INSPIRED ENERGY PLC

COMMERCIAL ENERGY AND SUSTAINABILITY ADVISORS

Inspired Energy PLC
Annual Report & Accounts 2019

INSPIRED ENERGY PLC
IS THE LEADING CONSULTANT FOR ENERGY PROCUREMENT, UTILITY COST OPTIMISATION AND LEGISLATIVE COMPLIANCE IN THE UK AND IRELAND

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IBC Directors, Secretary and advisors to the Group

As a commercial energy and sustainability advisor we provide assurance and advisory services to over 2,400 UK corporate business consumers who represent 6.7% of all corporate energy spend in the UK market and over 400 corporate business consumers in the Republic of Ireland ("ROI").

Energy is one of the largest indirect costs for most businesses as they strive towards a more sustainable future, with increased demand for creative energy solutions. We are increasingly at the forefront of advice, scoping, implementation and quality assurance of such solutions.

We assure our clients that they have:

1. Bought their energy professionally
2. Accounted for their energy correctly
3. Complied with their legal obligations

We then support our clients to:

1. Optimise their energy consumption
2. Optimise their energy efficiency
3. Deliver their Net Zero Carbon and Environmental, Governance and Social ("ESG") objectives

▶ Read more on **pages 4 and 5**

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

Highlights

Financial highlights

- Record revenues delivered by the Group of £49.3 million, up 51% year on year (2018: £32.7 million)
- Corporate division accounted for 89% of Group revenue for the period (2018: 84%), generating 60% revenue growth, of which 7% is organic, contributing adjusted EBITDA in line with management expectations
- Group adjusted EBITDA increased 37% to £18.8 million (2018: £13.7 million)
- Corporate Order Book as at 31 December 2019 of £57.5 million, an increase of 9% over the prior period (2018: £53.0 million); this increased to £60.1 million as at 30 April 2020
- Revenues generated by the Corporate division from 1 January 2020 to 30 April 2020, combined with the Corporate Order Book as at 30 April 2020 provide visibility over £39.7 million of Corporate division revenues for 2020. This Corporate Order Book does not include demand side project revenues generated by Ignite Energy LTD ("Ignite")
- Robust underlying cash from operations up 12% to £13.8 million (2018: £12.3 million)
- SME division contributed adjusted EBITDA of £1.9 million (2018: £2.4 million), representing a 34% adjusted EBITDA margin (2018: 45%), with the reduction in generation margin being driven by increased competition from private equity backed consolidators in this segment
- Secured new £60.0 million facility agreement to refinance existing borrowings and to provide further headroom to support the continued acceleration of the Group's growth and acquisition strategy
- Subsequent to the year end, the Group has agreed an amendment with its banks to its leverage covenant covering the test periods ending 30 June 2020 through to 30 June 2021 (inclusive) as part of its prudent and measured response to the COVID-19 pandemic
- Final dividend to be deferred and reassessed at the release of the 2020 interim results

		19	18
Revenue (£m)	+51%	49.30	32.69
Gross profit (£m)	+48%	40.93	27.67
Adjusted EBITDA* (£m)	+37%	18.83	13.75
Adjusted profit before tax** (£m)	+29%	14.72	11.38
Profit before tax (£m)	+13%	4.75	4.20
Underlying cash generated from operations*** (£m)	+12%	13.77	12.29
Cash generated from operations (£m)	+3%	10.35	10.01
Adjusted diluted EPS**** (p)	+8%	1.74	1.61
Diluted basic EPS (p)	0%	0.53	0.53
Net debt (£m)	+44%	33.37	23.25
Corporate Order Book (£m)	+9%	57.50	53.00

COVID-19 update

The health, safety and wellbeing of our employees, their families and our customers is our overriding priority. We continue to support our employees during this unprecedented time and are actively encouraging them to precisely follow the latest Government guidance on COVID-19. In March 2020 we successfully implemented our business continuity plan and c.80% of our workforce are currently working remotely. The team has adapted extremely well to the challenges faced and continue to deliver excellent levels of service to our valued clients.

The Group is in the fortunate position of having a robust balance sheet and resilient revenue streams underpinned by the strength of its Corporate Order Book, and the diversity of its 2,800 Corporate customers that operate across all segments of the UK and ROI economies. The year-end Corporate Order Book stood at £57.5 million and increased to £60.1 million as at 30 April 2020. The first quarter of 2020 saw no impact on the assurance and advisory services provided by the core Corporate division, which represented c.89% of 2019 Group revenues.

The Group's SME division, which represents c.11% of 2019 Group revenue, is experiencing a reduction in demand for energy supplier switching services. In response, a significant number of staff in this division have been placed on furlough, utilising the Government's Coronavirus Job Retention Scheme, in order to mitigate the immediate financial impact on the Group. A core team of employees continue to service our SME clients.

Operational and Acquisition highlights

Completion of one strategic investment and two acquisitions in 2019:

- Strategic investment of 40% of the issued share capital of Ignite
  - Consideration of £5.0 million on a cash-free debt-free basis, with a further £3.0 million contingent on delivery of £4.0 million adjusted EBITDA for the year ending 31 December 2019. The £3.0 million of contingent consideration was paid in full post the year end
  - Exclusive option to acquire the balancing interest of 60% on pre-agreed terms (announced 2 August 2019)
  - Trading in line with management's expectations with cross-selling opportunities gaining traction
- Acquisition of Waterwatch UK Limited ("Waterwatch")
  - Consideration of £0.5 million on a cash-free debt-free basis
  - Waterwatch team integrated into the Group's existing optimisation services offering
- Acquisition of Independent Utilities Limited ("IU Energy")
  - Consideration of £2.0 million on a cash-free debt-free basis
  - Initial consideration of £1.0 million with the balance contingent on certain performance measures
- Invested £0.7 million into incubator projects in the year, supporting and facilitating the future growth opportunities within the wider sector

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

** 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 change in fair value of contingent consideration and foreign exchange variances. (A reconciliation of this can be found in note 11 of the financial statements.)

*** Underlying cash generated from operations is cash generated from operations, as adjusted to remove the impact of restructuring costs and fees associated with acquisitions.

**** 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 change in fair value of contingent consideration and foreign exchange variances.

Financial position, liquidity and dividend

The Group has a strong balance sheet position, having recently refinanced its banking facilities to October 2023, with an option to extend to October 2024. In addition to cash and cash equivalents of £11.7 million on hand as at 30 April 2020, approximately £14.0 million of the Group's £60.0 million Revolving Credit Facility is undrawn with an additional £25.0 million accordion option available, subject to continued covenant compliance.

Clearly, the ultimate impact of the COVID-19 pandemic is difficult to predict and as such, we have considered scenarios when stress testing the base financial forecasts for the period to December 2022. We have based our stress testing on a prudent downside scenario that reflects the current unprecedented uncertainty, which we consider to be severe, of a very significant reduction in revenue in Q2 and Q3 2020, with trading recovering in Q4 2020 and continue to strengthen into 2021. In producing this downside scenario, we have also considered the publicly available information with regard to the reduction in utility consumption in countries where the impact of COVID-19 happened earlier than in the UK and ROI. In addition, we have reviewed the limited data available in the UK regarding the impact on consumption to date and based on this limited data, actual consumption by the commercial market during the month of April 2020 appears to be notably higher than the assumption applied within the downside scenario.

These projections show with the benefit of management continuing to take appropriate mitigating actions to preserve cash reserves of the Group, including the Board resolving not to recommend a final dividend for the year ended 2019, that the Group can operate without any further need to draw on the existing banking facilities over the period. However, under a more extreme scenario, there would have been a risk that the Group would breach its existing adjusted leverage covenant under the facility agreement entered in October 2019. As a result of this, in common with many other companies, the Group has undertaken discussions with its banking partners, who have approved an increase in the leverage covenant for the test dates ending 30 June 2020 through to 30 June 2021 (inclusive), to a level which provides sufficient headroom to remain compliant in the Board's prudent downside scenario.

Current trading and outlook

The Group was largely unaffected by COVID-19 until very late in March and the business delivered a strong performance in the first quarter, with trading in line with the Board's expectations at the time and ahead of the same period last year.

Whilst operational disruption has been more significant since the end of the first quarter, the business has been able to operate on a continuous basis whilst also benefiting from its significant contracted income. Swift and effective action has been taken to manage costs and preserve cash flow with the result that the Group has remained both strongly cash generative and delivered profits significantly ahead of the downside scenario during April. Whilst the impact in the SME market (11% of FY2019 Group revenues) has been more significant and visibility is still limited, the Board has been encouraged by an initial uptick in activity levels during May.

The Board has been encouraged by the performance of the business during this very challenging period and believes that the Group is well positioned to respond effectively as activity levels continue to recover. The Board is monitoring conditions on a continuous basis and should these continue to stabilise it expects to be in a position to provide financial guidance for the current year, within the next few months.

The COVID-19 crisis has presented an unprecedented challenge and the Board has taken a number of prudent actions to reinforce its financial position in the short term, so that the Group can retain its market-leading offering and talent as well as ensure it has the flexibility to maintain its strategic momentum. As such and retaining its disciplined approach to assessment, the Group continues to develop its pipeline of acquisition opportunities. Inspired Energy is a leader in its markets, the evolution of which may well be accelerated by the current backdrop. The Board believes that there will continue to be significant scope to progress its successful acquisition strategy moving forward and will look to act decisively where value-enhancing opportunities are presented.

Providing expert assurance and optimisation services to Corporate Energy Consumers to help them manage energy costs effectively and deliver their Net Zero Carbon and ESG objectives

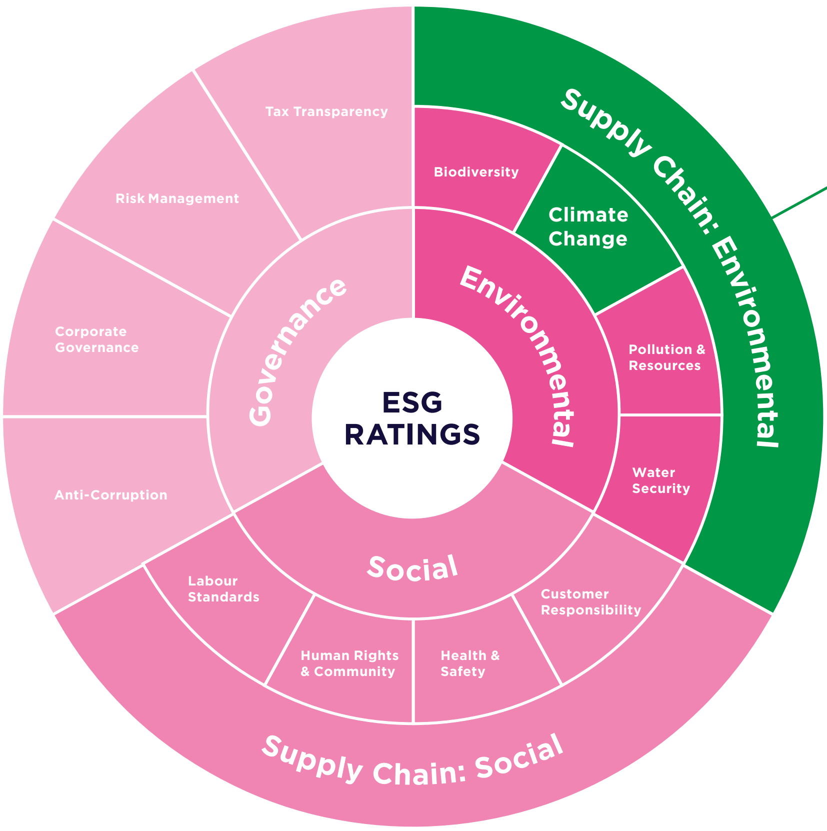
Who we are

Inspired Energy is the leading consultant for energy procurement, utility cost optimisation and legislative compliance to Corporate Energy Consumers in the UK and ROI.

In order to frame where Inspired Energy's services fit into the economy and more broadly society as a whole, it is helpful to consider this within the context of the ESG framework.

Energy is typically the largest indirect cost most businesses face. As ESG becomes more central to investment decisions for every business, energy is one of the highest cost components in the ESG wheel and one of the most data intensive elements of the Climate change segment.

We provide services to over 2,400 UK corporate business consumers, which represent c.6.7% of the UK's expenditure on electricity and over 400 in the ROI. Our fees typically represent 2% of consumers' energy spend and we will often deliver cost savings or cost avoidance that benefit consumers by more than five times our fees annually.



Energy is the one of the largest components of the Climate section of the ESG wheel

Energy is the largest cost to consumers in the ESG wheel

As an ESG solutions provider, it is important that we demonstrate ourselves to be a leading light with respect to ESG reporting. To this end, during the second half of FY2020 and first half of FY2021 we are:

1. Adopting best practice with respect to the Global Reporting Initiative and other examples of best practice
2. Delivering our Streamlined Energy & Carbon Reporting (SECR) obligations early and to industry best practice
3. Adopting the UN Sustainable Development Goals throughout our corporate culture and staff values

We continue to invest in people and technology and remain acquisitive to ensure we remain at the forefront of energy and sustainability solutions in a Net Zero Carbon future.

What we do

We provide a range of expert insights and consultancy services to Corporate Energy Consumers (defined by the Group as customers with energy consumption in excess of 0.5 GWh per annum), driven by proprietary data management systems, to allow them to optimise their energy cost equation.

There are two sides to a Corporate Energy Consumer's cost equation; the 'price' side and the 'consumption' side. We help them optimise both.

On the price side of the cost equation we provide energy consumers assurance that they have:

1. Bought their energy professionally
2. Accounted for their energy correctly
3. Complied with their legal obligations

On the consumption side of the cost equation we support energy consumers to optimise their energy usage through:

1. Reducing their energy consumption
2. Increasing their energy efficiency
3. Deliver their Net Zero Carbon and ESG objectives

How we do it

We help Corporate Energy Consumers in the following ways:

Buy it Well

Analysing energy prices is a complex and continuous task. We solve this burden by providing access to our market analysts and risk managers who monitor and interpret wholesale energy market movements. We create and deliver tailored fixed and flexible procurement solutions suitable for any financial budget, risk appetite and sustainability policy.

Once the supply contracts are in place, invoicing and forecasting processes are complicated for consumers to deal with in-house, particularly when budget certainty is required. We simplify this by making sure consumers are being charged correctly by suppliers. We take control of the administration of utility invoices and use our longstanding supplier relationships to solve problems quickly. We also combine our expertise of commodity and non-commodity costs with consumption profiles to deliver budget forecasts and energy accounting tools for finance teams to meet their fiduciary obligations.

Use it Better

A critical part of progressing to net zero is to understand how businesses consume their energy and water better. We help to measure, visualise and optimise consumption patterns so that consumers can minimise wastage, avoid costs, reduce consumption and monetise opportunities.

Collecting, analysing and reporting utilities data is a time consuming and specialist job. Our proven software presents data in meaningful and relevant ways helping to target and reduce wastage while delivering performance improvements across portfolios. We perform the role of a dedicated outsourced energy management team by acting upon data insights to identify and implement energy and water cost-saving measures.

Make your Own

Once you have optimised your utilities cost situation, you can look to accelerate the meeting of net zero and ESG objectives through calculated capital investment and savings-based programmes. To futureproof against energy cost shocks, create new revenue streams and achieve sustainability goals, we help consumers invest in low-carbon generation and storage technologies.

We ensure that any designs fit with site requirements and meet all regulatory standards, including any that can unlock financial relief. We offer full lifecycle support including initial feasibility assessment; technology sourcing; contractor management; and lifetime quality assurance of the asset, verifying the subsequent return on investment of each project. We also help arrange finance solutions where consumers prefer a fully financed option.

Do it Right

With an ever-changing landscape that is focusing more on a net zero future as well as raft of statutory and regulatory obligations, we advise consumers on how existing and future utility laws and regulations affect them. We provide assurances services to ensure they comply with their statutory duties, obtain any available cost relief by applying for environmental management schemes and achieve best practice through energy management accreditations and standards.

Due to number of employees, Inspired Energy is the UK's only independent Third Party Intermediary (TPI) to comply with the Streamlined Energy and Carbon Reporting (SECR) scheme and has developed a market-leading solution for corporate business consumers.

It is also common for consumers to lose money through hidden costs and infrastructure billing errors. Our forensic cost audits identify supplier overcharging and contractual mistakes. We check that they receive any refunds due ensuring they only pay for what they use.

As every commercial energy consumer in the UK and ROI markets is a potential customer for Inspired Energy, it is important we segment our product offering so that it meets the need of each of our clients

This segmentation ensures that we maintain a market-leading solution for each client that closely aligns to their differing needs and is augmented by one of the largest technology deployment processes in the market plus a continued focus on strategic acquisitions.

Corporate division

The Corporate division has seen significant growth both organically and through acquisition, which includes Inspired Energy Solutions, Direct Energy Purchasing, Wholesale Power UK, STC Energy Management, Informed Business Solutions, Flexible Energy Management, Churchcom, Horizon, SystemsLink 2000, ECM, Squareone, Professional Cost Management Group, Inprova, Ignite, Waterwatch and IU Energy, delivers core services, including energy and water procurement, energy accounting, compliance consultancy and optimisation services for Corporate clients.

The Corporate division is the core of the business operation, typically focusing on consumers who spend more than £100,000 per year on energy. In this division we help the consumer manage the whole energy cost equation and deliver its Net Zero Carbon and ESG objectives.

Different types of consumer require different approaches to deliver their strategic objectives and as such we segment our Corporate services into four divisions:

Energy intensive: These consumers tend to have fewer buildings and meters associated with their sites but a large amount of consumption. Energy is often a feedstock to their business process. Our services are focused on optimising the timing of the buying decisions, securing all tax breaks and incentives available to the client, monetising any flexibility in the portfolio through Demand Side Response and maximising opportunities for self-generation and supply.

Estate intensive: These consumers tend to have many properties throughout the country. The estates can be volatile in terms of the opening and closing of properties, requiring the need for quick and effective new connections. Our services are focused on managing the movements in the property estate, accounting for the energy across a complex portfolio, delivering repeatable energy saving projects across different properties.

Public sector: The needs of a Public Sector client are generally the same as those of an estate intensive client with the added complexity for OJEU procurement regulations. The sector is split into NHS, Education and Local Authority and is an area of significant growth potential. Historically, this sector has been served by public buying organisations (PBOs) which are often not able to adequately resource services to meet client needs.

Mid-market: Where business consumers are neither energy intensive or estate intensive but spend more than £100,000 per year on energy, our Mid-Market team ensures that they have bought professionally, accounted properly and complied with the law.

Through the strategic investment in Ignite, and acquisitions of Waterwatch and IU Energy, the Group has extended its sector specialism, most notably within the optimisation services sector, further broadening the overall service offering to Corporate clients.

Revenue (£000)

+60%

19 | 43,695
18 | 27,311

Gross profit (£000)

+54%

19 | 39,043
18 | 25,388

EBITDA (£000)

+47%

19 | 20,228
18 | 13,769

SME division

SME energy consultants contact prospective SME clients to offer price comparison services and contract arrangement services based on the unique situation of the customer.

Leads are generated and managed by the Group's internally developed CRM and case management IT system. Tariffs are offered from a range of suppliers and the Group works with suppliers to increase the range of products available to SME clients.

Revenue (£000)

+4%

19	5,603
18	5,381

Gross profit (£000)

-18%

19	1,884
18	2,286

EBITDA (£000)

-21%

19	1,911
18	2,431

A record year where the strategic initiatives we delivered and the strong financial performance provide an excellent platform for the year ahead

The Group has delivered significant growth and record results in 2019, a year in which we completed strategically important and value-enhancing investments and acquisitions and further expanded our capacity, both financially and operationally. The strength of our business model and financial position have provided stability through the ongoing COVID-19 crisis to position the Group to be well placed as the economy emerges from the current period of uncertainty.

I am pleased to report another record year for Inspired Energy in 2019 where the strategic initiatives delivered and the strong financial performance have provided an excellent platform for the Group to navigate through the ongoing COVID-19 crisis in addition to continued organic and acquisitive growth in the future. The robust performance further establishes Inspired Energy's market-leading position as a third-party intermediary (TPI) in the Industrial & commercial (I&C) sector.

The Group completed two value-enhancing acquisitions during the year and the strategically important acquisition of an initial 40% of the issued share capital of Ignite. The optimisation services specialist expanded the Group's service offering and provides significant cross-selling opportunities, which have substantially increased the Group's white space bank of opportunity.

The record financial results highlight continued organic growth in our core Corporate division, which has been achieved whilst also integrating and restructuring the acquisitions completed in 2018, including most notably Inprova.

ESG

With the growing focus on ESG likely to come to the forefront as the economy is rebuilt in the coming period, many companies face the issue of having the inability to accurately collect and audit their energy consumption information.

As an ESG solutions provider, it is important that we demonstrate ourselves to be a pioneer in this area, helping to determine how reporting best practice evolves. To this end, during the next twelve months we will be: adopting best practice with respect to a number of initiatives; delivering our SECR obligations early and to industry best practice; and adopting the UN Sustainable Development Goals throughout our corporate culture and staff values.

