INSPIRED
ENERGY PLC

COMMERCIAL ENERGY AND SUSTAINABILITY ADVISORS

Inspired Energy PLC
Annual Report & Accounts 2020

Inspired Energy PLC is a technology enabled service provider with the market leading position for energy procurement, utility cost optimisation and legislative compliance in the UK and Ireland.

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

Accredited

GREEN ECONOMY
LONDON STOCK EXCHANGE

Corporate customers

3,400

UK businesses spend £17.7bn on energy annually.

Inspired Energy PLC provides expert insight and consultancy to optimise their energy cost equation by helping them reduce the price they pay, as well as reducing their consumption of it.

With businesses facing increasing pressure to get serious about sustainability, we create their own perfect-fit utilities management solution, effectively disclose their Environmental, Social & Governance (ESG) performance and improve their ESG impact.

Our solutions create a clear and actionable long term plan, making investment easier to obtain and carbon reductions quicker to realise. Net zero is a challenge but with the right support and advice, can present businesses with a range of commercially and operationally beneficial opportunities.

Group evolution

Inspired Energy PLC ("Inspired Energy") has, over the past year, evolved into a UK market leading and technology enabled provider of energy advisory and sustainability services.

In November 2020, we were delighted to receive the London Stock Exchange Green Economy Mark, recognising the Group's environmental and strategic advice, service and support to clients and the impact the business has on the green economy.

Our 3,400 clients are present in every part of society, in both the public sector (education, NHS, local government and social housing) and private sector, particularly those businesses with large property estates (distribution, property management, retail and leisure) or which are highly energy intensive (data centres, waste and water, manufacturing and industrial), and all of whom typically spend more than £100,000 on energy and water per year ("Corporate Businesses").

The Group has evolved from solely providing assurance services to help Corporate Businesses manage their energy procurement, energy accounting and statutory reporting processes ("Energy Assurance Services"), into a leading designer of solutions that allow Corporate Businesses to reduce their energy consumption through the provision of optimisation services ("Energy Optimisation Services"), underpinned by a software offering to both Corporate clients and other service providers such as third party intermediaries ("Software Solutions"). The cheapest unit of energy is the one you don't consume; it also happens to be the cleanest.

Today, Inspired Energy is also emerging as a leading provider of ESG disclosure services, which takes our understanding of managing large data sets relating to environmental and social issues and supporting clients in making disclosures under a number of reporting taxonomies ("ESG Disclosure Services").

Once a Corporate Business can collect and manage auditable ESG data effectively, and disclose ESG information correctly, we further help them work from this baseline to design solutions to improve their ESG impact ("ESG Impact Services").

INSPIRED ENERGY PLC

INSPIRED ESG | INSPIRED ENERGY | INSPIRED SOFTWARE

ESG Solutions Division

Delivers end-to-end solutions for investors and Corporate Businesses to make effective ESG Disclosures and transform them into ESG Impacts.

Markets

Investors and Funds

Inspired Energy Clients

Inspired Energy Prospects

Energy Solutions Division

Delivers energy, water and sustainability assurance and optimisation services, so Corporate Businesses can manage their costs better, reduce their carbon efficiently and meet their net zero targets.

Markets

Corporate Businesses

Energy & Carbon Management | IGNITE ENERGY | BUSINESSWISE SOLUTIONS | PCMG professional cost management group | LSI energy | gem General Energy Management

Software Solutions Division

Delivers technology and software solutions that underpin the services provided by Inspired Energy PLC and makes them available to third parties.

Markets

Third Parties

Inspired Energy and ESG

SystemsLink

Energy Clients and Prospects requiring ESG solutions

ESG and Energy Clients and Prospects requiring Software solutions

ESG Clients and Prospects requiring Energy solutions

Software Clients and Prospects requiring Energy/ESG solutions

Our divisions

Following an internal reorganisation, the Group now operates in three divisions: the core Energy Solutions Division (96% of revenues), Software Solutions (4% of revenue) and ESG Solutions (start-up) divisions. In future years, the Group intends to report these three separate divisions for the purposes of segmental reporting.

Inspired Energy Solutions

What we do?

Inspired Energy helps Corporate Businesses optimise their energy cost equation, by helping them reduce the "price" they pay for their energy as well as reducing their "consumption" of it.

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

1 Bought their energy at the most cost-effective rate for their business

2 Accounted for their energy correctly

3 Complied with their legal obligations

On the consumption side of the cost equation, we support energy consumers in optimising their energy usage through:

1 Reducing their energy consumption

2 Increasing their energy efficiency

3 Delivering their Net Zero Carbon and ESG objectives

How we do it?

As a technology enabled service provider, we help Corporate Businesses 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 can be complicated for consumers to deal with in-house, particularly when budget certainty is required. We take control of the administration of utility invoices and use our longstanding supplier relationships to solve problems quickly and ensure consumers are being charged correctly by suppliers. 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 Carbon 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 the utilities cost position has been optimised, our customers can look to accelerate meeting Net Zero Carbon and ESG objectives through calculated capital investment and savings-based programmes. To futureproof against energy cost volatility, create new revenue streams and achieve sustainability goals, we help Corporate Businesses 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 increasing statutory and regulatory obligations, we advise consumers on how existing and future utility laws and regulations are likely to affect them. We provide assurance 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.

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 consumers.

Inspired ESG Solutions

What we do?

We provide ESG services to Investment Funds and Corporate Businesses in two key areas: Disclosure and Impact:

ESG Disclosure Services: Support in implementing a robust and practical data collection process covering the full spectrum of statutory, regulatory and internal metrics and enabling the Corporate Business to make comprehensive and accurate disclosure, appropriate to all ESG frameworks, in an auditable and consistent way.

ESG Impact Services: Support in the design and implementation of business-specific policies and initiatives that enhance the Corporate Business's ESG proposition for all stakeholders, including their employees, local communities, customers, suppliers and investors.

How we do it?

The data management technology and capability that the Group has developed with respect to the provision of Energy Assurance Services address approximately 70% of the requirements for the Group's ESG Disclosure Services with energy representing the most data-intensive aspect of ESG reporting. Our services focus on providing the following solutions.

Data collection: A technology enabled service that allows unstructured data to be collected and processed in an auditable and repeatable way. It is essential that this is done in a way that allows a clear bridge between year-on-year disclosures.

Resource provision: Most Investment Funds and Corporate Businesses do not have the resources available to manage the interpretation and validation of the unstructured data to create an effective disclosure. The company provides these resources to the client.

Taxonomy agnostic disclosures: There are many different taxonomies under which ESG performance can be disclosed. Our solutions focus on delivering auditable and repeatable solutions that can be reported under any taxonomy.

Audit management: Where an Investment Fund or Corporate Business has to respond to an external inquiry, we provide the resources to manage that process so that the client's resources are not distracted and they can focus on the core business.

In addition to enabling our customers to effective disclosure, we are also able to help design and implement policies and initiatives that help the organisations improve their ESG performance, through our ESG Impact Services.

Internal expert empowerment: Some Investment Funds and Corporate Businesses have the internal expertise to deliver ESG improvements. Where this is the case our resources perform the tasks, which releases the internal capacity to leverage their efforts across the client.

Strategic advice: Where an Investment Fund or Corporate Business does not have access to an internal expert, we provide access to one on a pay as you go basis.

Technology solutions: Where Inspired Energy develops a solution or technology tool to improve ESG impact these are made available to the Investment Fund and Corporate Business.

Inspired Software Solutions

What we do?

Inspired Software Solutions makes the technology platform that underpins our Energy Solutions and ESG Solutions available to third party service providers, including other TPIs. Currently over 50 organisations use our software to provide solutions to clients.

How we do it?

We have created a core solutions architecture which allows modular solutions to be released as 'tiles' onto our platform, which can be configured to meet clients' needs. Licensees can brand the software as their own and provide direct access to their clients via a client portal.

To date 10 modules have been delivered and a further 12 are expected during 2021.

Net Zero Carbon

Supporting Businesses to work towards Net Zero.

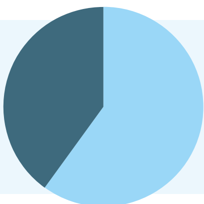
Carbon is now a C-suite concern
Boardrooms are facing increasing pressure to get serious about sustainability. Investors increasingly expect organisations to take action to minimise their environmental impact and the 'Greta effect' means consumers are taking notice when it comes to climate change.

Businesses will need to play their part, and indeed they could be a major catalyst for change to accelerate the UK's low carbon transition. There is a pressing need to push sustainability up the boardroom agenda to deliver a strategy that could transform many businesses' operations and activities and unlock both reputational and environmental benefits. Sustainability starts at the top.

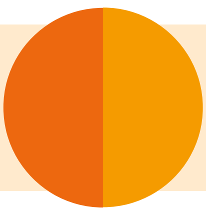
Inspired Energy PLC recently spoke to over 80 Finance Directors from businesses across all industries about their approach.

Our research revealed:

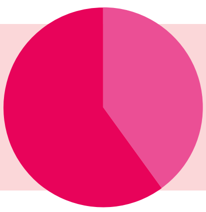
60%
are influenced by the changing regulatory environment



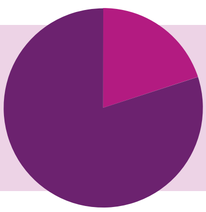
50%
are focused on the impact of their organisation's reputation



>40%
over 40% are facing increasing pressure from customers



20%
are required to as part of the supply chain they operate in



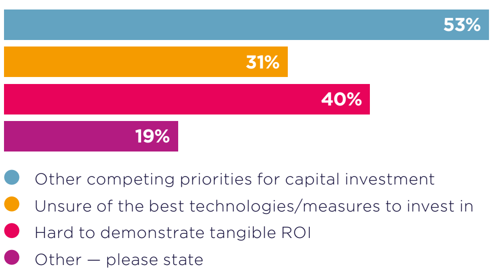
What is blocking businesses from reaching net zero?
Our research also outlined underlying issues that could be creating big barriers to progress on the UK's net zero plans. Businesses are taking vastly different approaches to planning and measuring their progress on decarbonisation, fuelled in part by their desire to act swiftly to satisfy supply chains, shareholders and stakeholders despite a lack of clear government guidance.

While it's understandable that businesses have more pressing short-term concerns in the current circumstances, it's vital for organisations to continue to take action to reach net zero and monitor their progress to ensure they're not left behind. From short-term action to building a business case to raise investment capital, external expert guidance will help organisations to make a big impact.

At Inspired Energy PLC, we are already helping businesses to create clearly defined plans to significantly reduce their carbon emissions and work towards achieving net zero with our Carbon Action Programme.

Our solution creates a clear and actionable plan for the long term, making investment easier to obtain and carbon reductions quicker to realise. Net zero is a challenge but with the right support and advice, can present your business with a range of commercially and operationally beneficial opportunities.

What, if any, are the barriers to investment?



COVID-19 is affecting carbon reduction

Over 47%

said the pandemic is significantly affecting their carbon reduction planning.

Reasons

- businesses being unable to accurately assess emissions due to operations and productions stopping;
- resources due to staff being furloughed or working reduced hours;
- places huge restrictions on discretionary investments (along with other barriers to capital, as detailed on page 6); and
- focusing on dealing with the impact of coronavirus, which means they don't have time for other projects.

Pressure is coming from the top

Almost 25%

felt the most pressure comes from their organisation's board or CEO.

While this is an encouraging sign that senior management is recognising the need for urgent action on net zero, it's vital that leaders provide energy professionals with the support and resources needed to achieve the targets they set.

Proliferation of carbon jargon

86% of energy professionals

believe that 'net zero' is in danger of becoming a meaningless statement.

Meaningful corporate sustainability action can only be achieved by providing organisations with a clear roadmap to net zero, underpinned by a consistent framework within which to develop, measure and progress emissions reductions.

Overcommitting and underdelivering

Almost two-thirds

expressed concern that their organisation's carbon reduction targets could be seen as 'greenwashing' or 'jumping on the net zero bandwagon'.

Otherwise, businesses risk making big, public sustainability commitments that they cannot achieve. It seems that this is already happening.

Our Carbon Action Programme

Understand

A successful net zero strategy is built on a robust carbon footprint. Therefore, it's imperative that you have accurate and reliable emissions data that can stand up to scrutiny from the offset. We measure your scope 1, 2 and 3 emissions, supporting you with data collection to establish your baseline. We then facilitate stakeholder consultation workshops to understand your ambitions and confirm your budget and investment criteria.

Plan

Through in-depth site surveys, transport reviews and desktop analysis, our energy and carbon experts will assess the options specifically applicable to your business, and model your future energy consumption, costs and emissions. These options will be factored into your bespoke net zero strategy and decarbonisation targets. And we strongly encourage setting Science Based Targets to demonstrate a meaningful commitment.

Do

Equipped with a roadmap containing a portfolio of possible projects, you can now decide which of them to implement. We provide a wide range of energy and carbon reduction solutions. So, whether it's energy auditing, procurement of green energy and carbon offsets, behavioural change training, improved metering, or services that require niche specialist input such as solar PV, battery storage, or electric vehicle solutions, we can help you facilitate these projects and arrange for investment-grade proposals.

Review

To ensure you're hitting your milestones and taking any corrective action that may be needed, we provide all you need to track progress effectively through quarterly updates, annual carbon footprint reports including performance vs. targets, and annual net zero strategy reviews. We'll also deliver all the reporting that you require for SECR and ESOS as well as voluntary schemes such as the Carbon Disclosure Project (CDP).

Our year in review

Financial highlights in respect of the continuing operations of the Group.

£46.1m

Revenues delivered by the Group's continuing operations of £46.1 million, 6% ahead of 2019 (2019: £43.7 million).

£11.6m

Underlying cash generated from continuing operations (excluding the impact of deal fees and restructuring costs) of £11.6 million (2019: £12.9 million).

£12.8m

Group adjusted EBITDA from the continuing operations decreased 25%, to £12.8 million, as a result of the impact from the COVID-19 pandemic (2019: £16.9 million).

£63.0m

Corporate Order Book at 31 December 2020 increased 10% year on year to £63.0 million (2019: £57.5 million); increasing further to £73.0 million following the post-period end acquisition of Businesswise Solutions Ltd ("Businesswise") and General Energy Management Limited ("GEM").

£31.3m

Completed a successful fundraising of £31.3 million (before expenses) in July 2020, with net debt reducing significantly to £18.8 million at the year end (2019: £33.4 million).

£(4.5)m

Loss before income tax in the year of (£4.5 million), compared to Profit before income tax of £3.1 million.

0.12p

Reinstatement of the final dividend of 0.12 pence per share which delivers a full year dividend of 0.22 pence per share (2019: 0.22 pence per share), in line with the Group's stated policy of dividend cover of at least 3.0x earnings.

Operational and acquisition highlights

The Group exited 2020 having made strong strategic progress and with a strengthened platform, capable of generating long-term growth and significant stakeholder returns as its markets continue to recover.

Successful exit from SME business, transforms the Group into a pure play technology enabled service provider delivering market leading energy advisory, ESG disclosure and sustainability solutions to UK and Irish corporate customers.

Business now structured across three divisions, reflecting capabilities where the Group has a strongly differentiated offering, all of which are underpinned by long-term structural growth drivers:

- **Energy Solutions Division**
- **ESG Solutions Division**
- **Software Solutions Division**

£31.3 million fundraise provided capacity to execute on M&A opportunities, whilst retaining flexibility to invest in further opportunities to accelerate the Group's strategic momentum:

- **Acquisition of the remaining 60% interest of Ignite Energy LTD ("Ignite") and LSI Energy Holdings Limited ("LSI"), in Q3, strengthened the Energy Optimisation Services offering, positioning the Group to be a leader in the delivery of Net Zero Carbon and ESG objectives for its clients.**
- **Post-period end, the acquisition of Businesswise and GEM have increased our market share for Energy Assurance services, broadened customer base and significantly increased our units of opportunity.**

The significant development of our sustainability offering was recognised by the receipt of the London Stock Exchange Green Economy Mark.

Further developed our technology capability through 2020, with the roll out of new digital technology through our Software Solutions Divisions offerings in 2021.

Current Trading and Outlook

2021 trading to date in the core Energy Assurance Services business (part of the Energy Solutions Division) remains in line with expectations and consistent with the Group's energy consumption assumptions, being approximately 13% below 2019 levels in Q1.

As anticipated the Group's Energy Optimisation Services (part of the Energy Solutions Division) business has been more significantly disrupted in Q1, as a result of ongoing lockdowns, with performance in line with management's expectations. Demand for optimisation services is expected to recover as clients' attention turns to the reopening their premises in a post-lockdown world.

We are excited by the prospects of the Group's recently launched ESG Disclosure product which in Q1 reached first revenue six months ahead of expectations. The increasing requirements of Corporate Businesses to make mandatory ESG disclosures in 2022 provides a favourable back drop to our strategy for the ESG Services Division and we will continue our organic entry into this market.

One of the key areas of focus for the Group in 2021 is the evolution of the Software Solutions Division, which creates the proprietary software used by the Group to underpin its technology enabled services, as well by third parties under a SaaS model. We have been building the division for the last two years into a platform operation which we believe is capable of delivering incremental returns to the Group in 2022 which are greater than we had originally anticipated.

Whilst uncertainties relating to the global pandemic remain and should not be discounted, we continue to be excited by the prospects for the business especially as we transform from Inspired Energy PLC to the more holistic service offering under Inspired PLC and aim to return to delivering our pre-COVID thesis.

As a business, we are proud to have delivered Carbon Neutrality on a market basis in 2020 and will continue our drive to achieve Net Zero by 2035 on a location basis. In addition from 2021 onwards we shall include ESG performance as a key component of executive remuneration which continues to demonstrate the Group's commitment to lead by example with respect to Energy and ESG performance.

The Board is confident of the longer-term prospects of the Group with the secular trend towards ESG and improved energy usage. Despite the near-term challenges faced in Energy Optimisation Services, the Board remains confident of achieving current market expectations.

ESG: It's going to make the world go around

What is it?
ESG (Environmental, Social and Governance) refers to the three key factors when measuring the sustainability and ethical impact of an investment in a business or company.

Why is it important?
Investors are increasingly using ESG ratings as a key determinant in investment decisions and they are having a major impact on asset values.

Many companies do not formally make ESG disclosures and this means their ESG ratings are left to chance.

If companies make disclosures against the available taxonomies they can control how they are evaluated by investors.

Common misconceptions?
Some business leaders believe ESG disclosures are complicated and expensive.

They can fear that an ESG disclosure will lead to judgement and adverse publicity.

However, much of a company's ESG rating is about transparency. Making an effective disclosure provides a platform from which a company can improve its engagement with investors and customers.

There is a perception that ESG is a communication exercise, whereas in reality, it is an exercise in objective data management which if organised correctly is simple, cost effective and value adding.

What's an ESG framework or taxonomy?
This is the agreed classification structure and set of definitions, against which your company's ESG performance will be evaluated by the outside world.

Is it mandatory to make ESG disclosures?
Currently the only mandatory taxonomy that could impact your organisation is Streamlined Energy and Carbon Reporting (SECR) and Energy Savings Opportunity Scheme (ESOS).

In April 2022, many organisations are going to need to comply with Task Force on Climate Related Financial Disclosures (TCFD) which will become mandatory.

Companies should also prepare for the FRC requirement to make a Public Interest Disclosure and the UK equivalent to the Sustainable Financial Disclosure Regulations (SFDR).

What about voluntary disclosures?
Most taxonomies are currently voluntary. Some are for investors, for example, Principles for Responsible Investment (PRI) and some are for businesses, such as the Global Reporting Initiative (GRI).

The choice of taxonomy is really in the eye of the beholder. As such, a company should aim to create a taxonomy agnostic process when it comes to disclosure.

How should a business disclose effectively?
ESG disclosures require the management of unstructured data. You need to make your disclosures stand up to external scrutiny and that you can make them on a taxonomy agnostic basis.

The secret to making effective disclosures is:

1. Collect and organise your unstructured data
2. Process the data in a way that is repeatable
3. Complete all required disclosures
4. Create effective bridge reporting between years of disclosure
5. Disclose to all required taxonomies


ESG RATINGS
Governance
Environmental
Social
Tax Transparency
Risk Management
Corporate Governance
Anti-Corruption
Biodiversity
Climate Change
Pollution & Resources
Water Security
Labour Standards
Human Rights & Community
Health & Safety
Customer Responsibility
Supply Chain: Enviromental
Supply Chain: Social

Chairman’s statement

The Board is pleased with the strategic progress achieved during the period, which ensured the Group exited 2020 having made significant progress and with a strengthened platform capable of generating long-term growth and significant stakeholder returns, as our customers’ markets continue to recover.

Whilst the financial performance of the Group for FY20 was materially impacted by the challenges caused by the pandemic, as conditions normalise, the Group’s medium and longer-term prospects are stronger than ever.

Green Economy Mark
The Board is delighted to have received the London Stock Exchange’s Green Economy Mark in recognition of the sustainability credentials and high proportion of green revenue the Group generates through our services to customers. 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. As an ESG solutions provider, it is important that we continue to lead by example in regard to best practice and reporting in order to remain at the forefront of energy and sustainability solutions in a Net Zero Carbon future.

Acquisitions and Fundraise
In July 2020, the Group completed a successful fundraising of £31.3 million (before expenses) through an oversubscribed placing of £30.0 million, with a further £1.3 million raised via an open offer (the “Fundraise”). I would like to thank our existing shareholders for their continued support, and I would like to extend a warm welcome to several new institutional investors who joined the register. Part of the proceeds from the Fundraise financed the initial cash consideration for the acquisition of the balancing interest of Ignite. Ignite offers a broad spectrum of energy management services, with a strong focus on delivering energy efficiency projects and Optimisation Services to blue chip corporate customers, increasing the capability of the Energy Optimisation Services business. The Group subsequently completed the value enhancing acquisition of LSI in August.

