569	1,832	2,401	726	1,560	2,286
Energy supplier B	2,130	62	2,192	n/a	n/a	n/a
Energy supplier C	1,930	181	2,111	2,098	468	2,566
Energy supplier D	n/a	n/a	n/a	1,087	1,062	2,149

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

7. Directors' remuneration

	2018 £000	2017 £000
Remuneration	1,179	1,220
Pension contributions	5	3
	1,184	1,223
The emoluments of Directors disclosed above include the following:		
In respect of the highest paid Director:		
– Directors' remuneration	406	381
– employer's pension contributions	2	1

Paul Connor is the only Director to have an interest in the share options (2017: 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 1,000,000 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 ended 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 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 ended 30 June 2017;

(iii) the date on which the Group published its audited accounts for the year ended 31 December 2017; and

(iv) the date on which the Group publishes its interim accounts for the six months ended 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 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 ended 30 June 2017;

(iii) the date on which the Group published its audited accounts for the year ended 31 December 2017; and

(iv) the date on which the Group published its interim accounts for the six months ended 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 (Joint Share Ownership Plan) 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.

7. Directors' remuneration continued

	EPS target set	FY2017	FY2018	FY2019	FY2020	FY2021	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

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 FY2017, FY2018 and FY2019 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.

Tranche 2
The JSOP Award in respect of Tranche 2 will vest on the achievement of an adjusted EPS of 1.55 pence, 1.69 pence and 1.75 pence for FY2018, FY2019 and FY2020 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.

Tranche 3
The Remuneration Committee will, on 1 January 2019, determine the adjusted EPS targets for Tranche 3. The adjusted EPS targets for Tranche 3 have not been disclosed due to sensitivity but will be disclosed in the next year financial statements. The adjusted EPS targets for Tranche 3 will cover the three financial years ending 31 December 2021. The targets set by the Remuneration Committee for Tranche 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.

7. Directors' remuneration continued

Vesting performance conditions continued

Tranche 3 continued

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 holding 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 FY2020 and a further 50% in FY2021 or beyond. Similarly, the earliest sale date of the Tranche 3 JSOP Award would be in FY2022 in respect of 50% of the award and FY2023 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 23 to 25.

Paul Connor and Mark Dickinson were granted a further 1,800,000 LTIP share options on 31 December 2018. 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 four 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	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	Total
Mark Dickinson								
Tranche 1	Target for three years ended Dec 2020, set at 1 Jan 2018	**75,000**	75,000	75,000	–	–	–	225,000
Tranche 2	Target for three years ended Dec 2021, set at 1 Jan 2019	**–**	75,000	75,000	75,000	–	–	225,000
Tranche 3	Target for three years ended Dec 2022, set at 1 Jan 2020	**–**	–	75,000	75,000	75,000	–	225,000
Tranche 4	Target for three years ended Dec 2023, set at 1 Jan 2021	**–**	–	–	75,000	75,000	75,000	225,000
		75,000	150,000	225,000	225,000	150,000	75,000	900,000
Paul Connor								
Tranche 1	Target for three years ended Dec 2020, set at 1 Jan 2018	**75,000**	75,000	75,000	–	–	–	225,000
Tranche 2	Target for three years ended Dec 2021, set at 1 Jan 2019	**–**	75,000	75,000	75,000	–	–	225,000
Tranche 3	Target for three years ended Dec 2022, set at 1 Jan 2020	**–**	–	75,000	75,000	75,000	–	225,000
Tranche 4	Target for three years ended Dec 2023, set at 1 Jan 2021	**–**	–	–	75,000	75,000	75,000	225,000
		75,000	150,000	225,000	225,000	150,000	75,000	900,000
		150,000	300,000	450,000	450,000	300,000	150,000	1,800,000

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.

7. Directors' remuneration continued

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 1.55 pence, 1.69 pence and 1.75 pence for FY2018, FY2019 and FY2020 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, 3 and 4

The Remuneration Committee will, on 1 January 2019, 1 January 2020 and 1 January 2021 respectively, determine the adjusted EPS targets for Tranches 2 to 4 respectively. The adjusted EPS targets will be set by the Remuneration Committee on 1 January each year, with Tranche 2 covering the three financial years ending 31 December 2021, Tranche 3 covering the three financial years ending 31 December 2022 and Tranche 4 covering the three financial years ending 31 December 2023. The targets set by the Remuneration Committee for all tranches represent a target below which none of the award will vest to the Executives for that financial period (threshold targets).

For all tranches, 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.

Exercise and holding 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 FY2021 and a further 50% in FY2022 or beyond. Similarly, the earliest sale date of the Tranche 4 JSOP Award would be in FY2024 in respect of 50% of the award and FY2025 or later in respect of the remaining 50% of the award.

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:

	2018
Share price (pence)	17.50
Exercise price (pence)	17.50
Expected volatility (%)	37
Risk-free rate (%)	0.00–0.99
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.

8. Employee benefit expense

	2018 £000	2017 (restated, note 24) £000
Wages and salaries	13,023	10,135
Social security costs	1,361	1,083
Pension contributions	333	134
	14,717	11,352

	No.	No.
Average number of persons employed:		
Management	15	9
Energy procurement services	263	204
Administration and finance	54	44
	332	257

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:

	2018 £000	2017 (restated, note 24) £000
Current tax		
Current tax charge	1,584	1,337
Adjustments in respect of prior periods	(87)	88
	1,497	1,425
Deferred tax		
Origination and reversal of temporary differences	(537)	(600)
Adjustment in respect of prior periods	—	133
	(537)	(467)
Total income tax charge	960	958
Reconciliation of tax charge to accounting profit:		
Profit on ordinary activities before taxation	4,199	2,991
Tax at UK income tax rate of 19% (2017: 19.25%)	798	576
Disallowable expenses	319	318
Share options	(70)	(50)
Adjust closing deferred tax to reflect change in tax rate	—	(107)
Effects of current period events on current tax prior period balances	(87)	221
Total income tax charge	960	958

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.

	2018 £000	2017 (restated, note 24) £000
Profit attributable to equity holders of the Group	3,239	2,033
Fees associated with acquisition	2,345	896
Restructuring costs	935	614
Changes in fair value of contingent consideration	(576)	607
Amortisation of acquired intangible assets	3,749	2,565
Foreign exchange variance	254	136
Deferred tax in respect of amortisation of intangible assets	(536)	(407)
Share-based payment cost	471	592
Adjusted profit attributable to owners of the Group	9,881	7,036
Weighted average number of ordinary shares in issue ('000)	587,602	528,034
Dilutive effect of share options ('000)	27,679	16,756
Diluted weighted average number of ordinary shares in issue ('000)	615,281	544,790
Basic earnings per share (pence)	0.55	0.39
Diluted earnings per share (pence)	0.53	0.37
Adjusted basic earnings per share (pence)	1.68	1.33
Adjusted diluted earnings per share (pence)	1.61	1.29

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 (excluding internally generated amortisation related to computer software and customer databases), exceptional item and share-based payment costs which have been expensed to the Group statement of comprehensive income in the year, the unwinding of contingent consideration and foreign exchange variances. The adjustments to earnings per share have been disclosed to give a clear understanding of the Group's underlying trading performance. Adjusted profit before tax is calculated as follows:

	2018 £000	2017 (restated, note 24) £000
Profit before income tax	4,199	2,991
Share-based payment cost	471	592
Amortisation of acquired intangible assets	3,749	2,565
Foreign exchange variance	254	136
Exceptional costs/(items):		
– fees associated with acquisition	2,345	896
– restructuring cost	935	614
– change in fair value of contingent consideration	(576)	607
	11,377	8,401

