30 August 2016

**Inspired Energy plc**

("Inspired" or the "Group")

# Results for the six months ended 30 June 2016

# Continued strong performance across both Corporate and SME divisions

Inspired Energy plc (AIM: INSE), a leading UK Corporate focused energy procurement consultant, announces its consolidated unaudited half year results for the six month period ended 30 June 2016.

## Financial highlights

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***H1 2016*** | ***H1 2015*** | ***2016***  ***% increase*** |
| Revenue | £10.16m | £6.52m | 56% |
| Gross profit | £7.95m | £4.90m | 62% |
| Adjusted EBITDA\* | £3.75m | £2.46m | 52% |
| Adjusted profit before tax | £3.31m | £2.30m | 44% |
| Profit before tax | £1.93m | £1.77m | 9% |
| Cash generated from operations | £2.55m | £1.91m | 34% |
| Interim dividend per share | 0.13p | 0.10p | 30% |
| Adjusted EPS | 0.62p | 0.45p | 38% |
| Basic EPS | 0.33p | 0.32p | 3% |
| Procurement Corporate Order Book | £25.70m | £15.20m | 69% |

## *\* Earnings before interest, taxation, depreciation, amortisation, exceptional costs and share based payments*

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| --- | --- | --- | --- |
|  | ***H1 2016*** | ***FY 2015*** | ***2016***  ***% decrease*** |
| Net debt | £8.08m | £8.89m | 9% |

* Results for the six months ended 30 June 2016 in line with management’s expectations
* Strong cash generation from operations representing 68% of adjusted EBITDA (H1 2015: 77%; FY15; 52%), reflecting the increased weighting of the Corporate Division, which is highly cash generative
* Interim dividend increased by 30% to 0.13p per share (H1 2015: 0.10p)
* The Procurement Corporate Order Book, which provides strong visibility of revenues and is a consistent guide to the future performance of the Corporate Division, has increased by 69% to £25.7m (H1 2015: £15.2m).

## Operational highlights

* Successful integration of WPUK and STC, two corporate-focused acquisitions completed in H2 2015, enhancing the scale and service offering of the Corporate Division
* Relocation of WPUK and the STC Procurement Division to the Group’s Head Office, bringing knowledge, expertise and sector specialisms, which is expected to create additional sales opportunities and cost synergies from FY 2017 and beyond

Commenting on the results, **Janet Thornton, CEO** **of Inspired**, said: "Once again, I am delighted by the strong performance of the Group in the period, delivering record growth on all fronts, as we continue to deliver value-added services to our customers.

“The focus of the six months to 30 June 2016 was on the integration and relocation of the acquired businesses of WPUK and STC which have been achieved on target and within budget. In addition, the underlying businesses have continued to perform to plan, with sales opportunities created by the acquisitions already gaining traction.

“The record results are again testament to the commitment and expertise of the Group’s team. The Group continues to deliver strong organic growth and the Corporate Division is now firmly established as a leading energy consultant to UK Corporates, offering a breadth of innovative and cost effective solutions to a wide range of clients and sectors, backed up by proactive advice and assurance throughout the life of a contract. This combination of skills, dedication, innovation and expertise allows the Group to maintain its outstanding retention rates in excess of 85%, which I am pleased to report we are also achieving in the acquired books of WPUK and STC.

“The SME division also continues to contribute strong revenue, profit and cash to the Group, with minimal increase in headcount and I am pleased with the progress that this division is continuing to make.

“The momentum built in the last two years continues unabated with the second half of the year starting strongly. Since 30 June 2016, a major retail focussed corporate customer of STC, having engaged with Inspired’s Risk Managed Team, has entered into a contract that is now the largest signed by the Group to date. We look forward to delivering another set of strong results for the year ended 31 December 2016. With the continued growth in the Corporate Order Book the Board is confident that the Group is well positioned for the medium term.”