In early 2021, the Board was delighted to conclude the acquisition of Businesswise and GEM, which are highly complementary additions to the Group.

The Fundraise provided the capacity to execute on M&A opportunities, which were carefully structured in light of the current economic uncertainty, to accelerate the Group’s strategic momentum. Both acquisitions increase our market share for Energy Assurance services, broaden our customer base and significantly increase our units of opportunity.

We are delighted to welcome the LSI, Businesswise and GEM teams to the enlarged Group.

SME disposal
The disposal of the SME Division represented an important milestone in the strategic direction of Inspired Energy. Having taken the decision to exit this business, the Board concluded the sale of the SME Division by MBO was the optimal route as it enabled the Group to realise value, maintain continuity of service delivery to the customer base and enable Inspired Energy to maintain full market coverage. We wish the team every success for the future.

Dividend
Since its IPO in 2011, Inspired Energy has established a track record of delivering profitable and cash-generative growth which has facilitated a consistent and progressive dividend policy.

The pandemic brought a temporary halt to dividend payments, since re-established with an interim dividend declared in September 2020. The Board remains confident in the Group’s prospects and continued ability to continue to pay a dividend. It is therefore it is proposing, subject to shareholder approval at the AGM, a final dividend of 0.12 pence (2019: nil pence). The final dividend aligns with the Board’s stated policy of a dividend cover of at least 3.0x earnings, with the objective of delivering progressive dividend growth over time.

The dividend will be payable on 26 July 2021 to all shareholders on the register on 18 June 2021 and the shares will go ex-dividend on 17 June 2021.

Mike Fletcher
Chairman

Board changes

On 28 July 2020, the Board was pleased to welcome Sarah Flannigan to the Board as a Non-Executive Director. Her significant experience in the energy sector and in technology transformation is invaluable to the Board at a time when we are looking to revolutionise our sector with a full digitisation programme for our customers.

In addition, Gordon Oliver stood down from his position of Non-Executive Director on the 31 December 2020. On behalf of the Board and all at Inspired Energy, I would like to thank Gordon for his valuable contribution during a period of significant growth for the Group.

Staff

I would like to thank our employees who have risen to, and overcome, the challenges that we have faced in what was an unprecedented year. The health and wellbeing of our colleagues and customers remains our priority. We have continued to invest in the business and are well positioned for growth as we emerge from the pandemic.

Mike Fletcher
Chairman
30 March 2021

We have continued to invest in the business and are well positioned for growth as we emerge from the pandemic.”

Chief Executive Officer's statement

I am pleased to report on the Group's 2020 results, a period in which Inspired Energy has continued to deliver its strategic plan and remain profitable and cash generative, whilst managing an effective response to the global pandemic.

We find ourselves more excited and confident than ever about the opportunities ahead of us."

In recognition of this strategic evolution, the Group is proposing to rename itself Inspired PLC subject to resolution of the Group's Annual General Meeting in June 2021, to better reflect the structure into which the Group has now evolved: a technology enabled service provider with the market leading position for energy procurement, utility cost optimisation and sustainability enhancement in the UK and Ireland.

As we reflect on FY20, there have been many noteworthy points throughout the year.

Record breaking indicators in Q1 FY20

The Group started Q1 with record performance in terms of contracted business, as we carried strong momentum into FY20 from FY19. During this time, we successfully transformed the business from one with an operational capability of delivering 6% to 8% annual organic growth, to one capable of delivering double digit organic growth.

Professional pandemic response

We were immensely proud of the way the business responded to the pandemic. We took the strategic decision some years ago to move all staff to laptops as an aid to productivity and were an early adopter of Microsoft Teams, so we had a strong platform on which to build.

Having transitioned to home working seamlessly, we were most proud of how our employees' efforts immediately focused on our clients' needs, including those where we have essential supplier status (e.g. HMRC and Amey).

A key decision in our financial planning was to renegotiate and reset banking covenants through to June 2021 to further bolster our financial strength. This allowed us to operate effectively through the pandemic, remaining profitable and cash generative, without compromising our strategic focus.

Better than expected impact on Energy Assurance Services

In our early assessment of the potential impact of the COVID-19 pandemic, during Q2 2020, we identified that c.50% of the Group's revenues were potentially exposed. This is because client fees are recovered via the energy supplier, and therefore directly impacted by client consumption. In response to this, the Group based its planning assumptions on a 25% reduction in energy consumption over the period from March to December, which pleasingly proved to have been a conservative assessment with actual consumption reducing by only 18% in that period.

Mark Dickinson
Chief Executive Officer

The biggest operational impact from the pandemic has been on optimisation services, within the Energy Solutions Division, where access to premises has been restricted. This led to a number of delayed orders, noting that whilst none of these orders have been cancelled, the impact has been a delay in revenues.

M&A execution

Inspired Energy has a clearly defined acquisition strategy and the pandemic has increased the pipeline of opportunities. We identified a strategic opportunity to accelerate our M&A strategy and took the opportunity to further strengthen our balance sheet to pursue this strategy through the £31.3 million fundraise in July 2020.

This facilitated the completion of the acquisition of the remaining 60% of Ignite, which is a key pillar to deliver our Net Zero Carbon solutions to our clients. Whilst optimisation services have been disrupted in the short term, Ignite has continued to build its pipeline, including signing projects with a major DIY products retailer and a leading variety retailer.

When we completed our Fundraise, we allocated £20 million of the Fundraise to a strategy of delivering between 3 and 5 acquisitions in the Energy Assurance Services market during H2 FY20. Since starting to execute this strategy, the UK has entered into two further national lockdowns. In response to this disruption, we have maintained a disciplined approach to M&A, stepping away from one potentially significant transaction which did not meet our criteria. With the three acquisitions completed to date, we believe that in a post-COVID world we will have delivered c.£3 million EBITDA for c.£15.5 million consideration and this marks the completion of the M&A thesis that underpinned our placing. Our attention will now turn to further acquisitions that underpin our Energy Optimisation Services and Software Solutions Division. As always we will continue to evaluate our M&A strategy pragmatically in the context of the evolving pandemic situation and the opportunities that are available to us.

Focus on technology enabled service provision

Following the restructure at the end of FY20 on the Group now represents a pure play technology enabled services provider to Corporate Businesses across UK and Ireland. Capitalising on our position as the player of scale in the highly attractive, energy, sustainability and ESG markets, where we have strong regulatory and compliance drivers and non-discretionary calls to action, we provide a holistic suite of solutions to help Corporate Businesses meet their Net Zero Carbon and ESG objectives.

Leading the way on disclosures

We were delighted to publish our Streamlined Energy and Carbon Reporting (SECR) disclosure for FY19 a year early. SECR is a disclosure more than 12,000 businesses in the UK need to publish each year.

With a clear objective to lead by example in the sustainability arena, we have published a Taskforce for Climate Related Financial Disclosures (TCFD) report a year earlier than guidance, as we strive to deliver on our own ESG strategy, in addition to delivering an ESG report to a GRI (Global Reporting Initiative) standard.

As a Group we are undertaking the following initiatives as we align our objectives and behaviours to our purpose:

Adopting the UN Sustainable Development Goals (SDGs): The Group is in the process of rolling out the SDGs as underling principles across the organisation. Employees have the ability to track their activity via our proprietary "SDGme" software which allows companies to track their actions against the SDGs is also available for use freely by all of our clients.

Aligning executive remuneration: To ensure the SDGs and ESG behaviours are embedded in our daily operations, they are now a key element in the award of performance-related pay for the Executive Directors.

Embedding in the culture: The Group adopts the Blanchard framework (more detail for which can be found at: https://www.kenblanchard.com/) to create a common language of leadership across the organisation. The SDGs and ESG objectives of the business are embedded within this.

Chief Executive Officer's statement continued

Outlook

Increasing scale in Energy Assurance Services

As the clear player of scale in the UK and Irish market for Energy Assurance Services, we are able to deliver services to a level of depth and quality that it is difficult for other advisors to compete with. The strength of our balance sheet and the impact of the pandemic provides an opportunity to accelerate our scale in this marketplace from a 13% market share to one between 16% and 18% through our acquisitions and organic growth during FY21.

This increase in scale provides a platform for sustainable double digit organic growth into the future.

Delivering Net Zero Carbon Solutions

The strategic investments the Group made in Energy Optimisation Services between FY18 and FY20 have created a market leading capability to deliver Net Zero Carbon Solutions to Corporate Businesses. With COP26 (the UN Climate Change Conference of Parties) taking place in the UK this year and an increasing recognition of the climate emergency, the Group is well placed to meet the needs of Corporate Businesses.

Acceleration of Software Solutions

Our Software Solutions Division is solving some of the biggest challenges facing Corporate Businesses with respect to optimising their energy cost equations, quantifying their carbon emissions, and delivering their ESG objectives.

Proprietary software, developed by our Software Solutions Division, underpins our technology enabled service provision and allows us to deliver market leading solutions to Corporate Businesses.

Some of the most attractive things about our market are the long contract durations (which provide strong revenue visibility), high client retention rates (which reduce revenue volatility) and its highly fragmented nature which provides an attractive consolidation opportunity. However, these attractive features also restrict the number of clients that the Group can access at any point in time and as such the Software Solutions Division also provides software to other energy advisors.

This software provision to c.50 other TPIs allows us to create value from more clients in the marketplace and to work with successful energy advisors that could be attractive acquisition targets in the future.

Currently our Software Solutions Division has an implied 5% share of the market for Energy Assurance Services.

Delivery of ESG Disclosure Services

We are delighted to have started generating revenues with respect to ESG Disclosure Services some six months ahead of plan and are very excited about the opportunities this represents.

In order to make repeatable, auditable and consistent disclosures, large amounts of unstructured data need to be processed. Many Corporate Businesses do not have the resources or expertise to do this. Our technology enabled service allows organisations to make effective disclosures against any taxonomy without distracting their internal resources.

The Group is also starting to build out its solutions with respect to ESG impact starting with the launch of the SDGme system which allows Corporate Businesses to record the contributions of their employees towards the SDGs.

Preparation for internationalisation

As a business we focus on accelerating each of our levers of value creation to their full potential whilst preparing for the next lever we intend to add. ESG Disclosures is naturally a global market and there are strong opportunities in Europe for Energy Assurance Services and Energy Optimisation Opportunities. With this in mind, we are looking to start the execution of our internationalisation strategy towards the end of FY21 focusing on acquisitions in Europe as part of a thesis to provide a pan European service provider or Energy Assurance Services.

We estimate that the size of the European market in aggregate is six times larger than the UK market, representing an additional £8.4 billion market opportunity over and above the £1.4 billion opportunity the Group currently has in the UK.

Q1 2021 update

Looking at the year to date, the business is performing in line with expectations and consistently with our assumptions with respect to the global pandemic. Whilst the risks associated with the pandemic should not be discounted, we are excited by potential for the business to bounce back to levels of performance closer to 2019.

Despite the challenges the pandemic will undoubtedly bring, we find ourselves more excited and confident than ever about the opportunities ahead of us.

On behalf of the Board, I would like to thank our staff, customers and wider stakeholders, for their great support navigating through the past year of the COVID-19 pandemic and whose health, safety and wellbeing continues to be our overriding priority.

Mark Dickinson
Chief Executive Officer
30 March 2021

Our markets

Corporate Business Energy Spend: £17.7bn

Service Line	UK Market Size	Available Blue Ocean
Energy Optimisation Services*	£850m	85%
Energy Assurance Services	£400m	25%
ESG Disclosure Services**	£200m	100%
ESG Impact Services	Unknown	100%

Company Division	Service Line	Inspired Market Share
INSPIRED ENERGY	Energy Optimisation Services	3.5%
INSPIRED ENERGY	Energy Assurance Services	13%
INSPIRED SOFTWARE	Energy Assurance Services	5%
INSPIRED SOFTWARE	ESG Disclosure Services	0%
INSPIRED ESG	ESG Disclosure Services	0%
INSPIRED ESG	ESG Impact Services	0%

Our approach to each of our markets can be summarised as:

Energy Assurance Services

This market is structurally mature with 3 in every 4 Corporate Businesses using a TPI.

The company typically delivers 6% to 8% organic growth in this area.

These services are the cash-generating heart of the business and where we have 13% direct market share via our Inspired Energy Division and an additional 5% indirect market share via our Software Solutions Division.

This service line has strong structural elements where every Corporate Business: is a potential client (everyone needs energy), has a non-discretionary call to action (you need a supply contract to get energy) and they need subject matter expertise (we provide this to the client).

To access this market of approximately 20,000 businesses within the Inspired Energy Divisions we have a professional bid response team, Direct Field Sales team, and partnership channel.

In the Software Solutions Division we target this market via the 700 TPIs that provide services to Corporate Business Consumers.

Energy Optimisation Services

We approach this market mainly from a cross selling perspective.

Once we understand the client's consumption data we can identify opportunities to optimise energy consumption.

Once we have supported with the client's energy accounting, we can often find trapped money within their accrual balances.

Once we have conducted a forensic audit of a client's historical charges we are often able to recover value from historic over charges.

The recovery from accruals and forensic audits is often used by clients to start the financing of Energy Optimisation solutions to deliver their Net Zero Carbon objectives.

We can also provide funded solutions where a client wishes.

ESG Disclosure Services

This is a relatively new and immature market.

The Service line has excellent structural drivers.

ESG disclosure is becoming a non-discretionary item from investors with respect to access to capital and asset valuations.

There are also a number of regulatory drivers which are increasingly making ESG disclosure mandatory. SECR is currently mandatory for over 12,000 businesses and TCFD is expected to become mandatory in 2022.

The Sustainable Financial Disclosure Regulations are also likely to drive reciprocal UK legislation which will lead to more mandatory ESG disclosures.

We manage the data collection, validation and provide the resources for the creation of the disclosures so that Corporate Businesses are not distracted from their core operations.

ESG Impact Services

Just as Energy Optimisation Services follow from the trusted relationship we build with clients by providing Energy Assurance Services, our ESG Impact Services are primarily a cross sell.

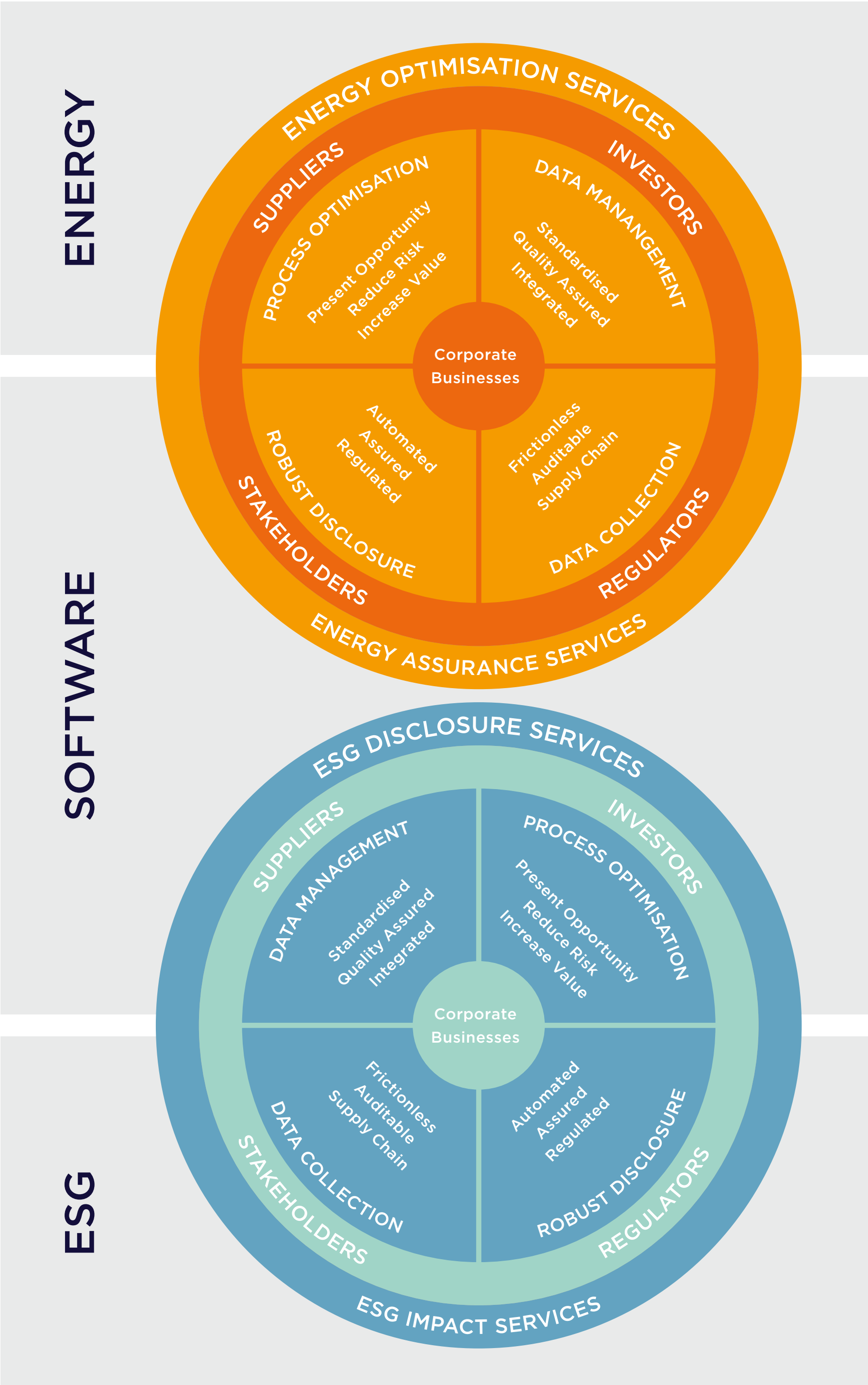
As we build out disclosures for clients we make available services to help make an impact on their disclosure in the future.

Our first solution is SDGme which measures employee behaviours with respect to the SDGs.

* Market size derived from data independently published by Cornwall Insight.

** Market size estimated by the Group based on number of companies in the market.

Our business model



Client Costs Avoided

£18m

Client Carbon Avoided

5m t/coe

Data Items Processed

1bn

ESG Disclosures Analysed

53

ESG Disclosures Made

126

Our technology enabled service is based on robust data collection and management and is fundamentally the same for Energy and ESG. We have 20 years' experience with energy and society needs to improve on ESG in the next 10 to 30 years and as such we are well placed to meet client needs with respect to optimising their energy cost equation, effectively disclosing their ESG performance and helping Corporate Businesses make an ESG impact.

Our strategy

	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 Energy from our competitors. Our products are exclusively developed and marketed to provide market leading opportunities to our customers.	Successful exit from the SME business has created a pure play technology enabled service provision for energy advisory and sustainability services to Corporate Consumers in UK and Ireland.	Through acquisitions, Inspired Energy is able to access sector specialisms and broaden the service offering more efficiently that could be delivered organically. We have proven we can accelerate the growth of the acquired businesses through successful integration into the enlarged Group.
Achievements in 2020	Sustainability credentials underpinned by award of the London Stock Exchange Green Economy Mark.	Additional service offerings, including in ESG disclosure support, being successfully launched.	Further developed our technology capability through 2020, with roll out of new customer digital offerings in 2021.	Inspired Energy made the strategic acquisition of the balancing interest in Ignite and the entire capital of LSI in the year. The investments significantly enhanced the service offering of the Group and will be integral to the growth of the Group 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 products for Corporate Energy Consumers.	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.

Our KPIs

Group

Average number of persons employed (from continued operations)

+23%

20	521
19	423
18	254

Corporate

(continued operations)

The organic and acquisitive Corporate Order Book grew in the year to a record £63.0 million, representing a year-on-year increase of 10%, this increased to £73.0 million following the post-period end acquisition of Businesswise Solutions and GEM.

Revenue (£000)

+6%

20	46,110
19	43,696
18	27,311

Gross profit (£000)

0%

20	38,900
19	39,044
18	25,388

Adjusted EBITDA (£000)

-25%

20	12,767
19	16,920
18	13,769

EBITDA margin (%)

-11%

20	28
19	39
18	50

Corporate Order Book (£000)

+10%

20	63,000
19	57,500
18	53,000

Chief Financial Officer's statement

2020 has presented its challenges, and notwithstanding the significant change to working practices from Q2 2020 onwards, the Corporate Division, and continuing operations, delivered revenues growing 6% to £46.1 million (2019: £43.7 million).

Corporate Division (continuing operations)
As a result of the COVID-19 pandemic, organic revenues in 2020 declined 20% in the Corporate Division (2019: +6%) driven by a reduction in energy consumption by our Corporate customers, and the deferral of optimisation revenues. The blended decline in consumption across Q2, Q3 and Q4 was 18%.

The Corporate Division contributed adjusted EBITDA of £16.1 million, a decline of 20% (2019: £20.2 million), with the division generating an EBITDA margin of 35% (2019: 46%) with the reduction in margin resulting primarily from the reduction in consumption experienced across the Corporate client portfolio.

The Corporate Order Book as at 31 December 2020 was £63.0 million, an increase of 10% over the prior period (2019: £57.5 million), with strong customer retention and robust performance from significant new customer wins providing visibility to the Group. The Corporate Order Book increased to £73.0 million following the post-period end acquisition of Businesswise Solutions and GEM.