11. Property, plant and equipment

	Fixtures and fittings £000	Motor vehicles £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost					
At 1 January 2017	615	13	1,229	313	2,170
Acquisitions through business combinations	31	55	18	14	118
Foreign exchange variances	1	2	1	—	4
Additions	96	21	224	114	455
Disposals	—	(22)	—	—	(22)
At 31 December 2017	743	69	1,472	441	2,725
Acquisitions through business combinations	156	15	228	12	411
Foreign exchange variances	—	1	1	—	2
Additions	62	88	460	258	868
Disposals	—	(40)	1	—	(39)
At 31 December 2018	**961**	**133**	**2,162**	**711**	**3,967**
Depreciation					
At 1 January 2017	265	4	506	64	839
Charge for the year	108	14	335	38	495
Disposals	—	(16)	—	—	(16)
At 31 December 2017	373	2	841	102	1,318
Charge for the year	121	26	370	52	569
Disposals	—	(3)	—	—	(3)
At 31 December 2018	**494**	**25**	**1,211**	**154**	**1,884**
Net book value					
At 31 December 2018	**467**	**108**	**951**	**557**	**2,083**
At 31 December 2017	370	67	631	339	1,407
At 31 December 2016	350	9	723	249	1,331

Included within the net book value is £231,000 (31 December 2017: £152,000) 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 £56,000 (31 December 2017: £51,000).

12. Intangible assets and goodwill

	Computer software £000	Trade name £000	Customer databases £000	Customer contracts £000	Customer relationships £000	Total other intangibles £000	Goodwill £000	Total £000
Cost								
At 1 January 2017	4,762	115	1,320	4,405	1,989	12,591	12,987	25,578
Additions	1,043	—	178	—	—	1,221	—	1,221
Acquisitions through business combinations	—	—	—	6,182	—	6,182	8,626	14,808
Prior period adjustment (note 24)	—	—	—	—	—	—	(500)	(500)
Fair value adjustment to business combinations (note 24)	—	—	—	—	—	—	1,010	1,010
Foreign exchange variances	—	—	—	164	—	164	67	231
At 31 December 2017	5,805	115	1,498	10,751	1,989	20,158	22,190	42,348
Additions	1,411	—	98	—	—	1,509	—	1,509
Acquisitions through business combinations	2,134	—	—	3,848	242	6,224	22,140	28,364
Foreign exchange variances	—	—	—	88	—	88	36	124
At 31 December 2018	**9,350**	**115**	**1,596**	**14,687**	**2,231**	**27,979**	**44,366**	**72,345**
Amortisation								
At 1 January 2017	1,241	6	961	2,435	556	5,199	—	5,199
Charge for the year	1,032	6	356	1,406	497	3,297	—	3,297
At 31 December 2017	2,273	12	1,317	3,841	1,053	8,496	—	8,496
Charge for the year	1,589	6	120	2,246	544	4,505	—	4,505
At 31 December 2018	**3,862**	**18**	**1,437**	**6,087**	**1,597**	**13,001**	**—**	**13,001**
Net book value								
At 31 December 2018	**5,488**	**97**	**159**	**8,600**	**634**	**14,978**	**44,366**	**59,344**
At 31 December 2017	3,532	103	181	6,910	936	11,662	22,190	33,852
At 31 December 2016	3,521	109	359	1,970	1,433	7,392	12,987	20,379

Computer software is a combination of assets internally generated and assets acquired through business combinations. Amortisation charge in the period to 31 December 2018 associated with computer software acquired through business combinations is £953,000 (2017: £656,000). The additional £636,000 (2017: £376,000) charged in the period relates to the amortisation of internally generated computer software. Amortisation of customer databases of £120,000 (2017: £356,000) is also in relation to internally generated intangible assets. The total amortisation charged in the period to 31 December 2018 associated with intangible assets acquired through business combinations is £3,749,000 (2017: £2,565,000).

Included within goodwill is £800,000 relating to a deed of variation with regards to 64 Energy Limited during the year. No acquisition table has been presented in respect of this within note 22.

12. Intangible assets and goodwill continued

Annual test for impairment

In the prior year, the Board initiated the process of consolidating the Corporate service offering from subsidiary brands into 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, the 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, Horizon Energy Group Limited, Energy Cost Management Limited, SystemsLink 2000 Limited, Professional Cost Management Group Limited, Squareone Enterprises Limited and Inprova Finance 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, Churchcom Limited, Energy Cost Management Limited, SystemsLink 2000 Limited, Professional Cost Management Group Limited, Squareone Enterprises Limited and Inprova Finance 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.

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:

	2018 £000	2017 (restated, note 24) £000
Corporate division	37,331	16,210
SME division	1,208	408
Horizon Energy Group Limited	5,827	5,572
	44,366	22,190

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 as well as the expected return of the market. The pre-tax discount rate of 7.5% 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	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade receivables	5,671	3,272	1,756	—
Other receivables	667	144	19	395
Prepayments	1,346	1,419	59	15
Accrued income	14,222	11,042	—	—
	21,906	15,877	1,834	410

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 53 days (31 December 2017: 44 days).

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

	Not past due	31-60 days	61-90 days	Older	Total
31 December 2018	3,716	1,353	243	359	5,671
31 December 2017	2,274	213	428	357	3,272

As at 31 December 2018, £1,955,000 (31 December 2017: £1,073,000) 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	
	2018 £000	2017 £000	2018 £000	2017 £000
Current				
Trade payables	1,629	963	598	214
Social security and other taxes	1,844	1,239	237	—
Accruals	2,484	237	1,424	218
Deferred income	949	—	—	—
Amounts due under hire purchase agreements	131	93	—	—
	7,037	2,532	2,259	432
Non-current				
Amounts due under hire purchase agreements	92	33	—	—
	92	33	—	—

Trade payables are paid under normal commercial terms.

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

14. Trade and other payables continued

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 £000	6–12 months £000	1–5 years £000
31 December 2018			
Trade payables	**1,629**	**—**	**—**
Bank borrowings	**1,419**	**1,419**	**22,795**
Debt issue costs	**(28)**	**(28)**	**(137)**
Interest rate swaps	**—**	**—**	**68**
Contingent consideration	**934**	**—**	**1,770**
	3,954	**1,391**	**24,496**
31 December 2017			
Trade payables	963	—	—
Bank borrowings	657	1,434	18,001
Debt issue costs	(27)	(27)	(192)
Interest rate swaps	—	—	144
Contingent consideration	1,662	1,346	1,403
	3,255	2,753	19,356

Revolving loan facility

During the prior 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 £1.9 million was drawn down.

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 £119,000 (2017: £77,000):

	Minimum lease payments at 31 December 2018 £000	**Interest at 31 December 2018 £000**	**Principal at 31 December 2018 £000**	Minimum lease payments at 31 December 2017 £000	Interest at 31 December 2017 £000	Principal at 31 December 2017 £000
Hire purchase agreements:						
Less than one year	**119**	**12**	**107**	77	7	70
Between one and two years	**58**	**7**	**51**	35	3	32
Between two and five years	**49**	**7**	**42**	1	—	1
	226	**26**	**200**	113	10	103

15. Deferred tax liability

Deferred taxation is calculated at a tax rate of 17% (2017: 17%) and is set out below:

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Liability brought forward	1,126	1,011	—	—
Credited to income for the period	(536)	(467)	—	—
Movement arising from business combinations	1,019	582	—	—
Adjustment in respect of prior year	242	—	—	—
Deferred tax liability acquired through business combinations	5	—	—	—
Liability carried forward	1,856	1,126	—	—

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Excess of taxation allowances over depreciation on all non-current assets	189	189	—	—
Share options	(230)	(262)	—	—
Temporary differences on intangible assets	1,897	1,199	—	—
	1,856	1,126	—	—

Corporation tax for the year ended 31 December 2018 was calculated at 19% of profits for the year.