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# Chairman’s Statement

I am pleased to present the Group’s unaudited interim results for the six months ended 30 June 2016, in which Inspired performed strongly from a financial and operational perspective, delivering results in line with management expectations. The results highlight excellent organic growth, while successfully integrating the two corporate-focused acquisitions completed in the second half of 2015.

The acquisitions of WPUK and STC in 2015 were significant milestones in the development of the Group and the Board is pleased to report that both businesses have been successfully integrated and that the relocation of WPUK and the Procurement function of STC to Group head office has been completed to plan and on budget. The acquisitions have both enhanced Inspired’s service offering and broadened the client base within the Corporate Division and we are pleased to report that the acquired businesses continue to trade as we originally anticipated. We continue to see the added skills, services and strategic options that STC in particular has added to the Group, with the integration between the existing Corporate Division and the team at STC providing significant incremental revenue opportunities.

The core Corporate Division delivered a record set of results in the six months to 30 June 2016, underpinned by Procurement Order Book Sales of £7.2m (H1 2015: £5.5m), representing an increase of 31% for the period. As a consequence of this continued strong growth the Procurement Corporate Order Book has increased to £25.7m as at 30 June 2016 (H1 2015: £15.2m) representing a year on year increase of 69%. The Procurement Order Book remains a consistent guide to the future performance of the Group and provides strong visibility of revenues for FY 2017 and the next three years, which enables us to look forward with confidence over the short to medium term.

The acquisitions of WPUK and STC have, in conjunction with excellent organic growth from the existing Corporate Division, increased revenue to £7.5m (H1 2015: 4.3m) which represents 75% of Group revenue. Adjusted EBITDA for the Corporate Division for the period is £3.2m (H1 2015: £2.1m) and now represents 86% of the Group’s combined adjusted EBITDA. This reinforces the Board’s stated strategy to focus on growing the Corporate Division both through further acquisitions and organically.

The SME Division has continued to deliver strong growth of revenue, profits and cash during H1 of 2016, with a minimal increase in headcount. Revenue for the SME Division in the six-month period was £2.6m (H1 2015: £2.1m) which represents an increase of 24% from the prior year. Adjusted EBITDA generated by the Division was £0.9m (H1 2015: £0.6m) and the SME Division contributed materially to cash generation in the period.

Accordingly, the Board is pleased to propose an interim dividend of 0.13 pence per share (H1 2015: 0.10 pence per share).

We are delighted with the performance in the first half of 2016 and we enter the second half of 2016 and beyond with confidence.

**Bob Holt**

Chairman

30 August 2016

**CEO’s Statement**

The Board is delighted with the performance of the Group in the period to 30 June 2016, delivering record organic growth in all divisions, enhanced by the strategic acquisitions of both WPUK in July 2015 and STC in November 2015.

The Group has a very strong platform from which to continue the organic growth of the business, onto which we can add new service lines or sector specialisms via acquisition as clearly demonstrated with WPUK and STC. We look forward to the rest of 2016 and the opportunities for further growth.

**Corporate Division**

**Overview**

The Group’s Corporate Division comprises:

* Inspired Energy Solutions (founder business);
* DEP (acquired in 2013);
* WPUK (acquired in H2 2015); and
* STC (acquired in H2 2015).

The Division’s core services include the review, analysis and negotiation of gas and electricity contracts on behalf of clients (“Energy Procurement Services”). Once contracts are signed and a client is on-board, the Division provides in-contract, real time, bureau, bill checking and cost dispute resolution services to clients (“Bureau Services”).

Following the successful relocation of WPUK and the Procurement Division of STC, all Energy Procurement Services are performed from the Group’s Head Office in Kirkham. The Bureau Services are provided from a core team in Kirkham and by STC, which is located in Bromley.