Following the disposal of the SME Division in December 2020, the Group intends to revise its segmental reporting from 2021 onwards, to reflect the revised Group structure of the Energy Solutions, Software Solutions and ESG Solutions Divisions. During 2020, within the Energy Solutions Division, assurance services contributed £29.8 million of revenue (2019: £33.0 million), optimisation contributed £14.2 million (2019: £9.0 million) and software solutions contributed revenues of £2.1 million during 2020 (2019: £1.7 million).

SME Division disposal
The SME Division experienced a material impact to revenues from the pandemic and was the primary beneficiary of the Group's utilisation of the Government CJRS which protected jobs in the short term. The subsequent disposal of the SME Division represented an important milestone in the strategic direction of Inspired Energy. Having taken the decision to exit this business, the Board believes the sale of the SME Division by MBO was the optimal route as it enables the Group to realise value, maintain continuity of service delivery to the customer base and enable Inspired Energy to maintain full market coverage.

Aggregate consideration of up to £10.5 million payable to Inspired Energy on the collection and run off of the SME Division's accrued income balance, the majority of which is expected to be received within three years of completion.

In forming a view on the fair value of the contingent consideration to be recovered for the SME disposal, and resulting loss on disposal, an analysis of the Group's SME portfolio at completion of the disposal was undertaken with consideration given to the estimated impact of the pandemic on the consumptions levels, business failure rate and contracts not running the expected duration. As a result, the deemed fair value of expected future invoicing against the book was calculated to be £7.2 million prior to discounting for the time value of money, the inclusion of which equates to the £6.9 million contingent asset recognised in the balance sheet at the 31 December 2020, of which, in excess of 70% is expected to be recovered prior to 31 December 2022.

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."

Chief Financial Officer's statement continued

SME Division disposal continued

The net assets of the SME Division at disposal were valued at £13.4 million, including Trade and Other Payable balances of £11.3 million, which includes accrued income of £10.5 million and £1.2 million of goodwill from the acquisitions of Simply Business Energy and KWH Consulting in 2014. Therefore, the resulting loss on disposal recognised in the 2020 financial statements is (£6.5 million).

The disposal of the SME Division has a significant impact in reducing the working capital levels of the Group at 31 December 2020.

Group results

PLC costs of £3.4 million (2019: £3.3 million) remaining consistent over the year resulting in an overall adjusted EBITDA for the year of £12.8 million (2019: £16.9 million) which was impacted by the revenue reduction as a result of the pandemic. After deducting charges for depreciation, amortisation of internally generated intangible assets and finance expenditure, the adjusted profit before tax for the year of £6.9 million (2019: £13.0 million) from continuing operations once again reflected the impact of the pandemic on the Group's performance.

Under IFRS measures the Group reported a loss before tax for the year from continuing operations of £4.5 million (2019: profit of £3.1 million). A full reconciliation of the Group's adjusted profit before tax to its reported profit before tax is included at note 11. The items included in the reconciliation include substantial charges for the amortisation of intangible assets as a result of acquisitions, share-based payment charges, fees associated with acquisitions, restructuring costs and the changes in the fair value of contingent consideration.

Cash generation

Cash conversion was robust in the period with cash generated from operations of £9.2 million (2019: £9.4 million). Excluding non-recurring fees associated with restructuring costs and deal fees, cash generated from operations was £11.6 million (2019: £12.9 million).

The benefit of the deferral in Q2 VAT Payments was offset by the reduction in deferred income, primarily within the project-based revenues within Ignite during the year, leading to a £0.9 million reduction in payables. Following the disposal of the SME Division, management expect cash conversion ratios in 2021 and beyond to remain consistent with the levels seen in 2020.

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

Exceptional costs of £3.5 million (2020: £2.6 million) were incurred in the year, which includes £1.4 million of deal fees associated with acquisitions completed in the year or subsequent to the year end, including £0.3 million relating to the transaction aborted Q4.

Restructuring costs of £0.9 million have been incurred in the year, which includes £0.4 million of termination payments from the integration of acquisitions completed prior to 2020 and LSI acquired in August 2020, £0.3 million of termination payments as a result of the disposal of the SME Division and £0.2 million resulting from office and staff facility closures which the Group took the decision not to reopen.

Furthermore, a £1.2 million loss due to changes in the fair value of contingent consideration were treated as exceptional in the period.

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.

Financial position and liquidity

In May 2020, the Group agreed with its lenders to increase 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.

In July 2020, the Group raised £30.0 million (before expenses) through an oversubscribed placing of 200,000,000 new ordinary shares, with a further £1.3 million raised through an open offer to qualifying shareholders.

Paul Connor
Chief Financial Officer

The net proceeds from the placing funded the initial cash consideration for the acquisition of the balancing interest of Ignite, with the remaining funds enabling the Group to take advantage of its active pipeline of potential acquisition targets.

In addition, the acquisition of Ignite has had a material benefit to the Group's financial position. The Group now receives the full free cash flow benefits of wholly owning Ignite, having previously only received 40% of profits distributed by Ignite every six months via dividends.

From a banking covenant perspective, prior to the acquisition of the balancing interest of Ignite in July 2020, under the Net Adjusted Leverage definition per the facility agreement, the EBITDA contribution from Ignite was not included within Group EBITDA. However, the Group now benefits from 100% of Ignite's contribution to Group EBITDA on a last twelve months basis. The treatment of Ignite EBITDA, the free cash flow of ownership and the funding of the transaction via equity, has significantly increased the headroom available to the Group from a covenant perspective.

In March 2021, the Board agreed with their lenders to amend the definition of Adjusted Net Leverage to apply from the 1 July 2021, to reverse the impact of the adoptions of IFRS 16 and the definition of contingent consideration to only include deferred consideration or crystallised contingent consideration. Collectively, these amends significantly reduce the forecast leverage of the Group for covenant purposes.

At 31 December 2020, the Group's net debt was £18.8 million. In addition to cash and cash equivalents of £26.9 million on hand as at 31 December 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 covenant compliance.

Dividend

The Board is pleased to announce the reinstatement of a final dividend of 0.12 pence per share (2019: nil pence) in line with the Group's revised policy of paying dividends initially covered by at least 3.0x earnings.

The dividend will be payable on 26 July 2021 to all shareholders on the register on 18 June 2021 and the shares will go ex-dividend on 17 June 2021.

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.

The Group has started 2021 positively, despite the impact of the lockdown provisions in Q1 2021, with January and February trading in line with management expectations.

Paul Connor
Chief Financial Officer
30 March 2021

Risks

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, CEO's and CFO's statements. The implications for the Group are included in note 2.1 going concern. The risk is managed by the Board as a whole.

Risk area and potential impact	Mitigation	Change
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 and Senior Management Team. 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. **Strategy link:**	The Directors and Senior Management Team 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.	
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. **Strategy link:**	The Directors believe that the Group operates in line with best market practice, as directed by OFGEM.	

Risk area and potential impact	Mitigation	Change
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 risk of business failure and/or reduction in customer property portfolios is further exaggerated by the ongoing COVID-19 pandemic. **Strategy link:**	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. In consideration of the added risk of the pandemic, the Group has built an ongoing provision into future revenues for customer failures, reduction in customer portfolios and ongoing demand destruction. The Group undertake credit checks on clients prior to entering into a contract, and the Group has a credit insurance policy.	
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. **Strategy link:**	The Directors believe that the process and personnel in place to evaluate potential acquisition opportunities (including external due diligence and historical experience) and integration are adequate enough to mitigate this risk sufficiently.	

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.

Strategy:

Customer service

Technology development

Product innovation

Acquisitions

Risk key:

Increased risk

No change

Decreased risk

Section 172

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 2020.

Impact of decisions taken in the long term

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.

Within 2020 there was one material decision taken by the Group with respect to the disposal of the SME Divisions. When taking this decision, the Board considered the following impacts:

a) The SME Division was most impacted by the COVID pandemic and it became clear the business would have the best chance of survival operating as a more agile business outside of the SME environment.

b) Utilising an MBO structure was the fairest way to respect the efforts of the employees that had been fundamental in growing the business.

c) The Group is one of the largest employers in the local area and through pragmatic deal structuring we were able to preserve jobs in the local community as opposed to them being at risk of geographical transfer.

Impact on our employees

Our people are fundamental to the delivery of our strategy. For the Group to succeed we need to manage our people's performance, 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. During 2020 our primary engagements with employees can be summarised as:

a) We endeavour to report the performance of the business to employees on a quarterly basis via a 'Town Hall' update.

b) Throughout periods of lockdown during the pandemic we generally provided a weekly situation report, which set out the weekly productivity of each department and the update on the pertinent issues affecting the company.

c) We operate an employment engagement committee comprising of employees across the business which meets monthly and addresses, charitable giving, team building and other employee related initiatives.

d) We provided leadership training for 151 employees and diversity and inclusion training for 350 employees.

Impact on our suppliers, customers and others

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. Our primary method of engagement with third parties is via our policies which are published on our website and set out our principles and values. The policies are published without prejudice to the specific contracts that we enter into with individual parties.

Impact on the community and the environment
The Group takes its Environmental and Social responsibilities very seriously and with respect to the financial period in 2020 the Group intends to:

a) Voluntarily publish a Task Force on Climate-Related Disclosures (TCFD) disclosure in accordance with published guidelines including a scope 3 emissions report.

b) Voluntarily publish an ESG disclosure that is consistent with Global Reporting Initiative (GRI) standards.

c) Achieve a carbon neutral position for our own carbon generation and that of scope 3 emissions consumed by us during 2020 utilising market-based methods.

Maintaining a reputation for high standards and leading by example
As a Board of Directors, our intention is to behave responsibly and ensure that management operates the Group in a similar manner. Operating in accordance with the high standards of business conduct and governance expected of a business such as ours and in doing so, contributing to the delivery of our strategy.

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. Overall we are committed to treating all stakeholders fairly and consistently.

Mark Dickinson
Chief Executive Officer
30 March 2021

Corporate governance statement

Ensuring high standards of corporate governance.

The Group continues to adopt the Quoted Companies Alliance (QCA) Code with respect to its obligations with respect to AIM Rule 26.

As the world evolves and the company emerges as a leading provider of ESG solutions to Investment Companies and Corporate Businesses we also continue to evolve our disclosures with respect to the performance of the business. With regards to ESG. In this section we shall address the following issues:

1. Board Structure & Appointments.
2. Stakeholder Communication.
3. Executive Remuneration.
4. Governance Structure and Delegation.

The company's approach to the principles outlined by the QCA is summarised below.

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.

We believe shareholder value is maximised when we appropriately balance the needs of stakeholders today whilst remaining cognisant of how the needs of stakeholders needs may change in the future.

We achieve this by delivering Net Zero Carbon and ESG solutions for clients whilst embedding those principles in our organisation.

Vision and strategy:
The company's vision and strategy is to deliver an increasing number of market leading technology enabled services to an increasing number of clients with respect to energy, Net Zero Carbon and ESG solution.

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 19 of this annual report.
- For key challenges and how they will be addressed, please see principal risks on pages 24 and 25 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.

QCA PRINCIPLES AND INSPIRED ENERGY APPROACH continued

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.

The company has started a programme to embark on a journey to what the Board consider to be a leading example of best practice with respect to ESG. Our policies with respect to our engagement with stakeholders are summarised on page 34 of this annual report and in full on our website https://inspiredplc.co.uk/esg/corporate-governance/.

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 addition to this annual report the company has made a number of disclosures with respect to ESG which are published on our website.

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.

In 2020 the principles of the Task Force on Climate-Related Financial Disclosures (TCFD) have been integrated into our risk management process. Our full disclosure with respect to TCFD is published on our website.

For further details of the company's approach to risk and its management, please refer to the principal risks section of the strategic report (pages 24 and 25) of this annual report and accounts.

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

Mike Fletcher, the Non-Executive Chairman, is responsible for ensuring that the Group maintains the highest standards of corporate governance. The Executive Directors have responsibility for implementation of the Board's strategy. All the Directors have appropriate skills and experience for the roles they perform at Inspired Energy, 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. In 2021 the Board has added an ESG performance committee and an ESG Advisory Group composed of expert external advisors. For details on Board membership of the Committees, please see page 38.

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 along with auditing the financial statements of the Group, 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.

Corporate governance statement continued

QCA PRINCIPLES AND INSPIRED ENERGY APPROACH continued

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, Board gender diversity, employee gender diversity, equal pay with respect to gender, workplace accident prevention, whistleblower protection, human rights, supplier code of conduct, grievance/complaints handling mechanism, anti-discrimination, recognition of ILO Conventions, climate change and the environment.

Our policies with respect to our ethical values and behaviours are summarised on page 40 of this annual report and in full on our website https://inspiredplc.co.uk/policies/. Our performance against these policies is summarised on page 40 of this annual report and published in full in our ESG disclosure on our website.

The Board takes seriously its responsibilities towards the sustainability of its operations and the impact on the environment.

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 set out in page 38 of this annual report and in full on our website https://inspiredplc.co.uk/esg/corporate-governance/. 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.

Meet the Directors

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

Chairman's introduction

Composition and responsibilities

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 Group by creating an environment of openness, transparency, accountability and responsibility.

Appointments and conflicts of interest

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.

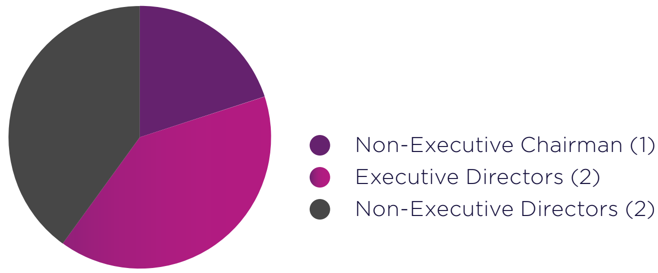
It also considers the appropriateness of the size of the Board based on the following principles:

a) Maintaining more non-executive directors than executive directors.

b) Maintaining a size of board that is appropriate for the size and scale of the company.

Board committees are formed to address specific matters of governance as set out in the governance section on page 39. Appointments to the relevant committees are made by the Nominations Committee with due regard to skills and relevant experience.

Board composition at 31 March 2021



The Nominations Committee also considers succession planning, to ensure business continuing in the event that a change of an Executive Director is required.

In accordance with their service agreements and their fiduciary duties, the Non-Executive and Executive Directors have an obligation to immediately declare any conflict of interest. In addition, annually each Board member submits a declaration of external appointments which is set out under the biography from each Board member.

Shareholders exercise oversight of the composition of the Board of Directors through reappointment processes that are subject to resolution at the AGM and through engagement with the company at the AGM.

Board gender diversity

The Board recognises that having a board composed of men and women with the relevant blend of differing skills, experience, perspectives, age and characteristics – leads to a more robust understanding of opportunities, issues and risks; stronger decision-making; and is better equipped to provide oversight and governance.

We are committed to improving the gender representation of our Board and commit to working diligently to implement concrete actions to effect change with the goal that each gender represents at least thirty seven and a half percent (37.5%) of the Board's composition. Our Board Gender Diversity Policy is summarised on page 40 and published in full on our website https://inspiredplc.co.uk/esg/corporate-governance/.

Mike Fletcher
Chairman
30 March 2021

Meet the Directors continued

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

Mike Fletcher (46)
Non-Executive Chairman

A R N

Skills and experience
Mike is successful investor, business leader and entrepreneur with more than 25 years' experience in the financial services sector, including mergers and acquisitions and corporate finance, advising public companies, private equity houses and entrepreneurs.

He is a Managing Partner at Arete Capital Partners, a multi-family office investing transformational private capital into entrepreneurial companies, which he co-founded in 2020.

Prior to that, he was Group 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, before stepping down to non-executive director in 2020.

Mike was also formerly a Managing Director of investment bank GCA Altium (2000-2010) and is a chartered accountant, having completed his training with PwC in 1999. He is also FCA approved.

External appointments
Mike sits on the board of a number of Arete & Praetura's investments including high growth technology businesses Sorted, Peak AI and Tactus Group, as well as financial services business EC3 Brokers.

Outside of Arete, Mike is also a Non-Executive Director of AIM-listed SysGroup plc (SYS.L).

Mark Dickinson (48)
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.

Paul Connor (36)
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 seventeen businesses. Paul qualified as a chartered accountant in 2009.

External appointments
None.

Key:

A Audit Committee

N Nominations Committee

R Remuneration Committee

Chairman

Sarah Flannigan (47)

Non-Executive Director

A R N

Skills and experience

Sarah is a portfolio Non-Executive Director and technology strategy consultant, who brings a wealth of energy industry experience having most recently held the position of CIO at EDF Energy where her responsibilities included defining and delivery of a new technology transformation strategy. Prior to this, Sarah was CIO at the National Trust, where she was named European Chief Information Officer of the Year in 2016 for the successful delivery of a major digital transformation and organisational change programme.

External appointments

Sarah is currently Chair of Riverford Organics Ltd and Sawday's Ltd, a Non-Executive Director at the Institute of Physics Publishing, a Trustee at the Royal Botanic Gardens, Kew, and the National Lottery Heritage Fund. Alongside her non-executive roles Sarah is also a consultant Board advisor on strategy, leadership and technology.

Richard Logan (63)

Non-Executive Director

A R N

Skills and experience

Richard is a chartered accountant with over 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 with a focus on Microsoft cloud applications and infrastructure. Richard is also a Non-Executive Director and Chairman of the Audit Committee of Pebble Beach Systems Group plc, an AIM listed company (PEB) providing software solutions to the broadcasting industry.

Stakeholder communication

As the company evolves, so does the layers of communication with our stakeholders. The ways in which we communicate with our stakeholders can be summarised as:

Communication with investors

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 and are available on the company's website https://inspiredplc.co.uk/news/.

Brokers are updated by the company and circulate notes regularly.

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.

The outcomes (as to whether they were successfully passed or not) of resolutions put to the AGM are published and are available on the company's website.

Publication of Statements & Disclosures

Inspired Energy PLC has published its performance results against its polices and practices, in accordance with requirements set out for key, annual disclosures, including:

The results, are published in full on the Inspired Energy PLC website https://inspiredplc.co.uk/reports-and-presentations/.

1. Green Economy Mark Revenue Disclosure
2. Streamlined Energy & Carbon Reporting (SECR)
3. Task Force on Climate-Related Disclosures (TCFD)
4. ESG Performance Report

Directors' remuneration report

This report to shareholders for the year ended 31 December 2020 sets out the Group's remuneration policies. As the Group's shares are registered on the AIM market of the London Stock Exchange, the company is required to report in accordance with the remuneration disclosure requirements of the AIM Rules for Companies. 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, who stepped down from his role as a Non-Executive Director on the 31 December 2020 and was replaced by Sarah Flannigan. The Committee is chaired by Mike Fletcher.

The committee does not include any Executive Directors to ensure there is no conflict of interests.

The Remuneration Committee oversees the remuneration policies and activities of the Group. The Committee met two times in 2020.

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 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

The basic annual salaries payable to the Chief Executive Officer and Chief Financial Officer are £275,000 and £200,000 respectively. During the year, the Remuneration Committee engaged a third party to complete a benchmarking exercise for both the Executive and Non-Executive Directors' remuneration. Based on the findings presented to the Committee, the Committee concluded that the basic salaries of both the Chief Executive Officer and Chief Financial Officer should be increased. However, in consideration of the impact the ongoing COVID-19 pandemic has had on the trading performance of the Group, the Remuneration Committee deems it appropriate to defer any pay increases at this time.

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.

Historically, cash bonuses paid to the Chief Executive Officer and Chief Financial Officer have been recognised within costs to the Group Statement of Comprehensive Income in the year in which they have been paid rather than the performance period in which the bonus was earned, as discretionary bonus awards would be made by the Committee subsequent to the signing of the financial statements each year. Consequently, bonuses recognised as costs and paid during 2020, relate to the financial year ending 31 December 2019. In future, any bonus due in a financial year will be accrued in full in that financial year's Statement of Comprehensive Income.

In recognition of the impact of the COVID-19 pandemic on the trading performance of the Group during 2020, and the decision taken by the Board not to pay a final 2019 dividend during 2020, the Remuneration Committee and the Executive Directors agreed that the Executive Directors would be awarded zero bonuses in relation to 2020, which would have become payable during 2021.

For the 2021 year it is intended that the bonuses awarded to Executive Directors shall be based on progress made towards the ESG performance of the business without prejudicing the operational performance of the business. It is intended that this shall include progress towards embedding the UN Sustainable Development Goals within the company culture.

Long Term Equity Incentive Plan

The final year of the existing LTIP scheme established in 2017 for the incentivisation of the Executive Directors is the year ending 31 December 2021. Consequently, the Remuneration Committee has engaged with professional advisors to design and implement a new scheme to retain and incentivise the Executive Directors beyond 2021. The Board expects to implement a new scheme to commence in the year to December 2022 and will announce details of any awards under the new scheme when appropriate.

Directors' remuneration report continued

Remuneration structure for Executive Directors continued

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

The annual fee levels remained unchanged during 2020, and therefore as at 31 December 2020 were:

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

There is no right to any further benefits in kind.

Directors' emoluments for the year ended 31 December 2020 are summarised below:

	Salary/fees £000	Bonus* £000	Employer's pension contribution £000	**2020 £000**	2019 (Restated)** £000
Executive					
Mark Dickinson	275	275	3	**553**	523
Paul Connor	200	200	3	**404**	375
	475	475	6	**956**	899
Non-Executive					
Mike Fletcher	53	—	—	**53**	52
Richard Logan	45	—	—	**45**	44
Gordon Oliver (resigned on 31 December 2020)	45	—	—	**45**	44
Sarah Flannigan (appointed 28 July 2020)	22	—	—	**22**	—
Matthew Thornton (resigned on 27 March 2019)	0	—	—	**—**	10
	165	—	—	**165**	150
Total	640	475	6	**1,121**	1,049

* Historically, cash bonuses paid to the Chief Executive Officer and Chief Financial Officer have been recognised within costs to the Group Statement of Comprehensive Income in the year in which they have been paid. Therefore, bonuses recognised as costs and paid during 2020, relate to the financial year ending 31 December 2019. In recognition of the impact of the COVID-19 pandemic on the trading performance of the Group during 2020, and the decision taken by the Board not to pay a final 2019 dividend during 2020, the Remuneration Committee and the Executive Directors agreed that the Executive Directors would be awarded zero cash bonuses in relation to 2020, which would have become payable during 2021.