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:

	2018 £000	2017 £000
Deferred tax liability	1,856	1,126
	1,856	1,126

16. Bank borrowings

Bank borrowings are repayable as follows:

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Within one year	3,047	2,037	3,047	2,037
One to two years	3,718	2,814	3,718	2,814
Two to five years	18,675	14,995	18,675	14,995
	25,440	19,846	25,440	19,846

The above facility is for the principal sum of £35,000,000 (2017: £35,000,000).

As at 31 December 2018, the Group had a cash balance of £2.2 million and outstanding balances on its senior term debt facilities of £25.7 million.

As at 31 December 2018, net debt stood at £23.5 million, which is an increase of £8.7 million in comparison to 31 December 2018.

In the prior year, to finance the acquisition of Horizon in July 2017, the Group entered into a new facility agreement with Santander UK plc ("Santander"), with the new facility agreement ("Facility") including a £29.6 million and €7.0 million term loan. £6.3 million and €7.0 million of the term facilities ("Tranches 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.

The Group also entered into a new revolving credit facility (RCF) with Santander, for the sum of £2.5 million, to be used for the purposes of satisfying future working capital requirements 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.

16. Bank borrowings continued

The increase in net debt reflects a year in which the cash generation of the Group was offset by the payment of £6.1 million of initial cash consideration to the vendors of SystemsLink, ECM, Squareone and PCMG and £3.6 million of deferred cash consideration to the vendors of Informed and Horizon.

As at 31 December 2018, the Acquisition Facility and RCF within the Group's debt facility had £5.5 million and £1.9 million drawn respectively.

Capital repayments of £1.3 million per annum are made on Tranche A and the Group commenced capital repayments of £1.6 million per annum on Tranche B from September 2018.

17. Reconciliation of liabilities arising from financing activities

	Long-term borrowings £000	Short-term borrowings £000	Total £000
At 31 December 2016	8,287	3,337	11,624
Cash flows			
Repayment	(12,633)	(3,516)	(16,149)
Proceeds	21,923	2,037	23,960
Non-cash			
Acquisitions	—	179	179
Foreign exchange differences	93	—	93
Debt issue costs releases	139	—	139
At 31 December 2017	17,809	2,037	19,846
Cash flows			
Repayment	—	(2,044)	(2,044)
Proceeds	4,562	2,838	7,400
Non-cash			
Foreign exchange differences	176	7	183
Debt issue costs releases	55	—	55
At 31 December 2018	**22,602**	**2,838**	**25,440**

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 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. Financial instruments continued

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

	Amortised cost £000	Non-financial assets £000	Total £000
31 December 2018			
Trade receivables	5,671	—	5,671
Other receivables	667	—	667
Prepayments	—	1,346	1,346
Accrued income	14,222	—	14,222
Cash and cash equivalents – Sterling	1,574	—	1,574
Cash and cash equivalents – Euros	616	—	616
Current assets	22,750	1,346	24,096

	Loans and receivables £000	Non-financial assets £000	Total £000
31 December 2017			
Trade receivables	3,272	—	3,272
Other receivables	144	—	144
Prepayments	—	1,419	1,419
Accrued income	11,042	—	11,042
Cash and cash equivalents – Sterling	3,364	—	3,364
Cash and cash equivalents – Euros	1,819	—	1,819
Current assets	19,641	1,419	21,060

18. Financial instruments continued

18.3 Categories of financial instrument continued

Financial liabilities

	Other liabilities (amortised cost) £000	Fair value through profit or loss £000	Liabilities not within scope of IFRS 9 £000	Total £000
31 December 2018				
Trade payables	1,629	—	—	1,629
Social security and other taxes	—	—	1,844	1,844
Accruals	3,433	—	—	3,433
Bank borrowings – Sterling	19,917	—	—	19,917
Bank borrowings – Euros	5,523	—	—	5,523
Current tax liability	—	—	2,857	2,857
Contingent consideration	—	2,858	—	2,858
Interest rate swap	—	68	—	68
Deferred tax liability	—	—	1,856	1,856
	30,502	2,926	6,557	39,985

	Other liabilities (amortised cost) £000	Fair value through profit or loss £000	Liabilities not within scope of IAS 39 £000	Total £000
31 December 2017				
Trade payables	963	—	—	963
Social security and other taxes	—	—	1,239	1,239
Accruals	237	—	—	237
Bank borrowings – Sterling	13,630	—	—	13,630
Bank borrowings – Euros	6,216	—	—	6,216
Current tax liability	—	—	3,022	3,022
Contingent consideration	—	4,994	—	4,994
Interest rate swap	—	144	—	144
Deferred tax liability	—	—	1,126	1,126
	21,046	5,138	5,387	31,571

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 in the prior 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 2018		Year ended 31 December 2017	
	+1%	-1%	+1%	-1%
Profit for the period	233	(233)	148	(148)
Equity	233	(233)	148	(148)

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 2018 and 31 December 2017:

31 December 2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Interest rate swaps	—	68	—	68
Contingent consideration	—	—	2,858	2,858
Total liabilities	—	68	2,858	2,926

31 December 2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Interest rate swaps	—	144	—	144
Contingent consideration	—	—	4,994	4,994
Total liabilities	—	144	4,994	5,138

There were no transfers between Level 1 and Level 2 in 2018 or 2017.

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 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.

18. Financial instruments continued

Measurement of fair value of financial instruments continued

Contingent consideration (Level 3)

The fair value of contingent considerations at 31 December 2018 related to the acquisitions of Energy Cost Management Limited, Squareone Enterprises Limited, Professional Cost Management Group Limited and Inprova Finance Limited and is estimated using a present value technique. The £2,858,000 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 event for Energy Cost Management Limited is if EBITDA for the twelve months ending 31 December 2020 exceeds £200,000 then consideration up to a maximum of £500,000 shall be payable by way of the allotment and issue of such number of shares of 0.125 pence each in the capital of the Group equating to £2.50 for every £1.00 generated in excess of £200,000 of EBITDA. A further consideration of £1,000,000 shall be payable in cash equating to £2 for every £1 of EBITDA generated for the twelve months ending 31 December 2020.

The contingent event for Squareone Enterprises Limited is if revenue for the twelve months ended 31 March 2019 exceeds £535,000, then £250,000 will be payable. If revenue for the twelve months ending 31 March 2020 exceeds £535,000 then £125,000 will be payable and a further £1.00 for every £1.00 revenue generated for the twelve months to 31 March 2020 in excess of £535,000 then up to a maximum of £250,000 is payable such that the consideration is capped at an aggregate of £375,000.

The contingent event for Professional Cost Management Group Limited covers the period ending on 31 December 2028. The consideration will be an amount equal to £0.30 for every £1.00 of adjusted EBITDA in each relevant financial year and is subject to aggregate cap of £550,000.

When the Group acquired Inprova Finance Limited in December 2018, Inprova Finance Limited had an existing contingent event for Energy and Carbon Management Limited, which it had acquired in January 2018. The contingent event covered the period ending 31 December 2018. Should the relevant profits exceed £850,000 then an amount equal to 45% of any amount over £850,000 shall be payable. This balance of £546,000 is held within the Group statement of financial position but not within the Company statement of financial position.

The fair value of contingent consideration at 31 December 2017 related to the acquisitions of Informed Business Solutions Limited and Horizon Energy Group Limited and is estimated using a present value technique. The £4,411,000 fair value is measured by reference to the future cash outflows. During the current year, the Group recognised a gain on revaluation of contingent consideration of £970,000 in relation to the acquisition of Horizon Energy Group Limited.