Acquisitions

The acquisitions of Inprova in December 2018 and Ignite in August 2019 were significant milestones in the development of the Group, both strategically and financially. The Board is pleased to report that the integration of Inprova has been executed successfully. Ignite is trading well and is in line with management expectations with the validity of the cross sell strategy underpinned by our first cross sell to Ignite notwithstanding the challenges faced due to COVID-19.

During the first year following completion of the Inprova acquisition, management restructured Inprova's senior management team and consolidated four operational offices into two, by integrating and subsequently closing the Horsham office into the Burgess Hill office, and consolidating the Warrington office into the Group head office in Kirkham, whilst aligning central functions with the Group.

The effectiveness of the integration of Inprova is testament to the investment made by the Group during 2017 and 2018 to develop its management bandwidth and platform to enable the realisation of operational leverage from acquisitions effectively and efficiently, without impacting service levels for clients.

Investment

During the second half of 2019, the Board took the decision to accelerate its investment in the platform and additional talent in our team to leverage the optimisation services opportunity. The Board believes that, despite the current global crisis, the additional investment will step up growth for FY2021 and beyond.

New bank facilities

October 2019 saw the Group enter into a new £60.0 million facility agreement with Santander UK plc ("Santander") and the Governor and Company of the Bank of Ireland ("Bank of Ireland") in order to refinance our existing borrowings and to provide further headroom to support the continued acceleration of the Group's growth and acquisition strategy. The relationship with Santander has been instrumental in the growth of Inspired Energy since 2013, and the Board sincerely appreciates the continued support of the Group by Santander as we enter the next phase of growth. The Board welcomes Bank of Ireland as a new partner to the Group providing further validation of, and support to, the Group's strategy.

The acquisitions and refinancing completed in 2019 further 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.

COVID-19

Whilst we are undoubtedly in a period of economic uncertainty, we feel our business, and our balance sheet, will prove resilient. However, following a detailed re-forecasting exercise including downside scenario analysis in common with many other businesses, at this time, the Directors' assessment on going concern will include reference to material uncertainty. Further details around the consideration the Directors have given to going concern are contained elsewhere in this report, notably note 2.2. Notwithstanding this, the Directors confirm that, after due consideration, they have an expectation that the Group has adequate resources to continue for the foreseeable future and we have thereby continued to adopt the going concern basis in preparing the financial statements. We believe we are in a much better position than ever to deal with these unexpected challenges.

Dividend

Since joining AIM in 2011, Inspired Energy has established a track record of delivering on financial forecasts which has facilitated a consistent and progressive dividend policy. Following a successful 2019, and a strong Q1 to 2020, ordinarily the Board would expect to propose a final dividend for the year in line with that approach. However, considering the exceptional circumstances caused by the COVID-19 outbreak, the Board deems it prudent to defer declaration of the final dividend at this time and will reassess the position on release of the 2020 interim results when hopefully there will be more clarity on the outlook.

The team

The delivery of significant growth and the financial performance in the year are testament to the professionalism of our team and the support and advice they provide to our clients, and I would like to take this opportunity to thank the whole Inspired Energy team for their hard work. I would also like to thank them for how well they have adapted to the new working environment we currently find ourselves in and the continued excellent levels of service they are providing to our valued clients.

Mike Fletcher
Chairman
1 June 2020

> "The acquisitions of Inprova in December 2018 and Ignite in August 2019 were significant milestones in the development of the Group, both strategically and financially."

Chief Executive Officer's statement

The Group's profitable and cash generative nature coupled with a strong order book and substantial liquidity at its disposal, will see it well placed as the economy emerges from the current period of uncertainty

This year marks Inspired Energy's 20th year of operation and our 9th year as a listed company.

Whilst we are undoubtedly in a period of economic uncertainty, the Board believes that the Group's profitable and cash generative nature coupled with a strong order book and substantial liquidity at its disposal will see it well placed as the economy emerges from the current period of uncertainty.

Delivery of ESG best practice

As a business providing services to 2,800 UK and ROI Corporate Energy Consumers, helping them manage the large cost component of the ESG wheel, it is important that Inspired Energy plc is a beacon of best practice within the marketplace. We currently observe the following issues with respect to the market's adoption of ESG reporting:

1. much of the reporting is verbose and could appear to be designed to cloud the issues rather than explain the challenge the organisation is facing and how it is meeting that challenge;
2. the quality of data underpinning many ESG submissions is not necessarily fit for purpose, auditable or consistent with the financial data of the business; and
3. it is not clear that the best businesses in the market are driving the ESG values throughout the organisation and creating an endearing culture that supports it.

Practising what we preach

As a first step in terms of developing a standard of best practice the Group will over the next twelve months:

1. adopt best practice from the GRI, CDP and PRI and the Group shall ensure all employees are paid at least the real living wage;
2. as the only independent UK Energy Advisor that must comply with the SECR the Group shall continue to set the standard for how a Corporate Energy Consumer should comply with this obligation;
3. adopt ESG reporting to a level that surpasses that produced by many FTSE 100 organisations; and
4. embed the UN Sustainable Development Goals into our company culture.

Strategy

The Corporate division which includes our traditional assurance services which help energy consumers manage the price side of their cost equation ("Assurance Services") continues to grow. FY2019 also saw the early stage of the successful cross-selling of optimisation services to existing clients, helping them manage the consumption side of that cost equation ("Optimisation Services"). We expect the contribution of Optimisation Services to materially grow over the financial year as the Group develops its broader ESG offering.

The impact of the change in revenue mix from an increase in contribution from Optimisation Services has reduced the divisions EBITDA margin in 2019, as expected. The growth in Optimisation Services revenues remains a focus of the Group in 2020 and beyond as this represents a significantly greater market than traditional Assurance Services.

The validity of this strategy is underpinned by our strong start to Q1 where we successfully completed our first cross sell to Ignite notwithstanding the challenges faced due to COVID-19. Furthermore, the Board has noted a significant upturn in the number of inbound queries from clients in relation to Optimisation Services arising out of a focus from the client base on Net Zero Carbon objectives and the significance of ESG reporting.

The strategic investment in Ignite and acquisitions of Waterwatch and IU Energy have significantly accelerated the Group's Optimisation Services capability. The Group is emerging as a leading player in this sector and the Board continues to actively review and assess organic and acquisitive opportunities for further growth.

The Group's sustainable platform makes it well positioned to endure the impact of the COVID-19 crisis, and able to deliver substantial organic and acquisitive growth thereafter.

Continued acquisitive growth

The Group has an M&A and Integration infrastructure which has capacity to complete four to five acquisitions per year. Our focus for acquisitive growth is:

1. continuing to build optimisation services delivery capability;
2. further consolidation of the energy advisory sector; and
3. development of adjacent capability within the ESG wheel.

The Board is mindful of the uncertainty presented by the COVID-19 crisis and has taken a number of actions to reinforce its financial position in the short term. Notwithstanding this prudent approach, the Group continues to develop its pipeline of acquisition opportunities. Inspired Energy is a leader in its markets, the evolution of which will be accelerated by the current backdrop and the Board believes that there will continue to be significant opportunities to accelerate the Group's strategic momentum in the future.

Underlying trading

Over the last three years the Group has evolved into the player of scale in the energy advisory market in the UK and ROI, with a stable organic growth engine underpinning our Assurance Services with respect to the price side of the Corporate Energy Consumers cost equation.

Our investments in Optimisation Services have seen the team grow from 3 FTEs to 100 FTEs within the three year period, which has provided the Group with a strong platform to support its 2,800 UK and ROI corporate clients deliver their Net Zero Carbon and ESG objectives, which we expect to be an accelerant of organic growth.

Our decision to increase our resources with respect to Optimisation Services over the last two years has left us favourably positioned to meet the emerging and prevailing client needs to deliver in a Net Zero Carbon world which protects our Assurance Services revenues, whilst giving the opportunity to increase organic growth, revenue and profits.

Our scalable platform and successful refinancing of bank facilities will allow us to continue our considered approach to market consolidation and increased capability to invest in our platform to further our offering with respect to the ESG rating of our clients.

Operational and acquisitive highlights

Strategic Investment in Ignite

The strategic investment in Ignite significantly accelerates the Group's ability to deliver services which allow Corporate Energy Consumers to deliver on their Net Zero Carbon and ESG objectives.

Ignite has proven, over many years, to be capable of achieving material improvements in the energy efficiency of its clients delivering significant reduction in costs and increases in sustainability. Inspired Energy currently has over 400 clients which meet the Ignite customer profile and could benefit from the services that Ignite provides giving significant cross-selling opportunities to the Group enabling the Group and materially increase the level of revenue generated per meter point.

The UK Optimisation Services market remains relatively immature and service delivery models in this area, which are typically project based rather than recurring will evolve over time as customer demand is accelerated due to the growing demands of consumers and investors with respect to Net Zero Carbon and ESG. Against this backdrop, the Board believes that it is important the Group remains flexible and able to adapt its offering in this area in line with market developments, which complements its growing Optimisation Services capabilities.

The UK market for energy advisory services to Corporate Energy Consumers is a £1.25 billion market opportunity. The Group provides Assurance and Optimisation Services to clients in managing their entire energy cost equation, including both price and consumption sides of the client's energy cost equation. Procurement and energy accounting services support the client in managing the price side of the client's energy cost equation. For these services, three in four Corporate Energy Consumers in the UK use a TPI to assist them in these areas and this is a £0.4 billion market opportunity and underpins the Group's stable underlying organic growth engine delivering 6% to 8% organic growth. However, only one in six Corporate Energy Consumers engage with TPIs on the consumption side of the energy cost equation. This combined with the fact £0.85 billion of the £1.25 billion market relates to the provision of Optimisation Services illustrates the significant opportunity within Optimisation Services for the Group and Ignite will help to accelerate further organic growth in this area.

Investments in Optimisation Services

In August 2019, the Group completed the acquisition of Waterwatch for a consideration of up to £0.5 million, of which £0.25 million was paid on completion on a cash-free and debt-free basis, and a further £0.25 million was paid on a contingent basis in October 2019. Waterwatch supports its clients in all areas of water cost management and has over 20 years' experience in water audit and cost recovery. The Waterwatch team is part of the Group's Optimisation Services capability, further expanding our expertise and knowledge in this area to support existing and potential new customers.

The acquisition of Waterwatch was funded by cash reserves of the Group.

In December 2019, the Group completed the acquisition of IU Energy for a consideration of up to £2.0 million, of which £1.0 million was paid on completion on a cash-free and debt-free basis with the balance contingent on certain performance measures.

IU Energy provides energy consultancy and Optimisation Services, including renewable and energy efficient technology consultancy, installation and subsequent servicing and maintenance.

The acquisition of IU Energy was funded by the new banking facility.

Integration of Inprova

The Board is pleased to report that the integration of Inprova has been successfully completed. During the period, the Inprova Senior Management Team was restructured and support functions including Finance, IT, Marketing, Risk and Trading team were also re-aligned into Group.

This demonstrates the Group's platform to deliver operational leverage from acquisitions effectively and efficiently, without impacting the service levels for clients.

Chief Executive Officer's statement continued

Operational and acquisitive highlights continued

Acceleration in Product Development and Technology

We continued to scale up the capability of the technology development engine delivering new products in relation to:

1. SECR,
2. Profile alerts,
3. Online client portal,
4. Adoption of DocuSign technology for client interactions.

Our technology development engine is designed to deliver six solutions per year, and this will continue into FY2020.

SME division

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

The SME business continues to increase activity rates and delivered organic revenue growth; however, we note pressure on margins in this sector by increased competition from private equity backed consolidators.

Our SME business represents 11% of Group revenues and enables full market coverage.

COVID-19 update

The health, safety and wellbeing of our employees, their families, our customers, and stakeholders is our overriding priority. We continue to support our employees during this unprecedented time and are actively encouraging them to precisely follow the latest Government guidance on COVID-19. In March we successfully implemented our business continuity plan and c.80% of our workforce are currently working remotely.

The Group is in the fortunate position of having a robust balance sheet and a business underpinned by the strength of its Corporate Order Book, and the diversity of its 2,800 Corporate customers that operate across all segments of the UK and ROI economies. The year-end Corporate Order Book which stood at £57.5 million had increased further as at 30 April 2020 to £60.1 million. The first quarter of 2020 saw no impact on the assurance and advisory services provided by the core Corporate division, which represents c.90% of 2019 Group revenues.

The Group's smaller SME division, representing c.10% of 2019 Group revenues, is currently seeing a reduction in demand for energy supplier switching services. As such, a significant number of staff in this division have been placed on furlough, with a core team remaining to service this sector, as such the immediate financial impact to the Group is being mitigated accordingly.

Outlook

Trading in Q1 2020 was strong with the Group being cash generative and profitable in each month throughout the period.

Whilst we are undoubtedly in a period of economic uncertainty, the Board believes that the Group's profitable and cash generative nature coupled with a strong order book and substantial liquidity at its disposal, will see it well placed as the economy emerges from the current period of uncertainty.

As a management team we will ensure we remain disciplined and proportionate in our response to the crisis. At times of significant trading pressures, companies like Inspired Energy tend to be part of the solution for Corporate Energy Consumers looking to regain their competitiveness and restart their economic engines and as such demand for our service often increases at times of crisis. This was the experience of the energy advisory sector during the financial crisis of 2008.

The resetting of our banking covenants has the added benefit of the Group not having to undertake any permanent restructuring actions which could prejudice the effective implementation of our strategic growth plan as envisaged prior to the COVID-19 crisis, and which we expect to resume unfettered, save for delay, post this crisis.

On behalf of the Board, I would like to thank our staff, customers and wider stakeholders, whose health, safety and wellbeing remains our overriding priority.

Mark Dickinson
Chief Executive Officer
1 June 2020

I am delighted to report on a strong year in which the Group delivered an increase of 51% in revenue to £49.3 million and adjusted EBITDA of £18.8 million

The momentum gained in FY2019, ensured a strong start to 2020 and the Group has subsequently responded to the demands and challenges that COVID-19 has presented over the past few months. The Board remains confident for the year ahead and the new bank facility agreed in October provided the additional headroom for us to continue to evaluate opportunities, even in a challenging business environment.

Financial position and liquidity

Inspired Energy has a strong balance sheet position, having recently refinanced its banking facilities to October 2023, with an option to extend to October 2024. In addition to cash and cash equivalents of £11.7 million on hand as at 30 April 2020, approximately £14.0 million of the Group's £60.0 million Revolving Credit Facility is undrawn with an additional £25.0 million accordion option available, subject to continued covenant compliance.

In considering the potential impact on the Group of the ongoing COVID-19 outbreak, the Board considered several scenarios and outcomes for the impact of trading of the Group in Q2 and Q3 of 2020, and the potential short-term impact on Group EBITDA. The Board has completed a process with its banking partners of resetting the existing banking covenants to provide sufficient headroom until June 2021 should the worst of these scenarios be realised.

The Board is actively focused on cash conservation and management, taking prudent and proactive measures to preserve cash.

Financial highlights

Corporate division

Highlights in the period include:

- Revenue increased 60% to £43.7 million (2018: £27.3 million), including 7% organic revenue growth (2018: 8%).
- The Corporate division generated adjusted EBITDA of £20.2 million (2018: £13.8 million), a 47% year-on-year increase.
- The Corporate Order Book as at 31 December 2019 of £57.5 million, an increase of 9% over the prior period (2018: £53.0 million); this has continued to grow to £60.1 million as at 30 April 2020.
- Revenues generated by the Corporate division from 1 January 2020 to 30 April 2020, combined with the Corporate Order Book as at 30 April 2020 provide visibility of £39.7 million of Corporate division revenues over 2020. This Corporate Order Book does not include demand side project revenues generated by Ignite.

Organic growth is calculated by reference to revenue growth of the Group, excluding current year acquisitions and considering the growth of previously acquired businesses from the last financial year prior to their acquisition by the Group.

The Corporate Order Book is defined as the aggregate revenue expected by the Group in respect of signed contracts between an Inspired Energy client and an energy supplier, or Inspired Energy 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. This Corporate Order Book does not include demand side project revenues generated by Ignite.

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

Our SME business represents 11% of Group revenue and provides full market coverage.

Highlights in the period include:

- SME division returned to growth, with revenue increasing 4% organically to £5.6 million (2018: £5.4 million).
- SME division contributed adjusted EBITDA of £1.9 million (2018: £2.4 million), representing a 34% adjusted EBITDA margin (2018: 45%), with the reduction in margin being driven by increased competition from private equity backed consolidators in this segment.

Financial highlights continued

SME division continued
In Q2 2020, the SME division is seeing a reduction in demand for energy supplier switching services. As such, a significant number of staff in this division have been placed on furlough utilising the Government’s Coronavirus Job Retention Scheme, with a core team remaining to service this sector, as such, whilst revenues are reduced, the immediate financial impact to the Group is being mitigated accordingly.

PLC central overhead
Of the increase in PLC costs in the period, £0.5 million was as per management expectations, reflecting the growth of the central functions following the organic and acquisitive growth in 2018. A further £0.4 million in excess of initial management expectations was incurred as a result of increased audit costs and an investment to accelerate the productisation of our optimisation services and increase the bandwidth and talent within the central functions and platform of the enlarged Group to support further accelerated growth. Specifically, the Group has increased the size and talent of the marketing team in the year, and subsequently provided the Group with a market-leading bid writing and product development team.

The Group believes the additional investment in the year will facilitate acceleration of future growth opportunities.

Cash generation
Cash generated from operations was £10.4 million (2019: £10.0 million) with growth in the period impacted by restructuring and deal costs in the year, and deal costs associated with the acquisition of Inprova at the end of 2018. Excluding non-recurring restructuring costs and deal fees, which had been accrued at 31 December 2018, but paid in the period, cash generated from operations was £13.8 million (2018: £12.3 million), an increase of 12% over the prior period.

The increase in Trade Receivables in the year of £3.0 million was predominantly driven by Ignite (£1.9 million), and, the continued increase in revenue mix towards direct fee to client, resulting in an increase in Group debtor days in the year to 54 days (2018: 53 days).

Prepayments and Other receivables increased in the period by £1.3 million (without the impact of acquired balances).

Accrued income increased by £3.3 million in the year, which in part, was impacted by the pace of query resolution from energy suppliers within the ROI. This contributed £0.8 million of the increase in the year. These trends are not uncommon with the experience of the UK market 5–10 years ago, and we continue to use our experience to work with the relevant suppliers to improve the speed of query resolution, and ensure client invoices can be raised and paid in a timely manner.

Deal fees of £1.0 million relating to the acquisition of Inprova accrued in 2018, were paid in the period, impacting the reduction in Trade and Other Payables.

We expect to see cash conversion return to 2018 levels in the current year and beyond.

Alternative performance measures
Acquisition 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 £2.5 million (2018: £2.7 million) have been incurred in the year, which include restructuring costs of £1.7 million, of which £1.3 million was with the integration of Inprova, including the restructuring of the senior management team, consolidation of four operational offices to two, and the restructuring and re-alignment of central support functions into the Group. The balance related to the restructuring costs of integrating the other four 2018 acquisitions into the enlarged Group.

Exceptional costs also include deal fees of £0.8 million relating to the acquisitions of Ignite, Waterwatch and IU Energy recognised in the period.

Furthermore, a £0.1 million loss due to changes in the fair value of contingent consideration were treated as exceptional in the period.

Finance expenditure includes exceptional costs for the accelerated write off of fees relating to the banking facility which was replaced during the year.

These costs are considered by the Directors to be material in nature and non-recurring and therefore require separate identification to give a true and fair view of the Group’s result for the period.

IFRS 10 – Ignite
The Group engaged an independent advisor to review the legal documentation which underpin the strategic investment in Ignite. The advice concluded that in line with IFRS10, for the duration of the option period, being from completion to 31 July 2021, the exclusive call option facilitates the Group having power over Ignite, with the one-way option providing no barriers to exercise the right, and it being deemed Inspired Energy has the financial ability to exercise the option, and would benefit from the exercise of the option. This illustrates the Group has substantive control at the date of purchasing the 40% shareholding and entering into the exclusive one-way option agreement and therefore Ignite should be accounted for as a subsidiary until expiration of the option period should Inspired Energy not choose to exercise the option.

The Group paid consideration of £5.0 million on a cash-free debt-free basis, with a further £3.0 million of contingent on delivery of £4.0 million adjusted EBITDA for the year ending 31 December 2019. The £3.0 million of contingent consideration was paid in full in May 2020.

Under the Option Agreement, from completion until 31 July 2021, Inspired Energy has an exclusive one-way call option to acquire the outstanding balance of 60% of the issued share capital of Ignite (“Remaining Ignite Shares”). Under the terms of the Option Agreement, Inspired Energy will pay consideration for the Remaining Ignite Shares which equates to an enterprise value of 6.0x earnings before interest, tax, depreciation and amortisation (“EBITDA”) (“Option Consideration”). The Option Consideration shall be based off a minimum EBITDA of £3.0 million, and at the time of exercising the Option Agreement, an amount of £10.8 million will become payable by Inspired Energy. Should the EBITDA be greater than £3.0 million in either of the scenarios shown below, then additional consideration will become payable by Inspired Energy, being the higher of 60% of:

- 6.0x Ignite’s EBITDA for the last twelve months ending on the date of the exercise of the option under the Option Agreement;
- 6.0x Ignite’s EBITDA for the financial year ending the year in which the option is exercised under the Option Agreement; or
- less the £10.8 million already paid on exercise of the option, subject to a maximum EBITDA of £7.0 million.