**Highlights**

Highlights in the first half of the year include:

* Revenue increased 72% to £7.5m (H1 2015: £4.4m)
* The Corporate Division generated adjusted EBITDA of £3.2m (H1 2015: £2.1m), a 53% year on year increase
* Procurement Corporate Order Book Sales, increased by 31% to £7.2m in the period to 30 June 2016 (H1 2015: £5.5 million)
* Procurement Corporate Order Book increased by 69% to £25.7 million as at 30 June 2016 (H1 2015: £15.2 million)
* High customer retention rates maintained, 85% across the Group (100% in Risk Managed), whilst delivering strong new customer win performance

|  |  |  |
| --- | --- | --- |
| **Procurement Corporate Order Book Analysis** |  | **£’m** |
| Procurement Corporate Order Book b/f at 31 December 2015 |  | 24.5 |
| Add: Procurement Corporate Order Book Sales in period |  | 7.2 |
| Less: Revenue recognised from Procurement Corporate Order Book in period |  | 6.0 |
|  |  |  |
| Procurement Corporate Order Book c/f at 30 June 2016 |  | 25.7 |

The Procurement Corporate Order Book is defined as the aggregate revenue expected by the Group in respect of signed contracts between an Inspired client and an energy supplier for the remainder of such contracts (where the contract is live) or for the duration of such contracts (where the contract has yet to commence). No value is ascribed to expected retentions of contracts.

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

**Procurement Corporate** **Order Book Sales**

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

Procurement Corporate Order Book Sales which are in excess of revenue recognised, within a defined period, will increase the Procurement Corporate Order Book of the Group, providing an indicator of expected future growth already secured by the Group.

**SME Division**

The Group’s SME Division includes: EnergiSave Online (“EnergiSave”), KWH Consulting (“KWH”) and Simply Business Energy (“SBE”). Within the SME Division, the Group’s energy consultants contact prospective SME clients to offer reduced tariffs and contracts based on the unique situation of the customer.

The SME Division has achieved strong growth in the six months to 30 June 2016, with revenue increasing 24% to £2.6 million (H1 2015: £2.1m). The SME Division increased adjusted EBITDA to £0.9 million from £0.6 million in the six months ending 30 June 2015, representing organic growth of 50%. The growth in adjusted EBITDA achieved in the period has been as a result of an improvement in margin to 33.3% (H1 2015: 27.5%) as the business has matured following a period of significant investment in SME sales and administration staff at the beginning of 2014 in order to establish a robust platform for the division. This is emphasised by staff numbers remaining broadly stable.

The Board is particularly pleased to report that the strong cash generation in 2015 by the division has continued during 2016.

**Acquisition strategy**

The Board continues to investigate opportunities for the Group to participate in industry consolidation. To create an enlarged and improved business, as demonstrated with the acquisitions made in 2015, we believe that potential targets should offer one or more of the following criteria:

* Additional technical and/or service capability;
* Sector specialism and diversification;
* Increased geographic footprint; and
* Significant opportunities for sales or cost synergies

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

**Dividends**

The Board is delighted to propose interim dividend of 0.13 pence per share. This represents an increase of 30% over the interim dividend paid in 2015, being 0.10 pence per share.

The ex-dividend date is 8 September 2016 with a record date of 9 September 2016. The dividend will be paid to shareholders on 15 November 2016.

**Outlook**

The Group’s acquisition strategy has delivered great results as demonstrated by the success achieved by the acquisition and integration of WPUK and STC, while organic growth momentum has continued. Since 30 June 2016, and through the enlarged teams working together, we have signed our largest ever account within the Corporate Division and are confident we will deliver another set of record results for the year ended 31 December 2016 enabling us to looking ahead into FY 2017 with even greater confidence.

The Corporate Division continues to go from strength to strength and we are excited by the opportunities which can now be maximised from the enhanced breadth and depth of skills and expertise that we can provide to our expanding customer base.

On behalf of the Board, I would like to thank all of the Inspired team for the hard work over the past six months, as we look forward to completing another exciting year of growth and development of the business.