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	
	2018 £000	2017 £000
Balance as at 1 January	**4,994**	3,258
Arising on business combinations	**2,065**	3,879
Consideration paid	**(3,625)**	(2,550)
Change in fair value of contingent consideration (included within administrative expenses)	**(576)**	407
Balance at 31 December	**2,858**	4,994
Analysed as:		
– current liability	**1,479**	3,619
– non-current liability	**1,379**	1,375

19. Share capital and reserves

Group and Company

	Number of shares	Share capital £000	Share premium £000	Merger relief reserve £000
Issued and fully paid				
Ordinary shares of 0.125 pence each as at 1 January 2017	485,588,955	607	2,319	14,914
Shares issued to satisfy exercise of share options on 30 March 2017	1,600,000	2	169	—
Shares issued on acquisition of subsidiary on 20 April 2017 (note 22)	2,993,653	4	496	—
Shares issued to satisfy exercise of share options on 24 April 2017	450,000	1	50	—
Shares issued on acquisition of subsidiary on 17 July 2017 (note 22)	62,068,966	77	8,396	—
Shares issued to Long Term Incentive Plan on 20 July 2017	14,850,000	18	2,600	—
Shares issued to satisfy exercise of share options on 29 August 2017	1,565,000	2	173	—
Ordinary shares of 0.125 pence each as at 31 December 2017	569,116,574	711	14,203	14,914
Shares issued on acquisition of subsidiary on 22 March 2018 (note 22)	2,948,113	4	—	621
Shares issued to satisfy exercise of share options on 29 March 2018	1,672,237	2	145	—
Shares issued to Long Term Incentive Plan on 24 May 2018	23,400,000	29	4,095	—
Shares issued to satisfy exercise of share options on 7 June 2018	885,000	1	37	—
Shares issued to satisfy exercise of share options on 7 September 2018	800,000	1	86	—
Shares issued on acquisition of subsidiary on 31 December 2018 (note 22)	115,151,516	144	18,856	—
Ordinary shares of 0.125 pence each as at 31 December 2018	**713,973,440**	**892**	**37,422**	**15,535**

On 30 March 2017, the Company issued 1,600,000 new ordinary shares of 16.75 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 16.70 pence. The proceeds were used to part fund the acquisition of Flexible Energy Management Limited.

On 24 April 2017, the Company issued 450,000 new ordinary shares of 17.25 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 14.50 pence each to raise up to £9.0 million. The proceeds were used to part fund the acquisition of Horizon Energy Group Limited.

On 20 July 2017, the Company issued 14,850,000 new ordinary shares of 17.63 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 19.68 and 21.00 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 22 March 2018, the Company issued 2,948,113 new ordinary shares of 21.22 pence. The proceeds were used to part fund the acquisition of SystemsLink 2000 Limited.

On 29 March 2018, the Company issued 1,672,237 new ordinary shares of 18.79 pence to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 3.00, 4.25, 8.75, 10.75 and 11.25 pence each.

On 24 May 2018, the Company issued 23,400,000 new ordinary shares of 19.50 pence each to Inspired Energy EBT Limited as trustee of the Inspired Energy PLC Employee Benefit Trust.

On 7 June 2018, the Company issued 885,000 new ordinary shares of 18.05 pence to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 4.25 pence each.

On 7 September 2018, the Company issued 800,000 new ordinary shares of 21.00 pence to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 11.25 and 10.75 pence each.

On 31 December 2018, the Company issued 115,151,516 new ordinary shares of 16.50 pence. The proceeds were used to part fund the acquisition of Inprova Finance Limited.

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:

	2018		2017	
	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	**23,892,240**	**13.56**	18,807,240	10.96
Granted during the period	**600,000**	**19.85**	8,700,000	18.13
Expired during the period	**—**	**—**	—	—
Exercised during the period	**(3,357,240)**	**8.10**	(3,615,000)	10.97
Outstanding at the end of the period	**21,135,000**	**14.66**	23,892,240	13.56
Exercisable at the end of the period	**11,835,000**	**11.76**	6,817,237	10.40

The options outstanding at 31 December 2018 had a weighted average exercise price of 14.66 pence (2017: 13.56 pence) and a weighted average remaining contractual life of one year (2017: one year).

The weighted average share price at the date options were exercised in the year was 8.10 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	—
1 December 2012	4.25p	1 December 2022	11,000,000	—
15 January 2014	8.75p	15 January 2024	5,050,000	—
18 March 2014	10.00p	18 March 2024	5,000,000	—
16 April 2015	11.25p	16 April 2025	7,100,000	2,085,000
31 July 2015	10.75p	31 July 2025	6,000,000	5,000,000
22 December 2015	13.38p	22 December 2025	3,000,000	3,000,000
7 April 2016	12.50p	7 April 2026	1,750,000	1,750,000
17 July 2017	18.13p	17 July 2027	8,700,000	—
15 February 2018	19.85p	15 February 2028	600,000	—

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 the 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.

20. Share-based payments continued

Approved share options continued

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.

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 ended 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 ended 31 December 2017; and

(ii) the date on which the Group publishes its audited accounts for the year ended 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 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 ended 30 June 2017;

(iii) the date on which the Company published its audited accounts for the year ended 31 December 2017; and

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

(iii) the date on which the Company published its audited accounts for the year ended 31 December 2017; and

(iv) the date on which the Company published its interim accounts for the six months ended 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 ending 31 December 2019; and

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

EMI Options were granted on 15 February 2018 subject to an exercise price of 19.85 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 four employees over a total of 600,000 shares in aggregate.

These options will become exercisable in one tranche on the following date:

(i) the date on which the Company publishes its interim accounts for the six months ending 30 June 2020.

In addition to the options listed above interests granted under a Long Term Incentive Plan (LTIP) are discussed in note 7.

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:

	2018
Share price (pence)	17.50
Exercise price (pence)	17.50
Expected volatility (%)	37
Risk-free rate (%)	0.00–0.99
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 total expenses of £471,000 (2017: £592,000) in the statement of comprehensive income relating to equity-settled share-based payment transactions in the period in respect of the options disclosed in this note and note 7.

Notes to the Group financial statements continued

21. Operating lease commitments

The future minimum lease payments under operating lease agreements are:

	2018 £000	2017 £000
Within one year	806	470
Within one to two years	718	375
Within five years	1,613	952
Total	3,137	1,797

There are considered to be no capital commitments at 31 December 2018.

22. Business combinations

SystemsLink 2000 Limited (SL2000)

On 21 March 2018, the Group acquired 100% of the issued share capital and voting rights of SystemsLink 2000 Limited, a company based in the United Kingdom. SL2000 is a supplier of energy management software, enabling customers to effectively monitor and manage their utilities consumption. SL2000's energy management platform, 'Energy Manager', is licensed to public and private sector energy users, energy consultancies and third-party intermediaries. Inspired has been a licensee of 'Energy Manager' since the Group's IPO in 2011, to support its service offering and the energy management needs of the core Corporate division. This acquisition brings this capability in house, providing security of access.

The acquisition of SL2000 was completed for a total consideration of £4,154,000. The payment was satisfied by £3,529,000 cash and the issue of 2,948,113 ordinary shares (with an aggregate fair value at completion of £625,000) 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 £000	Provisional fair value adjustment £000	Provisional fair value £000
Property, plant and equipment	12	—	12
Intangible assets	—	2,146	2,146
Trade and other receivables	295	(44)	251
Cash and cash equivalents	359	—	359
Total assets	666	2,102	2,768
Trade and other payables	114	401	515
Current tax liability	131	(51)	80
Deferred tax liability	—	365	365
Total liabilities	245	715	960
Provisional fair value of identifiable net assets			1,808
Provisional goodwill			2,346
Fair value of consideration transferred			4,154
Satisfied by:			
– cash consideration paid			3,529
– fair value of shares issued on 22 March 2018			625
			4,154
Net cash outflow arising from business combinations:			
– cash consideration paid			3,529
– cash and cash equivalents acquired			(359)
Net cash outflow			3,170

Since acquisition SL2000 has contributed £1,118,000 to revenue and £761,000 to profit before income tax. If the acquisition had taken place at the start of the financial period, SL2000 would have contributed £1,307,000 to revenue and £712,000 to profit before income tax.