** Restatement to correct understatement of Executive Bonus figure included within the 2019 Directors' Remuneration Report. Understatement in 2019 occurred because of bonuses which should have been paid in 2019, being paid in Q1 2020. The restatement results in an increase in emoluments in 2019 for Mark Dickinson of £83,000 and Paul Connor £58,000.

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).

Remuneration structure for Executive Directors continued

Non-Executive Directors continued

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

(i) the date on which the Group published its audited accounts for the year ended 31 December 2016;

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

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

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

Paul Connor was granted a further 1,750,000 EMI Share Options on 7 April 2016 subject to an exercise price of 12.50 pence (being the closing mid-price of the shares on the day prior to the grant of the options and hence the market value of the shares subject to the options).

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

(i) the date on which the Group published its audited accounts for the year ended 31 December 2016;

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

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

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

Paul Connor 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 7.

At 31 December 2020, of the 10,800,000 share options granted to Mark Dickinson under the LTIP scheme, 6,700,000 had vested and are therefore included within the Directors' share interests table below.

At 31 December 2020, of the 5,850,000 share options granted to Paul Connor under the LTIP scheme, 3,400,000 had vested and are therefore included within the Directors' share interests table below.

Directors' interests in shares of the company as at 31 December 2020:

	Number of shares	%
Mike Fletcher*	4,714,999	0.49
Paul Connor (including 3,400,000 vested share options under the LTIP scheme and 4,750,000 vested EMI Share Options)	8,590,000	0.89
Mark Dickinson (including 6,700,000 vested share options under the LTIP scheme)	7,969,655	0.83
Richard Logan	459,828	0.05
Sarah Flannigan	—	—

* 215,000 ordinary shares held by Michael Fletcher's personal SIPP and 4,499,999 held through Praetura Ventures (1) LLP, a limited liability partnership whose members include Mike Fletcher.

There has been no change in the interests in shares of the company by the Directors as at 30 March 2021.

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
30 March 2021

Governance structure

PLC Board of Directors

Michael Fletcher
Non-Executive Chairman

Board Director since IPO, appointed Non-Executive Chairman in September 2016

Richard Logan
Non-Executive Director

Former FD of iomart Group PLC from 2006–2018

c.£375m Market Cap, who joined the Board in March 2017

Sarah Flannigan
Non-Executive Director*

Former CIO of EDF

Chair of Riverford Organic Ltd and of Sawday's Publishing

Mark Dickinson
Chief Executive Officer

Appointed CEO in October 2017

CEO of M&C Energy Group before selling to Schneider Electric in 2013

Paul Connor
Chief Financial Officer

Appointed CFO in 2014 from Head of Finance

Driving acquisitions and integration

Audit Committee (Quarterly)

Richard Logan (Chair)

Michael Fletcher

Sarah Flannigan (appointed 01.07.2020)

Gordon Oliver (resigned 31.12.2020)

Remuneration Committee (Quarterly)

Michael Fletcher (Chair)

Richard Logan

Sarah Flannigan (appointed 01.07.2020)

Gordon Oliver (resigned 31.12.2020)

ESG Performance Committee (Quarterly)

Sarah Flannigan (Chair)

Michael Fletcher

Richard Logan

Committees and Responsibilities

The Board operates four committees with specific areas of responsibility.

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. It also considers succession planning, and 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.
Audit Committee:	Oversees the financial reporting of the organisation, the selection and appointment of independent auditors, receiving the results of the audit and implementing the audit findings. The Audit Committee provides risk oversight and quality control with respect to the financial disclosures made by the company.
Remuneration Committee:	Designs 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.
ESG Performance Committee:	At the end of FY2020 the Board Created its ESG Performance Committee to sit alongside the Audit, Remuneration and Nominations Committees. The ESG Performance Committee has responsibility for holding the Executive Directors to account with respect to the risks of climate change and other Environmental, Social and Governance issues.

Delegating ESG responsibility across the organisation

Structured and transparent organisation of the business at an Executive and Non-Executive level is an important enabler with respect to ESG but in its own right it does not lead to implemented behaviours. To this ends a number of employee committees have been formed that report into the ESG Performance Committee.

The Environmental Action Committee, Social Action Committee and Employee Engagement Committee are each made up of different representatives from each of the following business areas; they must not be a direct report to an Executive Director and are rotated annually:

1. Sales and Marketing
2. Account Management
3. Regulated Services
4. Commercial Services
5. Optimisation Services
6. Operations
7. ESG Services
8. Software Solutions
9. Central Services

The role of each member of this committee is to champion the implementation of the environmental, social and employee welfare initiatives that Inspired undertakes and report to the ESG Performance Committee.

Aligning Incentives

The Executive Directors are incentivised by a bonus and long-term incentive scheme and these have been linked to the ESG performance of the business as set out on page 35.

The majority of employees at the company has some element of performance-related pay that is awarded quarterly that contains a discretionary element.

At the end of FY2020 Inspired implemented the Blanchard Situational Leadership Programme which creates a common language for leadership from the top to the bottom of the organisation. In line with the change in the remuneration of the Executive Directors, each employee shall have one of the goals that impacts their performance pay linked to climate change and the ESG performance of the company.

ESG Advisory Committee

As a provider of products and services that support investment funds and corporate businesses it is important that the ESG solutions provided by the business remain at the leading edge of thinking, whilst practical to implement and consistent with the investment thesis of the client.

The company ESG Advisory Committee reports to the CEO and includes from the company the chair of the ESG Performance Committee and members of the ESG leadership team. In addition to the representatives from the company the committee shall have four external advisors appointed on twelve-month tenures.

Policies and code of conduct

Our policies and codes of conduct are published on our website https://inspiredplc.co.uk/policies/. The purpose of each policy and our performance against them is set out below:

Policy	Summary	Performance during 2020
Anti-bribery & corruption	Sets out the Group's zero tolerance approach to such practices and the obligations of employees and third parties.	There have been no complaints or reported incidents with respect to Anti-Bribery and Corruption.
Anti-discrimination	Sets out the Group's zero tolerance with respect to discriminatory practices.	There have been no complaints or reported incidents with respect to discriminatory practices.
Board gender diversity	Sets out the Group's policy with respect to diversity at Board Level.	The PLC Board currently only has a 16.5% gender board diversity with a target to achieve 37.5% by December 2022.
Climate change and the environment	Outlines the Group's policy with respect to climate change and the environment.	The Group has achieved carbon neutrality during 2020 and set targets to reach absolute net zero by 2035.
Complaints Handling Policy	Sets out the policies for managing complaints from third parties.	There have been no complaints raised under this policy during 2020.
Employee gender diversity and equal pay	Sets out our policies on gender diversity and equal pay.	The Group has an average 4% variance in basic pay between the minority gender and the other gender at any operating level. However we have low diversity at our top 3 levels in the business with only 18.5 % representation of the minority gender. This leads to an overall gender pay gap of 30% due to skewed diversity.
Equal Opportunities and Diversity	Sets out our policy on recruitment, discrimination, bullying and other items with respect to equal opportunities.	There have been no complaints or reported incidents with respect to equal opportunities and diversity.
Health and Safety and Accident Prevention	Sets out our health and safety policies for our organisation.	There have been 14 accidents reported during 2020, no RIDDOR and no work related fatalities. There has been 1 referral to occupational health for a work related issue and the Group lost 1.1% of its time due to sickness and ill health.
Human rights	Sets out our policy with respect to the Groups commitment to human rights.	There have been no complaints or reported incidents with respect to human rights.
Modern Slavery and Human Trafficking	Sets our our zero tolerance approach to modern slavery or human trafficking.	There have been no complaints or reported incidents with respect to modern slavery or human trafficking.
Privacy Notice	Sets out our policies on data protection, retention with respect to third parties.	There have been no complaints or reported incidents with respect to our Private Policy, Data Protection or Data Retention.
Recognition of ILO Conventions	Recognises our commitment to operate in accordance with the ILO conventions.	There have been no complaints or reported incidents with respect to failure to comply with the ILO conventions.
Supplier code of conduct	Sets out our expectations with respect to the conduct of our supply chain.	There have been no reported breaches of our supplier code of conduct during 2020.
Whistleblower protection	Sets out our policy with respect to treatment of whistleblowers.	There have been no incidents of whistleblowing or matters of significant concern raised during 2020.

Statements and disclosures

Inspired Energy PLC has published its performance results against its policies and practices, in accordance with requirements set out for key annual disclosures, which includes the following Streamlined Energy & Carbon Reporting (SECR) disclosure.

The following disclosures are available at www.inspiredplc.co.uk/ESG.

A.	Green Economy Mark Revenue Disclosure
B.	Task Force on Climate-Related Disclosures (TCFD)
C.	ESG Performance Report

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 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 2
Inspired's Scope 1 and 3 direct emissions (combustion of natural gas and transportation fuels) for this second year of reporting are 178.7 tCO_2e, resulting from the direct combustion of 806,811 kWh of fuel. This is a decrease of 31% on Year 1 emissions.

Scope 2 indirect emissions (purchased electricity) for this second year of reporting are 106.6 tCO_2e, resulting from the consumption of 457,057 kWh of electricity purchased and consumed in day-to-day business operations. This is a decrease of 55% on Year 1 emissions.

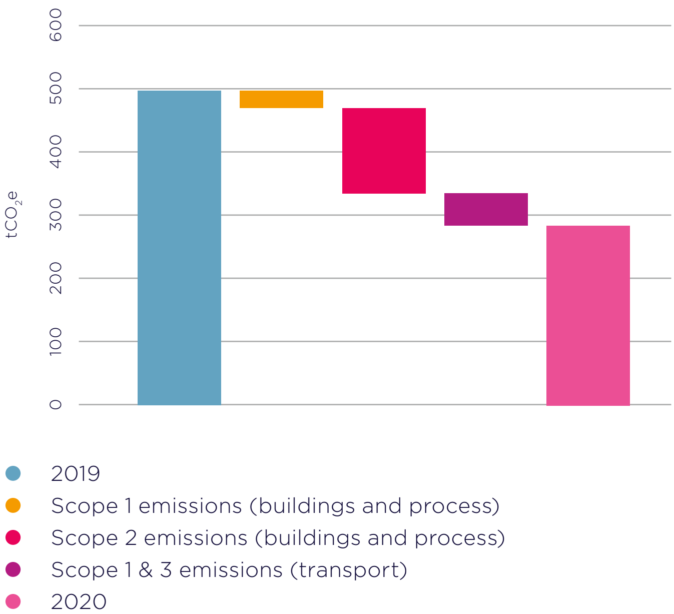
Inspired's operations have an intensity metric of 0.47 tCO_2e per FTE for this reporting year. This is a decrease of 54% on Year 1 emission intensity.

Organisational structure and qualification
Inspired Energy PLC is the parent company of Inspired Energy Solutions Limited and other subsidiaries.

Inspired is required to comply with SECR, as we exceed the qualification thresholds of two of the three criteria (employee numbers, turnover, or balance sheet total). Inspired is also listed on the London Stock Exchange (AIM: INSE).

Within the corporate group, there is one business – Inspired Energy Solutions – which qualifies for SECR as an individual entity. The breakdown of consumption and emissions for this business are detailed in this report, ensuring transparency and compliance throughout the Group.

Scope 1, 2 and 3 emissions (tCO_2e):
This reporting period vs previous reporting period



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	2020 UK Consumption (kWh)	2020 Global (excluding UK) Consumption (kWh)	2019 UK Consumption (kWh)	2019 Global (excluding UK) Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	**440,769**	**16,288**	899,966	24,565
Gaseous and other fuels (Scope 1)	**233,402**	**0**	400,121	0
Transportation (Scope 1 and 3)	**573,409**	**0**	769,995	0
Total	**1,247,580**	**16,288**	2,070,082	24,565

The total emission (tCO_2e) figures for energy supplies reportable by the Group are as follows. These have been calculated utilising both location-based and market-based conversion factors. Conversion factors utilised in these calculations are detailed in the appendix:

Utility and Scope	2020 UK Consumption (tCO_2e) Location-based	2020 Global (excluding UK) Consumption (tCO_2e) Location-based	2019 UK Consumption (tCO_2e) Location-based	2019 Global (excluding UK) Consumption (tCO_2e) Location-based
Grid-Supplied Electricity (Scope 2)	**102.8**	**3.8**	230.0	6.3
Gaseous and other fuels (Scope 1)	**42.9**	**0**	73.6	0
Transportation (Scope 1 and 3)	**135.8**	**0**	184.2	0
Total	**281.5**	**3.8**	487.8	6.3

Utility and Scope	2020 UK Consumption (tCO_2e) Market-based	2020 Global (excluding UK) Consumption (tCO_2e) Market-based	2019 UK Consumption (tCO_2e) Market-based	2019 Global (excluding UK) Consumption (tCO_2e) Market-based
Grid-Supplied Electricity (Scope 2)	**0**	**0**	315.2	12.3
Gaseous and other fuels (Scope 1)	**0**	**0**	73.6	0
Transportation (Scope 1 and 3)	**135.8**	**0**	184.2	0
Total	**135.8**	**0**	573.0	12.3

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 is detailed in the appendix, and results of this analysis are as follows:

Intensity Metric	2020 Intensity Metric	2019 Intensity Metric
tCO_2e / FTE (location-based)	**0.47**	1.01
tCO_2e / FTE (market-based)	**0.22**	1.27

Inspired has one subsidiary that qualifies for SECR as an individual entity in 2020. The consumption and emission figures for this subsidiary for the 2020 reporting year are shown below:

Streamlined Energy & Carbon Reporting continued

Annual Reporting Figures continued

Inspired Energy Solutions

Utility and Scope	2020 Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	**283,446**
Gaseous and other fuels (Scope 1)	**94,406**
Transportation (Scope 1 and 3)	**83,948**
Total	**461,800**

Utility and Scope	2020 Consumption (tCO_2e)
Grid-Supplied Electricity (Scope 2)	**66.1**
Gaseous and other fuels (Scope 1)	**17.4**
Transportation (Scope 1 and 3)	**19.8**
Total	**103.3**

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 five years.

Measures ongoing and undertaken through 2020:
Due to the COVID-19 pandemic, physical energy efficiency projects planned to be undertaken within the 2020 year have not been able to be implemented by Inspired. These have been prioritised for implementation when the usual operations of Inspired are able to resume.

Scope 3 (supply chain) inventory has been undertaken in order to understand the full extent of Inspired's carbon emissions, taking into account the supply chain of our operations.

Measures prioritised for implementation in 2021:
LED refit in offices currently utilising fluorescent lighting.

Heating and cooling 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.

Environmental, Social and Governance (ESG) performance will be underwritten into Board level reporting throughout 2021. Inspired are also working to implement Sustainable Development Goals (SDGs) into the business growth strategy, and we have committed publicly to disclose details of our ESG performance alongside our annual accounts.

Inspired also look to create a new board committee for ESG performance, incorporating employee input for Environmental and Social Action activities for the business.

Installation of automatic meter reading (AMR) meters to be implemented throughout the portfolio. This will improve the data quality of consumption measured by Inspired for reporting and allow for monitoring and targeting to be undertaken to further reduce out-of-hours and unnecessary energy consumption.

The setting of Science Based Targets for the business has been identified as a key aim for Inspired, and we are working to formalise these through 2021.

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, utilising the current published kWh gross calorific value (CV) and $kgCO_2e$ location-based emissions factors relevant for reporting year 01/01/2020 – 31/12/2020:

Database 2020, Version 1.0.

Estimations undertaken to cover missing billing periods for properties directly invoiced to Inspired Energy PLC were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 12% of reported consumption.

For properties where Inspired Energy PLC is indirectly responsible for utilities (i.e. via a landlord or service charge), an average kWh/m^2 consumption was calculated at meter level and was applied to the properties with similar operations with no available data. Where floor area was unknown, an estimate of kWh/FTE was calculated per utility and applied to the known number of employees in occupation.

These full year estimations were applied to three electricity supplies and one gas supply for Inspired Energy PLC.

Intensity metrics have been calculated utilising the 2020 reportable figures for the following metrics, and tCO_2e for both individual sources and total emissions were then divided by this figure to determine the tCO_2e per metric:

- Full time equivalents (FTE) 608 (2019: 492)

Group Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

Principal activities
Inspired Energy is focused on the creation of shareholder value through providing advisory utility procurement, utility cost optimisation and legislative compliance services in the UK and Ireland.

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 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.

Cash and borrowings
As at 31 December 2020, the Group had a cash balance of £26.9 million and outstanding balances on its senior term debt facilities of £45.9 million.

As at 31 December 2020, net debt stood at £18.8 million, which is a decrease of £14.5 million in comparison to 31 December 2019.

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 £45.9 million was drawn at 31 December 2020, 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 May 2020, 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.

Per the facility agreement entered in October 2019, in calculating Adjusted Net Leverage, 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.

In March 2021, the Board agreed with their lenders to amend the definition of Adjusted Net Leverage to apply from 1 July 2021, to reverse the impact of the adoptions of IFRS 16 and the definition of contingent consideration to only included deferred consideration or crystallised contingent consideration. Collectively, these changes reduce the Net Adjusted Leverage of the Group.

The reduction in net debt reflects a year in which the Group completed a successful fundraising of £31.3 million (before expenses) through an oversubscribed placing of £30.0 million, with a further £1.3 million raised via an open offer (the "Fundraise"). Furthermore, the cash generation of the Group was offset by the payment of £5.5 million initial cash consideration for the balancing interest of Ignite, and £3.8 million of contingent cash consideration to the vendors of Squareone, ECM and Ignite. As at 31 December 2020, £12.9 million of contingent consideration is held payable to the vendors of Ignite, ECM, PCMG, IU Energy and LSI.

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	%
Mike Fletcher*	4,714,999	0.49
Mark Dickinson	1,269,655	0.13
Paul Connor	440,000	0.05
Richard Logan	459,828	0.05
Gordon Oliver (resigned on 31 December 2020)	57,000	—
Sarah Flannigan	—	—

* 215,000 ordinary shares held by Michael Fletcher's personal SIPP which made the purchase today and 4,499,999 held through Praetura Ventures (1) LLP, a limited liability partnership whose members include Mike Fletcher.

There has been no change in the interests in shares of the company by the Directors as at 30 March 2021.

Dividends

The Board is delighted to propose a final dividend of 0.12 pence per share subject to approval at the Annual General Meeting of the Group. Following the payment of an interim dividend of 0.10 pence per share, the total dividend payable for the year ended 31 December 2020 is 0.22 pence per share. The dividend will be payable to all shareholders on the register as at 14 June 2021 and will be paid on 25 July 2021.

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 Group's base case 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. Furthermore, in July 2020, the Group completed a fundraise of £30.0 million (before expenses) through an oversubscribed placing of 200,000,000 new ordinary shares, with a further £1.3 million via an open offer to qualifying shareholders.

As a result, at 31 December 2020 the Group's net debt was £18.8 million, reducing from £33.4 million at 31 December 2019. In addition to cash and cash equivalents of £26.9 million on hand as at 31 December 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 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. Following the onset of the COVID-19 pandemic in March 2020, the Group agreed with its banking partners in May 2020 a resetting of the adjusted leverage covenant for quarters ending 30 June 2020 through to 30 June 2021.

Furthermore, the Group has agreed in March 2021 with its banking partners to amend the treatment of contingent consideration and IFRS 16 under the Net Adjusted Leverage covenant, which will be applied from the quarter ending 30 September 2021. The amendment has significantly increased the headroom available to the Group from a covenant perspective.

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 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. Therefore, there will naturally be a reduction in utilities consumption and demand for associated consultancy services, such as optimisation, and revenues in the UK and ROI commercial markets, as a result of the ongoing COVID-19 pandemic.

Market data indicates year-on-year industrial and commercial consumption reductions averaging 22% across Q2 2020, 10% in Q3 2020 and 9% in Q4 2020. January and February 2021 saw an average 11% reduction to 2020 and 2019 comparatives.

In consideration of this market consumption data, the Group's base case for 2021 assumes an 11% reduction in consumption across Q1 2021 (being an average of the variance of consumption seen in January and February 2021), Q2 2021 assumes a 9% reduction (as per Q4 2020), and subsequently a 6% ongoing reduction from H2 2021 onwards.

In addition to consumption-based revenues of the Group being directly impacted by the pandemic from Q2 to Q4 2020, the Group's Energy Optimisation Services businesses, which are project based and typically require access to customer sites, were disrupted from April to September as a result of pandemic restrictions resulting in some project deferrals. Whilst October saw the start of a recovery for the Optimisation Services business, the lockdowns during November again restricted site access and caused the deferral of some projects into FY2021.

The Group's base case assumes significant disruption to optimisation revenues in Q1, and then optimisation revenues recovering during Q2 2021 as the UK progresses through the roadmap to the economy re-opening in June 2021.

Clearly, the ultimate impact and duration of the COVID-19 pandemic is difficult to predict and as such, we have considered scenarios when stress testing the downside scenario forecasts for the period to December 2022.