Any additional consideration due will be payable within 90 days following the end of the financial year in which the option agreement is exercised. Ignite’s financial year end is 31 December.

The Board deem the enterprise value multiple to be market rate and therefore the call option itself has not been treated as a material asset under IFRS 9.

The balancing 60% shareholding has been treated as a non-controlling interest for the purpose of these financial statements, as the shareholders of the 60% shareholders are still subject to the risk and rewards associated with owning these shares during the option period, prior to the Group exercising its right to acquire the balancing 60% shareholding.

Share-based incentive arrangements

Share-based incentive arrangements are provided to management and certain employees. In addition to share options granted under the Inspired Energy PLC Share Option Scheme 2011, the Group implemented a Long-Term Incentive Plan (LTIP) in July 2017, with awards to date made in July 2017 and May and December 2018. The structure of the LTIP scheme is complex and the price to be paid for any awards under the scheme depends on the share price of the options available to the recipient. Prior to 31 December 2018, the underlying calculation did not recognise the element of the share price at grant attributable to Inspired Energy EBT Limited's (EBT's) interest in the ordinary share held by the option holder.

After taking additional advice from an external expert, the calculation now reflects the full price of the option awarded, taking account of the nil-cost option the option holder receives at the award date over the EBT's interest. The amend has resulted in an increase in the share-based payment charge in year but did not result in any material difference versus the charges previously recorded in the income statement of prior period financial statements.

The charge recognised in the current year in respect of these arrangements is £2,162,000 (2018: £471,000).

Updates to accounting policies

IFRS 16 Leases

IFRS 16 is effective for all accounting periods beginning on or after 1 January 2019. For the Group, the first reporting period is the year ending 31 December 2019.

On the adoption of IFRS 16, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. The right of use asset is depreciated on a straight-line basis over the life of the lease. Interest is recognised on the lease liability.

On a cash flow basis, the impact of adoption and transition to IFRS 16 is £nil.

Transition

The Group has adopted the modified retrospective transition approach where the initial right of asset values is equal to the present value of the future lease payments at the date of transition, being 1 January 2019.

The Group has also applied the recognition exemption for short-term leases and leases of low value items.

Impact on the financial statements

On the transition date, being 1 January 2019 a right of use asset of £3,488,000 was adjusted for with a corresponding lease liability. Adoption of IFRS 16 has not led to any adjustments to opening reserves as the impact is considered to be immaterial.

The most significant lease liabilities relate to property.

The impact on the statement of comprehensive income is an increase to operating profit of £0.1 million as the rental costs previously charged to administrative expenses have been replaced by a higher depreciation charge and also an interest charge within finance costs.

There is no impact on cash flows, although the presentation of the statement of cash flows changed with an increase in net cash inflows from operating activities being offset by an increase in net cash outflows from financing activities.

Cash and borrowings

As at 31 December 2019, the Group had a cash balance of £5.2 million and outstanding balances on its senior term debt facilities of £38.6 million.

As at 31 December 2019, net debt stood at £33.4 million, which is an increase of £9.9 million in comparison to 31 December 2018.

In October 2019, the Group entered into a new facility agreement with Santander and the Bank of Ireland in order to refinance its borrowings and to provide further headroom to support the continued acceleration of the Group's growth and acquisition strategy.

The facility consists of a £60.0 million revolving credit facility, of which £38.6 million was drawn at 31 December 2019, running to October 2023, with the Group having an option to extend the term for a further year to October 2024. Furthermore, the facility is supplemented by a £25.0 million accordion option enabling a total commitment of up to £85.0 million.

The facility has an interest rate ranging from 2.00% to 3.25% over LIBOR, with the applicable interest rate dependent on the adjusted net leverage of the facility in the prior quarter.

The covenants attached to the facility are Interest Cover, which is not to be less that 4.00:1.00 during the term of the Facility, and Adjusted Net Leverage of the Group, which on entering the facility is limited to not exceed 2.75:1.00 and then tapers to 2.25:1.00 across the term of the facility.

In calculating Adjusted Net Leverage, Group EBITDA is reduced for all EBITDA contributed from Ignite, and Adjusted Net Debt equates to Bank Debt less Cash and Cash Equivalents, plus Lease Liabilities (including those as a result of the adoption of IFRS 16), and the contingent consideration liability at the test date.

Subsequent to the year end, the Group has agreed an increase in the leverage covenant covering the test periods ending 30 June 2020 through to 30 June 2021 (inclusive) as part of its prudent and measured response to the COVID-19 pandemic.

The increase in net debt reflects a year in which the cash generation of the Group was offset by the payment of £6.3 million of initial cash consideration to the vendors of Waterwatch, Ignite and IU Energy and £1.4 million of contingent cash consideration to the vendors of E&CM (a wholly owned subsidiary of Inprova with the liability pre-existing on acquiring Inprova), Horizon and Squareone. The Group also invested £0.7 million into incubator projects in the year. As at 31 December 2019, £5.5 million of contingent consideration is held payable to the vendors of Ignite, ECM, PCMG, IU Energy and Squareone.

In summary

The strategic and financial initiatives delivered in the year, ensure the Group is well placed to endure the economic uncertainty generated by COVID-19, and in turn facilitate the effective implementation of our strategic growth plan as envisaged prior to the COVID-19 crisis, and which we expect to resume unfettered, save for delay, post this crisis.

Paul Connor
Chief Financial Officer
1 June 2020

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 and avoid cost, whilst ensuring they feel valued, respected and part of the team.	Product innovation is how we differentiate Inspired from our competitors. Products 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 and broaden the service offering 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 2019	The strategic investment of Ignite and acquisitions of Waterwatch and IU Energy, has extended the Group's overall service offering to Corporate consumers of energy and water.	The creation of the Group's solution for the SECR Directive is providing a catalyst for delivering the Net Zero Carbon agenda of our client base.	Since the acquisition of Systemslink and the creation of the software solutions division significant investments have been made. Expanded capability to deliver technology development channels. Development of an integration layer which allows the expansion of capability across multiple platforms. Implementation of robotic process automation across the business.	Inspired made the strategic investment into Ignite and acquisitions of Waterwatch and IU Energy in the year. The investments significantly enhanced the service offering of 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 to develop market innovative, exciting and unique energy products for commercial consumers of energy.	We will continue to develop our technology to ensure that our services continue to evolve to deliver value to Corporate Energy Consumers.	We continue to investigate opportunities within the energy services space. We hope to conclude acquisitions which bring with them specialisms, niches or capabilities which can add value to the Group.

The Group continues to demonstrate strong organic growth

Key performance indicators

Group

Average number of persons employed

+57%

19	520
18	332
17	257

Corporate

2019 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 £57.5 million, representing a year-on-year increase of 9%.

Revenue (£000)

+60%

19	43,695
18	27,311
17	20,358

Gross profit (£000)

+54%

19	39,043
18	25,388
17	18,178

Adjusted EBITDA (£000)

+47%

19	20,228
18	13,769
17	9,635

EBITDA margin (%)

-8%

19	46
18	50
17	47

Corporate Order Book (£000)

+9%

19	57,500
18	53,000
17	39,000

SME

The SME division continues to mature with the focus on cash generation to support the Group's growth.

Revenue (£000)

+4%

19	5,603
18	5,381
17	5,998

Gross profit (£000)

-18%

19	1,884
18	2,286
17	3,582

Adjusted EBITDA (£000)

-21%

19	1,911
18	2,431
17	2,454

EBITDA margin (%)

-24%

19	34
18	45
17	41

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 Energy's continuing success.

The responsibility for risk identification and mitigation lies with the management of the business. The risks detailed below are those which have been identified as principal risks based on the likelihood of occurrence and the severity of the potential impact, in accordance with section 414C of the Companies Act.

The most significant risk faced by the Group is the economic disruption caused by the COVID-19 pandemic. Our response to the pandemic is discussed in the Chairman's and CEO's statements. The implications for the Group are included in note 2.2 Going Concern. The risk is managed by the Board as a whole.

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 2017 and 2018. In addition, certain senior management personnel have equity interest in the Group via share options.	No change	Customer service, Product innovation, Technology development, Acquisitions
2. Regulatory			
Currently energy consultancy 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.	No change	Customer service, Product innovation, Technology development
3. Exposure to underlying clients			
The Group is at risk from loss in future revenues should a client cease trading or consume less energy than anticipated.	The energy supplier and the Group undertake credit checks on any client prior to entering into a contract. 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 and personnel in place to evaluate potential acquisition opportunities (including external due diligence and historical experience) and integrate are adequate enough to mitigate this risk sufficiently.	No change	Customer service, Product innovation, Acquisitions

On 31 January 2020, the UK left the European Union. 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. We do not supply any goods so do not anticipate a material impact from changes in import/export taxes or delays to supply chain.

Change in level of risk

No change   Increased risk   Decreased risk

Our strategy

Customer service   Product innovation   Technology development   Acquisitions

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of Inspired Energy consider both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2019.

Our purpose is to provide expert assurance and Optimisation Services to Corporate Energy Consumers to help them manage energy costs effectively and deliver their ESG and Net Zero Carbon objectives.

Our strategy was designed to have a long-term beneficial impact on the Group and to successfully provide energy advisory and optimisation services for customers in the UK and Ireland.

The Group is committed to be a responsible business. Our behaviour is aligned with the expectations of our people, clients, investors, environment, communities and society as a whole.

- Our people are fundamental to the delivery of our strategy. For the Group to succeed we need to manage our people's performance and develop and bring through talent, while ensuring we operate as efficiently as possible. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and wellbeing of our employees is one of our primary considerations in the way we do business.

  Promoting a culture of respect and equal opportunity is as important as ensuring the right skills fit our business. In instances where an employee becomes disabled, where practicable the Group has policies to provide continuing employment and career development where appropriate.

  Engaged and committed employees are integral to our overall Group performance and the delivery of great customer service. We currently share information via email, Director presentations and meetings.

  The Directors have actively focused on employee engagement during the year and continue to introduce various activities tailored to each business unit with a view to improve overall employee engagement.

- Our strategy prioritises organic growth, driven by bringing new clients into the Group and expanding our service delivery to existing clients. To achieve this, we need to develop and maintain strong client relationships. We value all of our suppliers and have multi-year contracts with our key suppliers.

- The Board is committed to openly engaging with our shareholders, as we recognise the importance of a continuing effective dialogue, whether with major institutional investors or private or employee shareholders. It is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard, and any issues or questions raised properly considered.

- Through the provision of assurance and optimisation services, Inspired Energy is a business that provides ESG solutions to its clients.

  Our services assure our clients that they have:

  - bought their energy professionally;
  - accounted for their energy correctly; and
  - complied with their legal obligations.

  We then support our clients to:

  - reduce their energy consumption;
  - increase their energy efficiency; and
  - deliver their Net Zero Carbon agendas.

- The company's approach is to use our position to create positive change for the people and communities with which we interact. We want to leverage our expertise and enable colleagues to support the communities around us.

As the Board of Directors, our intention is to behave responsibly and ensure that management operates the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, contributing to the delivery of our strategy.

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
1 June 2020

Mike Fletcher (45)

Non-Executive Chairman

A R N

Skills and experience

Mike is CEO at Praetura Group, a business specialising in the provision of equity venture investment, corporate advisory and asset-backed debt finance, which he co-founded in 2011.

Prior to that, Mike was a Managing Director of investment bank GCA Altium. He has 20 years' experience in mergers and acquisitions and corporate finance, advising public companies, private equity houses and entrepreneurs. He is a chartered accountant, having completed his training with PwC in 1999, and is FCA approved.

External appointments

Mike sits on the board of a number of Praetura's investments including financial services business EC3 Brokers 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 (47)

Chief Executive Officer

N

Skills and experience

Mark joined the Board during 2016 as a Non-Executive Director and became CEO in October 2017. Mark is an energy consultancy specialist with over 25 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 (35)
Chief Financial Officer

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 (62)
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 Excellence Awards.

External appointments
Richard is a Director of Perpetual Topco Limited which is the parent company of The Incremental Group, a private equity backed company a digital transformation focused IT company with a focus on Microsoft cloud applications and infrastructure. Richard is also a Director of Pebble Beach Systems Group plc, an AIM listed company (PEB) providing software solutions to the broadcasting industry.

Gordon Oliver (61)
Non-Executive Director

A R N

Skills and experience
Gordon qualified with KPMG in 1982 and is a Fellow of the ICAEW. Following his time in the profession he has held positions at BPB Industries plc and Johnson & Firth Brown plc before joining the James Halstead Group in 1987 initially as Group Financial Controller and joined the Board of Halsteads in 1999 having sat on the Boards of Belstaff International Ltd and Driza-Bone Pty Ltd.

Gordon attained his BCom in Accounting degree at the University of Birmingham and has been awarded – FD of the Year (FTSE 350) in the FD Excellence Awards (2005), North West FD of the year 2015, and Financial Leader in Business by the Manchester Institute of Chartered Accountants (2015).

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 2019.

The Board of Inspired Energy consists of two Executive Directors and three independent Non-Executive Directors. The Board's principal responsibilities are to:

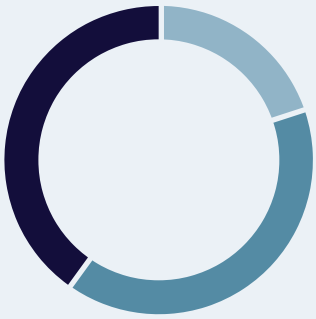
- agree strategy, performance and financial objectives of the business;
- regularly review performance against agreed objectives and exposure to risk;
- identify and approve investment and acquisition opportunities as part of the Group's longer-term growth plans;
- monitor exposure to key business risks;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

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 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 31 March 2020



Non-Executive Chairman (1)
Executive Directors (2)
Non-Executive Directors (2)

QCA PRINCIPLES AND INSPIRED ENERGY 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 and supporting them in delivering their Net Zero Carbon and ESG agendas.

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 to develop market innovative and exciting energy products and services.

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 16 of this annual report.
- For key challenges and how they will be addressed, please see principal risks on page 18 of this annual report.

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

The Board of Inspired Energy has a proven track record of delivering profitable growth through organic and acquisitive means and 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, lenders, 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. In 2020 the Board has adopted a best practice approach to ESG values and reporting to a FTSE 100 standard on these.

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.

Corporate governance statement continued

QCA PRINCIPLES AND INSPIRED ENERGY APPROACH continued

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, 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 20 and 21 of this annual report.

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 annually 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 (as to whether they were successfully passed or not) 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 2019 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. The Group is not required to prepare a Directors' remuneration report under Companies Act regulations and therefore this report is not intended to comply with statutory requirements.

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 and Gordon Oliver. The Committee is chaired by Mike Fletcher.

The Remuneration Committee oversees the remuneration policies and activities of the Group. The Committee met two times in 2019.

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 Chief Financial Officer are £275,000 and £200,000 respectively.

Performance-related pay

The Chief Executive Officer and Chief Financial Officer 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 2019 were:

- Chairman – £53,000; and
- Non-Executive Directors – £45,000.

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 2019 are summarised below:

	Salary/fees £000	Bonus £000	Employers pension contribution £000	2019 £000	2018 £000
Executive					
Mark Dickinson	269	168	3	440	327
Paul Connor	194	118	5	317	270
Matthew Thornton*	—	—	—	—	302
	463	286	8	757	899
Non-Executive					
Mike Fletcher	52	—	—	52	48
Richard Logan	44	—	—	44	40
Gordon Oliver (appointed 29 January 2018)	44	—	—	44	37
Matthew Thornton*	10	—	—	10	31
	150	—	—	150	156
Total	613	286	8	907	1,055

* Matthew Thornton became a Non-Executive on 22 March 2018. Matthew Thornton's 2018 emoluments for his executive position included £265,000 of compensation for loss of office. Matthew Thornton stepped down as a Non-Executive Director on 27 March 2019.

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).

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.

Remuneration structure for Executive Directors continued

Non-Executive Directors continued

Paul Connor did not exercise any of these share options granted under the Share Option Scheme 2011 during the current year and, at the year end, holds EMI Share Options over 4,750,000 ordinary shares. All of the 4,750,000 options held by Paul Connor are vested and are therefore included within the share interest table below. No other Director holds EMI Share Options in the Group.

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 8.

At 31 December 2019, of the 10,800,000 share options granted to Mark Dickinson under the LTIP scheme, 3,300,000 had vested and are therefore included within the Directors' share interests table below.

At 31 December 2019, of the 5,850,000 share options granted to Paul Connor under the LTIP scheme, 1,650,000 had vested and are therefore included within the Directors' share interests table below.

Directors' interests in shares of the company as at 31 December 2019:

	Number of shares	%
Praetura Ventures (1) LLP*	11,137,039	1.56
Paul Connor (including 1,650,000 vested share options under the LTIP scheme and 4,750,000 vested EMI Share Options)	6,400,000	0.90
Mark Dickinson (including 3,300,000 vested share options under the LTIP scheme)	3,989,655	0.56
Richard Logan	344,828	0.05

* Praetura Ventures (1) LLP is partly owned by Mike Fletcher. Subsequent to the period end, Praetura Ventures (1) LLP sold 6,637,040 shares on 7 February 2020. Following the transaction, Praetura Ventures (1) LLP holds 4,499,999 ordinary shares, representing 0.63% of the company's issued share capital.

Matthew Thornton, who resigned as a Non-Executive Director on 27 March 2019, sold his entire shareholding of a total of 38,408,577 ordinary shares on 25 November 2019. As a result, Matthew Thornton no longer has an interest in the company.

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
1 June 2020

Group Directors' report

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

Principal activities
Inspired Energy is focused on the creation of shareholder value through the advisory and consultancy services it provides to UK and Irish 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 and its subsidiaries for the year ended 31 December 2019 and for the year ended 31 December 2018.

Cash and borrowings
As at 31 December 2019, the Group had a cash balance of £5.2 million and outstanding balances on its senior term debt facilities of £38.6 million.

As at 31 December 2019, net debt stood at £33.4 million, which is an increase of £9.9 million in comparison to 31 December 2018.

In October 2019, the Group entered into a new facility agreement with Santander and Bank of Ireland in order to refinance its borrowings and to provide further headroom to support the continued acceleration of the Group's growth and acquisition strategy.

The facility consists of a £60.0 million revolving credit facility, of which £38.6 million was drawn at 31 December 2019, running to October 2023, with the Group having an option to extend the term for a further year to October 2024. Furthermore, the facility is supplemented by a £25.0 million accordion option enabling a total commitment of up to £85.0 million.

The facility has an interest rate ranging from 2.00% to 3.25% over LIBOR, with the applicable interest rate dependent on the adjusted net leverage of the facility in the prior quarter.

The covenants attached to the facility are interest cover, which is not to be less than 4.00:1.00 during the term of the facility, and Adjusted Net Leverage, which on entering the facility is limited to not exceed 2.75:1.00 and then tapers to 2.25:1.00 across the term of the facility.

In calculating Adjusted Net Leverage, Group EBITDA is reduced for all EBITDA contributed from Ignite, and Adjusted Net Debt equates to Bank Debt less Cash and Cash equivalents, plus Lease Liabilities (including those as a result of the adoption of IFRS 16), and the contingent consideration liability at the test date.

Subsequent to the year end, the Group has agreed an increase in the leverage covenant covering the test periods ending 30 June 2020 through to 30 June 2021 (inclusive) as part of its prudent and measured response to the COVID-19 pandemic.

The increase in net debt reflects a year in which the cash generation of the Group was offset by the payment of £6.3 million of initial cash consideration to the vendors of Waterwatch, Ignite and IU Energy and £1.4 million of contingent cash consideration to the vendors of E&CM (a wholly owned subsidiary of Inprova with the liability pre-existing on acquiring Inprova), Horizon and Squareone. The Group also invested £0.7 million into incubator projects in the year. As at 31 December 2019, £5.5 million of contingent consideration is held payable to the vendors of Ignite, ECM, PCMG, IU Energy and Squareone.

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 at the balance sheet date were as follows:

	Number of shares	%
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. Subsequent to the period end, Praetura Ventures (1) LLP sold 6,637,040 shares on 7 February 2020. Following this transaction, Praetura Ventures (1) LLP holds 4,499,999 ordinary shares, representing 0.63% of the company's issued share capital.

Matthew Thornton, who resigned as a Non-Executive Director on 27 March 2019, sold his entire shareholding of a total of 38,408,577 ordinary shares on 25 November 2019. As a result, Matthew Thornton no longer has an interest in the company.

Dividends

Since listing on AIM in 2011, Inspired Energy has established a track record of delivery on financial forecasts which has facilitated a consistent and progressive dividend policy. Following a successful 2019, and a strong Q1 to 2020, ordinarily the Board would expect to propose a final dividend for the year in line with that approach. However, considering the exceptional circumstances caused by the COVID-19 outbreak, the Board deems it prudent to defer declaration of the final dividend at this time and will reassess the position on release of the 2020 interim results statement.