22. Business combinations continued

SystemsLink 2000 Limited (SL2000) continued

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 SL2000 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 acquired longstanding customer relationships was calculated as £242,000. The excess earnings approach was used in valuing SL2000's existing customer relationships. The value of the customer relationships is calculated as the sum of the present value of the projected cash flow, in excess of returns on contributory assets over the life of the relationship with the customer.

The fair value of the software development intangible at acquisition was calculated to be £1,904,000 on a reproduction cost basis and is to be amortised on a straight-line basis over five years in line with its expected economic life.

The Group estimates costs incurred in relation to the transaction to be £235,000. These costs are included within exceptional costs/items in the Group statement of comprehensive income.

Energy Cost Management Limited (ECM)

On 21 March 2018, the Group acquired 100% of the issued share capital and voting rights of Energy Cost Management Limited, a company based in the United Kingdom. ECM is a niche operator of water and energy management services, specialising in water engineering solutions. ECM provides a range of water management services to Corporate customers, including water procurement, bill validation, retrospective audit of water bills, leak detection and repair and compliance services, broadening Inspired's service offering within its core Corporate division.

The acquisition of ECM was completed for a total consideration of £1,772,000. The initial £934,000 was satisfied in cash. The additional £1,150,000 is contingent upon ECM achieving a challenging EBITDA target until 31 December 2020 payable on 31 March 2021 and is settled by a variable amount of cash and shares in the capital of the Group. The range of potential outcomes of consideration payable varied from £0.3 million to £1.5 million.

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 £000	Provisional fair value adjustment £000	Provisional fair value £000
Property, plant and equipment	62	—	62
Intangible assets	—	130	130
Trade and other receivables	149	26	175
Cash and cash equivalents	450	—	450
Total assets	661	156	817
Trade and other payables	181	—	181
Current tax liability	17	(14)	3
Deferred tax liability	11	22	33
Total liabilities	209	8	217
Provisional fair value of identifiable net assets			600
Provisional goodwill			1,172
Fair value of consideration transferred			1,772
Satisfied by:			
– cash consideration paid			934
– contingent consideration			1,150
– discounting impact on contingent consideration			(312)
			1,772
Net cash outflow arising from business combinations:			
– cash consideration paid			934
– cash and cash equivalents acquired			(450)
Net cash outflow			484

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22. Business combinations continued

Energy Cost Management Limited (ECM) continued

Recognised amounts of identifiable net assets continued

Since acquisition ECM has contributed £579,000 to revenue and £210,000 to profit before income tax. If the acquisition had taken place at the start of the financial period, ECM would have contributed £748,000 to revenue and £138,000 to profit before income tax.

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 ECM 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 £130,000, which includes only values ascribed to existing customer contracts ECM has in place. 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 £95,000. These costs are included within exceptional costs/items in the Group statement of comprehensive income.

Squareone Enterprises Limited (SQ1)

On 8 August 2018, the Group acquired 100% of the issued share capital and voting rights of Squareone Enterprises Limited, a company based in the UK. SQ1 provides energy consultancy and procurement services to a range of Corporate customers, with a strong presence on the education and manufacturing sectors. SQ1 benefits from a strong secured order book and retention rates and is a complementary addition to Inspired's core Corporate division.

The acquisition of SQ1 was completed for a total consideration of £1,267,000. The initial £820,000 was satisfied in cash. The additional £625,000 is contingent upon SQ1 achieving challenging revenue targets until 31 March 2020 payable in two instalments payable on 30 April 2019 and 30 April 2020. The range of potential outcomes of consideration payable varied from £0.4 million to £0.6 million.

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 £000	Provisional fair value adjustment £000	Provisional fair value £000
Property, plant and equipment	9	—	9
Intangible assets	—	113	113
Trade and other receivables	46	(33)	13
Cash and cash equivalents	125	—	125
Total assets	180	80	260
Trade and other payables	33	—	33
Deferred tax liability	—	19	19
Current tax liability	48	15	63
Total liabilities	81	34	115
Provisional fair value of identifiable net assets			145
Provisional goodwill			1,122
Fair value of consideration transferred			1,267
Satisfied by:			
– cash consideration paid			820
– contingent consideration			525
– discounting impact on contingent consideration			(78)
			1,267
Net cash outflow arising from business combinations:			
– cash consideration paid			820
– cash and cash equivalents acquired			(125)
Net cash outflow			695

22. Business combinations continued

Squareone Enterprises Limited (SQ1) continued

Recognised amounts of identifiable net assets continued

Since acquisition SQ1 has contributed £185,000 to revenue and £63,000 to profit before income tax. If the acquisition had taken place at the start of the financial period, SQ1 would have contributed £469,000 to revenue and £155,000 to profit before income tax.

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 SQ1 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 £113,000, which includes only values ascribed to valid energy supply contracts and letters of authority granting SQ1 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 £63,000. These costs are included within exceptional costs/items in the Group statement of comprehensive income.

Professional Cost Management Group Limited (PCMG)

On 10 September 2018, the Group acquired 100% of the issued share capital and voting rights of Professional Cost Management Group Limited, a company based in the UK. PCMG provides a forensic auditing service to identify and recover overpayments of utilities and telecoms bills on behalf of its clients and provides optimisation analysis to enable customers to improve their tariff and billing structure. Whilst Inspired provides cost recovery services to its clients, the integration of PCMG to the Group creates a market-leading capability, allowing the Group's existing customer base to further benefit from PCMG's specialism and, conversely, providing PCMG customers with the opportunity to benefit from the broad service offering of the enlarged Group.

The acquisition of PCMG was completed for a total consideration of £1,072,000. The initial £800,000 was satisfied in cash. The additional £550,000 is contingent upon PCMG achieving challenging EBITDA targets until 31 December 2028 payable in nine instalments payable on 31 March 2019, 31 March 2020, 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024, 31 March 2025, 31 March 2026 and 31 March 2027. The contingent consideration is based on forecast EBITDA for the period through to 31 December 2028.

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 £000	Provisional fair value adjustment £000	Provisional fair value £000
Property, plant and equipment	16	—	16
Trade and other receivables	1,004	(428)	576
Cash and cash equivalents	151	—	151
Deferred tax asset	3	—	3
Total assets	1,174	(428)	746
Trade and other payables	482	—	482
Total liabilities	482	—	482
Provisional fair value of identifiable net liabilities			264
Provisional goodwill			808
Fair value of consideration transferred			1,072
Satisfied by:			
– cash consideration paid			800
– contingent consideration			550
– discounting impact on contingent consideration			(278)
			1,072
Net cash outflow arising from business combinations:			
– cash consideration paid			800
– cash and cash equivalents acquired			(151)
Net cash outflow			649

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22. Business combinations continued

Professional Cost Management Group Limited (PCMG) continued

Recognised amounts of identifiable net assets continued

Since acquisition PCMG has contributed £840,000 to revenue and £314,000 to profit before income tax. If the acquisition had taken place at the start of the financial period, PCMG would have contributed £1,835,000 to revenue and a loss of £897,000 to profit before income tax.

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 PCMG has been carried out. No value was ascribed to customer contracts or 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 £139,000. These costs are included within exceptional costs/items in the Group statement of comprehensive income.