Our stress testing indicates that to breach the banking covenants, the Group would have to miss forecast Q1 and Q2 EBITDA per the base case by more than 25% for the last twelve months' test periods ending 31 March 2021 and 30 June 2021, with the levels of headroom increasing further to in excess of 40% from the quarter ending 30 September 2021 onwards.

The Board considered a severe downside scenario which assumed the Optimisation Service Revenues performed in Q2, Q3 and Q4 2021 as per the 2020 comparative and year-on-year consumption levels (2021 vs 2019) in Q2 through to Q4 matched the reductions seen in Q2 2020 of 22%. In this scenario, even prior to the Group taking any mitigating actions in relation to costs or cash, the Group would still have sufficient headroom under its banking covenants.

The Directors note that the Group traded marginally ahead of the base case during January and February 2021.

Group Directors' report continued

Going concern continued

Therefore, despite the ongoing uncertainty created by the pandemic, 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 the impact of the pandemic on 2020 and YTD 2021 trading, reasonably possible changes in trading performances in the next twelve months and considering the available liquidity, including banking facilities, 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 these 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 28 to 30 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 members of the Remuneration Committee during the year were Mike Fletcher, Richard Logan, Gordon Oliver and Sarah Flannigan 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, Gordon Oliver and Sarah Flannigan.

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, RSM UK Audit LLP, 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 from the period ended 31 December 2011 and 31 December 2019 were Grant Thornton UK LLP. During the year ended 31 December 2020 the Audit Committee carried out an external audit tender process. The process concluded with the appointment of RSM UK Audit LLP as external auditors to the Group for the year ended 31 December 2020, and the resignation of Grant Thornton.

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 RSM UK Audit LLP 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 9 February 2021, 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 46.

	Number of shares	%
Gresham House Asset Management	190,082,822	19.76
Fidelity International	85,713,939	8.91
Premier Miton Investors	76,278,294	7.93
Regent Gas Holdings Limited	75,477,101	7.85
Business Growth Fund	74,566,162	7.75
Chelverton Asset Management	47,800,000	4.97
Slater Investments	47,420,321	4.93
Tellworth Investments	42,946,253	4.46
Inspired Energy EBT	38,250,000	3.98
Artemis Investment Management	30,562,612	3.18

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 7.

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 Corporate Businesses, 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.

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.

Group Directors' report continued

Directors' responsibilities statement continued
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.

For details of employee and stakeholder engagement, refer to section 172 (1) statement on pages 26 and 27.

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.

Post-Balance Sheet Event
On 3 March 2021 the Group acquired 100% of the issued share capital and voting rights of BWS Holdco Limited, and its trading subsidiary Businesswise Solutions Limited (Businesswise), and 100% of the issued share capital and voting rights of General Energy Management Limited (GEM). Businesswise is an energy consultant providing assurance services and incremental optimisation services to corporate customers. GEM provides energy assurance services to corporate customers.

The Group is paying an initial consideration of £6,000,000 to acquire Businesswise on a debt free cash free basis, to be satisfied in cash at completion. In order to incentivise the vendors, further contingent consideration of up to £23.5 million may become payable in cash, subject to the achievement of challenging EBITDA and Order Book growth targets for the years ending 31 December 2021, 2022 and 2023. To achieve the earn out in full, Businesswise would be required to generate EBITDA of £5.0 million for the year ending 31 December 2023 and have a closing order book in excess of £19.0 million.

In regard to the acquisition of GEM, consideration will be satisfied by an initial cash payment of £1.5 million to the shareholders of GEM, with deferred consideration of £250,000 payable at 31 December 2021, and a potential further contingent cash consideration of up to £250,000 payable based on achieving a target level of contracted future revenues.

The Group has not given full disclosure of the fair value at acquisition as it was considered impractical to do so within the reporting timeframe.

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
30 March 2021

Independent auditor's report

To the members of Inspired Energy PLC

Opinion

We have audited the financial statements of Inspired Energy PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the group statement of comprehensive income, group and company statements of financial position, group and company statements of changes in equity, group statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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 SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Consideration of management's assessment of the entity's ability to continue as a going concern for at least 12 months after the date of approval of the financial statements;
- Assessment of the available financing facilities including nature of facilities and compliance with covenants;
- Review of the mathematical integrity and accuracy and appropriateness of the model used to prepare the assessment;
- Assessment and challenge of the assumptions used in the forecasts;
- Assessment of the historical accuracy of forecasts prepared by management;
- Consideration of management's sensitivity analysis; and
- Assessment of the disclosures made within the financial statements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition and accrued income • Accounting for non-controlling interests No key audit matters are identified with respect to the parent company
Materiality	**Group** • Overall materiality: £408,000 • Performance materiality: £306,000 **Parent Company** • Overall materiality: £100,000 • Performance materiality: £75,000
Scope	Our audit procedures covered 97% of revenue, 96% of net assets and 93% of profit before tax.

Independent auditor's report continued

To the members of Inspired Energy PLC

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which 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 group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter description	How the matter was addressed in the audit
Revenue recognition and accrued income *(Refer to note 2.4 for details of the group's revenue recognition policies and note 18 for details of the value and measurement of accrued income at the year end)* The group earns revenues from a range of customers and contractual arrangements and there are inherent complexities in the application of IFRS 15 Revenue from contracts with customers as a result. Due to the nature of the billing patterns in the business the value of accrued income at the year end is significant. There is a risk that the accrued income may not be appropriately recognised due to inaccuracies in its calculation or because the recoverability of the accrued income has not been sufficiently and appropriately assessed.	The group's revenue recognition policies were reviewed and compared to the requirements of IFRS 15 Revenue from contracts with customers to consider whether they were appropriate based on the nature of contractual arrangements in the group. The measurement of revenue based on these policies was tested through a combination of data analytics and substantive tests of detail. Substantive tests of detail were performed over a sample of accrued income balances. Contract information was obtained and scrutinised to determine whether the year end balance was measured appropriately. Post year end invoicing analysis was scrutinised to evidence the existence and valuation of accrued income. A sample of items within the analysis were scrutinised to determine whether the invoices relate to income within 2020. Where accrued income was recognised on contracts where there had been no billing, or significantly lower billings compared to contract expectation during the period evidence was obtained to support the recognition and recoverability of accrued income.
Accounting for non-controlling interests *(Refer to the statement of changes in equity on page 58, note 2.2 in respect of the group's policy on business combinations and consolidation, note 14 for intangible assets and goodwill, note 27 for business combinations in the prior year and note 30 for the prior year restatement)* In the prior period the group acquired 40% of the shares of Ignite Energy Limited with an exclusive one-way call option over the remaining 60% of the company's shares. Management concluded that the group gained control over the company at this time and as such Ignite Energy Limited's results were fully consolidated. The group made an accounting policy choice to adopt the proportion of net assets method to measure the non-controlling interest and to calculate the goodwill on acquisition. In the year ended 31 December 2020 the remaining 60% of Ignite Energy Limited's shares were acquired. IFRS 3 Business Combinations determines this to be a transaction between owners which is accounted for within equity. Upon considering the accounting treatment proscribed by IFRS in respect of the purchase of the non controlling interest during the current period, together with the terms and nature of the acquisition, the group determined that the full fair value method of measuring the non-controlling interest in accounting for goodwill would have been the more appropriate and relevant accounting policy choice for users of the financial statements rather than the proportion of net assets measure previously used. Having reached this conclusion the group has chosen to change the adopted accounting policy in respect of the transaction and accordingly a prior period restatement has been effected to reflect this change.	The basis for the prior period restatement was scrutinised and management were challenged to support why the new policy is considered more relevant and appropriate to a user of the financial statements. The remeasurement of the non-controlling interest in the prior period was audited and the impact of the change in accounting policy was reviewed and evaluated against the requirements of IFRS 3 and IAS 8. The disclosure of the prior period restatement was reviewed to determine its sufficiency to allow a reader to understand the basis and impact of the restatement.

Our application of materiality

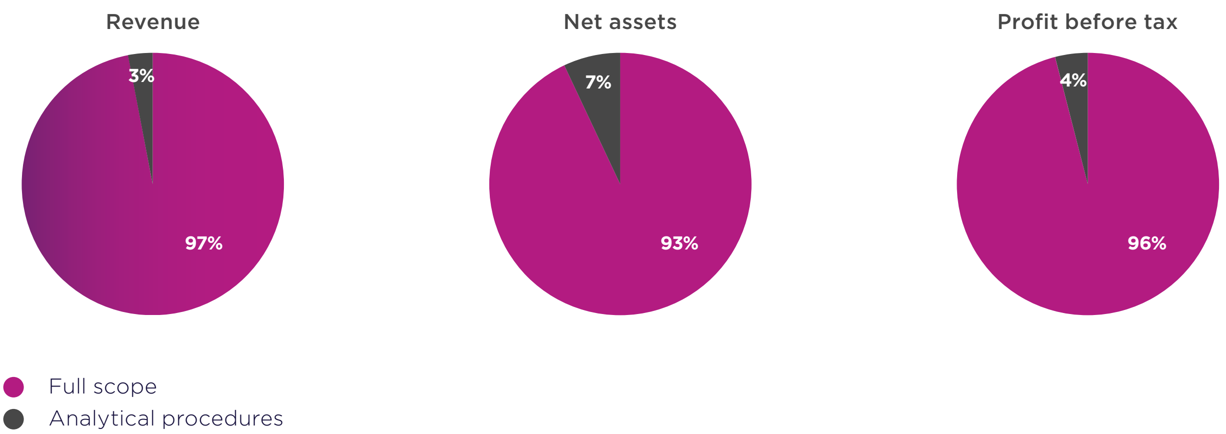
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

Materiality measure	Group	Parent company
Overall materiality	£408,000	£100,000
Basis for determining overall materiality	4% of Adjusted EBITDA	1% of total assets (restricted)
Rationale for benchmark applied	EBITDA is considered the key metric for the group as it is indicative of the underlying profitability and growth of the business.	Total assets are considered the key metric as this is a non- trading holding company with investments in its trading subsidiaries
Performance materiality	£306,000	£75,000
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £20,400 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £5,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 29 components, all of which are based in the UK with the exception of one entity based in the Republic of Ireland.

The coverage achieved by our audit procedures was:



Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Independent auditor's report continued

To the members of Inspired Energy PLC

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

As explained more fully in the directors' responsibilities statement set out on pages 49 and 50, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

Auditor's responsibilities for the audit of the financial statements continued

The extent to which the audit was considered capable of detecting irregularities, including fraud continued

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the audit engagement team included:
IFRS, FRS 101 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non- compliance

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	Transactions posted to nominal ledger codes outside of the normal revenue cycle were identified using a data analytic tool and investigated. Substantive tests of detail were performed on project revenue.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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.

ALASTAIR JOHN RICHARD NUTTALL (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF
30 March 2021

Group statement of comprehensive income

For the year ended 31 December 2020

	Note	2020 £000	2019 (Restated)* £000
Continuing operations			
Revenue	6	**46,110**	43,696
Cost of sales		**(7,210)**	(4,652)
Gross profit		**38,900**	39,044
Administrative expenses		**(40,723)**	(34,813)
Analysed as:			
Adjusted EBITDA		**12,767**	16,920
Exceptional costs	4	**(3,513)**	(2,547)
Depreciation	12/13	**(1,173)**	(1,627)
Amortisation of acquired intangible assets	14	**(6,038)**	(5,302)
Amortisation and impairment of internally generated intangible assets	14	**(2,268)**	(1,051)
Share-based payment cost	25	**(1,598)**	(2,162)
Operating (loss)/profit		**(1,823)**	4,231
Finance expenditure	5	**(2,678)**	(1,197)
Other financial items		**(35)**	41
(Loss)/profit before income tax	4	**(4,536)**	3,075
Income tax credit/(expense)	9	**251**	(581)
(Loss)/profit for the year from continuing operations		**(4,285)**	2,494
(Loss)/profit for the year from discontinued operations	10	**(6,740)**	1,514
(Loss)/profit for the year		**(11,025)**	4,008
Attributable to:			
Non-controlling interest		**1,448**	602
Equity owners of the company		**(12,473)**	3,406
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**364**	(414)
Total other comprehensive income/(expense) for the year		**364**	(414)
Total comprehensive (expense)/income for the year		**(10,661)**	3,594
Total comprehensive (expense)/income from continuing operations		**(3,921)**	2,080
Total comprehensive (expense)/income from discontinued operations		**(6,740)**	1,514
Attributable to:			
Non-controlling interest		**1,448**	602
Equity owners of the company		**(12,109)**	2,992
Continuing operations			
Basic earnings per share attributable to the equity holders of the company (pence)	11	**(0.52)**	0.38
Diluted earnings per share attributable to the equity holders of the company (pence)	11	**(0.52)**	0.36
Continuing and discontinued operations			
Basic earnings per share attributable to the equity holders of the company (pence)	11	**(1.34)**	0.56
Diluted earnings per share attributable to the equity holders of the company (pence)	11	**(1.34)**	0.53

The notes on pages 60 to 100 form part of these financial statements.

* The prior year income statement has been restated to reflect the impact of treating the SME Division as a discontinued operation (see note 10).

Group statement of financial position

At 31 December 2020

	Note	2020 £000	2019 (restated) £000
ASSETS			
Non-current assets			
Investments	15	**898**	648
Goodwill	14	**63,776**	61,627
Other intangible assets	14	**16,351**	18,887
Property, plant and equipment	12	**2,322**	2,684
Right of use assets	13	**2,593**	3,710
Non-current assets		**85,940**	87,556
Current assets			
Trade and other receivables	18	**18,841**	29,561
Deferred contingent consideration	18	**6,925**	—
Inventories	17	**119**	76
Cash and cash equivalents	16	**26,884**	5,241
Current assets		**52,769**	34,878
Total assets		**138,709**	122,434
LIABILITIES			
Current liabilities			
Trade and other payables	19	**8,230**	10,464
Lease liabilities	20	**992**	1,125
Contingent consideration	23	**7,741**	3,311
Current tax liability		**2,456**	3,618
Current liabilities		**19,419**	18,518
Non-current liabilities			
Bank borrowings	22	**45,730**	38,614
Lease liabilities	20	**1,679**	2,595
Contingent consideration	23	**4,198**	1,280
Interest rate swap	22	**130**	95
Deferred tax liability	21	**1,278**	1,993
Non-current liabilities		**53,015**	44,577
Total liabilities		**72,434**	63,095
Net assets		**66,275**	59,339
EQUITY			
Share capital	24	**1,202**	892
Share premium account	24	**67,000**	37,422
Merger relief reserve	24	**20,995**	15,535
Share-based payment reserve		**5,349**	3,523
Retained earnings		**(10,418)**	6,719
Investment in own shares		**(6,742)**	(6,742)
Translation reserve		**272**	(92)
Reverse acquisition reserve		**(11,383)**	(11,383)
Equity attributable to shareholders		**66,275**	45,874
Non-controlling interest		**—**	13,465
Total equity		**66,275**	59,339

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2021 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 60 to 100 form part of these financial statements.

Group statement of changes in equity

For the year ended 31 December 2020

	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 (as restated) £000	Total shareholders' equity £000
Balance at 1 January 2019	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 (note 27)	—	—	—	—	—	—	—	—	16,163	16,163
Dividends declared	—	—	—	—	—	—	—	—	(900)	(900)
Dividends paid	—	—	—	—	(4,595)	—	—	—	(2,400)	(6,995)
Total transactions with owners (as restated)	—	—	—	2,162	(1,189)	—	(414)	—	13,465	14,024
Balance at 31 December 2019 (as restated)	892	37,422	15,535	3,523	6,719	(6,742)	(92)	(11,383)	13,465	59,339
(Loss)/profit for the year	—	—	—	—	(12,473)	—	—	—	1,448	(11,025)
Other comprehensive income for the year	—	—	—	—	—	—	364	—	—	364
Total comprehensive income for the year	—	—	—	—	(12,473)	—	364	—	1,448	(10,661)
Share-based payment cost	—	—	—	1,598	—	—	—	—	—	1,598
Shares issued (2 June 2020)	6	—	—	—	—	—	—	—	—	6
Shares issued (10 July 2020)	89	10,620	—	—	—	—	—	—	—	10,709
Shares issued (17 July 2020)	40	—	5,460	—	—	—	—	—	—	5,500
Shares issued (28 July 2020)	172	18,958	—	—	—	—	—	—	—	19,130
Shares issued (15 September 2020)	3	—	—	—	—	—	—	—	—	3
Acquisition of subsidiary undertaking (note 26)	—	—	—	—	(3,740)	—	—	—	(14,163)	(17,903)
Disposal of subsidiary undertaking (note 10)	—	—	—	228	—	—	—	—	—	228
Dividends paid	—	—	—	—	(924)	—	—	—	(750)	(1,674)
Total transactions with owners	310	29,578	5,460	1,826	(17,137)	—	364	—	(13,465)	6,936
Balance at 31 December 2020	**1,202**	**67,000**	**20,995**	**5,349**	**(10,418)**	**(6,742)**	**272**	**(11,383)**	—	**66,275**

The acquisition of subsidiary undertaking in 2019 has been restated. Please see note 30 for further details.

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 represented the outstanding 60% of the issued share capital of Ignite Energy LTD (IGN) held by third parties. IGN was consolidated and treated as a subsidiary in the prior year as the Group had an exclusive one-way call option to acquire the outstanding 60% of the issued share capital. The Directors recognised a non-controlling interest as the Share Purchase Agreement (SPA) was structured in such a way that the Group was deemed to have substantive control. On 17 July 2020, IGN became 100% owned and as such a non-controlling interest was no longer held.

The notes on pages 60 to 100 form part of these financial statements.

Group statement of cash flows

For the year ended 31 December 2020

	2020 £000	2019 £000
Cash flows from operating activities		
(Loss)/profit before income tax	**(11,276)**	4,753
Adjustments		
Depreciation	**1,173**	1,657
Amortisation and impairment	**8,306**	6,547
Share-based payment cost	**1,598**	2,162
Loss for the year from discontinued operations	**6,740**	—
Finance expenditure	**2,678**	1,159
Exchange rate variances	**(323)**	82
Change in fair value of contingent consideration	**1,157**	136
Cash flows before changes in working capital	**10,053**	16,496
Movement in working capital		
(Increase)/decrease in inventories	**(43)**	15
Increase/(decrease) in trade and other receivables	**154**	(5,200)
Dividends declared to NCI (note 27)	**(900)**	900
Decrease in trade and other payables	**(925)**	(1,862)
Cash generated from operations	**8,339**	10,349
Income taxes paid	**(2,222)**	(1,873)
Net cash flows from operating activities	**6,117**	8,476
Cash flows from investing activities		
Contingent consideration paid	**(3,800)**	(2,156)
Acquisition of subsidiaries, net of cash acquired (note 26)	**(5,866)**	(3,718)
Provision of working capital facility to discontinued operation	**(250)**	—
Payments to acquire property, plant and equipment	**(1,925)**	(1,479)
Payments to acquire intangible assets	**(3,716)**	(2,654)
Net cash flows used in investing activities	**(15,557)**	(10,007)
Cash flows from financing activities		
New bank loans	**7,000**	49,335
Repayment of bank loans	**—**	(35,033)
Debt issue costs	**—**	(580)
Proceeds from issue of new shares	**29,848**	—
Interest on financing activities	**(2,273)**	(1,159)
Repayment of lease liabilities	**(918)**	(978)
Dividends paid to NCI	**(1,650)**	(2,400)
Dividends paid	**(924)**	(4,595)
Net cash flows from financing activities	**31,083**	4,590
Net increase in cash and cash equivalents	**21,643**	3,059
Cash and cash equivalents brought forward	**5,241**	2,190
Exchange differences on cash and cash equivalents	**—**	(8)
Cash and cash equivalents carried forward	**26,884**	5,241

The notes on pages 60 to 100 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 consultancy services to Corporate Business energy users. Through optimising energy procurement strategies, Inspired enables clients to achieve greater certainty or cost efficiency in respect of their energy costs. Inspired Energy PLC is limited by shares. 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.

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 in conformity with the requirements of the Companies Act 2006. 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 eleven of its subsidiaries, Waterwatch UK Limited (company number 08854844), Direct Energy Purchasing Limited (03529303), Utility Management Holdings Limited (06969480), Energy Team (UK) Limited (06285279), Energy Team (Midlands) Limited (02913371), Churchcom Limited (05343736), Flexible Energy Management Limited (10264309), Inspired 4U Limited (08895906), Squareone Enterprises Limited (05261796), Energy Cost Management Limited (03377082) and Professional Cost Management Group Limited (06511368) by virtue of s479A of the Companies Act 2006. The Group has provided parent guarantees to these eleven subsidiaries which have taken advantage of the exemption from audit.

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 Group's base case 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. Furthermore, in July 2020, the Group completed a fundraise of £30.0 million (before expenses) through an oversubscribed placing of 200,000,000 new ordinary shares, with a further £1.3 million via an open offer to qualifying shareholders.

As a result, at 31 December 2020 the Group's net debt was £18.8 million, reducing from £33.4 million at 31 December 2019. In addition to cash and cash equivalents of £26.9 million on hand as at 31 December 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 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. Following the onset of the COVID-19 pandemic in March 2020, the Group agreed with its banking partners in May 2020 a resetting of the adjusted leverage covenant for quarters ending 30 June 2020 through to 30 June 2021.

Furthermore, the Group has agreed in March 2021 with its banking partners to amend the treatment of contingent consideration and IFRS 16 under the Net Adjusted Leverage covenant, which will be applied from the quarter ending 30 September 2021. The amendment has significantly increased the headroom available to the Group from a covenant perspective.