Going concern

For the purposes of assessing the appropriateness of preparing the Group's accounts on a going concern basis, the Directors have considered the current cash position, available banking facilities and the base financial forecast through to 31 December 2022, including the ability to adhere to banking covenants.

The Directors believe the Group has a strong balance sheet position, having refinanced its banking facilities in October 2019 through to October 2023, with an option to extend to October 2024. In addition to cash and cash equivalents of £11.7 million on hand as at 30 April 2020, approximately £14.0 million of the Group's £60.0 million Revolving Credit Facility is undrawn with an additional £25.0 million accordion option available, subject to continued covenant compliance. The facility is subject to two covenants, which are tested quarterly, adjusted leverage to adjusted EBITDA and adjusted EBITDA to net finance charges.

Having considered this information, excluding the potential impact of COVID-19, which is considered below, the Directors conclude that the Group has adequate resources to continue to trade for the foreseeable future and that the accounts should be prepared on a going concern basis.

The uncertainty as to the future impact on the Group of the recent COVID-19 pandemic has been separately considered as part of the consideration of the going concern basis of preparation. As a Group, we earn our revenue based on providing advice and expertise in commercial utility consumption in the UK and ROI which is a fundamental input into any economy. There will naturally be a reduction in utilities consumption and demand for associated consultancy and revenues in the UK and ROI commercial markets, as a result of the ongoing COVID-19 pandemic. However, as governments start to ease lockdown, as they have during May in the UK and ROI, then we expect demand and associated revenues to recover.

Clearly, the ultimate impact of the COVID-19 pandemic is difficult to predict and as such, we have considered scenarios when stress testing the base financial forecasts for the period to December 2022. We have based our stress testing on a prudent downside scenario that reflects the current unprecedented uncertainty which we consider to be severe, of a very significant reduction in revenue in Q2 and Q3 2020, with trading recovering in Q4 2020 and into 2021. In producing this downside scenario, we have considered the publicly available information with regards to the reduction in utility consumption in countries where the impact of COVID-19 happened earlier than in the UK and ROI. In addition, we have reviewed the limited data available in the UK regarding the impact on consumption to date and based on this limited data, actual consumption by the commercial market during the month of April 2020 appears to be notably higher than the assumption applied within the downside scenario. The latest UK government advice is that the risk of a second spike is greatly reduced and further easing of the lockdown is continuing which, again, points towards our downside scenario being avoided.

These projections show with the benefit of management continuing to take appropriate mitigating actions to preserve cash reserves of the Group, including the Board resolving not to recommend a final dividend for the year ended 2019, that the Group can operate without any further need to draw on the existing banking facilities over the period. However, under this scenario, the Group

These projections show with the benefit of management continuing to take appropriate mitigating actions to preserve cash reserves of the Group, including the Board resolving not to recommend a final dividend for the year ended 2019, that the Group can operate without any further need to draw on the existing banking facilities over the period. However, under this scenario, the Group would have been forecast to breach its adjusted leverage covenant under the facility agreement entered in October 2019.

Therefore, the Group has undertaken discussions with its banking partners, who have approved a resetting of the adjusted leverage covenant for the quarters ending 30 June 2020 through to 30 June 2021, such that no covenant breaches are forecast under the prudent downside scenario.

The resetting of our banking covenants also has benefit of the Group having to not undertake any permanent restructuring actions which could prejudice the effective implementation of our strategic growth plan as envisaged prior to the COVID-19 crisis, and which we expect to resume unfettered, save for delay, post this crisis.

The pandemic clearly creates uncertainty and we cannot predict all future events or conditions and subsequent events may result in outcomes that are inconsistent with judgements and assumptions that were reasonable at the time they were made in the construction of our prudent downside scenario. If the impact of the ongoing pandemic is worse than the assumptions applied in construction of our prudent downside scenario, the Group would look to undertake more substantive restructuring measures to mitigate the impact and/or seek to ease the banking covenants further, and/or look to raise additional equity capital.

However, in the event that further information becomes available, which would have further adverse effect on the Group's performance in excess of the assumptions applied to the downside scenario, which cannot be mitigated by such cost side action, and/or further easing of banking covenants, and/or the Group was unable to raise additional equity capital, then there is a risk that the revised covenants may be breached. In this scenario there would be a material uncertainty, which may cast significant doubt over the Group's ability to continue as a going concern should the mitigating actions outlined not prove sufficient.

Going concern continued

The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and scenarios, taking account of reasonably possible changes in trading performances and considering the existing banking facilities, including the available liquidity and increase in adjusted leverage covenant, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the financial statements. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Corporate governance

The Directors are committed to maintaining high standards of corporate governance. Further information can be found on pages 22 to 24 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. 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 Group, 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 Chief Financial Officer. Representatives of the external auditors, Grant Thornton, also attend certain meetings during the year. 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.

Substantial shareholdings

At 14 May 2020, 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 28.

	Number of shares	%
Gresham House Asset Management	111,753,212	15.65
Premier Miton Investors	97,821,468	13.70
Regent Gas Holdings Limited	62,143,768	8.70
Canaccord Genuity Wealth Management (Inst)	51,100,000	7.16
Business Growth Fund	50,427,673	7.06
Inspired Energy EBT	38,250,000	5.36
Slater Investments	34,257,834	4.80
Fidelity International	33,211,276	4.65
Invesco	29,454,967	4.13
Artemis Investment Management	26,764,513	3.75
Otus Capital Management	22,183,650	3.11

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 qualifying or unapproved (non-EMI qualifying) options to such persons pursuant to the rules of the Share Option Scheme 2011 (the "Rules").

In July 2017, the Group implemented a new Long Term Incentive Plan (LTIP), which was established to incentivise Executives and Senior Management who have limited equity interest in the Group to deliver long-term value creation for shareholders and ensure alignment with shareholder interests. The structure of the awards is designed as a programme of awards of a six year period which the Board believes will reward and incentivise the Executives and Senior Management to deliver sustainable and managed growth for the company.

The principal terms of the Share Option Scheme are summarised in note 25.

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 ROI 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 an interest rate swap. 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. This interest rate swap was entered into following the re-financing in July 2017. Prior to the recent refinancing in 31 October 2019, the Group held a Euro interest rate swap, which was terminated on entering the new facility.

The Group continues to assess the correct hedging position following the refinancing completed on 31 October 2019. The Group does not adopt the principles of hedge accounting.

Group Directors' report continued

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's 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 Group financial statements;
- state whether FRS 101 has been followed in relation to the company's 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
1 June 2020

Streamlined Energy & Carbon Reporting (SECR)

INSPIRED
ENERGY PLC

Streamlined Energy & Carbon Reporting

Executive summary

Energy usage, associated emissions, energy efficiency actions and energy performance for Inspired Energy plc.

This report summarises the energy usage, associated emissions, energy efficiency actions and energy performance for Inspired Energy plc, under the government policy Streamlined Energy & Carbon Reporting (SECR), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

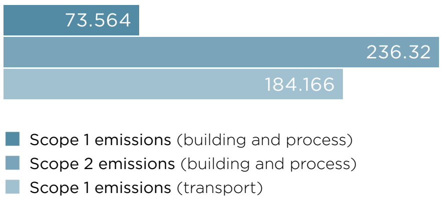
It also summarises, in the appendix, the methodologies utilised for all calculations related to the elements reported under Energy & Carbon.

Under the new SECR legislation we are mandated to include energy consumption, related emissions, intensity metrics and all energy efficiency improvements implemented throughout the portfolio in our most recent financial year.

Year 1

Inspired Energy plc's Scope 1 direct emissions (combustion of natural gas and transportation fuels) for this first year of reporting are 257.7 tCO_2e, resulting from the direct combustion of 1,170,115.6 kWh of fuel. Scope 2 indirect emissions (purchased electricity) for this first year of reporting are 236.3 tCO_2e, resulting from the consumption of 924,531 kWh of electricity purchased and consumed in day to day business operations. Inspired Energy plc's operations have an intensity metric of 1.01 tCO_2e/kWh per FTE for this reporting year.

Scope 1 and 2 emissions (tCO_2e): this reporting period



Organisational structure and qualification

Inspired Energy plc is required to comply with SECR as a group, as we exceed the qualification threshold of employee numbers (in 2019, Inspired Energy plc employed 491.5 FTE across the group), and of turnover (in 2019, Inspired Energy plc had an expected turnover of £43.1 million (based on half-year results). Inspired Energy plc is also listed on the London Stock Exchange (AIM: INSE).

There are no businesses within the corporate group that qualify for SECR in their own right for this reporting year. In the event of any subsidiary of the group qualifying individually for SECR, the breakdown of consumption and emissions will be detailed in this report, ensuring transparency and compliance throughout the group.

Annual reporting figures

The total consumption (kWh) figures for energy supplies reportable by Inspired Energy plc.

Totals

The total consumption (kWh) figures for energy supplies reportable by Inspired Energy plc are as follows:

Utility and scope	2019 UK consumption (kWh)	2019 global (excluding UK) consumption (kWh)	2018 UK consumption (kWh)	2018 global (excluding UK) consumption (kWh)
Natural gas (Scope 1)	400,121	0	–	–
Grid-supplied electricity (Scope 2)	899,966	24,565	–	–
Transportation (Scope 1)	769,995	0	–	–
Total	2,070,081	24,565	–	–

The total emission (tCO_2e) figures for energy supplies reportable by the Group are as follows. Conversion factors utilised in these calculations are detailed in the appendix:

Utility and scope	2019 UK consumption (tCO_2e)	2019 global (excluding UK) consumption (tCO_2e)	2018 UK consumption (tCO_2e)	2018 global (excluding UK) consumption (tCO_2e)
Natural gas (Scope 1)	73.6	0	–	–
Grid-supplied electricity (Scope 2)	230.0	6.3	–	–
Transportation (Scope 1)	184.2	0	–	–
Total	487.8	6.3	–	–

Intensity metric

An intensity metric of tCO_2e per FTE* has been applied for the annual total consumption of the Group. The methodology of the intensity metric calculations are detailed in the appendix, and results of this analysis is as follows. The Group aims to increase the number of metrics applied to operations for increased transparency of emissions across the Group in future reports.

Intensity metric	2019 intensity metric	2018 intensity metric
tCO_2e/FTE	1.01	–

* Number of FTE referenced on page 34, within Organisational structure and qualification.

Streamlined Energy & Carbon Reporting continued

Energy efficiency improvements

Inspired Energy plc are committed to year on year improvements in their operational energy efficiency.

Energy efficiency improvements
Inspired Energy plc are committed to year on year improvements in their operational energy efficiency. As such, a register of energy efficiency measures available to the Group has been compiled, with a view to implementing these measures in the next 5 years.

Measures ongoing and undertaken through 2019:
Completion of an LED refit to the Kirkham and Burgess Hill offices, along with installation of motion sensors to reduce out-of-hours consumption. Motion sensors for lighting have been installed across the portfolio as far as has been permitted by landlords.

Completion of a HVAC refit to the Kirkham office, which included ensuring that all plant underwent a controls optimisation process, ensuring that plant is not operational outside of the office operating hours.

Purchasing policy for office equipment, as the use of office equipment such as PCs, VDUs, printers etc. are a significant proportion of the energy demand of the group's offices. In efforts to mitigate this as far as possible, the group has in place a purchasing policy for replacement of equipment of this type, ensuring that all installed equipment within the offices of the group is of a high efficiency level e.g. has obtained Energy Star certification.

Limitations: the majority of the group's portfolio is leased, and as such there are some limitations on the extent to which efficiency measures can be implemented in the buildings occupied by the group.

Measures prioritised for implementation in 2020:
LED refit in offices currently utilising fluorescent lighting.

Controls optimisation across the office portfolio.

Creation and implementation of a travel policy encouraging the use of public transportation and available technology for virtual meetings to reduce the business travel emissions, through the use of company and personal vehicles, of Group employees.

Net Zero Steering Group and policy implementation. Inspired Energy are dedicated to achieving Net Zero, and look to lead by example in the industry working towards this.

Appendix

Reporting methodology
Scope 1 and 2 consumption and CO_2e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used: Database 2019, Version 1.01.

Estimations undertaken to cover missing billing periods were calculated on a kWh/day pro-rata basis at meter level. Where data was not available for the entirety of the reporting period, a kWh/m^2 value was calculated based on properties with similar operations, and applied to the m^2 area of the property.

Intensity metrics have been calculated utilising the annualised employee numbers for the Inspired Energy plc group, totalling 491.5 FTE, and have been applied to the whole estate's carbon emissions.

Independent auditor's 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 2019, which comprise the group statement of comprehensive income, the group statement of financial position, the group statement of changes in equity, the group statement of cash flows, the company statement of financial position, the company statement of financial position 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 Disclosure 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 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the Directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group associated with a course of action such as Brexit.

Material uncertainty related to going concern

We draw attention to the Going concern note within note 2.1 in the financial statements, which indicates that if the significant negative impact of COVID-19 results in a prolonged economic downturn into late 2020 and early 2021, there is a risk that the revised covenants approved by the lenders may be breached. As stated in the Going concern note within note 2.1, these events or conditions, along with other matters as set forth in the Going concern note within note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Audit work performed

To respond to risks relating to going concern, our procedures evaluated management's assessment of the impact of COVID-19 on the group and parent company EBITDA, working capital and ability to meet banking covenant requirements by performing the following audit procedures:

- Obtained management's base case forecasts covering the period from January 2020 to December 2022. We assessed how these forecasts were compiled and challenged their appropriateness by applying appropriate sensitivities to the underlying assumptions;
- Assessed the accuracy of management's forecasting ability by comparing the reliability of past forecasts to the base case forecast;

Independent auditor's report continued
To the members of Inspired Energy PLC

Material uncertainty related to going concern continued

Audit work performed continued

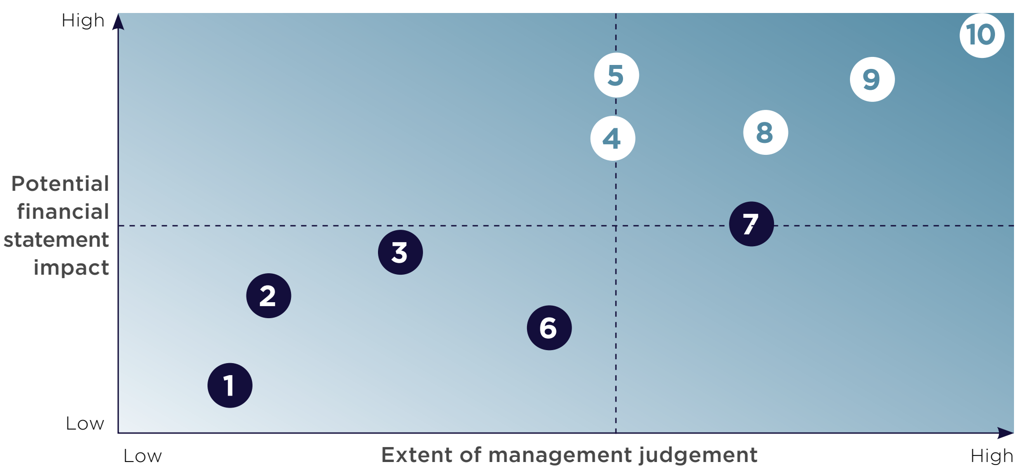
- Obtained management's extreme case scenario prepared to assess the potential impact of COVID-19. We evaluated the assumptions in the forecast regarding the impact of reduced revenue in the Corporate and SME divisions against publicly available energy consumption usage data and considered whether the assumptions are consistent with our understanding of the business derived from other detailed audit procedures undertaken;
- Assessed the impact of the mitigating factors available to management in respect of the ability to restrict cash impact, including the level of available banking facilities;
- Considered the forecasts prepared by management in respect of the revised banking covenants and assessed sensitised assumptions against the forecasts and whether these still give rise to a material uncertainty; and
- Assessed the adequacy of disclosures within the Annual Report & Accounts.

Overview of our audit approach

- Overall materiality: £500,000, which represents 7% of the group's profit before taxation and 1% of the group's revenue;
- Key audit matters were identified as improper revenue recognition and valuation of intangible assets acquired as part of a business combination for the group and the recoverability of the carrying value of investments in and intercompany receivables due from the parent company's subsidiaries; and
- There have been no significant changes in audit scope from the previous year and we have audited the financial statements of the parent company and the financial information of each subsidiary within the group to a component materiality level. Waterwatch Limited and Independent Utilities Limited have been audited to group materiality using analytical procedures.

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.



1. Employee remuneration is understated
2. Existence and valuation of trade receivables
3. Software costs have been incorrectly capitalised
4. Classification of exceptional costs
5. Management override of controls
6. Impairment of intangible assets
7. Share based payment charges have been incorrectly valued
8. Intangible assets, acquired as part of business combinations, have been incorrectly valued
9. Going concern
10. The revenue cycle includes fraudulent transactions or that revenue has been recognised incorrectly due to error

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.

In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters continued

Key audit matter – Group	How the matter was addressed in the audit – Group
Improper revenue recognition Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumed risk of fraud in revenue recognition. Due to the complexity of the group's revenue streams there is a risk that the group's revenue recognition criteria are not being properly applied, in particular as a result of management's estimation relating to the recognition of revenue in accordance with IFRS 15 'Revenue from Contracts with Customers'. There is also management judgement involved in determining the amount of revenue that is accrued at year end. We therefore identified the risk that the revenue cycle includes fraudulent transactions or that revenue has been recognised incorrectly due to error as a significant risk, being one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing the accounting policies to check compliance with the financial reporting framework, including IFRS 15 and in particular that any transition adjustments have been appropriately captured in respect of the newly acquired company, Ignite Energy Limited; • For certain components, testing the operating effectiveness of key controls in the revenue cycle and placing reliance upon these key controls in determining a substantive sample size; • Testing of a sample of revenue transactions in the year through agreement to source documentation in order to check the occurrence of such revenue; • Testing a sample of revenue items accrued as at 31 December 2019 through to post year end invoices, or where the revenue item had not been invoiced, to other evidence that showed that the revenue had occurred; • Assessing the historical accuracy of estimates made by management in respect of revenue recognition in accordance with IFRS 15, and in particular the amount of revenue recognised at the point the contract is authorised by the energy supplier in the SME division; • Assessing the historical accuracy of estimates made by management in respect of revenue items accrued at the end of previous reporting periods; • Testing of specific journals posted to revenue which met pre-determined criteria; and • Testing of a sample of new contracts on a divisional basis to confirm the operating effectiveness of key controls in respect of recording new contracts within the year. The group's accounting policy on revenue recognition is shown in note 2.3 to the group financial statements and related disclosures are included in note 7. **Key observations** Our audit procedures did not identify any material misstatements within the revenue recorded for the year or inconsistencies in the application of the revenue recognition accounting policy.

Valuation of intangible assets acquired as part of a business combination
 	
Included within the fair value of net identifiable assets recognised on the three business combinations during the year is £8,141,000 of separately identifiable intangible assets, being customer contracts and customer relationships.
 	
The techniques involved in valuing these assets require management to exercise a high degree of estimation and judgment, with estimates including future sales and discount rates. We therefore identified intangible assets, acquired as part of business combinations, have been incorrectly valued 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:
	
	• Inspecting the sale and purchase agreements in order to identify key terms of the transactions and how they may impact the accounting treatment;
	
	• Challenging management's assessment, which was informed by the use of an external expert, of the accounting treatment in respect of the Ignite Energy Limited acquisition, and in particular whether the group has the ability to control Ignite Energy Limited and therefore consolidate the results, given the group's 40% shareholding and 60% call option;
	
	• An assessment of the work performed by management, which was informed by an external valuation specialist engaged by the group, who advised on the methodology and assumptions used to identify and value the separately identifiable intangible assets;
	
	• Examining and challenging the key judgements adopted by management in preparing the underlying forecasts, such as forecast revenue and cash flows, used to value the separately identifiable intangible assets, which included:
	  ◦ With the assistance of our internal valuation specialists, evaluating the valuation methodologies used as well as assessing the discount rate applied against externally benchmarked data; and
	  ◦ Performing sensitivity analysis relating to the valuation of intangible assets, specifically in relation to the discount rate.
	
	The group's accounting policy on business combinations is shown in note 2.6 and 2.9 to the financial statements and related disclosures are included in note 14.
	
	Key observations
	Our audit procedures did not identify any material errors in the valuation of intangible assets acquired during the year.

Independent auditor's report continued

To the members of Inspired Energy PLC

Key audit matters continued

Key audit matter – Parent company	How the matter was addressed in the audit – Parent company
Recoverability of the carrying value of investments in and intercompany receivables due from subsidiaries The parent company's statement of financial position includes investments in subsidiaries of £81,565,000 (2018: £67,676,000) and receivables from those subsidiaries of £31,180,000 (2018: £18,821,000). There is a risk that the carrying value of investments and intercompany receivables may be overstated. The process for assessing whether impairment exist under both IAS 36 'Impairment of Assets' and IFRS 9 'Financial Instruments' is complex. Management have assessed the recoverability with reference to both their fair value valuations and the forecast performance. The judgements made by management in respect of the impairment review are subject to significant measurement uncertainty. We therefore identified recoverability of the carrying value of investments in and intercompany receivables from subsidiaries 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 management's impairment review and comparing management's forecasts with the latest Board-approved budget; • Assessing the accuracy of management's forecasting through a comparison of historical data to actual results and projections for following periods; • Assessing management's impairment review including challenging the appropriateness of management's assumptions, including the growth rate, discount rate and forecast used by comparing them with historical results; • Considering any indicators of impairment such as market capitalisation and current financial performance; • Challenging the appropriateness of assumptions used in management's calculation of the fair value of the business; • Performing sensitivity analysis to understand the impact of any reasonably possible change in key assumptions; and • Assessing the adequacy of the disclosures in the financial statements for the requirements of IAS 36 'Impairment of Assets' and IFRS 9 'Financial Instruments'. The parent company's accounting policy on impairment of investments and group balances is shown in note 32. **Key observations** Our audit procedures did not identify any material misstatements in respect of the recoverability of the carrying value of investments in and intercompany receivables due from subsidiaries.