Inprova Finance Limited (IFL)

On 6 December 2018, the Group acquired 100% of the issued share capital and voting rights of Inprova Finance Limited, a company based in the UK. IFL provides energy procurement services to its customers analysing usage data to recommend the appropriate options on either flexible procurement arrangements or a fixed price basis. IFL also provides consultancy services to its customers to enable customers to buy energy efficiently and monitor and reduce their carbon footprint. IFL is a significant operator within the UK TPI market with access to 19,000 meter points through over 1,000 customers. IFL has a strong presence in four sectors which it believes have attractive long-term growth dynamics, being: data centres, social housing, education and construction, which the Board believes will further extend the Group's sector specialism.

The acquisition of IFL was completed for a total consideration of £21,096,000 satisfied in cash.

The acquisition was financed through the issue of shares in the Group and 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 £000	Provisional fair value adjustment £000	Provisional fair value £000
Property, plant and equipment	307	—	307
Intangible assets	231	3,605	3,836
Trade and other receivables	3,631	(395)	3,236
Cash and cash equivalents	615	—	615
Total assets	4,784	3,210	7,994
Trade and other payables	1,792	—	1,792
Current tax liability	366	—	366
Deferred tax liability	18	613	631
Total liabilities	2,176	613	2,789
Provisional fair value of identifiable net liabilities			5,205
Provisional goodwill			15,891
Fair value of consideration transferred			21,096
Satisfied by:			
– cash consideration paid			21,096
			21,096
Net cash outflow arising from business combinations:			
– cash consideration paid			21,096
– cash and cash equivalents acquired			(615)
Net cash outflow			20,481

Since acquisition IFL has contributed £820,000 to revenue and £180,000 to profit before income tax. If the acquisition had taken place at the start of the financial period, IFL would have contributed £7,852,000 to revenue and £2,234,000 to profit before income tax.

22. Business combinations continued

Inprova Finance Limited (IFL) continued

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 IFL 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 £3,605,000, which includes only values ascribed to valid energy supply contracts and letters of authority granting SQ1 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 £1,435,000. These costs are included within exceptional costs/items in the Group statement of comprehensive income.

Horizon Energy Group Limited (HEG)

As disclosed in the 31 December 2017 annual report and accounts, on 17 July 2017, the Group acquired an initial 90% of the issued share capital and voting rights of HEG, a company based in Cork, Ireland.

Identifiable net assets

A provisional fair value exercise to determine the fair value of assets and liabilities acquired in relation to HEG was carried out. Within the twelve-month hindsight period, the Group has reassessed the provisional fair values and which have now been adjusted as per the table below:

Recognised amounts of identifiable net assets

	Book value (restated) £000	Fair value adjustment £000	Fair value £000
Property, plant and equipment	116	—	116
Intangible assets	—	5,478	5,478
Trade and other receivables	1,394	(427)	967
Cash and cash equivalents	1,303	—	1,303
Total assets	2,813	5,051	7,864
Trade and other payables	927	—	927
Deferred tax liability	—	685	685
Total liabilities	927	685	1,612
Fair value of identifiable net liabilities			6,252
Goodwill			5,505
Fair value of consideration transferred			11,757
Satisfied by:			
– cash consideration paid			7,960
– contingent consideration			4,194
– discounting impact on contingent consideration			(397)
			11,757
Net cash outflow arising from business combinations:			
– cash consideration paid			7,960
– cash and cash equivalents acquired			(1,303)
Net cash outflow			6,657

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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 Mike Fletcher is a partner, invoiced £108,000 (2017: £134,000) for services provided, and expenses incurred, to Inspired Energy PLC. As at 31 December 2018, the balance outstanding was £nil (31 December 2017: £nil) within trade receivables. Within prepayments a balance of £13,000 (31 December 2017: £nil) is held.

The below shows the amount of dividends paid to Directors (and spouse/children) or companies for which a Director has an interest:

	2018 £000	2017 £000
Matthew Thornton	**448**	370
Praetura Ventures (1) LLP	**65**	53
Mark Dickinson	**4**	3
Richard Logan	**2**	2
	519	428

Key management personnel remuneration

The remuneration of the key management personnel, the Directors, in the year ended 31 December 2018 is set out below:

	2018 £000	2017 £000
Short-term employee benefits		
Employee emoluments	**897**	830
Social security costs	**79**	108
Share-based payments	**131**	52
	1,107	990

The aggregate dividends paid to Directors in the year were £294,000. The shareholdings of the Directors are disclosed within the Directors' remuneration report on page 25.

24. Prior year restatement

The Group's financial statements for the year ended 31 December 2017 were sampled by the Financial Reporting Council as part of the thematic review of smaller listed and AIM quoted companies report and accounts, with a focus on the Group's statements of cash flows and accounting policies, including critical judgements and estimates. As a result of the review, management was challenged on the basis of preparation note in the 2017 financial statements, in particular the date from which the Group consolidated Horizon.

In the financial statements for the year ended 31 December 2017, management judged the date at which control of Horizon passed to the Group to be the date at which the locked box mechanism was entered into, being 31 March 2017 (the "Locked Box Date"), between the vendors and the Group. Where a deal subsequently completes, the Locked Box Date is the date at which the economic risks and benefits of ownership transferred to Group. Legal completion occurred on 17 July 2017.

As detailed in the Chief Executive Officer's statement, management has reconsidered this accounting policy and concluded it was not consistent with the requirements of IFRS 10. Management acknowledges, that whilst there are significant indicators of control such as economic measures, including the benefit of all cash generated by the trading of the acquired entity from the Locked Box Date, in its current form, the share purchase agreement did not contain sufficient substantive rights to conclude the ability to control the acquired entity from the Locked Box Date.

As such, the financial statements for the year ended 31 December 2017 have been restated. Full details of the restated Group statement of comprehensive income are included below.

This change in date of consolidation had no impact on the acquired cash reserves or the financial statements for Horizon for the full year. The restatement has no impact on the 2018 statement of comprehensive income or future forecasts of the Group. The restatement had no impact on the organic growth of the Group in 2017.

All FY2018 acquisitions have been consolidated from the legal completion date.

24. Prior year restatement continued

The adjustment, and its impact on the 2017 comparatives, is summarised below:

	Previously reported £000	Restated adjustments £000	Reclassification[1] £000	Restated £000
Revenue	27,458	(1,102)	—	26,356
Cost of sales	(4,645)	49	—	(4,596)
Gross profit	22,813	(1,053)	—	21,760
Administrative expenses	(17,703)	491	(607)	(17,819)
Operating profit	5,110	(562)	(607)	3,941
Analysed as:				
Earnings before exceptional costs, depreciation, amortisation and share-based payment costs	11,004	(562)	—	10,442
Exceptional costs	(1,510)	—	(607)	(2,117)
Depreciation	(495)	—	—	(495)
Amortisation of intangible assets	(3,297)	—	—	(3,297)
Share-based payment cost	(592)	—	—	(592)
	5,110	(562)	(607)	3,941
Finance expenditure	(1,562)	—	607	(955)
Other financial items	5	—	—	5
Profit before income tax	3,553	(562)	—	2,991
Income tax expense	(1,020)	62	—	(958)
Profit for the year	2,533	(500)	—	2,033
Other comprehensive income:				
Exchange differences on translation of foreign operations	210	—	—	210
Total other comprehensive income for the year	210	—	—	210
Total comprehensive income from continuing operations	2,743	(500)	—	2,243
Attributable to:				
Equity owners of the Company	2,743	(500)	—	2,243
Basic earnings per share attributable to the equity holders of the Company (pence)	0.48	(0.09)	—	0.39
Diluted earnings per share attributable to the equity holders of the Company (pence)	0.46	(0.09)	—	0.37