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 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. Therefore, there will naturally be a reduction in utilities consumption and demand for associated consultancy services, such as optimisation, and revenues in the UK and ROI commercial markets, as a result of the ongoing COVID-19 pandemic.

Market data indicates year-on-year industrial and commercial consumption reductions averaging 22% across Q2 2020, 10% in Q3 2020 and 9% in Q4 2020. January and February 2021 saw an average 11% reduction to 2020 and 2019 comparatives.

In consideration of this market consumption data, the Group's base case for 2021 assumes an 11% reduction in consumption across Q1 2021 (being an average of the variance of consumption seen in January and February 2021), Q2 2021 assumes a 9% reduction (as per Q4 2020), and subsequently a 6% ongoing reduction from H2 2021 onwards.

In addition to consumption-based revenues of the Group being directly impacted by the pandemic from Q2 to Q4 2020, the Group's Energy Optimisation Services businesses, which are project based and typically require access to customer sites, were disrupted from April to September as a result of pandemic restrictions resulting in some project deferrals. Whilst October saw the start of a recovery for the Optimisation Services business, the lockdowns during November again restricted site access and caused the deferral of some projects into FY2021.

The Group's base case assumes significant disruption to optimisation revenues in Q1, and then optimisation revenues recovering during Q2 2021 as the UK progresses through the roadmap to the economy re-opening in June 2021.

2. Summary of significant accounting policies continued

2.1 Basis of preparation continued

Going concern continued

Clearly, the ultimate impact, and duration of the COVID-19 pandemic is difficult to predict and as such, we have considered scenarios when stress testing the downside scenario forecasts for the period to December 2022.

Our stress testing indicates that to breach the banking covenants, the Group would have to miss forecast Q1 and Q2 EBITDA per the base case by more than 25% for the last twelve months' test periods ending 31 March 2021 and 30 June 2021, with the levels of headroom increasing further to in excess of 40% from the quarter ending 30 September 2021 onwards.

The Board considered a severe downside scenario which assumed, the Optimisation Service Revenues performed in Q2, Q3 and Q4 2021 as per the 2020 comparative and also assumed that for Assurance Revenues year-on-year consumption levels (2021 vs 2019) in Q2 through to Q4 matched the reductions seen in Q2 2020 of 22%. In this scenario, even prior to the Group taking any mitigating actions in relation to costs or cash, the Group would still have sufficient headroom under its banking covenants.

The Directors note that the Group traded marginally ahead of the base case during January and February 2021.

Therefore, despite the ongoing uncertainty created by the pandemic, 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 the impact of the pandemic on 2020 and YTD 2021 trading, reasonably possible changes in trading performances in the next twelve months and considering the available liquidity, including banking facilities, 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 these 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 2020 is £63,776,000 (2019: £61,627,000).

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.

Graded vesting is applicable for some options; see note 7 for details of the vesting periods. Management has to exercise judgement over the likely exercise period, 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. The charge recognised in the current year in respect of these arrangements is £1,598,000 (2019: £2,162,000).

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 2020 is £16,351,000 (2019: £18,887,000).

iv. Contingent consideration

An element of consideration relating to four of the business acquisitions made is contingent on the future revenue/EBITDA 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 2020 is £11,939,000 (2019: £4,591,000). The estimated undiscounted consideration payable is £12.0 million, producing an increase of £0.05 million of increased liability as at 31 December 2020.

Any gain or loss on revaluation of contingent consideration is treated as an exceptional item.

Notes to the Group financial statements continued

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% (2019: 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 had an exclusive one-way call option (from completion until 17 July 2020 when 100% was acquired) 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 underpinned 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 17 July 2020 when 100% was acquired, the exclusive call option facilitated 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 had substantive control at the date of purchasing the 40% shareholding and entering into the exclusive one-way option agreement and therefore Ignite should have been accounted for as a subsidiary until expiration of the option period should Inspired Energy not choose to exercise the option.

The balancing 60% shareholding had been treated as a non-controlling interest for the purpose of these financial statements, as the shareholders of the 60% were 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, which it did on the 17 July 2020.

The Directors deemed that a change in accounting policy around the measurement of the goodwill and NCI of IGN presented a more relevant view of the effect of the acquisition and as such, decided to adopt the fair value method for measuring the NCI (see note 30).

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 2020. 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 2020 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, up until 17 July 2020 when it was 100% acquired.

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.

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.

2. Summary of significant accounting policies continued

2.2 Basis of consolidation and business combinations continued

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 Discontinued operations

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the net results of Energisave Online Limited, KWH Consulting Limited and Simply Business Energy Limited (collectively referred to as "SME Division") are presented within discontinued operations in the Group income statement (for which the comparatives and related notes have been restated). The disposal completed on 11 December 2020. The balance sheet as at 31 December 2020 shows the financial position of the continuing group only, with comparatives being for the full group as it was at 31 December 2019. Refer to note 10 for further details.

2.4 Revenue recognition/cost of sales

Revenue

Revenue is comprised of fees received from customers or commissions received from energy suppliers, 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 18 and 19 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 fees received directly from customers or commissions received from energy suppliers, based upon energy usage of the Corporate customer.

Where the Group receives revenue via fees received directly from customers, this revenue is recognised on a straight-line basis over the life of the contract.

Where the Group receives revenue via commissions received from energy suppliers, the Group is considered to be the agent and 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 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.

Notes to the Group financial statements continued

2. Summary of significant accounting policies continued

2.4 Revenue recognition/cost of sales continued

Estate intensive, energy intensive and public sector clients continued

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.

Revenue – SME Division

The SME Division provided services through procuring contracts with energy suppliers on behalf of SME customers and generated revenues by way of commissions received directly from the energy suppliers. No further services regarding procurement were performed once the contract was authorised by the supplier.

Commissions were variable as they were 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 was recognised at the point the contract was authorised by the supplier and this is the point at which control of the service was seen to transfer to the customer. The expected commission was calculated based on the historical consumption of the contracted meter point.

The revenue recognised was constrained by the proportion of the revenue that was expected to reverse over the life of the contract, due to consumption variances and contract attrition. This amount was 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 varied according to the contract terms in place with the energy supplier engaged and could 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 could be for a period of up to five years. This amount was not discounted as the impact is immaterial. Accrued revenue related 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 2020 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 were recognised in profit or loss at the point when the contract was authorised with the supplier, thus mirroring the recognition of the associated revenue.

2.5 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.

2.6 Investments

Investments in subsidiary undertakings

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.

Investments

Investments are stated at cost, less any provision for impairment.

2.7 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.

2. Summary of significant accounting policies continued

2.7 Goodwill continued

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.

2.8 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: 15 – 25% 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.

2.9 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.

2.10 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 – two 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

2.11 Current tax

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from profit as reported in the Group 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.

Notes to the Group financial statements continued

2. Summary of significant accounting policies continued

2.12 Deferred tax

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

2.13 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 were previously valued by an external expert. This gave a methodology for carrying out future valuations.

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

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

2.14 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 basis 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. Summary of significant accounting policies continued

2.15 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 2021 or later. The Group has not early adopted them.

- Amendments to IFRS 16 Leases: COVID-19 Related Rent Concessions (issued on 28 May 2020).
- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020).

2.16 Newly applicable accounting standards

There are no new accounting standard with have been adopted for the year ending 31 December 2020.

2.17 Financial assets

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

After initial recognition, the Group's cash and cash equivalents, trade and most other receivables are measured at amortised cost using the effective interest method, less provision for impairment. Deferred contingent consideration receivables is measured at fair value through the profit or loss as described in note 23. Discounting is omitted where the effect of discounting is immaterial. Deferred contingent consideration is measured at fair value through the profit or loss.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

Notes to the Group financial statements continued

2. Summary of significant accounting policies continued

2.21 Foreign currency continued

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.

2.22 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.

2.23 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. 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 2020 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. Following the decision to dispose of the SME Division, the Group is organised into two operating segments. 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, Independent Utilities Limited and LSI Independent Utility Brokers 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.

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.

Any charges between segments are made in line with the Group's transfer pricing policy. These amounts have been removed, via consolidation, for the purposes of the information shown below.

The comparative year segmental information has been restated to remove the SME Division. Information about the income, expenses, cash flows and net assets of the SME Divisions is provided in note 10.

3. Segmental information continued
Revenue and segmental reporting continued
PLC costs continued

	2020			2019 (restated)		
	Corporate £000	**PLC costs £000**	**Total £000**	Corporate £000	PLC costs £000	Total £000
Revenue	**46,110**	**—**	**46,110**	43,696	—	43,696
Cost of sales	**(7,210)**	**—**	**(7,210)**	(4,652)	—	(4,652)
Gross profit	**38,900**	**—**	**38,900**	39,044	—	39,044
Administrative expenses	**(28,858)**	**(11,865)**	**(40,723)**	(25,337)	(9,476)	(34,813)
Operating (loss)/profit	**10,042**	**(11,865)**	**(1,823)**	13,707	(9,476)	4,231
Analysed as:						
EBITDA	**16,119**	**(3,352)**	**12,767**	20,229	(3,309)	16,920
Depreciation	**(771)**	**(402)**	**(1,173)**	(1,493)	(134)	(1,627)
Amortisation and impairment	**(2,639)**	**(5,667)**	**(8,306)**	(1,111)	(5,242)	(6,353)
Share-based payment cost	**(1,598)**	**—**	**(1,598)**	(2,162)	—	(2,162)
Exceptional costs	**(1,069)**	**(2,444)**	**(3,513)**	(1,756)	(791)	(2,547)
	10,042	**(11,865)**	**(1,823)**	13,707	(9,476)	4,231
Finance expenditure			**(2,678)**			(1,197)
Other financial items			**(35)**			41
(Loss)/profit before income tax			**(4,536)**			3,075
Total assets	**5,416**	**133,293**	**138,709**	6,544	98,054	104,598
Total liabilities	**15,055**	**57,389**	**72,434**	20,904	41,680	62,584

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

	2020 £000	2019 (restated) £000
Profit before income tax is stated after charging:		
Amortisation and impairment of intangible assets	**8,306**	6,547
Depreciation:		
– owned	**191**	707
– right of use assets	**982**	950
Interest rate swap charge/(credit)	**35**	(41)
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	**310**	366
– services related to corporate finance transactions not covered above	**—**	83
– other taxation advisory services	**—**	15
– taxation compliance services	**2**	63
– other non-audit services	**4**	3
Exceptional costs:		
– fees associated with acquisitions	**1,366**	725
– restructuring costs	**990**	1,691
– change in fair value of contingent consideration	**1,157**	136
	3,513	2,552

Notes to the Group financial statements continued

4. Profit before income tax continued

Exceptional costs

One-off costs include costs of £990,000 relating to restructuring programmes associated with the integration of businesses acquired in 2019 and 2020. 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. Fees associated the equity raise completed in July 2020 of £1,366,000 and fees associated with acquisitions of £1,233,000 have been incurred which would not normally be seen as costs or income relating to the underlying principal activities of the Group. The change in fair value of contingent consideration relates to the unwinding of discounts applied to contingent consideration payable upon acquisition.

5. Finance expenditure

	2020 £000	2019 (restated) £000
Interest payable on bank borrowings	**1,766**	1,268
Interest payable on lease liabilities	**288**	132
Foreign exchange variance	**253**	(414)
Other interest	**30**	—
Loan facility fees	**225**	192
Amortisation of debt issue costs	**116**	19
	2,678	1,197

6. Revenue

	2020 £000	2019 (restated) £000
Rendering of services	**46,110**	43,696

The Group has earned commission from one energy supplier within its corporate division which represents more than 10% of the Group's revenues in the year being £5,038,000. There is no reliance on this energy supplier as there they are several other energy suppliers within the market.

All revenues were earned in markets that do not differ substantially so disclosure of turnover by geographical market was not considered necessary.

7. Directors' remuneration

	2020 £000	2019 £000
Remuneration	**1,115**	899
Pension contributions	**6**	8
	1,121	907
Share-based payment	**355**	429
	1,476	1,336
The emoluments of Directors disclosed above include the following:		
In respect of the highest paid Director:		
– Directors' remuneration	**550**	437
– employer's pension contributions	**3**	3
	553	440
– share-based payments	**231**	280

In the current year two Directors (2019: two Directors) were accruing benefits under a defined contribution pension scheme.

Paul Connor is the only Director to have an interest in the share options (2019: Paul Connor) of the company. Both Paul Connor and Mark Dickinson have been granted interests in a Long Term Incentive Plan (LTIP).

7. 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.

Notes to the Group financial statements continued

7. Directors' remuneration continued

Vesting performance conditions continued

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.

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 35 to 37 (front end document).

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.

7. Directors' remuneration continued

Exercise and holding period continued

	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.

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).

Notes to the Group financial statements continued

7. Directors' remuneration continued

Vesting performance conditions continued

Tranches 3 and 4 continued

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:

	2020
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.

8. Employee benefit expense

	2020 £000	2019 (restated) £000
Wages and salaries	22,619	18,438
Social security costs	2,437	1,935
Pension contributions	810	641
	25,866	21,014

	No.	No.
Average number of persons employed:		
Management	50	49
Energy procurement services	416	332
Administration and finance	55	42
	521	423

The key management personnel disclosure is contained within note 28.

9. Income tax (credit)/expense

The income tax (credit)/expense is based on the (loss)/profit for the year and comprises:

	2020 £000	2019 (restated) £000
Current tax		
Current tax expense	**575**	1,885
	575	1,885
Deferred tax		
Origination and reversal of temporary differences	**(826)**	(1,304)
	(826)	(1,304)
Total income tax (credit)/expense	**(251)**	581
Reconciliation of tax (credit)/expense to accounting (loss)/profit:		
(Loss)/profit on ordinary activities before taxation	**(4,536)**	3,470
Tax at UK income tax rate of 19% (2019: 19%)	**(862)**	659
Disallowable expenses	**501**	429
Exchange rate difference	**(145)**	(186)
Share options	**164**	(295)
Movement in deferred tax asset not recognised	**(271)**	(130)
Non-eligible intangible assets	**362**	104
Total income tax (credit)/expense	**(251)**	581

10. Discontinued operations

On 10 December 2020, the Group completed the sale of the SME Division, consisting of subsidiaries Energisave Online Limited, KWH Consulting Limited and Simply Business Energy Limited, to its management team by way of a management buyout.

The results of the discontinued operation and the effect of the disposal on the financial position of the Group were as follows:

Results for the discontinued operations for the period to disposal

Income Statement	2020 £000	2019 £000
Revenue	**3,128**	5,603
Operating costs	**(3,376)**	(3,921)
Operating (loss)/profit	**(248)**	1,682
Net finance costs	**(4)**	(3)
(Loss)/profit before tax	**(252)**	1,679
Tax expense	**—**	(164)
(Loss)/profit from operating activities, net of tax	**(252)**	1,515
Loss on sale of discontinued operation	**(6,488)**	—
(Loss)/profit from discontinued operations, net of tax	**(6,740)**	1,515

Notes to the Group financial statements continued

10. Discontinued operations continued

Effect of disposal on the financial position of the Group

Net assets disposed of and loss on disposal	2020 £000
Goodwill	1,208
Intangible assets	187
Right of use assets	10
Property, plant and equipment	12
Trade and other receivables	11,353
Cash and cash equivalents	63
Current tax assets	420
Deferred tax liabilities	—
Trade and other payables	(68)
Share-based payment reserve	228
	13,413
Deferred contingent consideration receivable	6,925
Loss on sale of discontinued operation	**(6,488)**

Cash flows from/(used in) discontinued operation	2020 £000	2019 £000
Net cash flows from operating activities	(1,756)	161
Net cash flows from investing activities	(101)	(63)
Net cash flows from financing activities	(1,346)	(2)
Net cash flows from discontinued operations	**(3,203)**	96
Net cash flows from intra-group funding and transactions	**3,035**	(194)
Net cash flows from discontinued operations, net of intercompany	**(168)**	(98)

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.

	2020 £000	2019 £000
(Loss)/profit attributable to equity holders of the Group	**(11,025)**	4,008
Fees associated with acquisition	**1,366**	725
Restructuring costs	**990**	1,691
Accelerated write off of capitalised debt facility arrangement fees upon refinancing	**—**	333
Changes in fair value of contingent consideration	**1,157**	136
Loss on disposal of subsidiary entities	**6,740**	—
Amortisation of acquired intangible assets	**6,038**	5,329
Foreign exchange variance	**253**	(414)
Deferred tax in respect of amortisation of intangible assets	**(1,025)**	(843)
Share-based payment cost	**1,598**	2,162
Adjusted profit attributable to owners of the Group	**6,092**	13,127
Weighted average number of ordinary shares in issue (000)	**824,647**	713,973
Dilutive effect of share options (000)	**49,107**	38,736
Diluted weighted average number of ordinary shares in issue (000)	**873,754**	752,709
Basic earnings per share (pence)	**(1.34)**	0.56
Diluted earnings per share (pence)	**(1.34)**	0.53
Adjusted basic earnings per share (pence)	**0.74**	1.84
Adjusted diluted earnings per share (pence)	**0.70**	1.74

	2020 £000	2019 (restated) £000
(Loss)/profit attributable to equity holders of the Group	**(11,025)**	4,008
Loss/(profit) from discontinued operations	**6,740**	(1,284)
Underlying (loss)/profit from continuing operations attributable to equity holders of the Group	**(4,285)**	2,724
Weighted average number of ordinary shares in issue (000)	**824,647**	713,973
Dilutive effect of share options (000)	**49,107**	38,736
Diluted weighted average number of ordinary shares in issue (000)	**873,754**	752,709
Basic earnings per share from continuing operations (pence)	**(0.52)**	0.38
Diluted earnings per share from continuing operations (pence)	**(0.52)**	0.36

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.

Notes to the Group financial statements continued

11. Earnings per share continued

Adjusted profit before tax on continuing operations is calculated as follows:

	2020 £000	2019 (restated) £000
(Loss)/profit before income tax	**(4,536)**	3,075
Share-based payment cost	**1,598**	2,162
Amortisation of acquired intangible assets	**6,038**	5,302
Foreign exchange variance	**253**	(414)
Exceptional costs:		
– fees associated with acquisition	**1,366**	725
– restructuring cost	**990**	1,686
– accelerated write off of capitalised debt facility arrangement fees upon refinancing	**—**	333
– change in fair value of contingent consideration	**1,157**	136
	6,866	13,005

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 2019	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
Acquisitions through business combinations	22	—	—	—	22
Assets transferred to disposal group	(12)	—	(11)	(17)	(40)
Assets transferred to intangible assets	—	—	(1,338)	—	(1,338)
Foreign exchange variances	—	3	1	1	5
Additions	200	29	1,624	72	1,925
Disposals	(116)	(15)	(547)	(511)	(1,189)
At 31 December 2020	**937**	**158**	**2,412**	**592**	**4,099**
Depreciation					
At 1 January 2019	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
Charge for the year	221	21	75	254	571
Charge for the year transferred to intangible assets	—	—	(380)	—	(380)
Assets transferred to disposal group	(10)	—	(10)	(8)	(28)
Disposals	(85)	(11)	(144)	(176)	(416)
At 31 December 2020	**743**	**70**	**638**	**326**	**1,777**
Net book value					
At 31 December 2020	**194**	**88**	**1,774**	**266**	**2,322**
At 31 December 2019	226	81	1,586	791	2,684
At 31 December 2018	467	108	951	557	2,083

13. Right of use assets

	Fixtures and fittings £000	Motor vehicles £000	Property £000	Total £000
Cost				
At 1 January 2020	472	319	3,869	4,660
Acquisitions through business combinations	—	—	156	156
Remeasurement of finance lease	—	—	(347)	(347)
Assets transferred to disposal group	—	(66)	—	(66)
Disposals	(5)	(164)	(352)	(521)
Additions	23	225	—	248
At 31 December 2020	**490**	**314**	**3,326**	**4,130**
Depreciation				
At 1 January 2020	69	103	778	950
Charge for the year	69	125	788	982
Assets transferred to disposal group	—	(56)	—	(56)
Disposals	—	(86)	(253)	(339)
At 31 December 2020	**138**	**86**	**1,313**	**1,537**
Net book value				
At 31 December 2020	**352**	**228**	**2,013**	**2,593**
At 31 December 2019	403	216	3,091	3,710

An error was identified which resulted in an uplift of the finance lease value by £2.0 million due to recognition at transition based on the incorrect lease term. There was no retrospective adjustment for this error, as the impact on the financial statements was not material and there were no further implications from a qualitative aspect. The Directors confirmed in June 2020 their intention to exit the same lease at the break point, therefore there was a reassessment reducing the right of use assets by £1.75 million. The net impact of the correction and reassessment of the lease being £0.25 million.