Our application of materiality

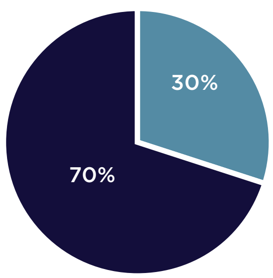
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating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

Materiality was determined as follows:

Materiality measure	Group	Parent company
Financial statements as a whole	**£500,000**, which has been determined considering a number of benchmarks including profit before tax (of which it represents 10.5%) and revenue (of which it represents 1%). We have also considered other benchmarks utilised by key stakeholders including earnings before interest, tax, depreciation and amortisation (EBITDA) (of which it represents 3.5%). Determination of materiality using these benchmarks is considered appropriate because of the importance that management and other key stakeholders apply to such measures in assessing the performance and growth of the business. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2018 to reflect the growth of the business both in revenue and profitability, and the change in benchmark and measurement percentage from 2.8% of profit before tax, excluding exceptional items, last year.	**£350,000**, which is 0.4% of the parent company's total assets at the planning stage of the audit, restricted to 70% of group materiality (or 'performance materiality'). 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 the same as the level that we determined for the year ended 31 December 2018 due to the restriction to 70% of group materiality referred to above.
Performance materiality used to drive the extent of our testing	**70%** of financial statement materiality.	**70%** of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£25,000 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.

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

Overall materiality – Group



Overall materiality – Parent company

Independent auditor's report continued
To the members of Inspired Energy PLC

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

- an evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. We audited the financial statements of the parent company and the financial information of each subsidiary within the group to a component materiality level. The financial information of Waterwatch Limited and Independent Utilities Limited have been audited to group materiality using analytical procedures. 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 92.3% of profit before tax, 95.9% of revenues and 97.1% of EBITDA.
- 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.
- an evaluation of significant management estimates or judgments.
- understanding the design and evaluating implementation of the processes and controls through which the businesses initiate, record, process and report impairments of investments in subsidiaries.
- there have been no significant changes in audit scope from previous periods and we audited the financial statements of the parent company and the financial information of each subsidiary within the group to a component materiality level. In addition to performing audit testing in relation to Horizon Energy Group Limited at their offices in Cork, we also performed audit testing in relation to Ignite Energy Limited at their offices in Oxford, as this was a material acquisition in the year, based away from the Group's main operations in Lancashire.

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

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

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 32 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Frankish
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditors, Chartered Accountants
Manchester
1 June 2020

Group statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	7	**49,298**	32,692
Cost of sales		**(8,371)**	(5,018)
Gross profit		**40,927**	27,674
Administrative expenses		**(35,015)**	(22,171)
Operating profit		**5,912**	5,503
Analysed as:			
Earnings before exceptional costs, depreciation, amortisation, share-based payment costs, tax and interest		**18,830**	13,752
Exceptional costs	5	**(2,552)**	(2,704)
Depreciation	12/13	**(1,657)**	(569)
Amortisation of acquired intangible assets	14	**(5,329)**	(3,749)
Amortisation of internally generated intangible assets		**(1,218)**	(756)
Share-based payment cost		**(2,162)**	(471)
		5,912	5,503
Finance expenditure	6	**(1,200)**	(1,380)
Other financial items		**41**	76
Profit before income tax	5	**4,753**	4,199
Income tax expense	10	**(745)**	(960)
Profit for the year		**4,008**	3,239
Attributable to:			
Non-controlling interest		**602**	—
Equity owners of the company		**3,406**	3,239
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(414)**	112
Total other comprehensive income for the year		**(414)**	112
Total comprehensive income from continuing operations		**3,594**	3,351
Attributable to:			
Non-controlling interest		**602**	—
Equity owners of the company		**2,992**	3,351
Basic earnings per share attributable to the equity holders of the company (pence)	11	**0.56**	0.55
Diluted earnings per share attributable to the equity holders of the company (pence)	11	**0.53**	0.53

The notes on pages 48 to 88 form part of these financial statements. All items relate to continuing operations.

Group statement of financial position
At 31 December 2019

	Note	2019 £000	2018 £000
ASSETS			
Non-current assets			
Investments	15	**648**	–
Goodwill	14	**52,233**	44,366
Other intangible assets	14	**18,887**	14,978
Property, plant and equipment	12	**2,684**	2,083
Right of use assets	13	**3,710**	–
Non-current assets		**78,162**	61,427
Current assets			
Trade and other receivables	18	**29,561**	21,906
Inventories	17	**76**	–
Cash and cash equivalents	16	**5,241**	2,190
Current assets		**34,878**	24,096
Total assets		**113,040**	85,523
LIABILITIES			
Current liabilities			
Trade and other payables	19	**10,464**	7,037
Lease liabilities	20	**1,125**	–
Bank borrowings	22	**–**	3,047
Contingent consideration	23	**3,311**	1,479
Current tax liability		**3,618**	2,857
Current liabilities		**18,518**	14,420
Non-current liabilities			
Bank borrowings	22	**38,614**	22,393
Trade and other payables	19	**–**	92
Lease liabilities	20	**2,595**	–
Contingent consideration	23	**1,280**	1,379
Interest rate swap		**95**	68
Deferred tax liability	21	**1,993**	1,856
Non-current liabilities		**44,577**	25,788
Total liabilities		**63,095**	40,208
Net assets		**49,945**	45,315
EQUITY			
Share capital	24	**892**	892
Share premium account	24	**37,422**	37,422
Merger relief reserve	24	**15,535**	15,535
Share-based payment reserve		**3,523**	1,361
Retained earnings		**6,719**	7,908
Investment in own shares		**(6,742)**	(6,742)
Translation reserve		**(92)**	322
Reverse acquisition reserve		**(11,383)**	(11,383)
Equity attributable to shareholders		**45,874**	45,315
Non-controlling interest		**4,071**	–
Total equity		**49,945**	45,315

The financial statements were approved and authorised for issue by the Board of Directors on 1 June 2020 and were signed on its behalf by:

Mark Dickinson
Chief Executive Officer

Paul Connor
Chief Financial Officer

Company registration number: 07639760.

The notes on pages 48 to 88 form part of these financial statements.

Group statement of changes in equity

For the year ended 31 December 2019

	Share capital £000	Share premium account £000	Merger relief reserve £000	Share-based payment reserve £000	Retained earnings £000	Investment in own shares £000	Translation reserve £000	Reverse acquisition reserve £000	Non-controlling interest £000	Total shareholders' equity £000
Balance at 1 January 2018	711	14,203	14,914	1,231	7,354	(2,618)	210	(11,383)	—	24,622
Brought forward IFRS 15 impact	—	—	—	—	222	—	—	—	—	222
Balance at 1 January 2018 (restated)	711	14,203	14,914	1,231	7,576	(2,618)	210	(11,383)	—	24,844
Profit for the year	—	—	—	—	3,239	—	—	—	—	3,239
Other comprehensive income for the year	—	—	—	—	—	—	112	—	—	112
Total comprehensive income for the year	—	—	—	—	3,239	—	112	—	—	3,351
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	332	(4,124)	112	—	—	20,471
Balance at 31 December 2018	892	37,422	15,535	1,361	7,908	(6,742)	322	(11,383)	—	45,315
Profit for the year	—	—	—	—	3,406	—	—	—	602	4,008
Other comprehensive income for the year	—	—	—	—	—	—	(414)	—	—	(414)
Total comprehensive income for the year	—	—	—	—	3,406	—	(414)	—	602	3,594
Share-based payment cost	—	—	—	2,162	—	—	—	—	—	2,162
Acquisition of subsidiary undertaking	—	—	—	—	—	—	—	—	6,769	6,769
Dividends declared	—	—	—	—	—	—	—	—	(900)	(900)
Dividends paid	—	—	—	—	(4,595)	—	—	—	(2,400)	(6,995)
Total transactions with owners	—	—	—	2,162	(1,189)	—	(414)	—	4,071	4,630
Balance at 31 December 2019	**892**	**37,422**	**15,535**	**3,523**	**6,719**	**(6,742)**	**(92)**	**(11,383)**	**4,071**	**49,945**

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.

Non-controlling interest
The non-controlling interest represents the outstanding 60% of the issued share capital of Ignite Energy LTD (IGN) held by third parties. IGN is consolidated and treated as a subsidiary as the Group has an exclusive one-way call option to acquire the outstanding 60% of the issued share capital. The Directors have recognised a non-controlling interest as the Share Purchase Agreement (SPA) is structured in such a way that the Group is deemed to have substantive control.

The notes on pages 48 to 88 form part of these financial statements.

Group statement of cash flows

For the year ended 31 December 2019

	2019 £000	2018 (restated, note 30) £000
Cash flows from operating activities		
Profit before income tax	4,753	4,199
Adjustments		
Depreciation	1,657	569
Amortisation	6,547	4,505
Share-based payment cost	2,162	471
Finance expenditure	1,159	1,304
Exchange rate variances	82	(248)
Other financial items	136	(577)
Cash flows before changes in working capital	16,496	10,223
Movement in working capital		
Decrease in inventories	15	—
Increase in trade and other receivables	(5,200)	(1,689)
(Decrease)/increase in trade and other payables	(962)	1,479
Cash generated from operations	10,349	10,013
Income taxes paid	(1,873)	(1,853)
Net cash flows from operating activities	8,476	8,160
Cash flows from investing activities		
Contingent consideration paid	(2,156)	(3,625)
Acquisition of subsidiaries, net of cash acquired (note 26)	(3,718)	(12,892)
Payments to acquire property, plant and equipment	(1,479)	(869)
Payments to acquire intangible assets	(2,654)	(1,509)
Dividends paid by NCI to third parties	(2,400)	—
Net cash flows used in investing activities	(12,407)	(18,895)
Cash flows from financing activities		
New bank loans	49,335	7,400
Debt issue costs	(580)	—
Proceeds from issue of new shares	—	19,272
Repayment of bank loans	(35,033)	(14,631)
Interest on bank loans paid	(1,159)	(1,049)
Repayment of lease liabilities	(978)	—
Dividends paid	(4,595)	(3,248)
Net cash flows from financing activities	6,990	7,744
Net increase/(decrease) in cash and cash equivalents	3,059	(2,991)
Cash and cash equivalents brought forward	2,190	5,183
Exchange differences on cash and cash equivalents	(8)	(2)
Cash and cash equivalents carried forward	5,241	2,190

The notes on pages 48 to 88 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.

The Group has taken advantage of the audit exemption for two of its subsidiaries, Waterwatch UK Limited (company number 08854844) and Independent Utilities Limited (05658810) by virtue of s479A of the Companies Act 2006. The Group has provided parent guarantees to these two subsidiaries which have taken advantage of the exemption from audit. Under this guarantee, the Group has a contingent liability of £0.9 million.

Going concern

For the purposes of assessing the appropriateness of preparing the Group's accounts on a going concern basis, the Directors have considered the current cash position, available banking facilities and the base financial forecast through to 31 December 2022, including the ability to adhere to banking covenants.

The Directors believe the Group has a strong balance sheet position, having refinanced its banking facilities in October 2019 through to October 2023, with an option to extend to October 2024. In addition to cash and cash equivalents of £11.7 million on hand as at 30 April 2020, approximately £14.0 million of the Group's £60.0 million revolving credit facility is undrawn with an additional £25.0 million accordion option available, subject to continued covenant compliance. The facility is subject to two covenants, which are tested quarterly, adjusted leverage to adjusted EBITDA and adjusted EBITDA to net finance charges.

Having considered this information, excluding the potential impact of COVID-19, which is considered below, the Directors conclude that the Group has adequate resources to continue to trade for the foreseeable future and that the accounts should be prepared on a going concern basis.

The uncertainty as to the future impact on the Group of the recent COVID-19 pandemic has been separately considered as part of the consideration of the going concern basis of preparation. As a Group, we earn our revenue based on providing advice and expertise in commercial utility consumption in the UK and ROI which is a fundamental input into any economy. There will naturally be a reduction in utilities consumption and demand for associated consultancy and revenues in the UK and ROI commercial markets, as a result of the ongoing COVID-19 pandemic. However, as governments start to ease lockdown, as they have during May in the UK and ROI, then we expect demand and associated revenues to recover.

Clearly, the ultimate impact of the COVID-19 pandemic is difficult to predict and as such, we have considered scenarios when stress testing the base financial forecasts for the period to December 2022. We have based our stress testing on a prudent downside scenario that reflects the current unprecedented uncertainty, which we consider to be severe, of a very significant reduction in revenue in Q2 and Q3 2020, with trading recovering in Q4 2020 and into 2021. In producing this downside scenario, we have considered the publicly available information with regard to the reduction in utility consumption in countries where the impact of COVID-19 happened earlier than in the UK and ROI. In addition, we have reviewed the limited data available in the UK regarding the impact on consumption to date and based on this limited data, actual consumption by the commercial market during the month of April 2020 appears to be notably higher than the assumption applied within the downside scenario. The latest UK government advice is that the risk of a second spike is greatly reduced and further easing of the lockdown is continuing which, again, points towards our downside scenario being avoided.

These projections show with the benefit of management continuing to take appropriate mitigating actions to preserve cash reserves of the Group, including the Board resolving not to recommend a final dividend for the year ended 2019, that the Group can operate without any further need to draw on the existing banking facilities over the period. However, under this scenario, the Group would have been forecast to breach its adjusted leverage covenant under the facility agreement entered in October 2019.

Therefore, the Group has undertaken discussions with its banking partners, which have approved a resetting of the adjusted leverage covenant for the quarters ending 30 June 2020 through to 30 June 2021, such that no covenant breaches are forecast under the prudent downside scenario.

The resetting of our banking covenants also has benefit of the Group having to not undertake any permanent restructuring actions which could prejudice the effective implementation of our strategic growth plan as envisaged prior to the COVID-19 crisis, and which we expect to resume unfettered, save for delay, post this crisis.

The pandemic clearly creates uncertainty and we cannot predict all future events or conditions and subsequent events may result in outcomes that are inconsistent with judgements and assumptions that were reasonable at the time they were made in the construction of our prudent downside scenario. If the impact of the ongoing pandemic is worse than the assumptions applied in construction of our prudent downside scenario, the Group would look to undertake more substantive restructuring measures to mitigate the impact and/or seek to ease the banking covenants further, and/or look to raise additional equity capital.

2. Summary of significant accounting policies continued

2.1 Basis of preparation continued

Going concern continued

However, in the event that further information becomes available, which would have further adverse effect on the Group's performance in excess of the assumptions applied to the downside scenario, which cannot be mitigated by such cost side action, and/or further easing of banking covenants, and/or the Group was unable to raise additional equity capital, then there is a risk that the revised covenants may be breached. In this scenario there would be a material uncertainty, which may cast significant doubt over the Group's ability to continue as a going concern should the mitigating actions outlined not prove sufficient.

The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and scenarios, taking account of reasonably possible changes in trading performances and considering the existing banking facilities, including the available liquidity and increase in adjusted leverage covenant, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months following the date of approval of the financial statements. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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 (v) is considered a critical judgement:

i. 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 14). 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 2019 is £52,233,000 (2018: £44,366,000).

ii. Share-based incentive arrangements

Share-based incentive arrangements are provided to management and certain employees. In addition to share options granted under the Inspired Energy PLC Share Option Scheme 2011, the Group implemented a Long Term Incentive Plan (LTIP) in July 2017, with awards to date made in July 2017 and May and December 2018. The structure of the LTIP scheme is complex and the price to be paid for any awards under the scheme depends on the share price of the options available to the recipient. Prior to 31 December 2018, the underlying calculation did not recognise the element of the share price at grant attributable to Inspired Energy EBT Limited's (EBT's) interest in the ordinary shares held by the option holder. After taking additional advice from an external expert, the calculation now reflects the full price of the option awarded, taking account of the nil-cost option the option holder receives at the award date over the EBT's interest. The amend has resulted in an increase in the share-based payment charge in year but did not result in any material difference versus the charges previously recorded in the income statement of prior period financial statements.

Graded vesting is applicable for some options; see note 8 for details of the vesting periods. Management has to exercise judgement over the likely exercise period, the expected number of individuals who will leave the company such that there incentives do not vest and also the probability of the Group achieving earnings targets upon which otherwise the options would not vest. These items involve a large degree of estimation and actual results may differ. Should the number of individuals who leave the company be fewer by half than estimated, this would increase the share-based payment charge in the current year by £204,000. Should the company achieve all of its earnings targets then the charge in the current year would be £510,000 higher. The charge recognised in the current year in respect of these arrangements is £2,162,000 (2018: £471,000).

iii. Intangible assets

On acquisition, specific intangible assets are identified and recognised separately from goodwill and then amortised over their estimated useful lives. An external expert is engaged to assist with the identification of the intangible assets and 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 2019 is £18,887,000 (2018: £14,978,000).

iv. 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 2019 is £4,591,000 (2018: £2,858,000). The maximum undiscounted consideration payable is £5.0 million, producing an additional £0.4 million of additional liability as at 31 December 2019.

2. Summary of significant accounting policies continued

2.1 Basis of preparation continued

Key sources of estimation uncertainty continued

v. 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% (2018: 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.

Key judgements

i. Control of Ignite Energy LTD

The Group has an exclusive one-way call option (from completion until 31 July 2021) to acquire the outstanding 60% of the issued share capital of Ignite Energy LTD.

The Group engaged an independent advisor to review the legal documentation which underpins the strategic investment in Ignite Energy LTD. The advice concluded that in line with IFRS 10, for the duration of the option period, being from completion of the acquisition of the 40% shareholding to 31 July 2021, the exclusive call option facilitates the Group having power over Ignite, with the one-way option providing no barriers to exercise the right, and it being deemed Inspired Energy has the financial ability to exercise the option and would benefit from the exercise of the option. Therefore, this illustrates the Group has substantive control at the date of purchasing the 40% shareholding and entering into the exclusive one-way option agreement and therefore Ignite should be accounted for as a subsidiary until expiration of the option period should Inspired Energy not choose to exercise the option.

Under the terms of the Option Agreement, the Group will pay consideration for the Remaining Ignite Shares which equates to an enterprise value of 6.0x earnings before interest, tax, depreciation and amortisation (EBITDA). The Board deems the EV of 6.0x EBITDA to be market rate and therefore the call option itself has not been treated as a material asset under IFRS 9.

The balancing 60% shareholding has been treated as a non-controlling interest for the purpose of these financial statements, as the shareholders of the 60% shareholders are still subject to the risks and rewards associated with owning these shares during the option period, prior to the Group exercising its right to acquire the balancing 60% shareholding.

ii. Investments

The carrying value of investments is shown at cost less provision for impairment in value.

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 2019. 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. All acquisitions acquired from 1 January 2019 have been consolidated from the legal completion date.

See Key judgements, 2.1.i, for details of the factors considered in accounting for Ignite Energy LTD as a subsidiary within these financial statements.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the non-controlling interests based on their respective ownership interest. In the case of Ignite Energy LTD, post-acquisition profits of 60% are attributed to the non-controlling interest.

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.

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 14, adjustments of £992,000 have been made to the goodwill balances of Inprova Finance Limited, £503,000 of which relates to contingent consideration, 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.

2. Summary of significant accounting policies continued

2.2 Basis of consolidation and business combinations continued

All intra-group transactions and 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

Revenue

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 ROI 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 17 and 18 respectively for a full breakdown.

Revenue – Corporate division

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, compliance services, 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.

Where the Group receives revenue via commissions received from energy suppliers, the consideration received is variable as it is dependent on the energy consumption of the customer across the life of the contract.

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. Mid-market 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.

Mid-market 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.

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.

Project revenue

Project revenue is generated by way of fees received directly from customers. The contract consideration is the cost of goods transferred plus a mark-up for installation and consultancy services provided, as well as consideration for benefits to be realised by the customer. The output method is used to measure the progress towards complete satisfaction of a performance obligation. Where expected revenue is in excess of billed revenue in respect of a given contract, an adjustment is made to recognise additional revenue and the difference between expected and billed revenue is recognised as accrued revenue within current assets. Similarly, where expected revenue is less than billed revenue in respect of a given contract, an adjustment is made to reduce revenue and the difference between expected and billed revenue is recognised as deferred revenue within current liabilities.

2. Summary of significant accounting policies continued

2.3 Revenue recognition/cost of sales continued

Revenue – SME division

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

Commissions are variable as they 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 expected commission is calculated based on the historical consumption of the contracted meter point.

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.