FINANCIAL STATEMENTS

24. Prior year restatement continued

The restated Group statement of financial position is as follows:

	Previously reported £000	Restated adjustments £000	Final fair value adjustment (goodwill)[2] £000	Restated £000
ASSETS				
Non-current assets				
Goodwill	21,680	(500)	1,010	22,190
Other intangible assets	11,662	—	—	11,662
Property, plant and equipment	1,407	—	—	1,407
Non-current assets	34,749	(500)	1,010	35,259
Current assets				
Trade and other receivables	16,304	—	(427)	15,877
Cash and cash equivalents	5,183	—	—	5,183
Current assets	21,487	—	(427)	21,060
Total assets	56,236	(500)	583	56,319
LIABILITIES				
Current liabilities				
Trade and other payables	2,532	—	—	2,532
Bank borrowings	2,037	—	—	2,037
Contingent consideration	3,036	—	583	3,619
Current tax liability	3,022	—	—	3,022
Current liabilities	10,627	—	583	11,210
Non-current liabilities				
Bank borrowings	17,809	—	—	17,809
Trade and other payables	33	—	—	33
Contingent consideration	1,375	—	—	1,375
Interest rate swap	144	—	—	144
Deferred tax liability	1,126	—	—	1,126
Non-current liabilities	20,487	—	—	20,487
Total liabilities	31,114	—	583	31,697
Net assets	25,122	(500)	—	24,622
EQUITY				
Share capital	711	—	—	711
Share premium account	14,203	—	—	14,203
Merger relief reserve	14,914	—	—	14,914
Share-based payment reserve	1,231	—	—	1,231
Retained earnings	7,854	(500)	—	7,354
Investment in own shares	(2,618)	—	—	(2,618)
Translation reserve	210	—	—	210
Reverse acquisition reserve	(11,383)	—	—	(11,383)
Total equity	25,122	(500)	—	24,622

24. Prior year restatement continued

The restated Group statement of cash flows is as follows:

	Previously reported £000	Restated adjustments £000	Reclassification[1] £000	Restated £000
Cash flows from operating activities				
Profit before income tax	3,553	(562)	—	2,991
Adjustments				
Depreciation	495	—	—	495
Amortisation	3,297	—	—	3,297
Share-based payment cost	592	—	—	592
Finance expenditure	1,557	—	(607)	950
Exchange rate variances	(92)	—	—	(92)
Other financial items	(200)	—	607	407
Cash flows before changes in working capital	9,202	(562)	—	8,640
Movement in working capital				
(Increase)/decrease in trade and other receivables	(2,441)	50	—	(2,391)
Increase in trade and other payables	152	50	—	202
Cash generated from operations	6,913	(462)	—	6,451
Income taxes paid	(1,418)	—	—	(1,418)
Net cash flows from operating activities	5,495	(462)	—	5,033
Cash flows from investing activities				
Contingent consideration paid	(2,550)	—	—	(2,550)
Acquisition of subsidiaries, net of cash acquired (note 11)	(10,672)	462	—	(10,210)
Payments to acquire property, plant and equipment	(455)	—	—	(455)
Payments to acquire intangible assets	(1,222)	—	—	(1,222)
Net cash flows (used in)/from investing activities	(14,899)	462	—	(14,437)
Cash flows from financing activities				
New bank loans (net of debt issue costs)	23,960	—	—	23,960
Proceeds from issue of new shares	8,870	—	—	8,870
Repayment of bank loans	(16,149)	—	—	(16,149)
Interest on bank loans paid	(627)	—	—	(627)
Dividends paid	(2,457)	—	—	(2,457)
Net cash flows from financing activities	13,597	—	—	13,597
Net increase in cash and cash equivalents	4,193	—	—	4,193
Cash and cash equivalents brought forward	985	—	—	985
Exchange differences on cash and cash equivalents	5	—	—	5
Cash and cash equivalents carried forward	5,183	—	—	5,183

1. The reclassification column within the restated primary statements relates to the reclassification of the change in fair value of contingent consideration from finance expenditure to administrative expenses. This has now been included as an exceptional item and has no impact on adjusted EBITDA, profit before income tax, the balance sheet and cash generated from operations.
2. In accordance with IFRS 3, where provisional fair value assessments are made at the date of acquisition, and are subsequently updated, such adjustments have been reflected in the comparative period.

25. Post balance sheet events

On 29 January 2019 Inspired Energy PLC was issued £600,000 secured convertible loan notes 2021 by Information Prophets Limited.

Company statement of financial position

At 31 December 2018

	Note	2018 £000	2017 £000
Investments	27	**80,263**	49,521
Current assets			
Debtors			
Debtors	13	**1,834**	410
Amounts owed from subsidiary undertakings		**6,234**	6,361
		8,068	6,771
Cash and cash equivalents		**88**	1,339
		8,156	8,110
Creditors: amounts falling due within one year			
Trade creditors	14	**2,259**	432
Bank borrowings	16	**3,047**	2,037
Contingent consideration	18	**933**	3,619
Amounts owed to subsidiary undertakings		**—**	—
		6,239	6,088
Net current assets		**1,917**	2,022
Total assets less current liabilities		**82,180**	51,543
Creditors: amounts falling due after more than one year			
Bank borrowings	16	**22,393**	17,808
Contingent consideration	18	**1,379**	1,375
Interest rate swap		**68**	144
		23,840	19,327
Net assets		**58,340**	32,216
Share capital	19	**892**	711
Share premium account	19	**37,422**	14,203
Merger relief reserve	19	**15,535**	14,914
Share-based payment reserve		**1,361**	582
Retained profit		**3,130**	1,806
Shareholders' funds		**58,340**	32,216

The Company generated a profit of £3,971,000 during the financial year (2017: £1,682,000).

The financial statements were approved and authorised for issue by the Board of Directors on 3 April 2019 and were signed on its behalf by:

Mark Dickinson
Director

Paul Connor
Director

Company registration number: 07639760.

The notes on pages 84 to 86 form part of these Company financial statements.

Company statement of changes in equity
For the year ended 31 December 2018

	Share capital £000	Share premium account £000	Merger relief reserve £000	Share-based payment reserve £000	Retained earnings £000	Total shareholders' equity £000
Balance at 1 January 2017	607	2,319	14,914	582	2,581	21,003
Profit and total comprehensive income for the period	—	—	—	—	1,682	1,682
Shares issued (30 March 2017)	2	169	—	—	—	171
Shares issued (20 April 2017)	4	496	—	—	—	500
Shares issued (24 April 2017)	1	50	—	—	—	51
Shares issued (17 July 2017)	77	8,396	—	—	—	8,473
Shares issued (20 July 2017)	18	2,600	—	—	—	2,618
Shares issued (29 August 2017)	2	173	—	—	—	175
Dividends paid	—	—	—	—	(2,457)	(2,457)
Total transactions with owners	104	11,884	—	—	(775)	11,213
Balance at 31 December 2017	711	14,203	14,914	582	1,806	32,216
Profit and total comprehensive income for the period	—	—	—	—	3,971	3,971
Shares issued (22 March 2018)	4	—	621	—	—	625
Shares issued (29 March 2018)	2	145	—	—	—	147
Shares issued (24 May 2018)	29	4,095	—	—	—	4,124
Shares issued (7 June 2018)	1	37	—	—	—	38
Shares issued (7 September 2018)	1	86	—	—	—	87
Shares issued (31 December 2018)	144	18,856	—	—	—	19,000
Share-based payment cost	—	—	—	1,380	—	1,380
Share options exercised	—	—	—	(601)	601	—
Dividends paid	—	—	—	—	(3,248)	(3,248)
Total transactions with owners	181	23,219	621	779	1,324	26,124
Balance at 31 December 2018	**892**	**37,422**	**15,535**	**1,361**	**3,130**	**58,340**

26. 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 round thousand GBP (£000), 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 2018.