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 (as restated) £000	Total £000
Cost								
At 1 January 2019	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 (restated – see note 30)	—	—	—	2,861	5,280	8,141	16,379	24,520
Adjustment to previous business combinations	—	—	—	—	—	—	992	992
Foreign exchange variances	—	—	—	(338)	—	(338)	(110)	(448)
At 31 December 2019 (as restated)	11,945	115	1,654	17,210	7,511	38,435	61,627	100,062
Additions	3,615	—	101	—	—	3,716	—	3,716
Acquisitions through business combinations	37	—	—	583	—	620	3,241	3,861
Transfer from property, plant and equipment	1,338	—	—	—	—	1,338	—	1,338
Impairment	(188)	—	—	—	—	(188)	—	(188)
Assets transferred to disposal group	(432)	—	(1,755)	—	—	(2,187)	(1,208)	(3,395)
Foreign exchange variances	—	—	—	283	—	283	116	399
At 31 December 2020	**16,315**	**115**	**—**	**18,076**	**7,511**	**42,017**	**63,776**	**105,793**
Amortisation								
At 1 January 2019	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
Charge for the year	2,895	6	—	4,022	815	7,738	—	7,738
Charge for the year transferred from property, plant and equipment	380	—	—	—	—	380	—	380
Assets transferred to disposal group	(429)	—	(1,571)	—	—	(2,000)	—	(2,000)
At 31 December 2020	**8,829**	**30**	**—**	**13,582**	**3,225**	**25,666**	**—**	**25,666**
Net book value								
At 31 December 2020	**7,486**	**85**	**—**	**4,494**	**4,286**	**16,351**	**63,776**	**80,127**
At 31 December 2019 (as restated)	5,962	91	83	7,650	5,101	18,887	61,627	80,514
At 31 December 2018	5,488	97	159	8,600	634	14,978	44,366	59,344

Computer software is a combination of assets internally generated and assets acquired through business combinations. The amortisation charge in the period to 31 December 2020 associated with computer software acquired through business combinations is £1,195,000 (2019: £1,037,000). The additional £2,080,000 (2019: £1,084,000) charged in the period relates to the amortisation of internally generated computer software. The total amortisation charged in the period to 31 December 2020 associated with intangible assets acquired through business combinations is £6,038,000 (2019: £5,329,000).

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.

14. Intangible assets and goodwill continued

Annual test for impairment continued

The Group has three cash-generating units (CGUs), being the Corporate Division, Horizon Energy Group Limited and Ignite Energy LTD. The goodwill results from the acquisitions of 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, Independent Utilities Limited and LSI Independent Utility Brokers 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, Waterwatch UK Limited, Independent Utilities Limited and LSI Independent Utility Brokers Limited has been allocated to the Corporate Division CGU.

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

	2020 £000	2019 (as restated) £000
Corporate Division	**43,681**	40,440
Horizon Energy Group Limited	**5,614**	5,498
Ignite Energy LTD	**14,481**	14,481
SME Division	**—**	1,208
	63,776	61,627

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.

The uncertainty as to the future impact on the Group of the 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. Therefore, there will naturally be a reduction in utilities consumption and demand for associated consultancy services, such as optimisation, and revenues in the UK and ROI commercial markets, as a result of the ongoing COVID-19 pandemic.

Market data indicates year-on-year industrial and commercial consumption reductions averaging 22% across Q2 2020, 10% Q3 2020 and 9% in Q4 2020. January and February 2021 saw an average 11% reduction to 2020 2019 comparatives.

In consideration of this market consumption data, the Group's base case for 2021 assumes an 11% reduction in consumption across Q1 2021 (being an average of the variance of consumption seen in January and February 2021), Q2 2021 assumes a 9% reduction (as per Q4 2020), and subsequently a 6% ongoing reduction from H2 2021 onwards.

In addition to consumption-based revenues of the Group being directly impacted by the pandemic from Q2 to Q4 2020, the Group's Energy Optimisation Services businesses, which are project based and typically require access to customer sites, were disrupted from April to September as a result of pandemic restrictions resulting in some project deferrals. Whilst October saw the start of a recovery for the Optimisation Services business, the lockdowns during November again restricted site access and caused the deferral of some projects into FY2021.

The Group's base case assumes significant disruption to optimisation revenues in Q1, and then optimisation revenues recovering during Q2 2021 as the UK progresses through the roadmap to the economy re-opening in June 2021.

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 range of 5.0 – 20.0% (2019: 7.5%) is consistent with the rate of return expected by the market considering the CGU forecast cash flow amounts, timing and risk profile.

Notes to the Group financial statements continued

14. Intangible assets and goodwill continued

Cash flow assumptions

Cash flows for the five-year period to 2025 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 2020	648
Additions	250
At 31 December 2020	**898**

The Group had an interest in the following entities as at 31 December 2020:

Name of undertaking	Country of registration	Description of investment held
Information Prophets Limited	United Kingdom	Convertible loan
Switchd Ltd	United Kingdom	Shareholding (4%)
Industrial and Commercial Operations Network Ltd	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 2020 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 shareholding of Switchd Ltd of 6,655 ordinary shares of £0.00001 within the company for an aggregate subscription price of £250,000 providing a 4% shareholding.

The Group holds a convertible loan to acquire 25% equity value in Industrial and Commercial Operations Network Ltd. The balance of the outstanding loan at 31 December 2020 was £48,000. Furthermore, the Group holds an exclusive call option to acquire the entire share capital of Industrial and Commercial Operations Network Ltd 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

	2020 £000	2019 £000
Cash at bank and in hand	**26,884**	5,241
	26,884	5,241

17. Inventories

Inventories consist of the following:

	2020 £000	2019 £000
Raw materials and consumables	**119**	76
	119	76

18. Trade and other receivables

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Trade receivables	**6,995**	8,712	**—**	—
Other receivables	**297**	606	**50**	50
Deferred contingent consideration	**6,925**	—	**6,925**	—
Prepayments	**2,764**	2,041	**191**	114
Accrued income	**8,785**	18,202	**—**	—
	25,766	29,561	**7,166**	164

Deferred contingent consideration relates to the collection and run off of the SME Division's accrued income balance at disposal.

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 as all amounts are expected to be received within one year.

The Group does not hold any collateral as security. Group debtor days were 46 days (31 December 2019: 54 days).

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

	Not past due	31–60 days	61–90 days	Older	Total
31 December 2020	**4,314**	**1,065**	**595**	**1,021**	**6,995**
31 December 2019	3,083	3,526	745	1,358	8,712

As at 31 December 2020, £1,616,000 (31 December 2019: £2,103,000) 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 (2019: £nil). The trade and other receivables are stated at amortised cost which approximates to fair value. Deferred contingent consideration receivable is measured at fair value through the profit or loss.

19. Trade and other payables

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Current				
Trade payables	**1,943**	1,977	**349**	164
Social security and other taxes	**4,162**	2,857	**393**	195
Accruals	**866**	1,954	**39**	191
Deferred income	**745**	3,676	**—**	—
Other payables	**514**	—	**43**	—
	8,230	10,464	**824**	550

Trade payables are paid under normal commercial terms.

Revenue totalling £3,676,000 has been recognised during the year ended 31 December 2020 relating to amounts included in deferred income at the beginning of the period (2019: £949,000).

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.

Notes to the Group financial statements continued

19. Trade and other payables continued

	Current		Non-current	Total
	Within 6 months £000	6–12 months £000	1–5 years £000	£000
31 December 2020				
Trade payables	**1,943**	**—**	**—**	**1,943**
Accruals	**866**	**—**	**—**	**866**
Bank borrowings	**—**	**—**	**45,730**	**45,730**
Lease liabilities	**519**	**473**	**1,679**	**2,671**
Interest rate swaps	**—**	**—**	**130**	**130**
Contingent consideration	**595**	**7,146**	**4,198**	**11,939**
	3,923	**7,619**	**51,737**	**63,279**
31 December 2019				
Trade payables	1,977	—	—	1,977
Accruals	1,954	—	—	1,954
Bank borrowings	—	—	38,614	38,614
Lease liabilities	589	536	2,595	3,720
Interest rate swaps	—	—	95	95
Contingent consideration	3,311	—	1,280	4,591
	7,831	536	42,584	50,951

Revolving loan facility
In the prior 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 £45.6 million was drawn at 31 December 2020, running to October 2023, with the Group having an option to extend the term for a further year to October 2024.

20. Lease liabilities
Lease liabilities are presented in the statement of financial position as follows:

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Non-current liabilities				
Lease liability – motor vehicles	**180**	439	**—**	—
Lease liability – property	**1,716**	1,921	**1,227**	—
Lease liability – fixtures and fittings	**102**	235	**—**	—
	1,679	2,595	**1,227**	—
Current liabilities				
Lease liability – motor vehicles	**135**	57	**—**	2
Lease liability – property	**740**	772	**177**	2,051
Lease liability – fixtures and fittings	**117**	296	**15**	—
	992	1,125	**192**	2,053

The lease liabilities are secured by the related underlying assets.

The lease liability for motor vehicles covers 14 vehicles at 31 December 2020 and leases are typically two years when they will then terminate.

21. Deferred tax liability

Deferred taxation is calculated at a tax rate of 19% (2019: 17%) and is set out below:

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Liability brought forward	**1,993**	1,856	**—**	—
Credited to income for the period	**(826)**	(1,410)	**—**	—
Movement arising from business combinations	**111**	1,547	**—**	—
Adjustment in respect of prior year	**—**	—	**—**	—
Deferred tax liability acquired through business combinations	**—**	—	**—**	—
Liability carried forward	**1,278**	1,993	**—**	—

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Excess of taxation allowances over depreciation on all non-current assets	**379**	126	**—**	—
Share options	**(467)**	(630)	**—**	—
Trading losses carried forward	**(372)**	—	**—**	—
Temporary differences on intangible assets	**1,738**	2,497	**—**	—
	1,278	1,993	**—**	—

Corporation tax for the year ended 31 December 2020 was calculated at 19% of profits for the year.

Deferred taxation at the period end is analysed as follows:

	2020 £000	2019 £000
Deferred tax liability	**1,278**	1,993
	1,278	1,993

Notes to the Group financial statements continued

22. Bank borrowings

Bank borrowings are repayable as follows:

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Within one year	**(116)**	(116)	**(116)**	(116)
One to two years	**(116)**	(116)	**(116)**	(116)
Two to five years	**46,092**	38,941	**46,092**	38,941
	45,860	38,709	**45,860**	38,709

The figures above include debt issue costs being amortised over the life of the borrowings, and also includes an interest rate swap of £130,000 (2019: £95,000). In the current year borrowings total £46,194,000 with total debt issue costs being £464,000.

The above facility is for the principal sum of £60,000,000 (2019: £60,000,000).

As at 31 December 2020, the Group had a cash balance of £26.9 million and outstanding balances on its senior term debt facilities of £45.6 million.

As at 31 December 2020, net debt stood at £18.8 million which is a decrease of £14.6 million in comparison to 31 December 2019.

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 £45.6 million was drawn at 31 December 2020, 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 3.4%.

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 2.00:1.00 across the term of the facility.

In May 2020, the Group 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 reduction in net debt reflects a year in which the Group completed a successful fundraising of £31.3 million (before expenses) through an oversubscribed placing of £30.0 million, with a further £1.3 million raised via an open offer (the "Fundraise"). Furthermore, the cash generation of the Group was offset by the payment of £5.5 million initial cash consideration for the balancing interest of Ignite, and £3.8 million of contingent cash consideration to the vendors of Squareone, ECM and Ignite. As at 31 December 2020, £12.2 million of contingent consideration is held payable to the vendors of Ignite, ECM, PCMG, IU Energy and LSI.

22. Bank borrowings continued

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.

	Long-term borrowings £000	Short-term borrowings £000	Lease liabilities £000	Total £000
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
Cash flows				
Repayment	—	—	(918)	(918)
Proceeds	7,000	—	—	7,000
Non-cash				
Additions to right of use assets	—	—	248	248
Interest rate swap revaluation	35	—	—	35
Debt issue costs releases	116	—	—	116
At 31 December 2020	**45,860**	—	**3,050**	**48,910**

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.

Notes to the Group financial statements continued

23. Financial instruments continued

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.

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 2020			
Inventories	—	119	119
Trade receivables	6,995	—	6,995
Other receivables	297	—	297
Deferred contingent consideration	6,925	—	6,925
Prepayments	—	2,764	2,764
Accrued income	8,785	—	8,785
Cash and cash equivalents – Sterling	24,630	—	24,630
Cash and cash equivalents – Euros	2,254	—	2,254
Current assets	49,886	2,883	52,769

	Amortised cost £000	Non-financial assets £000	Total £000
31 December 2019			
Inventories	—	76	76
Trade receivables	8,712	—	8,712
Other receivables	606	—	606
Prepayments	—	2,041	2,041
Accrued income	18,202	—	18,202
Cash and cash equivalents – Sterling	4,744	—	4,744
Cash and cash equivalents – Euros	497	—	497
Current assets	32,761	2,117	34,878

23. Financial instruments continued

23.2 Categories of financial instrument continued

Financial liabilities

	Other liabilities (amortised cost) £000	Fair value through profit or loss £000	Liabilities not within scope of IFRS 9 £000	Total £000
31 December 2020				
Trade payables	**1,943**	**—**	**—**	**1,943**
Social security and other taxes	**—**	**—**	**4,162**	**4,162**
Accruals	**866**	**—**	**—**	**866**
Other payables	**514**	**—**	**—**	**514**
Lease liabilities	**2,671**	**—**	**—**	**2,671**
Bank borrowings – Sterling	**45,730**	**—**	**—**	**45,730**
Current tax liability	**—**	**—**	**2,456**	**2,456**
Contingent consideration	**—**	**11,939**	**—**	**11,939**
Interest rate swap	**—**	**130**	**—**	**130**
Deferred tax liability	**—**	**—**	**1,278**	**1,278**
	51,724	**12,069**	**7,896**	**71,689**

	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	—	—	3,618	3,618
Contingent consideration	—	4,591	—	4,591
Interest rate swap	—	95	—	95
Deferred tax liability	—	—	1,993	1,993
	46,265	4,686	8,468	59,419

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

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 2020		Year ended 31 December 2019	
	+1%	**-1%**	+1%	-1%
(Loss)/profit for the year	**189**	**(189)**	335	(335)
Equity	**189**	**(189)**	335	(335)

Notes to the Group financial statements continued

23. Financial instruments continued

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 assets measured at fair value on a recurring basis at 31 December 2020 and 31 December 2019:

31 December 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Deferred contingent consideration	—	—	6,925	6,925
Total assets	—	—	6,925	6,925

31 December 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Deferred contingent consideration	—	—	—	—
Total assets	—	—	—	—

The following table shows the levels within the hierarchy of financial liabilities measured at fair value on a recurring basis at 31 December 2020 and 31 December 2019:

31 December 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Interest rate swaps	—	130	—	130
Contingent consideration	—	—	11,939	11,939
Total liabilities	—	130	11,939	12,069

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

There were no transfers between Level 1 and Level 2 in 2020 or 2019.

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.

23. Financial instruments continued

Measurement of fair value of financial instruments continued

Contingent consideration (Level 3)

The fair value of contingent considerations at 31 December 2020 related to the acquisitions of Energy Cost Management Limited, Professional Cost Management Group Limited, Ignite Energy LTD and LSI Independent Utility Brokers Limited and is estimated using a present value technique. The £11,939,000 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 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 an aggregate cap of £550,000.

The contingent event for Ignite Energy LTD comprises of four earn out tranches as follows. The First Earn Out Consideration of £3,400,000 is payable on delivery of £5.22 million of last twelve months' EBITDA before the deduction of central overheads, with the test period running from completion on 17 July 2020 to 31 December 2023. The Second Earn Out Consideration of up to £5,200,000 is payables as £1.50 consideration for every £1.00 growth in EBITDA before deduction of central overheads from FY21 over FY19. The Third Earn Out Consideration of up to £5,200,000 is payables as £1.50 consideration for every £1.00 growth in EBITDA before deduction of central overheads from FY22 over FY21. The Fourth Earn Out Consideration of up to £5,200,000 is payables as £1.50 consideration for every £1.00 growth in EBITDA before deduction of central overheads from FY23 over FY22. Any payments due under the Second, Third and Fourth Earn Out Consideration payments are payable in 50% cash and 50% ordinary shares of Inspired Energy PLC.

The contingent event for LSI Independent Utility Brokers Limited comprises of three earn out tranches as follows. Of the aggregate contingent consideration of £6,000,000, up to £1,750,000 is payable based on conversion of the order book of LSI at completion to cash, up to £2,250,000 is payable as twelve months' value of contract renewals completed within three years of completion, and up to £2,000,000 is payable as twelve months' value of contracted new business generated within three years of completion.

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	
	2020 £000	2019 £000
Balance as at 1 January	**4,591**	2,858
Arising on business combinations	**10,054**	3,000
Consideration paid	**(3,800)**	(1,403)
Change in fair value of contingent consideration (included within administrative expenses)	**1,094**	136
Balance at 31 December	**11,939**	4,591
Analysed as:		
– current liability	**7,741**	3,311
– non-current liability	**4,198**	1,280

Deferred contingent consideration (Level 3)

The deferred contingent consideration is receivable in respect of the disposal of the SME segment of the business as described in note 10 and is measured at fair value through the profit or loss. The consideration is contingent upon collection of accrued income at the disposal date. The fair value is estimated using a present value technique. The £6,925,000 fair value is measured by reference to the future cash inflows. The cash inflows reflect management's best estimate of the amount receivable and are discounted at an appropriate rate.

Notes to the Group financial statements continued

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 2019	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
Ordinary shares of 0.125 pence each as at 31 December 2020	**961,944,047**	**1,202**	**67,000**	**20,995**

On 4 June 2020, the company issued 5,098,000 new ordinary shares of 16.52 pence to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 0.125 pence each.

On 10 July 2020, the company issued 71,396,800 new ordinary shares through a Firm Placing of 15.00 pence each.

On 17 July 2020, the company issued 32,051,282 new ordinary shares of 17.16 pence each. The proceeds were used to part fund the acquisition of the remaining 60% of Ignite Energy Ltd.

On 27 July 2020, the company issued 128,603,200 new ordinary shares through a Conditional Placing of 15.00 pence each.

On 27 July 2020, the company issued 8,776,325 new ordinary shares through an Open Offer of 15.00 pence each. The proceeds were used to part fund the acquisition of the remaining 60% of Ignite Energy Ltd.

On 15 September 2020, the company issued 2,045,000 new ordinary shares of 14.75 pence to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 0.125 pence each.

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:

	2020		2019	
	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	**52,657,755**	**2.73**	21,135,000	14.66
Granted during the period	**4,000,000**	**0.13**	34,735,255	0.13
Expired during the period	**—**	**—**	(3,212,500)	—
Exercised during the period	**(7,143,000)**	**0.16**	—	—
Outstanding at the end of the period	**49,514,755**	**2.90**	52,657,755	2.73
Exercisable at the end of the period	**17,520,588**	**7.95**	12,947,628	10.72

The options outstanding at 31 December 2020 had a weighted average exercise price of 2.90 pence (2019: 2.73 pence) and a weighted average remaining contractual life of one year (2019: 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	605,000
15 February 2018	19.85p	15 February 2028	600,000	270,000
1 January 2019	0.13p	1 January 2029	19,440,255	4,560,588
30 June 2019	0.13p	30 June 2029	11,390,000	300,000
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	—
31 December 2020	0.13p	31 December 2020	4,000,000	—

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 became/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 became 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.

On 24 May 2018 a grant of awards under the Long Term Incentive Plan (LTIP) was made to the thirteenth member of the senior management team (SMT).

A combined 23,400,000 LTIP share options were granted on 24 May 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 (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.

Notes to the Group financial statements continued

25. Share-based payments continued

Approved share options continued

	EPS target set	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	Total
Tranche 1	Target for three years ended Dec 2020, set at 1 Jan 2018	1,950,000	1,950,000	**1,950,000**	—	—	—	5,850,000
Tranche 2	Target for three years ended Dec 2021, set at 1 Jan 2019	—	1,950,000	**1,950,000**	1,950,000	—	—	5,850,000
Tranche 3	Target for three years ended Dec 2022 set at 1 Jan 2020	—	—	**1,950,000**	1,950,000	1,950,000	—	5,850,000
Tranche 3	Target for three years ended Dec 2022, set at 1 Jan 2021	—	—	**—**	1,950,000	1,950,000	1,950,000	5,850,000
		1,950,000	3,900,000	**5,850,000**	5,850,000	3,900,000	1,950,000	23,400,000

The SMT will benefit from the growth in value of their respective JSOP Award from the date of grant. The SMT 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 1.55p, 1.69p and 1.75p for FY18, FY19 and FY20 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 SMT.

Tranches 2, 3 and 4

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

For all tranches, the criteria for full vesting of Awards will be set at 110% of the Threshold Targets (the "Maximum Targets") for each financial year within each tranche, with the amount vesting rising on a straight-line basis between the Threshold Targets and the Maximum Targets.

Exercise and Hold Period

The SMT 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 SMT 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 FY21 and a further 50% in FY22 or beyond. Similarly, the earliest sale date of tranche 4 JSOP Award would be in FY24 in respect of 50% of the award and FY25 or later in respect of the remaining 50% of the award.

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 became/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;

25. Share-based payments continued

Approved share options continued

Exercise and Hold Period continued

(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 became/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.

Unapproved Options were granted on 31 December 2020 at their nominal value of 0.13 pence per share to four employees over a total of 4,000,000 shares in aggregate.

These options will become exercisable in two unequal tranches on the following date:

(i) the date on which the company publishes its unaudited interim accounts for the period ending 30 June 2021; and

(ii) the date on which the company publishes its unaudited interim accounts for the period ending 30 June 2023.

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

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

	2020	2019
Share price (pence)	**15.70–18.50**	13.25-18.50
Exercise price (pence)	**0.125**	0.125
Expected volatility (%)	**29.6–39.7**	24.3-39.7
Risk-free rate (%)	**0.28–1.19**	0.30-1.20
Dividend yield (%)	**2.4–3.7**	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 £1,598,000 (2019: £2,162,000) in the statement of comprehensive income relating to equity-settled share-based payment transactions in the period in respect of the options disclosed in this note and note 7.

In 2017, the Group launched a Save As You Earn share scheme for all eligible employees. Share options were issued in 2017, 2018, 2019 and 2020 and at the balance sheet date, the number of outstanding options was 10,359,888. The share option charge pertaining to the Save As You Earn share scheme was deemed to be immaterial and was not posted.