Cost of sales

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 2019 is £1.05 million.

Project cost of sales
Cost of sales represents costs of goods transferred, installation and consultancy costs. At contract inception, expected total project costs are calculated and, in conjunction with the output method above, these costs are recognised over the life of the project.

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.

2.4 Exceptional costs/(items)

Exceptional costs/(items) represent those costs/(items) 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 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.

2.6 Goodwill

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

Upon the acquisition of subsidiaries, goodwill is separately recognised.

Goodwill is recognised as an asset and reviewed for impairment at least annually unless an indicator of impairment triggers a review of impairment; any impairment is recognised immediately in the Group statement of comprehensive income and is not subsequently reversed. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated. This is calculated as the higher of the value in use and the fair value less cost to sell. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

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

2. Summary of significant accounting policies continued

2.7 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.

2.8 Impairment

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

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

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

2.9 Other intangible assets

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

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

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

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

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

- Customer contracts – four to five years straight line
- Computer software – five years straight line
- Customer databases – two years straight line
- Trade name – 20 years straight line
- Customer relationships – four to seven years straight line

2.10 Current tax

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

2. Summary of significant accounting policies continued

2.11 Deferred tax

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax is not recognised on temporary differences associated with shares in subsidiaries. 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.

2.12 Share-based payments

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

Share options are valued by an external expert.

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

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

2.13 Operating lease commitments

Rentals applicable to leases where the underlying asset is low value, lease payments are recognised as an expense on a straight-line basis over the lease term.

2.14 IFRS 16 Leases

IFRS 16 is effective for all accounting periods beginning on or after 1 January 2019. For the Group the first reporting period is the year ending 31 December 2019.

On the adoption of IFRS 16, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. The right of use asset is depreciated on a straight-line basis over the life of the lease. Interest is recognised on the lease liability.

On a cash flow basis, the impact of adoption and transition to IFRS 16 is £nil.

Transition

The Group has adopted the modified retrospective transition approach where the initial right of asset values is equal to the present value of the future lease payments at the date of transition, being 1 January 2019.

The Group has also applied the recognition exemption for short-term leases and leases of low value items.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3%.

2. Summary of significant accounting policies continued

2.14 IFRS 16 Leases continued

Impact on the financial statements

On the transition date, being 1 January 2019, a right of use asset of £3,488,000 was adjusted for with a corresponding lease liability. Adoption of IFRS 16 has not led to any adjustments to opening reserves as the impact is considered to be immaterial.

The following table summarises the impacts of adopting IFRS 16 on the financial statements:

	31 December 2018 prior to IFRS 16 adoption £000	IFRS 16 £000	1 January 2019 post IFRS 16 adoption £000
ASSETS			
Non-current assets			
Goodwill	44,366	—	**44,366**
Other intangible assets	14,978	—	**14,978**
Property, plant and equipment	2,083	(231)	**1,852**
Right of use assets	—	3,719	**3,719**
Non-current assets	61,427	3,488	**64,915**
Current assets	24,096	—	**24,096**
Total assets	85,523	3,488	**89,011**
LIABILITIES			
Current liabilities			
Trade and other payables	7,037	(131)	**6,906**
Lease liabilities	—	1,076	**1,076**
Bank borrowings	3,047	—	**3,047**
Contingent consideration	1,479	—	**1,479**
Current tax liability	2,857	—	**2,857**
Current liabilities	14,420	945	**15,365**
Non-current liabilities			
Bank borrowings	22,393	—	**22,393**
Trade and other payables	92	(92)	**—**
Lease liabilities	—	2,635	**2,635**
Contingent consideration	1,379	—	**1,379**
Interest rate swap	68	—	**68**
Deferred tax liability	1,856	—	**1,856**
Non-current liabilities	25,788	2,543	**28,331**
Total liabilities	40,208	3,488	**43,696**
Net assets	45,315	—	**45,315**
EQUITY			
Total equity	45,315	—	**45,315**

The most significant lease liabilities relate to property.

The impact on the statement of comprehensive income is an increase to operating profit of £0.1 million as the rental costs previously charged to administrative expenses have been replaced by a higher depreciation charge and also an interest charge within finance costs.

There is no impact on cash flows, although the presentation of the statement of cash flows changed with an increase in net cash inflows from operating activities being offset by an increase in net cash outflows from financing activities.

2. Summary of significant accounting policies continued

2.14 IFRS 16 Leases continued

Impact on the financial statements continued

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) and the lease liabilities recognised at 1 January 2019:

	2019 £000
Operating lease contributions disclosed as at 31 December 2018 (restated*)	3,882
Operating lease commitments discounted using the leases incremental borrowing rate at the date of initial application	(824)
Low value leases recognised on a straight-line basis as expense	(21)
Adjustments as a result of different treatment of extension and termination options	448
Other movements	(9)
Total lease liabilities recognised under IFRS 16 as at 1 January 2019	3,476

* Following a detailed review of the lease commitments on transition to IFRS 16, the opening balance of the operating lease commitments at 31 December 2018 was corrected.

2.15 Leases

Initial and subsequent measurement of the right of use asset

A right of use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs obtaining the lease and any lease payments made at or before the lease asset is available for use by the Group. The right of use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation policy adopted is as follows:

Leased property	–	On a straight-line bases over the shorter of the lease term and the useful life (years)
Motor vehicles	–	On a straight-line basis over the shorter of the lease term and the useful life of 3 to 5 years

Leases – Group as lessee

When the Group enters a contract giving them the right to use an asset for a period of time in exchange for consideration, a right of use asset and corresponding lease liability are recognised unless the lease qualifies as:

- short-term leases – where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term; or
- leases of low value assets – for leases where the underlying asset is low value, lease payments are recognised as an expense on a straight-line basis over the lease term.

Initial and subsequent measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease or the incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined.

The incremental borrowing rate is the rate of interest the Group would have to pay to borrow over a similar term to fund the asset.

The lease term is the non-cancellable period of the lease plus extension periods that the Group is reasonably certain to exercise.

Interest on the lease liability is recognised in the Group statement of comprehensive income.

The lease liability is adjusted for changes that alter the lease term of the lease payments. The changes in amounts payable are recognised when the changes take effect and are discounted at the original discount rate. The property leases held by the Group do not contain any variable consideration.

2.16 Recently issued accounting pronouncements

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 2020 or later. The Group has not early adopted them.

- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018) adding back exceptional items.
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued on 26 September 2019).
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018).

2.17 Newly applicable accounting standards

IFRS 16 Leases

The Group has adopted IFRS 16 for the first time for the year commencing 1 January 2019.

Further information can be found in note 2.14.

2.18 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.

2. Summary of significant accounting policies continued

2.18 Financial assets continued

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.

2.19 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.

2.20 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all value of raw materials and consumables purchased. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

2.21 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.

2.22 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.

2.23 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.

2.24 Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. Any contingent consideration payable is recognised at fair value at the acquisition date. Implied interest cost of deferred consideration is accounted as finance cost. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

3. Interest in subsidiaries

Subsidiary with material non-controlling interests

The Group includes one subsidiary, Ignite Energy LTD, with material non-controlling interest (NCI).

	Proportion of ownership interests and voting rights held by NCI		Total comprehensive income allocated to NCI		Accumulated NCI	
	2019	2018	2019	2018	2019	2018
Ignite Energy LTD	60%	—	602	—	4,071	—

Dividends of £3,300,000 were declared to the NCI during the year 2019, with £900,000 of this balance remaining unpaid at the balance sheet date.

Summarised financial information for Ignite Energy LTD before intra-group eliminations is set out below:

	2019 £000	2018 £000
Non-current assets	473	—
Current assets	6,975	—
Total assets	7,448	—
Current liabilities	(5,213)	—
Non-current liabilities	(221)	—
Total liabilities	(5,435)	—
Net assets	2,013	—
Equity attributable to shareholders	2,013	—
Non-controlling interests	6,471	—

	2019 £000	2018 £000
Revenue	5,890	—
Profit for the year	1,301	—
Other comprehensive income:		
Attributable to the owners of the parent	—	—
Total other comprehensive income for the year	—	—
Total comprehensive income from continuing operations	1,003	—
Attributable to:		
Non-controlling interest	602	—
Equity owners of the parent	401	—

	2019 £000	2018 £000
Net cash flows from operating activities	3,294	—
Net cash flows used in investing activities	(437)	—
Net cash flows from financing activities	(655)	—
Net increase in cash and cash equivalents	2,202	—

4. 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 2019 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, Inprova Finance Limited, Ignite Energy LTD, Waterwatch UK Limited and Independent Utilities Limited. Corporate's core services are the review, analysis and negotiation of gas and electricity contracts on behalf of UK and ROI 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.

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.

	2019				2018			
	Corporate £000	SME £000	PLC costs £000	Total £000	Corporate £000	SME £000	PLC costs £000	Total £000
Revenue	43,695	5,603	—	49,298	27,311	5,381	—	32,692
Cost of sales	(4,652)	(3,719)	—	(8,371)	(1,923)	(3,095)	—	(5,018)
Gross profit	39,043	1,884	—	40,927	25,388	2,286	—	27,674
Administrative expenses	(28,129)	(202)	(6,684)	(35,015)	(13,848)	(157)	(8,166)	(22,171)
Operating profit	10,914	1,682	(6,684)	5,912	11,540	2,129	(8,166)	5,503
Analysed as:								
EBITDA	20,228	1,911	(3,309)	18,830	13,769	2,431	(2,448)	13,752
Depreciation	(1,493)	(30)	(134)	(1,657)	(514)	(36)	(19)	(569)
Amortisation	(3,903)	(194)	(2,450)	(6,547)	(727)	(120)	(3,658)	(4,505)
Share-based payment cost	(2,162)	—	—	(2,162)	(157)	(19)	(295)	(471)
Exceptional costs	(1,756)	(5)	(791)	(2,552)	(831)	(127)	(1,746)	(2,704)
	10,914	1,682	(6,684)	5,912	11,540	2,129	(8,166)	5,503
Finance expenditure				(1,200)				(1,380)
Other financial items				41				76
Profit before income tax				4,753				4,199
Total assets	6,544	8,442	98,054	113,040	26,134	6,938	52,451	85,523
Total liabilities	18,504	511	41,680	60,695	7,641	684	31,883	40,208

Consideration was given as to whether the demand side reduction project segment of Ignite Energy LTD constituted an operating segment to be disclosed separately in accordance with IFRS 8 and was deemed to be materially below all three quantitative tests prescribed in the standard.

5. 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.

	2019 £000	2018 £000
Profit before income tax is stated after charging:		
Amortisation of intangible assets	**6,547**	4,505
Depreciation:		
– owned	**707**	513
– right of use assets	**950**	—
Operating lease rentals:		
– buildings	**40**	734
Interest rate swap credit	**(41)**	(76)
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	**366**	193
– services related to corporate finance transactions not covered above	**83**	245
– other taxation advisory services	**15**	25
– taxation compliance services	**63**	60
– other non-audit services	**3**	—
Exceptional costs/(items):		
– fees associated with acquisitions	**725**	2,345
– restructuring costs	**1,691**	935
– change in fair value of contingent consideration	**136**	(576)
	2,552	2,704

Exceptional costs

One-off costs include costs of £1,691,000 relating to restructuring programmes associated with the integration of businesses acquired in 2018 and 2019. 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 £725,000 have been incurred which would not normally be seen as costs or income relating to the underlying principal activities of the Group.

6. Finance expenditure

	2019 £000	2018 £000
Interest payable on bank borrowings	**1,269**	1,071
Interest payable on lease liabilities	**132**	—
Foreign exchange variance	**(414)**	254
Write off of debt issue costs	**192**	—
Amortisation of debt issue costs	**19**	55
	1,200	1,380

7. Revenue

	2019 £000	2018 £000
Rendering of services	**49,298**	32,692

The Group has not earned commission from any energy suppliers which represents more than 10% of the Group's revenues in each period.

8. Directors' remuneration

	2019 £000	2018 (restated) £000
Remuneration	899	1,048
Pension contributions	8	5
	907	1,053
Share-based payment	429	395
	1,336	1,448
The emoluments of Directors disclosed above include the following:		
In respect of the highest paid Director:		
– Directors' remuneration	437	327
– employer's pension contributions	3	2
	440	329
– share-based payments	280	263

In the current year two Directors (2018: three Directors) were accruing benefits under a defined contribution pension scheme.

Paul Connor is the only Director to have an interest in the share options (2018: Paul Connor) of the company. Both Paul Connor and Mark Dickinson have been granted interests in a Long-Term Incentive Plan (LTIP).

The structure of the LTIP scheme is complex and the price to be paid for any awards under the scheme depends on the share price of the options available to the recipient. Prior to the 31 December 2018, the underlying calculation did not recognise the element of the share price at grant attributable to Inspired Energy EBT Limited's (EBT's) interest in the ordinary share held by the option holder. After taking additional advice from an external expert, the calculation now reflects the full price of the option awarded, taking account of the nil cost option the option holder receives at the award date over the EBT's interest. The amend has resulted in a restatement of the prior year Directors' remuneration share-based payment charge from £131,000 to £395,000. The restatement has been made to the Directors' remuneration disclosure only, with no restatement of the FY2018 primary statements on the grounds of materiality. The additional charge has been corrected in the current year charge.

The restatement has also resulted in an increase in the prior year share-based payment charge of the highest paid Director from £81,000 to £263,000.

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).

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.

8. Directors' remuneration continued

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.

	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 JSOP Award in respect of Tranche 3 will vest on the achievement of an adjusted EPS of 1.74 pence, 1.86 pence and 1.98 pence for FY2019, FY2020 and FY2021 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.

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.

8. 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 25 to 27.

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.

8. 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.

Tranche 2

The JSOP Award in respect of Tranche 2 will vest on the achievement of an adjusted EPS of 1.74 pence, 1.86 pence and 1.98 pence for FY2019, FY2020 and FY2021 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 3 and 4

The Remuneration Committee will, on 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:

	2019
Share price (pence)	15.70 – 18.50
Exercise price (pence)	0.125
Expected volatility (%)	29.6 – 39.7
Risk-free rate (%)	0.28 – 1.19
Dividend yield (%)	2.4 – 3.7

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.

9. Employee benefit expense

	2019 £000	2018 £000
Wages and salaries	21,733	13,023
Social security costs	2,252	1,361
Pension contributions	760	333
	24,745	14,717

	No.	No.
Average number of persons employed:		
Management	49	15
Energy procurement services	429	263
Administration and finance	42	54
	520	332

The key management personnel disclosure is contained within note 29.

10. Income tax expense

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

	2019 £000	2018 £000
Current tax		
Current tax charge	2,155	1,584
Adjustments in respect of prior periods	—	(87)
	2,155	1,497
Deferred tax		
Origination and reversal of temporary differences	(1,410)	(537)
Adjustment in respect of prior periods	—	—
	(1,410)	(537)
Total income tax charge	745	960
Reconciliation of tax charge to accounting profit:		
Profit on ordinary activities before taxation	4,754	4,199
Tax at UK income tax rate of 19% (2018: 19%)	903	798
Disallowable expenses	429	319
Exchange rate difference	(186)	—
Share options	(400)	(70)
Movement in deferred tax asset not recognised	(130)	—
Non-eligible intangible assets	129	—
Effects of current period events on current tax prior period balances	—	(87)
Total income tax charge	745	960

11. 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.

	2019 £000	2018 £000
Profit attributable to equity holders of the Group	4,008	3,239
Fees associated with acquisition	725	2,345
Restructuring costs	1,691	935
Accelerated write off of capitalised debt facility arrangement fees upon refinancing	333	—
Changes in fair value of contingent consideration	136	(576)
Amortisation of acquired intangible assets	5,329	3,749
Foreign exchange variance	(414)	254
Deferred tax in respect of amortisation of intangible assets	(843)	(536)
Share-based payment cost	2,162	471
Adjusted profit attributable to owners of the Group	13,127	9,881
Weighted average number of ordinary shares in issue (000)	713,973	587,602
Dilutive effect of share options (000)	38,736	27,679
Diluted weighted average number of ordinary shares in issue (000)	752,709	615,281
Basic earnings per share (pence)	0.56	0.55
Diluted earnings per share (pence)	0.53	0.53
Adjusted basic earnings per share (pence)	1.84	1.68
Adjusted diluted earnings per share (pence)	1.74	1.61

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 items 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:

	2019 £000	2018 £000
Profit before income tax	4,753	4,199
Share-based payment cost	2,162	471
Amortisation of acquired intangible assets	5,329	3,749
Foreign exchange variance	(414)	254
Exceptional costs/(items):		
– fees associated with acquisition	725	2,345
– restructuring cost	1,691	935
– accelerated write off of capitalised debt facility arrangement fees upon refinancing	333	—
– change in fair value of contingent consideration	136	(576)
	14,715	11,377

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.

12. Property, plant and equipment

	Fixtures and fittings £000	Motor vehicles £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost					
At 1 January 2018	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
Acquisitions through business combinations	46	13	19	—	78
Transfer of asset to right of use assets – on adoption of IFRS 16	(231)	—	—	—	(231)
Foreign exchange variances	(1)	(6)	(7)	(1)	(15)
Additions	68	1	1,075	337	1,481
Disposals	—	—	(566)	—	(566)
At 31 December 2019	**843**	**141**	**2,683**	**1,047**	**4,714**
Depreciation					
At 1 January 2018	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
Charge for the year	123	35	447	102	707
Disposals	—	—	(561)	—	(561)
At 31 December 2019	**617**	**60**	**1,097**	**256**	**2,030**
Net book value					
At 31 December 2019	**226**	**81**	**1,586**	**791**	**2,684**
At 31 December 2018	467	108	951	557	2,083
At 31 December 2017	370	67	631	339	1,407

Included within the net book value is £nil (31 December 2018: £231,000) 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 £nil (31 December 2018: £56,000). With the adoption of IFRS 16 during the year assets previously classified as a held under hire purchase agreements, with a net book value of £231,000, have been transferred to right of use assets.

13. Right of use assets

	Fixtures and fittings £000	Motor vehicles £000	Property £000	Total £000
Cost				
At 1 January 2019	—	—	—	—
On adoption of IFRS 16	—	118	3,389	3,507
Acquisitions through business combinations	—	135	410	545
Transfer of assets from property, plant and equipment – on adoption of IFRS 16	231	—	—	231
Additions	241	66	70	377
At 31 December 2019	**472**	**319**	**3,869**	**4,660**
Depreciation				
At 1 January 2019	—	—	—	—
Charge for the year	69	103	778	950
At 31 December 2019	**69**	**103**	**778**	**950**
Net book value				
At 31 December 2019	**403**	**216**	**3,091**	**3,710**
At 31 December 2018	—	—	—	—

Notes to the Group financial statements continued

14. 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 2018	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
Additions	2,595	—	58	—	—	2,653	—	2,653
Acquisitions through business combinations	—	—	—	2,861	5,280	8,141	6,984	15,125
Adjustment to previous business combinations (note 27)	—	—	—	—	—	—	992	992
Foreign exchange variances	—	—	—	(338)	—	(338)	(109)	(447)
At 31 December 2019	**11,945**	**115**	**1,654**	**17,210**	**7,511**	**38,435**	**52,233**	**90,668**
Amortisation								
At 1 January 2018	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
Charge for the year	2,121	6	134	3,473	813	6,547	—	6,547
At 31 December 2019	**5,983**	**24**	**1,571**	**9,560**	**2,410**	**19,548**	**—**	**19,548**
Net book value								
At 31 December 2019	**5,963**	**91**	**83**	**7,650**	**5,101**	**18,887**	**52,233**	**71,120**
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

Computer software is a combination of assets internally generated and assets acquired through business combinations. The amortisation charge in the period to 31 December 2019 associated with computer software acquired through business combinations is £1,037,000 (2018: £953,000). The additional £1,084,000 (2018: £636,000) charged in the period relates to the amortisation of internally generated computer software. Amortisation of customer databases of £134,000 (2018: £120,000) is also in relation to internally generated intangible assets. The total amortisation charged in the period to 31 December 2019 associated with intangible assets acquired through business combinations is £5,329,000 (2018: £3,749,000).

Included within goodwill is £800,000 relating to a deed of variation with regards to 64 Energy Limited during the prior year.

Annual test for impairment

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, Inprova Finance Limited, Ignite Energy LTD, Waterwatch UK Limited and Independent Utilities 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.

14. Intangible assets and goodwill continued

Annual test for impairment continued

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:

	2019 £000	2018 £000
Corporate division	45,527	37,551
SME division	1,208	1,208
Horizon Energy Group Limited	5,498	5,607
	52,233	44,366

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.

Consideration has been given to whether the 7.5% discount rate is appropriate for all CGUs, or differing discount rates should be applied to each. It's deemed appropriate to apply the same rate to all CGUs as the risks of each asset are aligned to the underlying principle of provision of energy consultancy to commercial energy consumers.

Cash flow assumptions

Cash flows for the five-year period to 2024 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.