**Janet Thornton**

Chief Executive Officer

30 August 2016

# Group Statement of Comprehensive Income

# For the six months ended 30 June 2016

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Note | **Six months ended 30 June 2016 (unaudited)**  **£** |  | Six months ended 30 June 2015 (unaudited)  £ |  | Year ended 31 December 2015 (audited)  £ |  |
|  |  |  |  |  |  |  |  |
| Revenue |  | **10,163,398** |  | 6,524,019 |  | 15,188,071 |  |
|  |  |  |  |  |  |  |  |
| Cost of sales |  | **(2,212,327)** |  | (1,625,789) |  | (3,622,110) |  |
|  |  |  |  |  |  |  |  |
| **Gross profit** |  | **7,951,071** |  | 4,898,230 |  | 11,565,961 |  |
|  |  |  |  |  |  |  |  |
| Administrative expenses |  | **(5,774,307)** |  | (3,045,702) |  | (7,651,117) |  |
|  |  |  |  |  |  |  |  |
| **Operating profit** |  | **2,176,764** |  | 1,852,528 |  | 3,914,844 |  |
|  |  |  |  |  |  |  |  |
| **Analysed as:** |  |  |  |  |  |  |  |
| Earnings before exceptional costs, depreciation, amortisation and share-based payment costs |  | **3,746,742** |  | 2,459,353 |  | 5,688,954 |  |
| Exceptional costs |  | **-** |  | - |  | - |  |
| Fees associated with Acquisition |  | **(52,993)** |  | (168,574) |  | (480,128) |  |
| Restructuring Costs |  | **(97,892)** |  | - |  | - |  |
| Depreciation |  | **(197,390)** |  | (70,352) |  | (194,358) |  |
| Amortisation of intangible assets |  | **(1,065,243)** |  | (218,032) |  | (786,705) |  |
| Share-based payment costs |  | **(156,460)** |  | (149,867) |  | (312,919) |  |
|  |  | **2,176,764** |  | 1,852,528 |  | 3,914,844 |  |
|  |  |  |  |  |  |  |  |
| Finance expenditure |  | **(244,210)** |  | (87,223) |  | (358,593) |  |
| Other financial items |  | **-** |  | - |  | (61,658) |  |
|  |  |  |  |  |  |  |  |
| **Profit before income tax** |  | **1,932,554** |  | 1,765,305 |  | 3,494,593 |  |
|  |  |  |  |  |  |  |  |
| Income tax expense |  | **(360,202)** |  | (405,287) |  | (651,344) |  |
|  |  |  |  |  |  |  |  |
| **Profit for the period and total comprehensive income** |  | **1,572,352** |  | 1,360,018 |  | 2,843,249 |  |
|  |  |  |  |  |  |  |  |
| Attributable to: | Note |  |  |  |  |  |  |
| Equity owners of the Company |  | **1,572,352** |  | 1,360,018 |  | 2,843,249 |  |
|  |  |  |  |  |  |  |  |
| Basic earnings per share attributable to the equity holders of the Company (pence) | 3 | **0.33** |  | 0.32 |  | 0.65 |  |
| Adjusted basic earnings per share attributable to the equity holders of the Company (pence) | 3 | **0.62** |  | 0.45 |  | 1.00 |  |