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;

(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; and

(f) the requirements of IFRS 7 to disclose financial instruments.

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 £3,971,000 (2017: £1,682,000).

A summary of the material accounting policies is set out below.

Investments

Investments are stated at cost, less any provision for impairment. Where partial consideration for the acquisition of shares in subsidiaries is settled through an issue of the company's own shares then that cost is determined as the fair value of shares issued. Cost is determined as the fair value of shares issued and the consideration paid.

Financial instruments

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

Share-based payments

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

Share options are valued at the date of grant using the Black-Scholes option pricing model. In accordance with IFRS 2 Share-based Payment, the resulting cost is charged to the profit and loss account over the vesting period of the plans.

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

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

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

Merger relief reserve

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

27. Investments

	£000
Cost and net book value	
At 31 December 2017	49,521
Additions – acquisition of subsidiaries (note 22)	29,362
Share-based payments charge	1,380
At 31 December 2018	**80,263**

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
SystemsLink 2000 Limited*	100%	£1	1,598
Energy Cost Management Limited*	100%	£1	2
Squareone Enterprises Limited*	100%	£1	10,000
Professional Cost Management Group Limited*	100%	£1	10,804,202
Inprova Finance Limited*	100%	£1	1,010
Energy and Carbon Management Holdings Limited**	100%	£1	158,771
Utility Management Holdings Limited**	100%	£1	636,364
Energy and Carbon Management Limited**	100%	£1	300,001
Energy Team (UK) Limited**	100%	£0.01	115,840
Energy Team (Midlands) Limited**	100%	£1	100
Inprova Energy Limited**	100%	£1	50,100
UES Energy Group Limited**	100%	£1	478,085
UES Holdings Limited**	100%	£0.01	38,240

* Directly held subsidiary.

** Indirectly held subsidiary.

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

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28. Employee benefit expense

	2018 £000	2017 £000
Wages and salaries	1,603	1,309
Social security costs	179	151
	1,782	1,460

	No.	No.
Average number of persons employed:		
Management	2	2
Administration and finance	29	19
	31	21

29. Dividends paid

	2018 £000	2017 £000
Dividends paid on equity capital – 0.55 pence per share (2017: 0.48 pence)	3,248	2,457

During 2018, the Group paid dividends of £3,248,000 (2017: £2,457,000) to its equity shareholders. This represents a payment of 0.55 pence per share (2017: 0.48 pence per share). Also during 2018, the Directors proposed the payment of a final dividend of 0.46 pence per share (2017: 0.39 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 2018 consolidated financial statements.

30. 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.

Notice of Annual General Meeting

Company number: 07639760

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 19 June 2019 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 to 9 will be proposed as special resolutions.

Ordinary resolutions

1. To receive the Company's annual report and accounts for the financial year ended 31 December 2018.
2. To declare a final dividend recommended by the Directors of 0.46 pence per ordinary share for the financial year ended 31 December 2018 to be paid on 25 July 2019 to members whose names appear on the register at the close of business on 14 June 2019.
3. To re-elect Paul Connor, who retires by rotation under article 28.1.2.2 of the Company's articles of association and who, being eligible, offers himself for re-election as a Director.
4. To re-elect Mike Fletcher, who retires by rotation under article 28.1.2.2 of the Company's articles of association 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 of the 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 (those shares and rights being together referred to as "Relevant Securities") up to an aggregate nominal value of £297,488 to those persons at the times and generally on the 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 £594,977 (that 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.

Inspired Energy PLC
Notice of Annual General Meeting continued

Special resolutions

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 7.1 above) up to an aggregate nominal amount of £89,246, representing approximately 10% 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.

9. That the Company be authorised for the purposes of section 701 of the Act to make market purchases (as defined in section 693(4) of the Act) of its ordinary shares of £0.00125 each provided that:

    9.1 the maximum number of ordinary shares authorised to be purchased is 71,397,344;

    9.2 the minimum price which may be paid for any such ordinary share is £0.00125;

    9.3 the maximum price which may be paid for an ordinary share shall be the higher of:

        9.3.1 an amount equal to 105% of the average middle market quotations for an ordinary share as taken from the London Stock Exchange Daily Official List for the five business days immediately before the day on which the ordinary share is contracted to be purchased; and

        9.3.2 the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out; and

    9.4 this authority will expire at the end of the next Annual General Meeting of the Company, but the Company may enter into a contract for the purchase of ordinary shares before the expiry of this authority which would or might be completed (wholly or partly) after its expiry.

By order of the Board

Mark Dickinson
3 April 2019

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, Lancing, West Sussex BN99 6DA, by 10.00 a.m. on 17 June 2019. 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, Lancing, 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 6.30 p.m. on 17 June 2019 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.

Inspired Energy PLC
Notice of Annual General Meeting continued

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 2018 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 0.46 pence per ordinary share in respect of the year ended 31 December 2018 which, if approved, will be payable on 25 July 2019 to the shareholders on the register of members on 14 June 2019.

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 £297,488, 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 £594,977, 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 £89,246, which is equal to 10% of the nominal value of the current ordinary share capital of the Company, subject to resolution 6 being passed. The Directors believe that the limited powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplication will expire on the conclusion of the next Annual General Meeting of the Company or on the date which is 15 months after the resolution being passed (whichever is the earlier).

Resolution 9 – Authority to make market purchases of own shares
The shareholders are asked to approve this resolution which grants the Company the ability to purchase its own shares. The authority will be limited for the Company to make market purchases of up to 71,397,344 ordinary shares, being 10% of the issued share capital as at 1 May 2019, being the latest practicable date before publication of this document. The authority will be kept under review and the Company will only exercise the power of purchase after careful consideration and when the Company is satisfied that to do so is in the best interests of the Company and its shareholders under the circumstances. The authority granted by this resolution will expire at the earlier of the conclusion of the next AGM of the Company.

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 19 June 2019 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 2018.			
2.	To declare a final dividend for the year ended 31 December 2018.			
3.	To re-elect Paul Connor as a Director.			
4.	To re-elect Mike Fletcher as a Director.			
5.	To reappoint Grant Thornton LLP as auditors.			
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.			
Special business				
8.	To authorise the Directors to allot securities pursuant to section 570 of the Companies Act 2006.			
9.	To authorise the Company pursuant to section 701 of the Companies Act 2006 to make market purchases of its ordinary shares.			

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

Inspired Energy PLC
Proxy form for use at Annual General Meeting 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, Lancing, West Sussex BN99 6DA; and

   5.3 received by the registrars no later than 48 hours (excluding non-working days) before the time appointed for the meeting, or adjourned meeting, at which it is to be used.
6. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
7. Any alteration to this proxy form must be initialled by the person in whose hand it is signed or executed.
8. If, after returning a duly completed proxy form, you wish to revoke your proxy appointment you must sign and date a notice clearly stating your intention to revoke that proxy appointment and deposit it at the registered office of the Company before the time appointed for the meeting.
9. In the case of joint holders:

   9.1 where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted; and

   9.2 the vote of the most senior holder who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of all other joint holders.

   Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. The right to vote at the meeting shall be determined by reference to the register of members of the Company. Only those persons whose names are entered on the register of members of the Company at 6.30 p.m. on 17 June 2019 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)
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
London EC2Y 5ET

Auditors
Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB

Registrars
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Company website
www.inspiredplc.co.uk

Financial PR
Gable Communications Limited
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London EC3M 7AT

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designportfolio

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