15. Investments

	Investments £000
Cost/valuation	
At 1 January 2019	–
Additions	648
At 31 December 2019	**648**

Investments

The Group had an interest in the following entities as at 31 December 2019:

Name of undertaking	Country of registration	Description of investment held
Information Prophets Limited	United Kingdom	Convertible loan
Industrial and Commercial Operations Network Limited	United Kingdom	Convertible loan

The Group holds a convertible loan to acquire 25% equity value in Information Prophets Limited. The balance of the outstanding loan at 31 December 2019 was £600,000. Furthermore, the Group holds an exclusive call option to acquire the entire share capital of Information Prophets Limited on a fair value measure at an agreed multiple of adjusted EBITDA. The call option period commences in January 2022 and ends on 31 December 2023. As the option period is three years from completion of the initial investment, the Group is deemed not to have substantive control over the investee prior to the option period commencing.

The Group holds a convertible loan to acquire 25% equity value in Industrial and Commercial Operations Network Limited. The balance of the outstanding loan at 31 December 2019 was £48,000. Furthermore, the Group holds an exclusive call option to acquire the entire share capital of Industrial and Commercial Operations Network Limited on a fair value measure at an agreed multiple of adjusted EBITDA. The call option period commences in April 2022 and ends April 2024. As the option period is three years from completion of the initial investment, the Group is deemed not to have substantive control over the investee prior to the option period commencing.

16. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	5,241	2,190
	5,241	2,190

17. Inventories

Inventories consist of the following:

	2019 £000	2018 £000
Raw materials and consumables	76	—
	76	—

18. Trade and other receivables

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade receivables	8,712	5,671	—	1,756
Other receivables	1,194	667	50	19
Prepayments	2,136	1,346	114	59
Accrued income	17,519	14,222	—	—
	29,561	21,906	164	1,834

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 54 days (31 December 2018: 53 days).

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

	Not past due	31–60 days	61–90 days	Older	Total
31 December 2019	3,083	3,526	745	1,358	8,712
31 December 2018	3,716	1,353	243	359	5,671

As at 31 December 2019, £2,103,000 (31 December 2018: £602,000) of the trade receivables had gone beyond their terms of 60 days.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables and accrued income as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables and accrued income have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected credit loss is considered immaterial in the current year; therefore, no impairment loss has been recognised (2018: £nil). The assets are stated at amortised cost which approximates to fair value.

19. Trade and other payables

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Current				
Trade payables	1,977	1,629	164	598
Social security and other taxes	2,857	1,844	195	237
Accruals	1,954	2,484	191	1,424
Deferred income	3,676	949	—	—
Amounts due under hire purchase agreements	—	131	—	—
	10,464	7,037	550	2,259
Non-current				
Amounts due under hire purchase agreements	—	92	—	—
	—	92	—	—

19. Trade and other payables continued

Trade payables are paid under normal commercial terms.

Revenue totalling £949,000 has been recognised during the year ended 31 December 2019 relating to amounts included in deferred income at the beginning of the period (2018: £nil).

Amounts due under hire purchase agreements are secured on the related leased assets. With the adoption of IFRS 16 during the year amounts due under hire purchase agreements are now held within lease liabilities.

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 2019			
Trade payables	**1,977**	**—**	**—**
Accruals	**1,449**	**—**	**—**
Bank borrowings	**—**	**—**	**39,174**
Interest rate swaps	**—**	**—**	**95**
Contingent consideration	**3,311**	**—**	**1,280**
	6,737	**—**	**40,549**
31 December 2018			
Trade payables	1,629	—	—
Accruals	2,484	—	—
Bank borrowings	1,419	1,419	22,795
Interest rate swaps	—	—	68
Contingent consideration	934	—	1,770
	6,466	1,419	24,633

Revolving loan facility

During the year, the Group entered into a new facility agreement with Santander UK plc ("Santander") and the Governor and Company of the Bank of Ireland ("Bank of Ireland") in order to refinance its borrowings and to provide further headroom to support the continued acceleration of the Group's growth and acquisition strategy.

The facility consists of a £60.0 million revolving credit facility, of which £38.6 million was drawn at 31 December 2019, running to October 2023, with the Group having an option to extend the term for a further year to October 2024.

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 £nil (2018: £119,000):

	Minimum lease payments at 31 December 2019 £000	**Interest at 31 December 2019 £000**	**Principal at 31 December 2019 £000**	Minimum lease payments at 31 December 2018 £000	Interest at 31 December 2018 £000	Principal at 31 December 2018 £000
Hire purchase agreements:						
Less than one year	**—**	**—**	**—**	119	12	107
Between one and two years	**—**	**—**	**—**	58	7	51
Between two and five years	**—**	**—**	**—**	49	7	42
	—	**—**	**—**	226	26	200

With the adoption of IFRS 16 during the year amounts due under hire purchase agreements are now held within lease liabilities.

20. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows following the adoption of IFRS 16 in the year:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Non-current liabilities				
Lease liability – motor vehicles	439	—	—	—
Lease liability – property	1,921	—	—	—
Lease liability – fixtures and fittings	235	—	—	—
	2,595	—	—	—
Current liabilities				
Lease liability – motor vehicles	57	—	2	—
Lease liability – property	772	—	—	—
Lease liability – fixtures and fittings	296	—	—	—
	1,125	—	2	—

The lease liabilities are secured by the related underlying assets.

The lease liability for motor vehicles covers 23 vehicles at 31 December 2019 and leases are typically two or three years when they will then terminate.

21. Deferred tax liability

Deferred taxation is calculated at a tax rate of 17% (2018: 17%) and is set out below:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Liability brought forward	1,856	1,126	—	—
Credited to income for the period	(1,410)	(536)	—	—
Movement arising from business combinations	1,547	1,019	—	—
Adjustment in respect of prior year	—	242	—	—
Deferred tax liability acquired through business combinations	—	5	—	—
Liability carried forward	1,993	1,856	—	—

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Excess of taxation allowances over depreciation on all non-current assets	126	189	—	—
Share options	(630)	(230)	—	—
Temporary differences on intangible assets	2,497	1,897	—	—
	1,993	1,856	—	—

Corporation tax for the year ended 31 December 2019 was calculated at 19% of profits for the year.

Deferred taxation at the period end is analysed as follows:

	2019 £000	2018 £000
Deferred tax liability	1,993	1,856
	1,993	1,856

22. Bank borrowings

Bank borrowings are repayable as follows:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Within one year	(116)	3,047	(116)	3,047
One to two years	(116)	3,718	(116)	3,718
Two to five years	38,941	18,675	38,941	18,675
	38,709	25,440	38,709	25,440

The figures above include debt issue costs being amortised over the life of the borrowings. In the current year borrowings total £39,174,000 with total debt issue costs being £580,000.

The above facility is for the principal sum of £60,000,000 (2018: £35,000,000).

As at 31 December 2019, the Group had a cash balance of £5.2 million and outstanding balances on its senior term debt facilities of £38.6 million.

As at 31 December 2019, net debt stood at £33.4 million, which is an increase of £9.9 million in comparison to 31 December 2018.

In October 2019, the Group entered into a new facility agreement with Santander UK plc ("Santander") and the Governor and Company of the Bank of Ireland ("Bank of Ireland") in order to refinance its borrowings and to provide further headroom to support the continued acceleration of the Group's growth and acquisition strategy.

The facility consists of a £60.0 million revolving credit facility, of which £38.6 million was drawn at 31 December 2019, running to October 2023, with the Group having an option to extend the term for a further year to October 2024. Furthermore, the facility is supplemented by a £25.0 million accordion option enabling a total commitment of up to £85.0 million.

The facility has an interest rate ranging from 2.00% to 3.25% over LIBOR, with the applicable interest rate dependent on the adjusted net leverage of the Group in the prior quarter. The effective rate of interest that is being applied to the facility is 3.09%.

The covenants attached to the facility are interest cover, which is not to be less than 4.00:1.00 during the term of the facility, and adjusted net leverage, which on entering the facility is limited to not exceed 2.75:1.00 and then tapers to 2.25:1.00 across the term of the facility.

Subsequent to the year end, the Group has agreed a temporary extension of its adjusted leverage covenant covering the test periods ending 30 June 2020 through to 30 June 2021, to provide additional headroom to navigate through the current uncertainty caused by COVID-19.

The long-term bank loan is secured by way of fixed and floating charges over substantially the whole of the undertaking and property (both present and future) of each material trading member of the Group in favour of Santander UK plc (as security agent for the Group's lenders).

The increase in net debt reflects a year in which the cash generation of the Group was offset by the payment of £6.3 million of initial cash consideration to the vendors of Waterwatch, Ignite and IU Energy and £1.4 million of contingent cash consideration to the vendors of Energy and Carbon Management Limited (a wholly owned subsidiary of Inprova with the liability pre-existing on acquiring Inprova), Horizon Energy Group Limited and Squareone Enterprise Limited. The Group also invested £0.7 million into incubator projects in the year.

The previous facility agreement with Santander which included a £29.6 million and €7.0 million term loan, along with a revolving credit facility (RCF) of £2.5 million and acquisition facility of £12.5 million, was repaid on refinancing in October 2019.

22. Bank borrowings continued

	Long-term borrowings £000	Short-term borrowings £000	Lease liabilities £000	Total £000
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
Adoption of IFRS 16	—	—	3,699	3,699
Revised 1 January 2019	22,602	2,838	3,699	29,139
Cash flows				
Repayment	(32,195)	(2,838)	(978)	(36,011)
Proceeds	48,775	—	—	48,775
Non-cash				
Foreign exchange differences	(139)	—	45	(94)
Additions to right of use assets in exchange for lease liabilities	—	—	954	954
Capitalisation of fees	(388)	—	—	(388)
Debt issue costs releases	54	—	—	54
At 31 December 2019	**38,709**	**—**	**3,720**	**42,429**

23. 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.

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.

23.1 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.

23. Financial instruments continued

23.1 Capital risk management continued

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.

23.2 Categories of financial instrument

Financial assets

	Amortised cost £000	Non-financial assets £000	Total £000
31 December 2019			
Inventories	76	—	76
Trade receivables	8,712	—	8,712
Other receivables	1,194	—	1,194
Prepayments	—	2,136	2,136
Accrued income	17,519	—	17,519
Cash and cash equivalents – Sterling	4,744	—	4,744
Cash and cash equivalents – Euros	497	—	497
Current assets	32,742	2,136	34,878

	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

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 2019				
Trade payables	1,977	—	—	1,977
Social security and other taxes	—	—	2,857	2,857
Accruals	1,954	—	—	1,954
Lease liabilities	3,720	—	—	3,720
Bank borrowings – Sterling	38,614	—	—	38,614
Current tax liability	—	—	1,250	1,250
Contingent consideration	—	4,591	—	4,591
Interest rate swap	—	95	—	95
Deferred tax liability	—	—	1,993	1,993
	46,265	4,686	6,100	57,051

23. Financial instruments continued
23.2 Categories of financial instrument continued
Financial liabilities continued

	Other liabilities (amortised cost) £000	Fair value through profit or loss £000	Liabilities not within scope of IAS 39 £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

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 2017 the Group undertakes some transactions denominated in foreign currencies. The financial risk management objectives and policies are disclosed in the Group Directors' report.

23.3 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 2019		Year ended 31 December 2018	
	+1%	-1%	+1%	-1%
Profit for the period	**335**	**(335)**	233	(233)
Equity	**335**	**(335)**	233	(233)

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 2019 and 31 December 2018:

31 December 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Interest rate swaps	**—**	**95**	**—**	**95**
Contingent consideration	**—**	**—**	**4,591**	**4,591**
Total liabilities	**—**	**95**	**4,591**	**4,686**

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

There were no transfers between Level 1 and Level 2 in 2019 or 2018.

23. Financial instruments continued

Measurement of fair value of financial instruments

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

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

Interest rate swaps (Level 2)

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

Contingent consideration (Level 3)

The fair value of contingent considerations at 31 December 2019 related to the acquisitions of Energy Cost Management Limited, Squareone Enterprises Limited, Professional Cost Management Group Limited, Ignite Energy LTD and Independent Utilities Limited and is estimated using a present value technique. The £5,469,000 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 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 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.

The contingent event for Ignite Energy LTD covers the period ending 31 December 2019. Should EBITDA for the period ending 31 December 2019 exceed £2,500,000 then a further consideration of £2 for every £1 of EBITDA generated in excess of that shall be payable up to a maximum payment of £3,000,000.

The contingent event for Independent Utilities Limited covers the period ending 31 December 2020. Should EBITDA for the period ending 31 December 2020 exceed £250,000 then a further consideration of £3 for every £1 of EBITDA generated in excess of that shall be payable up to a maximum payment of £1,000,000.

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	
	2019 £000	2018 £000
Balance as at 1 January	**2,858**	4,994
Arising on business combinations	**3,000**	2,065
Consideration paid	**(1,403)**	(3,625)
Change in fair value of contingent consideration (included within administrative expenses)	**136**	(576)
Balance at 31 December	**4,591**	2,858
Analysed as:		
– current liability	**3,311**	1,479
– non-current liability	**1,280**	1,379

24. 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 2018	569,116,574	711	14,203	14,914
Shares issued on acquisition of subsidiary on 22 March 2018	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	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
Ordinary shares of 0.125 pence each as at 31 December 2019	**713,973,440**	**892**	**37,422**	**15,535**

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.

25. 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:

	2019		2018	
	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	**21,135,000**	**14.66**	23,892,240	13.56
Granted during the period	**34,735,255**	**0.13**	600,000	19.85
Expired during the period	**(3,212,500)**	**—**	—	—
Exercised during the period	**—**	**—**	(3,357,240)	8.10
Outstanding at the end of the period	**52,657,755**	**2.73**	21,135,000	14.66
Exercisable at the end of the period	**12,947,628**	**10.72**	11,835,000	11.76

The options outstanding at 31 December 2019 had a weighted average exercise price of 2.73 pence (2018: 14.66 pence) and a weighted average remaining contractual life of one year (2018: one year).

25. Share-based payments continued

Approved share options continued

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	2,035,000
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	—
1 January 2019	0.13p	1 January 2029	22,695,255	1,162,628
30 June 2019	0.13p	30 June 2029	11,390,000	—
1 July 2019	0.13p	1 July 2029	250,000	—
15 August 2019	0.13p	15 August 2029	300,000	—
22 October 2019	0.13p	22 October 2029	100,000	—

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.

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.

25. Share-based payments continued

Approved share options continued

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 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 published 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.

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.

25. Share-based payments continued

Approved share options continued

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.

Unapproved Options were granted on 1 January 2019 at their nominal value of 0.13 pence per share to 123 employees over a total of 22,695,255 shares in aggregate.

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

(i) the date on which the company publishes its audited accounts for the year ending 31 December 2019;

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

(iii) the date on which the company publishes its audited accounts for the year ending 31 December 2021; and

(iv) the date on which the company publishes its audited accounts for the year ending 31 December 2022.

Unapproved Options were granted on 30 June 2019 at their nominal value of 0.13 pence per share to 63 employees over a total of 11,390,000 shares in aggregate.

These options will become exercisable in six unequal tranches on the following dates:

(i) the date on which the company publishes its audited accounts for the year ending 31 December 2019;

(ii) the date on which the company publishes its unaudited interim accounts for the period ending 30 June 2020;

(iii) the date on which the company publishes its audited accounts for the year ending 31 December 2020;

(iv) the date on which the company publishes its audited accounts for the year ending 31 December 2021;

(v) the date on which the company publishes its unaudited interim accounts for the period ending 30 June 2022; and

(vi) the date on which the company publishes its audited accounts for the year ending 31 December 2022.

Unapproved Options were granted on 1 July 2019 at their nominal value of 0.13 pence per share to one employee over a total of 250,000 shares in aggregate.

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

(i) the date on which the company publishes its audited accounts for the year ending 31 December 2022.

Unapproved Options were granted on 15 August 2019 at their nominal value of 0.13 pence per share to two employees over a total of 300,000 shares in aggregate.

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

(i) the date on which the company publishes its audited accounts for the year ending 31 December 2022.

Unapproved Options were granted on 22 October 2019 at their nominal value of 0.13 pence per share to one employee over a total of 100,000 shares in aggregate.

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

(i) the date on which the company publishes its audited accounts for the year ending 31 December 2022.

In addition to the options listed above interests granted under a Long Term Incentive Plan (LTIP) are discussed in note 8.

25. Share-based payments continued

Approved share options continued

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:

	2019
Share price (pence)	13.25 – 18.50
Exercise price (pence)	0.125
Expected volatility (%)	24.3 – 39.7
Risk-free rate (%)	0.3 – 1.2
Dividend yield (%)	2.4 – 4.9

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 £2,162,000 (2018: £471,000) 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 8.

In 2017, the Group launched a Save As You Earn share scheme for all eligible employees. Share options were issued in 2017, 2018 and 2019 and at the balance sheet date, the number of outstanding options was 7,196,723. The share option charge pertaining to the Save As You Earn share scheme was deemed to be immaterial and was not posted.

26. Operating lease commitments

The future minimum lease payments under operating lease agreements are:

	2019 £000	2018 £000
Within one year	–	806
Within one to two years	–	718
Within five years	–	1,613
Total	–	3,137

Following the adoption of IFRS 16 during FY2019, operating lease commitments for property and motor vehicles have been recognised as lease liabilities with corresponding right of use assets.

27. Business combinations

Ignite Energy LTD (IGN)

On 2 August 2019, the Group acquired an initial 40% of the issued share capital and voting rights of IGN, a company based in the United Kingdom. IGN offers a full spectrum of energy management services, with a strong focus on delivering energy efficiency projects and optimisation services to large, multi-site, estate intensive commercial energy customers. IGN's optimisation services support clients through increasing the effectiveness of their energy consumption by implementing large scale energy demand reduction projects.

The Group has an exclusive one-way call option (from completion until 31 July 2021) to acquire the outstanding 60% of the issued share capital of IGN.

The Group engaged an independent advisor to review the legal documentation which underpins the strategic investment in IGN. The advice concluded that in line with IFRS 10, for the duration of the option period, being from completion of the acquisition of the 40% shareholding to 31 July 2021, the exclusive call option facilitates the Group having power over IGN, with the one-way option providing no barriers to exercise the right, and it being deemed Inspired Energy has the financial ability to exercise the option and would benefit from the exercise of the option. Therefore, this illustrates the Group has substantive control at the date of purchasing the 40% shareholding and entering into the exclusive one-way option agreement and therefore IGN should be accounted for as a subsidiary until expiration of the option period should Inspired Energy not choose to exercise the option.

Under the terms of the Option Agreement, the Group will pay consideration for the remaining IGN shares which equates to an enterprise value of 6.0x earnings before interest, tax, depreciation and amortisation (EBITDA). The Board deems the EV of 6x EBITDA to be market rate and therefore the call option itself has not been treated as a material asset under IFRS 9.

The balancing 60% shareholding has been treated as a non-controlling interest for the purpose of these financial statements, as the shareholders of the 60% shareholders are still subject to the risks and rewards associated with owning these shares during the option period, prior to the Group exercising its right to acquire the balancing 60% shareholding.

The acquisition of IGN was completed for a total consideration of £9,600,000. This includes an initial consideration of £5,000,000 in cash.

27. Business combinations continued

Ignite Energy LTD (IGN) continued

The acquisition was financed through the drawdown on the Group's refinanced facilities with Santander and Bank of Ireland. 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	153	—	153
CGUs	—	8,141	8,141
Inventories	524	(399)	125
Trade and other receivables	3,371	(1,025)	2,346
Cash and cash equivalents	4,748	—	4,748
Total assets	8,796	6,717	15,513
Trade and other payables	2,198	100	2,298
Current tax liability	356	—	356
Deferred tax liability	30	1,547	1,577
Total liabilities	2,584	1,647	4,231
Provisional fair value of identifiable net assets			11,282
Provisional goodwill			5,087
Fair value of consideration transferred			16,369
Satisfied by:			
– cash consideration paid			5,000
– deferred consideration paid			1,600
– contingent consideration			3,000
– non-controlling interest (60%)			6,769
			16,369
Net cash outflow arising from business combinations:			
– cash consideration paid			6,600
– cash and cash equivalents acquired			(4,748)
Net cash outflow			1,852

Since acquisition IGN has contributed £5,301,000 to revenue and £1,300,000 to profit before income tax. If the acquisition had taken place at the start of the financial period, IGN would have contributed £16,093,000 to revenue and £4,207,000 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 IGN 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 £5,280,000. The excess earnings approach was used in valuing IGN'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 customer contracts was calculated to be £2,861,000.

The Group estimates costs incurred in relation to the transaction to be £144,000. These costs are included within exceptional costs/items in the Group statement of comprehensive income.

27. Business combinations continued

Waterwatch UK Limited (WW)

On 9 August 2019, the Group acquired 100% of the issued share capital and voting rights of Waterwatch UK Limited, a company based in the United Kingdom. WW offers a bespoke and customer-centred approach to the provision of water audits broadening Inspired Energy's service offering within its core Corporate division.

The acquisition of WW was completed for a total consideration of £613,000. The initial £363,000 was satisfied in cash. The additional £250,000 was contingent upon WW achieving a challenging EBITDA target until 31 July 2019 and was paid on 8 November 2019 and settled by cash.