Notes to the Group financial statements continued

26. Business combinations

LSI Energy Holdings Limited (LSI)

On 14 August 2020, the Group acquired 100% of the issued share capital and voting rights of LSI Energy Holdings Limited, a company based in the United Kingdom. LSI provides business energy and procurement services to a range of Corporate and SME customers, broadening Inspired Energy's service offering within its core Corporate Division.

The acquisition of LSI was completed for a total consideration of up to £9,122,000. The initial £3,122,000 was satisfied in cash. The additional £6,000,000 comprises of three earn out tranches as follows. Of the aggregate contingent consideration of £6,000,000, £1,750,000 is payable based on conversion of the order book of LSI at completion to cash, £2,250,000 is payable as twelve months' value of contract renewals completed within three years of completion, and £2.000,000 is payable as twelve months' value of contracted new business generated within three years of completion. The range of potential outcomes varied from £1,750,000 to £6,000,000.

The fair value of the contingent consideration of £3,600,000 was estimated by calculating the present value of the future cash flows and discounted using a rate of 13%.

The acquisition was financed through the drawdown of the Group's refinance 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	1	—	1
Intangible assets	—	583	583
Trade and other receivables	254	—	254
Current tax asset	365	—	365
Cash and cash equivalents	3,064	—	3,064
Total assets	3,684	583	4,267
Trade and other payables	534	—	534
Deferred tax liability	—	111	111
Total liabilities	534	111	645
Provisional fair value of identifiable net assets			3,622
Provisional goodwill			3,100
Fair value of consideration transferred			6,722
Satisfied by:			
– cash consideration paid			3,122
– contingent consideration			3,600
			6,722
Net cash outflow arising from business combinations:			
– cash consideration paid			3,122
– cash and cash equivalents acquired			(3,064)
Net cash outflow			58

Since acquisition LSI has contributed £943,000 to revenue and £113,000 to profit before income tax. If the acquisition had taken place at the start of the financial period, LSI would have contributed £2,081,000 to revenue and £224,000 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 LSI has been carried out. Fair values are provisional as they are still within the twelve-month hindsight period to adjust fair values.

The fair value of the customer contracts was calculated to be £583,000.

26. Business combinations continued

LSI Energy Holdings Limited (LSI) continued

Identifiable net assets continued

The Group estimates costs incurred in relation to the transaction to be £111,000. These costs are included within exceptional costs in the Group statement of comprehensive income.

A reconciliation of acquisition of subsidiaries, net of cash acquired is as follows:

	£000
LSI – net cash outflow (per above)	(58)
Completion of 100% acquisition of Ignite Energy LTD	5,550
Acquisition of 100% of Energy Broker Solutions Limited	174
Investment in Switchd Ltd	250
Acquisition of subsidiaries, net of cash acquired	5,866

27. Business combinations – prior year

Ignite Energy LTD (IGN)

As disclosed in the 31 December 2019 annual report and accounts the Group acquired an initial 40% of the issued share capital and voting rights of IGN.

During the year ended 31 December 2020, the Group deemed it appropriate to change the way the non-controlling interest was measured at acquisition, from the proportionate share method to the fair value method (see note 30). This change in accounting policy had the following impact on the business combination and associated goodwill.

Recognised amounts of identifiable net assets

	Book value £000	Fair value adjustment £000	Fair value as originally presented £000	Adjustment £000	Fair value as restated £000
Property, plant and equipment	153	—	153	—	153
Intangible assets	—	8,141	8,141	—	8,141
Inventories	524	(399)	125	—	125
Trade and other receivables	3,371	(1,025)	2,346	—	2,346
Cash and cash equivalents	4,748	—	4,748	—	4,748
Total assets	8,796	6,717	15,513	—	15,513
Trade and other payables	2,198	100	2,298	—	2,298
Current tax liability	356	—	356	—	356
Deferred tax liability	30	1,547	1,577	—	1,577
Total liabilities	2,584	1,647	4,231	—	4,231
Provisional fair value of identifiable net assets			11,282	—	11,282
Provisional goodwill			5,087	9,394	14,481
Fair value of consideration transferred			16,369	9,394	25,763
Satisfied by:					
– cash consideration paid			5,000	—	5,000
– deferred consideration paid			1,600	—	1,600
– contingent consideration			3,000	—	3,000
– non-controlling interest (60%)			6,769	9,394	16,163
			16,369	9,394	25,763
Net cash outflow arising from business combinations:				—	
– cash consideration paid			6,600	—	6,600
– cash and cash equivalents acquired			(4,748)	—	(4,748)
Net cash outflow			1,852	—	1,852

Included in the Group statement of cash flows within the movement of working capital is an amount of £900,000 relating to dividends declared to the NCI in FY19, which were subsequently paid in FY20.

Notes to the Group financial statements continued

27. Business combinations – prior year continued

Waterwatch UK Limited (WW)

As disclosed in the 31 December 2019 annual report and accounts the Group acquired 100% of the issued share capital and voting rights of WW.

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.

Independent Utilities Limited (IU)

As disclosed in the 31 December 2019 annual report and accounts the Group acquired 100% of the issued share capital and voting rights of IU.

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.

28. 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) was not a wholly owned subsidiary, with an initial 40% of the issued share capital acquired, until 17 July 2020 when it became wholly owned. During the year, prior to becoming a wholly owned, IGN paid a dividend of £500,000 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 was a partner, invoiced £108,000 (2019: £108,000) for services provided, to Inspired Energy PLC. As at 31 December 2020, the balance outstanding was £16,000 (31 December 2019: £nil) within trade payables. Within prepayments a balance of £8,000 (31 December 2019: £20,000) 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 £525,000 (2019: £294,000) for services provided, and expenses incurred, to Inspired Energy PLC. As at 31 December 2020, the balance outstanding was £6,000 (31 December 2019: £60,000).

Industrial and Commercial Operations Network Ltd is a company in which the Group holds an investment as detailed in note 15. Industrial and Commercial Operations Network Ltd invoiced £nil (2019: £19,000) for services provided, and expenses incurred, to Inspired Energy PLC. As at 31 December 2020, the balance outstanding was £nil (31 December 2019: £nil).

On 11 December 2020, the Group completed a formal sale agreement to dispose of the SME Division, consisting of subsidiaries Energisave Online Limited, KWH Consulting Limited and Simply Business Energy Limited by ways of a management buyout. The Group provided a loan of £250,000 after this date and was outstanding as at 31 December 2020. Also, the Group invoiced for services after this date for £41,000 and this was outstanding as at 31 December 2020.

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

	2020 £000	2019 £000
Praetura Ventures (1) LLP	**5**	76
Mark Dickinson	**1**	5
Paul Connor	**—**	—
Michael Fletcher	**—**	—
Gordon Oliver	**—**	—
Richard Logan	**1**	2
	7	83

28. Related party transactions continued

Key management personnel remuneration

The remuneration of the key management personnel, the Directors, in the year ended 31 December 2020 is set out below:

	2020 £000	2019 £000
Short-term employee benefits		
Employee emoluments	**950**	749
Social security costs	**148**	100
Post-employment benefits	**6**	8
Share-based payments	**355**	429
	1,459	1,286

The aggregate dividends paid to Directors in the year were £7,000. The shareholdings of the Directors are disclosed within the Directors' remuneration report on page 37.

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

29. Post-balance sheet events

On 3 March 2021 the Group acquired 100% of the issued share capital and voting rights of BWS Holdco Limited, and its trading subsidiary Businesswise Solutions Limited (Businesswise), and 100% of the issued share capital and voting rights of General Energy Management Limited (GEM). Businesswise is an energy consultant providing assurance services and incremental optimisation services to corporate customers. GEM provides energy assurance services to corporate customers.

The Group is paying an initial consideration of £6.0 million to acquire Businesswise on a debt free cash free basis, to be satisfied in cash at completion. In order to incentivise the vendors, further contingent consideration of up to £23.5 million may become payable in cash, subject to the achievement of challenging EBITDA and Order Book growth targets for the years ending 31 December 2021, 2022 and 2023. To achieve the earn out in full, Businesswise would be required to generate EBITDA of £5.0 million for the year ending 31 December 2023 and have a closing order book in excess of £19.0 million.

In regard to the acquisition of GEM, consideration will be satisfied by an initial cash payment of £1.5 million to the shareholders of GEM, with deferred consideration of £250,000 payable at 31 December 2021, and a potential further contingent cash consideration of up to £250,000 payable based on achieving a target level of contracted future revenues.

The Group has not given full disclosure of the fair value at acquisition as it was considered impractical to do so within the reporting timeframe.

30. Prior year restatement

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. At the time of acquisition, the Group also entered into an exclusive one-way call option (from completion until 31 July 2021) to acquire the outstanding 60% of the issued share capital of IGN. Under the terms of the Option Agreement, it was determined that the Group would pay consideration for the remaining IGN shares equating to an enterprise value of 6.0x earnings before interest, tax, depreciation and amortisation (EBITDA).

In the financial statements for the year ended 31 December 2019, the balancing 60% shareholding was treated as a non-controlling interest (NCI) as permitted by IFRS 3, the acquisition date NCI interest were measured using the proportionate share method, where the NCI is measured at its proportionate share of the value of the net identifiable assets acquired.

Following the exercise of the call option and completion of the acquisition of the remaining 60% of the issued share capital of IGN on 17 July 2020, the Directors deemed that a change in accounting policy around the measurement of the goodwill and NCI of IGN presented a more relevant view of the effect of the acquisition and as such, decided to adopt the fair value method for measuring the NCI.

The FV method results in recognising the full fair value of the goodwill inherent in the acquisition rather than simply the 40% originally acquired.

This change is considered to be more relevant as on exercising the option and accounting for the consideration paid to purchase the 60% as a transaction between shareholders, as required by IFRS 10, the Directors reconsidered whether their previous choice of measuring the acquisition date NCI interests had been the most appropriate in the specific circumstances of the transaction and concluded that the alternative fair value method also permitted by IFRS 3 is the more appropriate method. Furthermore, the Directors felt that the recognition of goodwill under the FV method was a more accurate representation of the Group's buy and build strategy.

Notes to the Group financial statements continued

30. Prior year restatement continued

This change in accounting policy was deemed to be appropriate as:

- at the outset, the acquisition of the initial 40% was negotiated at the same time as the details of the call option; and
- the exercise of the call option occurred in such a short time period following the acquisition of the initial 40% interest, that it validated the fact the Group were strongly considering, at all times, the acquisition of the full 100% of the business.

The change in accounting policy, and its impact on the 2019 comparatives, is summarised below:

	Previously reported £000	Restated adjustments £000	Restated £000
ASSETS			
Non-current assets			
Goodwill	52,233	9,394	61,627
EQUITY			
Non-controlling interest	4,071	9,394	13,465

Company statement of financial position

At 31 December 2020

	Note	2020 £000	2019 £000
Non-current assets			
Investments	32	**107,123**	81,565
Right of use assets	33	**1,462**	2,053
Non-current assets		**108,585**	83,618
Current assets			
Trade and other receivables	18	**241**	164
Deferred contingent consideration	18	**6,925**	—
Amounts owed from subsidiary undertakings		**39,875**	32,111
Cash and cash equivalents		**11,986**	326
Current assets		**59,027**	32,601
Total assets		**167,612**	116,219
Current liabilities			
Trade and other payables	19	**824**	550
Lease liabilities		**192**	2,053
Amounts owed to subsidiary undertakings		**10,136**	9,746
Bank borrowings	22	**—**	—
Contingent consideration	23	**7,741**	3,311
Current tax liability		**575**	—
Current liabilities		**19,468**	15,660
Non-current liabilities			
Bank borrowings	22	**45,730**	38,614
Contingent consideration	23	**4,198**	1,280
Lease liabilities		**1,227**	—
Interest rate swap	22	**130**	95
Non-current liabilities		**51,285**	39,989
Total liabilities		**70,753**	55,649
Net assets		**96,859**	60,570
Share capital	24	**1,202**	892
Share premium account	24	**67,000**	37,422
Merger relief reserve	24	**20,995**	15,535
Share-based payment reserve		**5,121**	3,523
Retained profit		**2,541**	3,198
Equity attributable to shareholders		**96,859**	60,570

The company generated a profit of £267,000 during the financial year (2019: £4,663,000).

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2021 and were signed on its behalf by:

Mark Dickinson
Director

Paul Connor
Director

Company registration number: 07639760.

The notes on pages 103 to 106 form part of these company financial statements.

Company statement of changes in equity

For the year ended 31 December 2020

	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 2019	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
Profit and total comprehensive income for the period	—	—	—	—	267	267
Share-based payment cost	—	—	—	1,598	—	1,598
Shares issued (2 June 2020)	6	—	—	—	—	6
Shares Issued (10 July 2020)	89	10,620	—	—	—	10,709
Shares issued (17 July 2020)	40	—	5,460	—	—	5,500
Shares issued (28 July 2020)	172	18,958	—	—	—	19,130
Shares issued (15 September 2020)	3	—	—	—	—	3
Dividends paid	—	—	—	—	(924)	(924)
Total transactions with owners	310	29,578	5,460	1,598	(657)	36,289
Balance at 31 December 2020	**1,202**	**67,000**	**20,995**	**5,121**	**2,541**	**96,859**

Notes to the company financial statements

31. 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 2020.

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 £267,000 (2019: £5,565,000).

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 (2019: £nil).

Intercompany balances are unsecured, interest free and repayable on demand.

Financial instruments

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

Share-based payments

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

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

Notes to the company financial statements

continued

31. Accounting policies (parent company) continued

Accounting policies continued

Share-based payments continued

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 2020 is £107,078,000 (2019: £81,565,000).

Merger relief reserve

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

32. Investments

	£000
Cost and net book value	
At 31 December 2019	81,565
Additions – acquisition of subsidiaries (note 26)	25,093
Disposals – disposal of subsidiaries (note 10)	(1,133)
Share-based payments charge	1,598
At 31 December 2020	**107,123**

32. 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
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
Amer Holdings (SW) Limited**	100%	£1	2
Amer (UK) Limited**	100%	£1	2
Independent Utilities Limited*	100%	£0.001	1,200,000
LSI Energy Holdings Limited*	100%	£1	4,790,833
LSI Independent Utility Brokers Limited**	100%	£1	101
Information Prophets Limited	Convertible loan (25%)	N/A	N/A
Switchd Ltd	4%	£0.00001	6,655
Industrial and Commercial Operations Network Ltd	Convertible loan (25%)	N/A	N/A
Energy Broker Solutions Limited*	100%	£1	100
Ignite Energy LTD*	100%	£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.

Notes to the company financial statements

continued

33. Right of use assets

	Motor vehicles £000	Fixtures and fittings £000	Property £000	Total £000
Cost				
At 31 December 2019	6	—	2,458	2,464
Remeasurement of lease			(347)	(347)
Additions	—	159	—	159
Disposals	(6)	—	—	(6)
At 31 December 2020	**—**	**159**	**2,111**	**2,270**
Depreciation				
At 31 December 2019	4	—	407	411
Charge for the year	2	23	378	403
Disposals	(6)	—	—	(6)
At 31 December 2020	**—**	**23**	**785**	**808**
Net book value				
At 31 December 2020	**—**	**136**	**1,326**	**1,462**
At 31 December 2019	2	—	2,051	2,053

34. Employee benefit expense

	2020 £000	2019 £000
Wages and salaries	**2,965**	2,070
Social security costs	**349**	241
	3,314	2,311

	No.	No.
Average number of persons employed:		
Management	**2**	2
Administration and finance	**51**	36
	53	38

35. Dividends paid

	2020 £000	2019 £000
Dividends paid on equity capital – 0.10 pence per share (2019: 0.68 pence)	**924**	4,595

During 2020, the Group paid dividends of £924,000 (2019: £4,595,000) to its equity shareholders. This represents a payment of 0.10 pence per share (2019: 0.68 pence per share). Also, during 2020, the Directors proposed the payment of a final dividend of nil pence per share (2019: 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 2020 consolidated financial statements.

36. 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) was not a wholly owned subsidiary, with an initial 40% of the issued share capital acquired, until 17 July 2020 when it became wholly owned. During the year, and prior to becoming wholly owned, IGN paid a dividend of £500,000 to the company.

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

Inspired Energy PLC

Company number: 07639760

Notice of Annual General Meeting

NOTICE IS GIVEN that the Annual General Meeting (AGM) of Inspired Energy PLC will be held at Gateley Legal, Ship Canal House, 98 King Street, Manchester M2 4WU, on 30 June 2021 at 10.00 a.m. to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 10 (inclusive) will be proposed as ordinary resolutions and resolutions 9 and 10 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 2020.
2. To declare a final dividend recommended by the Directors of 0.12 pence per ordinary share for the financial year ended 31 December 2020 to be paid on 26 July 2021 to members whose names appear on the register at the close of business on 18 June 2021.
3. To re-elect Richard Logan, who retires by rotation under article 28.1.2.2 of the company's articles of association and who, being eligible, offers himself for re-election as a Director.
4. To re-elect Sarah Elisabeth Flannigan, who was appointed during the year and retires under article 28.1.2.1 of the company's articles of association and who, being eligible, offers herself for re-election as a Director.
5. To reappoint RSM UK Audit LLP as auditors of the company.
6. To authorise the Directors to determine the remuneration of the auditors of the company.
7. That in substitution for all existing and unexercised authorities and powers, the Directors of the company be generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 (the "Act"):

   7.1 to exercise all or any of the powers of the company to allot shares of the company or to grant rights to subscribe for, or to convert any security into, shares of the company (those shares and rights being together referred to as Relevant Securities) up to an aggregate nominal value of £396,802 to those persons at the times and generally on the terms and conditions as the Directors may determine (subject always to the articles of association of the company); and further,

   7.2 to allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal value of £793,605 (that amount to be reduced by the nominal value of any Relevant Securities allotted pursuant to the authority in paragraph 7.1 above) in connection with a rights issue or similar offer in favour of ordinary shareholders where the equity securities respectively attributable to the 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.
8. That, subject to the passing of the ordinary resolution numbered 7 above and the special resolution numbered 9 below, the Directors of the company be authorised, pursuant to article 32.11 of the company's articles of association:

   8.1 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

   8.2 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

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

    9.1 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

    9.2 the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 9.1 above) up to an aggregate nominal amount of £120,243, 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 2022) 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.

10. 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:

    10.1 the maximum number of ordinary shares authorised to be purchased is 96,194,405;

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

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

        10.3.1 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.

        10.3.2 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

    10.4 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.

11. THAT the name of the company be changed to Inspired PLC.

By order of the Board

Mark Dickinson
30 March 2021

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 28 June 2021. 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 28 June 2021 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 2020 together with the Directors' report and the auditors' report on those financial statements.

Resolution 2 – Declaration of dividend

The Directors are recommending a final dividend of 0.12 pence per ordinary share in respect of the year ended 31 December 2020 which, if approved, will be payable on 26 July 2021 to the shareholders on the register of members on 18 June 2021.

Resolutions 3 and 4 – Director resignations

To comply with best practice, the Directors are offering themselves for annual re-election as a Director of the company, to take effect at the conclusion of the AGM.

Resolution 5 – Appointment of auditors

The auditors of a company must be reappointed at each general meeting at which accounts are laid, to hold office until the conclusion of the next such meeting. It is proposed that RSM UK Audit LLP be reappointed as auditors of the company to hold office from the conclusion of this AGM until the conclusion of the next general meeting at which the accounts are laid.

Resolution 6 – Remuneration of auditors

This resolution authorises the Directors to fix the auditors' remuneration.

Resolution 7 – Directors' power to allot relevant securities

Under section 551 of the Act, relevant securities may only be issued with the consent of the shareholders, unless the shareholders pass a resolution generally authorising the Directors to issue shares without further reference to the shareholders. This resolution authorises the general issue of shares up to an aggregate nominal value of £396,802, 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 £793,605, which is equal to a further 66% of the nominal value of the current share capital of the company for the purposes of fully pre-emptive rights issues. Such authorities will expire at the conclusion of the next Annual General Meeting of the company or the date which is six months after the next accounting reference date of the company (whichever is the earlier).

Resolution 8 – 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 9 – 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 £120,243, which is equal to 10% of the nominal value of the current ordinary share capital of the company, subject to resolution 7 being passed. The Directors believe that the limited powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplication will expire on the conclusion of the next Annual General Meeting of the company or on the date which is 15 months after the resolution being passed (whichever is the earlier).

Resolution 10 – 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 96,194,405 ordinary shares, being 10% of the issued share capital as at 30 March 2021, 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.

Resolution 11 – Change of name

This resolution authorises the change of the company's name from Inspired Energy PLC to Inspired PLC.

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 2021 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 2020.			
2. To authorise the Directors to declare a final dividend.			
3. To re-elect Richard Logan as a Director.			
4. To re-elect Sarah Elisabeth Flannigan as a Director.			
5. To reappoint RSM Audit UK LLP as auditors.			
6. To authorise the Directors to determine the remuneration of the auditors.			
7. To authorise the Directors to allot securities pursuant to section 551 of the Companies Act 2006.			
8. To authorise the Directors to offer shareholders the right to elect to receive new ordinary shares in lieu of cash dividends.			
9. To authorise the Directors to allot securities pursuant to section 570 Companies Act 2006 and disapply pre-emption rights on equity issues for cash.			
10. To authorise the company pursuant to section 701 of the Companies Act to make market purchases of its ordinary shares.			
11. To change the company's name to Inspired PLC.			

Signature .... (see note 4)

Joint holders (if any) (see note 9)

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

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

Please cut along the dotted line

Inspired Energy PLC

Proxy form for use at Annual General Meeting continued

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.
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 28 June 2021 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)

Sarah Flannigan (Non-Executive Director)

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