The acquisition was financed through existing working capital. 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	3	—	3
Trade and other receivables	288	(130)	158
Cash and cash equivalents	182	—	182
Deferred tax asset	9	(9)	—
Total assets	482	(139)	343
Trade and other payables	135	101	236
Total liabilities	135	101	236
Provisional fair value of identifiable net assets			107
Provisional goodwill			506
Fair value of consideration transferred			613
Satisfied by:			
– cash consideration paid			363
– contingent consideration			250
			613
Net cash outflow arising from business combinations:			
– cash consideration paid			363
– cash and cash equivalents acquired			(182)
Net cash outflow			181

Since acquisition WW has contributed £315,000 to revenue and £136,000 to profit before income tax. If the acquisition had taken place at the start of the financial period, ECM would have contributed £766,000 to revenue and £282,000 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 WW has been carried out. Fair values are provisional as they are still within the twelve-month hindsight period to adjust fair values. 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 £20,000. These costs are included within exceptional costs/items in the Group statement of comprehensive income.

27. Business combinations continued

Independent Utilities Limited (IU)

On 23 December 2019, the Group acquired 100% of the issued share capital and voting rights of Independent Utilities Limited, a company based in the UK. IU provides business energy and renewable energy consultancy and procurement services to a range of Corporate customers.

The acquisition of IU was completed for a total consideration of £1,744,000. The initial £866,000 was satisfied in cash. The additional £878,000 is contingent upon IU achieving challenging EBITDA targets until 31 December 2020 payable on 31 March 2021. The range of potential outcomes of consideration payable varied from £nil to £1.0 million.

The acquisition was financed through the drawdown on the Group's refinanced facilities with Santander and Bank of Ireland. 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	119	—	119
Intangible assets	1	—	1
Inventories	(33)	(24)	(57)
Trade and other receivables	1,512	(1,551)	(49)
Cash and cash equivalents	78	—	78
Total assets	1,677	(1,585)	92
Trade and other payables	1,429	(821)	608
Deferred tax liability	9	—	9
Total liabilities	1,438	(821)	617
Provisional fair value of identifiable net liabilities			(525)
Provisional goodwill			1,391
Fair value of consideration transferred			866
Satisfied by:			
– cash consideration paid			866
			866
Net cash outflow arising from business combinations:			
– cash consideration paid			866
– cash and cash equivalents acquired			(78)
Net cash outflow			788

Since acquisition IU has contributed £nil to revenue and £nil to profit before income tax. If the acquisition had taken place at the start of the financial period, IU would have contributed £1,699,000 to revenue and £219,000 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 IU has been carried out. Fair values are provisional as they are still within the twelve-month hindsight period to adjust fair values. 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 £44,000. These costs are included within exceptional costs/items in the Group statement of comprehensive income.

28. Business combinations – prior year

SystemsLink 2000 Limited (SL2000)

As disclosed in the 31 December 2018 annual report and accounts the Group acquired 100% of the issued share capital and voting rights of SL2000.

The provisional fair value of identifiable net assets was carried out and no adjustment is to be made following the completion of the twelve-month hindsight period.

Energy Cost Management Limited (ECM)

As disclosed in the 31 December 2018 annual report and accounts the Group acquired 100% of the issued share capital and voting rights of ECM.

The provisional fair value of identifiable net assets was carried out and no adjustment is to be made following the completion of the twelve-month hindsight period.

Squareone Enterprises Limited (SQ1)

As disclosed in the 31 December 2018 annual report and accounts the Group acquired 100% of the issued share capital and voting rights of SQ1.

The provisional fair value of identifiable net assets was carried out and no adjustment is to be made following the completion of the twelve-month hindsight period.

Professional Cost Management Limited (PCMG)

As disclosed in the 31 December 2018 annual report and accounts the Group acquired 100% of the issued share capital and voting rights of PCMG.

The provisional fair value of identifiable net assets was carried out and no adjustment is to be made following the completion of the twelve-month hindsight period.

Inprova Finance Limited (IFL)

As disclosed in the 31 December 2018 annual report and accounts the Group acquired 100% of the issued share capital and voting rights of IFL.

Identifiable net assets

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

Final recognised amounts of identifiable net assets

	Book value £000	Fair value adjustment £000	Fair value £000
Property, plant and equipment	307	—	307
Intangible assets	231	3,605	3,836
Trade and other receivables	3,019	(395)	2,624
Cash and cash equivalents	615	—	615
Total assets	4,172	3,210	7,382
Trade and other payables	1,841	—	1,841
External borrowings (restated – see note 31)	12,587	—	12,587
Current tax liability	697	—	697
Deferred tax liability	18	613	631
Total liabilities	15,143	613	15,756
Fair value of identifiable net liabilities (restated)			(8,374)
Goodwill			16,883
Fair value of consideration transferred			8,509
Satisfied by:			
– cash consideration paid (restated)			8,509
			8,509
Net cash outflow arising from business combinations:			
– cash consideration paid (restated)			8,509
– cash and cash equivalents acquired			(615)
Net cash outflow (restated)			7,894

Per note 14 the adjustment to previous business combinations of £992,000 relates to the movement in goodwill; as disclosed in the FY2018 financial statements, the goodwill was £15,891,000.

29. 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.

Ignite Energy LTD (IGN) is not a wholly owned subsidiary with an initial 40% of the issued share capital acquired. During the year IGN paid a dividend of £600,000 to the company.

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 (2018: £108,000) for services provided, and expenses incurred, to Inspired Energy PLC. As at 31 December 2019, the balance outstanding was £nil (31 December 2018: £nil) within trade receivables. Within prepayments a balance of £20,000 (31 December 2018: £13,000) is held.

Information Prophets Limited is a company in which the Group holds an investment as detailed in note 15. Wholly owned subsidiaries of Information Prophets Limited invoiced £293,748 (2018: £nil) for services provided, and expenses incurred, to Inspired Energy PLC. As at 31 December 2019, the balance outstanding was £60,138.

Industrial and Commercial Operations Network Limited is a company in which the Group holds an investment as detailed in note 15. Industrial and Commercial Operations Network Limited invoiced £18,698 (2018: £nil) for services provided, and expenses incurred, to Inspired Energy PLC. As at 31 December 2019, the balance outstanding was £nil.

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

	2019 £000	2018 £000
Matthew Thornton	—	448
Praetura Ventures (1) LLP	76	65
Mark Dickinson	5	4
Richard Logan	2	2
	83	519

Key management personnel remuneration

The remuneration of the key management personnel, the Directors, in the year ended 31 December 2019 is set out below:

	2019 £000	2018 (restated) £000
Short-term employee benefits		
Employee emoluments	749	892
Social security costs	100	79
Post-employment benefits	8	5
Share-based payments	429	395
	1,286	1,371

The aggregate dividends paid to Directors in the year were £83,000. The shareholdings of the Directors are disclosed within the Directors' remuneration report on page 27.

Mark Dickinson and Paul Connor are the only Directors of the Group accruing benefit in respect of the Group's defined contribution pension scheme.

The 2018 Directors' remuneration share-based payment charge has been restated – see note 8 for further detail.

30. Post balance sheet events

In early 2020, the emergence and spread of a new coronavirus, now known as COVID-19, is affecting business and economic activity around the world. The Group considers this outbreak to be a non-adjusting post balance sheet event as at 31 December 2019. See considerations of the impact of COVID-19 on the Group's going concern disclosure in note 2.1.

31. Prior year restatement

In the financial statements for the year ended 31 December 2018, an amount of £21 million was held in investments, being the cash consideration paid for acquiring 100% of the issued share capital and voting rights of Inprova Finance Limited (IFL). Of this £21 million, £12.6 million related to an amount provided to IFL to discharge an external loan. This was treated as part of the Group's overall investment in IFL.

Subsequent to the sign off of the 2018 company financial statements, the Directors have reconsidered the most appropriate treatment of the £12.6 million and believe the £12.6 million should have been treated as an intercompany balance and disclosed within current assets. As such, this amount previously recognised within 'investments' should have been reclassified to 'amounts owed by Group companies' in the parent company balance sheet.

The acquisition note has been updated for this error in note 28 in the financial statements; however, there is no impact on the goodwill recognised as previously reported – the reduction in consideration is offset by an equal and opposite increase in liabilities acquired. Note, there is no impact on the consolidated Group statement of comprehensive income or Group statement of financial position, nor the net assets or profit of Inspired Energy PLC (company entity).

The adjustment, and its impact on the parent company 2018 statement of financial position comparatives, is summarised below. There was no impact on the parent company statement of comprehensive income nor any other disclosures.

The restated items within the company statement of financial position are shown below:

	Previously reported £000	Restated adjustments £000	Restated £000
ASSETS			
Non-current assets			
Investments	80,263	(12,587)	67,676
Current assets			
Amounts owed from subsidiary undertakings	6,234	12,587	18,821

The restated items within the Group statement of cash flows are shown below:

	Previously reported £000	Restated adjustments £000	Restated £000
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	(25,479)	12,587	(12,892)
Cash flows from financing activities			
Repayment of bank loans	(2,044)	(12,587)	(14,631)

Company statement of financial position

At 31 December 2019

	Note	2019 £000	2018 (restated, note 30) £000
Non-current assets			
Investments	33	81,565	67,676
Right of use assets	34	2,053	—
		83,618	67,676
Current assets			
Debtors			
Trade and other debtors	18	164	1,834
Amounts owed from subsidiary undertakings		32,111	18,821
		32,275	20,655
Cash and cash equivalents		326	88
		32,601	20,743
Creditors: amounts falling due within one year			
Trade and other creditors	19	550	2,259
Lease liabilities		2,053	—
Amounts owed to subsidiary undertakings		9,746	—
Bank borrowings	22	—	3,047
Contingent consideration	23	3,311	933
		15,660	6,239
Net current assets		16,941	14,504
Total assets less current liabilities		100,559	82,180
Creditors: amounts falling due after more than one year			
Bank borrowings	22	38,614	22,393
Contingent consideration	23	1,280	1,379
Interest rate swap		95	68
		39,989	23,840
Net assets		60,570	58,340
Share capital	24	892	892
Share premium account	24	37,422	37,422
Merger relief reserve	24	15,535	15,535
Share-based payment reserve		3,523	1,361
Retained profit		3,198	3,130
Equity attributable to shareholders		60,570	58,340

The company generated a profit of £4,663,000 during the financial year (2018: £3,971,000).

The financial statements were approved and authorised for issue by the Board of Directors on 1 June 2020 and were signed on its behalf by:

Mark Dickinson
Director

Paul Connor
Director

Company registration number: 07639760.

The notes on pages 91 to 94 form part of these company financial statements.

Company statement of changes in equity
For the year ended 31 December 2019

	Share capital £000	Share premium account £000	Merger relief reserve £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	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
Profit and total comprehensive income for the period	—	—	—	—	4,663	4,663
Share-based payment cost	—	—	—	2,162	—	2,162
Dividends paid	—	—	—	—	(4,595)	(4,595)
Total transactions with owners	—	—	—	2,162	68	2,230
Balance at 31 December 2019	**892**	**37,422**	**15,535**	**3,523**	**3,198**	**60,570**

32. Accounting policies (parent company)

Basis of preparation

The financial statements have been prepared under the historical cost convention, 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 2019.

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 £5,565,000 (2018: £3,971,000).

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.

Intercompany balances

Amounts due from Group companies are initially recognised at fair value being the present value of future interest and capital receipts discounted at the market rate of interest for a similar financial asset. When the face value of the loan exceeds the fair value of the loan on initial recognition this difference is treated as follows:

- if the loan is to a parent company the difference is shown as a deduction from equity;
- if the loan is to a fellow subsidiary the difference is shown as a deduction from equity; and
- if the loan is due from a subsidiary the difference is added to the investment in that subsidiary.

The company assesses the expected credit loss in respect of Group receivables based on its ability to repay and recover the balance. In the absence of agreed terms this consideration is given over the expected period of repayment and any expected credit loss. The expected credit loss is considered immaterial in the current year, therefore no impairment loss has been recognised (2018: £nil).

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.

Notes to the company financial statements continued

32. Accounting policies (parent company) continued

Accounting policies continued

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.

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.

i. Investments

The company assesses whether investments held in subsidiaries are 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 investment. The value of investments in subsidiaries on 31 December 2019 is £81,565,000 (2018: £80,263,000).

Merger relief reserve

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

33. Investments

	£000
Cost and net book value	
At 31 December 2018 (restated, note 30)	67,676
Additions – acquisition of subsidiaries (note 26)	11,727
Share-based payments charge	2,162
At 31 December 2019	**81,565**

33. Investments continued

The principal investment comprises shares at cost in the following companies, all of which are registered in England and Wales, except where stated below. The registered address of the following companies is the same as the Group 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	484
Inspired Energy Solutions Limited**	100%	£1	142
Direct Energy Purchasing Limited*	100%	£1	2
EnergiSave Online Limited*	100%	£1	100
KWH Consulting Limited*	100%	£1	4
Simply Business Energy Limited*	100%	£1	10
Inspired 4U Limited*	100%	£1	2
Wholesale Power UK Limited*	100%	£1	100
STC Energy and Carbon Holdings Limited*	100%	£1	1,000
STC Energy Management Limited**	100%	£1	103
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* (registered in Republic of Ireland)***	100%	€1	245
Inspired Energy EBT Limited*	100%	£1	1
SystemsLink 2000 Limited*	100%	£1	1,229
Energy Cost Management Limited*	100%	£1	2
Squareone Enterprises Limited*	100%	£1	100
Professional Cost Management Group Limited*	100%	£1	10,804,202
Inprova Finance Limited*	100%	£1	1,000
Energy and Carbon Management Holdings Limited**	100%	£0.23	637,640
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
Waterwatch UK Limited*	100%	£1	100
Independent Utilities Limited*	100%	£0.001	1,200,000
Ignite Energy LTD* ****	40%	£1	760

* Directly held subsidiary.

** Indirectly held subsidiary.

*** Horizon Energy Group Limited is registered in the Republic of Ireland and has a registered address of 4400 Airport Business Park, Cork, Republic of Ireland T12 N84F.

**** Ignite Energy LTD has a registered address of The Orangery, Lockinge Stables, East Lockinge, Oxfordshire OX12 8QH.

Ignite Energy LTD (IGN) is considered to be a subsidiary as the company has an exclusive one-way call option to acquire the outstanding 60% of the issued shared capital of IGN. The Share Purchase Agreement (SPA) is structured in such a way that the company is deemed to have substantive control.

FINANCIAL STATEMENTS

Notes to the company financial statements continued

34. Right of use assets

	Motor vehicles £000	Property £000	Total £000
Cost			
At 31 December 2018	—	—	—
On adoption of IFRS 16	6	2,458	2,464
At 31 December 2019	**6**	**2,458**	**2,464**
Depreciation			
At 31 December 2018	—	—	—
Charge for the year	4	407	411
At 31 December 2019	**4**	**407**	**411**
Net book value			
At 31 December 2019	**2**	**2,051**	**2,053**
At 31 December 2018	—	—	—

35. Employee benefit expense

	2019 £000	2018 £000
Wages and salaries	**2,070**	1,603
Social security costs	**241**	179
	2,311	1,782

	No.	No.
Average number of persons employed:		
Management	**2**	2
Administration and finance	**36**	29
	38	31

36. Dividends paid

	2019 £000	2018 £000
Dividends paid on equity capital – 0.65 pence per share (2018: 0.55 pence)	**4,595**	3,248

During 2019, the Group paid dividends of £4,595,000 (2018: £3,248,000) to its equity shareholders. This represents a payment of 0.65 pence per share (2018: 0.55 pence per share). Also, during 2019, the Directors proposed the payment of a final dividend of 0.48 pence per share (2018: 0.46 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 2019 consolidated financial statements.

37. Related party transactions

The company has taken advantage of the exemption in FRS 101 and has not disclosed transactions with wholly owned Group undertakings.

Ignite Energy LTD (IGN) is not a wholly owned subsidiary with an initial 40% of the issued share capital acquired. During the year IGN paid a dividend of £600,000 to the company.

Refer to note 28 for details of other related party transactions entered into in the year.

NOTICE IS GIVEN that the Annual General Meeting (AGM) of Inspired Energy PLC will be held at Gateley Legal, Ship Canal House, 98 King Street, Manchester M2 4WU, on 30 June 2020 at 10.00 a.m. to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 6 (inclusive) will be proposed as ordinary resolutions and resolutions 7 and 8 will be proposed as special resolutions.

Ordinary resolutions

1. To receive the company's annual reports and accounts for the financial year ended 31 December 2019.
2. To re-elect Mark Dickinson, 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.
3. To reappoint Grant Thornton LLP as auditors of the company.
4. To authorise the Directors to determine the remuneration of the auditors of the company.
5. That in substitution for all existing and unexercised authorities and powers, the Directors of the company be generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 (the "Act"):

    5.1 to exercise all or any of the powers of the company to allot shares of the company or to grant rights to subscribe for, or to convert any security into, shares of the company (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

    5.2 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 5.1 above) in connection with a rights issue or similar offer in favour of ordinary shareholders where the equity securities respectively attributable to the 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,

    PROVIDED THAT this authority shall, unless previously renewed, varied or revoked by the company in general meeting, expire at the conclusion of the next Annual General Meeting or on the date which is six months after the next accounting reference date of the company (if earlier) save that the Directors of the company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities or equity securities (as the case may be) to be allotted after the expiry of such period and the Directors of the company may allot relevant securities or equity securities (as the case may be) in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.
6. That, subject to the passing of the ordinary resolution numbered 5 above and the special resolution numbered 7 below, the Directors of the company be authorised, pursuant to article 32.11 of the company's articles of association:

    6.1 to exercise the power contained in article 32.11 so that, to the extent and in the manner determined and announced by the Directors, the holders of ordinary shares (excluding shareholders holding any ordinary shares as treasury shares) may be permitted to elect to receive new ordinary shares of £0.00125 each in the capital of the company, credited as fully paid, instead of all or part of any interim or final dividends which shall be declared before the conclusion of the next annual general meeting of the company after the passing of this resolution; and

    6.2 to capitalise the appropriate amount of new ordinary shares falling to be allotted pursuant to any elections made as aforesaid out of profits, or sums standing to the credit of any share premium account or capital reserves of the company, to apply such sums in paying up such new ordinary shares and to allot such new ordinary shares to the members of the company making such elections in accordance with their respective entitlements.

Inspired Energy PLC
Notice of Annual General Meeting continued

Special resolutions

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

   7.1 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

   7.2 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 23 September 2021) 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.

8. 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:

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

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

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

      8.3.1 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

      8.3.2 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

   8.4 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
1 June 2020

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 26 June 2020. 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 26 June 2020 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 2019 together with the Directors' report and the auditors' report on those financial statements.

Resolution 2 – Director
To comply with best practice, the Director is offering himself for annual re-election as a Director of the company, to take effect at the conclusion of the AGM.

Resolution 3 – 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 4 – Remuneration of auditors
This resolution authorises the Directors to fix the auditors' remuneration.

Resolution 5 – Directors' power to allot relevant securities
Under section 551 of the Act, relevant securities may only be issued with the consent of the shareholders, unless the shareholders pass a resolution generally authorising the Directors to issue shares without further reference to the shareholders. This resolution authorises the general issue of shares up to an aggregate nominal value of £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 £694,977, 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 6 – Directors' power to offer new ordinary shares in lieu of cash dividends
The articles of association of the company provide that the Directors of the company may, if authorised to do so by ordinary resolution of the members in general meeting, offer members the right to elect to receive new ordinary shares credited as fully paid in lieu of cash dividend entitlements. The shareholders are asked to approve this resolution which grants the Directors that authority. The authority will be kept under review and the company will only exercise this authority 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.

Resolution 7 – 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 5 being passed. The Directors believe that the limited powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplication will expire on the conclusion of the next Annual General Meeting of the company or on the date which is 15 months after the resolution being passed (whichever is the earlier).

Resolution 8 – 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 20 May 2020, 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 conclusion of the next Annual General Meeting 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 Chairman 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 Legal, Ship Canal House, 98 King Street, Manchester M2 4WU, on 30 June 2020 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
1. To receive the company's annual accounts for the financial year ended 31 December 2019.			
2. To re-elect Mark Dickinson as a Director.			
3. To reappoint Grant Thornton LLP as auditors.			
4. To authorise the Directors to determine the remuneration of the auditors.			
5. To authorise the Directors to allot securities pursuant to section 551 of the Companies Act 2006.			
6. To authorise the Directors to offer shareholders the right to elect to receive new ordinary shares in lieu of cash dividends.			
7. To authorise the Directors to allot securities pursuant to section 570 Companies Act 2006 and disapply pre-emption rights on equity issues for cash.			
8. To authorise the company pursuant to section 701 of the Companies Act to make market purchases of its ordinary shares.			

Signature .... (see note 4)

Joint holders (if any) (see note 9)

Name: .... Name: ....

Name: .... Name: ....

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 Chairman 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 26 June 2020 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 (Chief Financial Officer)
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

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120 London Wall
London EC2Y 5ET

Auditors
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Spinningfields
Manchester M3 3EB

Registrars
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Company website
www.inspiredplc.co.uk

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71–73 Carter Lane
London EC4V 5EQ

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Inspired Energy's commitment to environmental issues is reflected in this Annual Report, which has been printed on Novatech Silk, an FSC® certified material. This document was printed by Park Communications using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

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