# Group Statement of Financial Position

# At 30 June 2016

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Note | **Six months ended 30 June 2016 (unaudited)**  **£** |  | Six months ended 30 June 2015 (unaudited)  £ |  | Year ended 31 December 2015 (audited)  £ |  |
| **ASSETS** |  |  |  |  |  |  |  |
| **Non-current assets** |  |  |  |  |  |  |  |
| Intangible assets | 5 | **16,099,356** |  | 3,190,101 |  | 16,938,740 |  |
| Property, plant and equipment | 4 | **1,350,481** |  | 623,677 |  | 1,360,303 |  |
| Deferred tax asset |  | - |  | 50,076 |  | - |  |
|  |  | **17,449,837** |  | 3,863,854 |  | 18,299,043 |  |
|  |  |  |  |  |  |  |  |
| **Current assets** |  |  |  |  |  |  |  |
| Trade and other receivables |  | **10,573,511** |  | 6,645,346 |  | 9,460,174 |  |
| Cash and cash equivalents |  | **1,775,304** |  | 1,225,274 |  | 1,604,851 |  |
|  |  | **12,348,815** |  | 7,870,620 |  | 11,065,025 |  |
|  |  |  |  |  |  |  |  |
| **Total assets** |  | **29,798,652** |  | 11,734,474 |  | 29,364,068 |  |
|  |  |  |  |  |  |  |  |
| **LIABILITIES** |  |  |  |  |  |  |  |
| **Current liabilities** |  |  |  |  |  |  |  |
| Trade and other payables |  | **1,446,904** |  | 1,019,350 |  | 1,357,231 |  |
| Bank borrowings |  | **1,512,500** |  | 2,200,000 |  | 2,000,000 |  |
| Current tax liability |  | **920,315** |  | 929,923 |  | 1,144,139 |  |
| Dividend payable |  | **-** |  | 771,812 |  | - |  |
| Contingent consideration |  | **456,602** |  | - |  | 1,654,601 |  |
| Deferred consideration |  | **-** |  | - |  | - |  |
|  |  | **4,336,321** |  | 4,921,085 |  | 6,155,971 |  |
|  |  |  |  |  |  |  |  |
| **Non-current liabilities** |  |  |  |  |  |  |  |
| Bank borrowings |  | **8,339,727** |  | 1,306,746 |  | 8,490,569 |  |
| Trade and other payables |  | **53,624** |  | 119,740 |  | 50,000 |  |
| Contingent consideration |  | **1,486,505** |  | - |  | 1,788,506 |  |
| Deferred tax liability |  | **1,538,173** |  | - |  | 1,495,244 |  |
| Interest rate swap |  | **-** |  | 14,913 |  | 76,571 |  |
|  |  | **11,418,029** |  | 1,441,399 |  | 11,900,890 |  |
|  |  |  |  |  |  |  |  |
| **Total liabilities** |  | **15,754,350** |  | 6,362,484 |  | 18,056,861 |  |
|  |  |  |  |  |  |  |  |
| **Net assets/(liabilities)** |  | **14,044,302** |  | 5,371,990 |  | 11,307,207 |  |
|  |  |  |  |  |  |  |  |
| **EQUITY** |  |  |  |  |  |  |  |
| Share capital |  | **600,270** |  | 535,981 |  | 589,505 |  |
| Share premium account |  | **2,156,171** |  | 1,680,736 |  | 1,901,747 |  |
| Merger relief reserve |  | **14,418,343** |  | 9,222,033 |  | 13,675,249 |  |
| Retained earnings |  | **7,464,808** |  | 4,708,418 |  | 5,892,456 |  |
| Share based payments reserves |  | **787,483** |  | 607,595 |  | 631,023 |  |
| Reverse acquisition reserve |  | **(11,382,773)** |  | (11,382,773) |  | (11,382,773) |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **Total equity/(deficit)** |  | **14,044,302** |  | 5,371,990 |  | 11,307,207 |  |

# Group Statement of Cash Flows

# For the six months ended 30 June 2016

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Note | **Six months ended 30 June 2016 (unaudited)**  **£** |  | Six months ended 30 June 2015 (unaudited)  £ |  | Year ended 31 December 2015 (audited)  £ |  |
| **Cash flows from operating activities** |  |  |  |  |  |  |  |
| Profit before income tax |  | **1,932,554** |  | 1,765,305 |  | 3,494,593 |  |
|  |  |  |  |  |  |  |  |
| **Adjustments** |  |  |  |  |  |  |  |
| Depreciation |  | **197,390** |  | 70,352 |  | 194,358 |  |
| Amortisation |  | **1,065,243** |  | 218,032 |  | 786,705 |  |
| Share based payment costs |  | **156,460** |  | 149,867 |  | 312,919 |  |
| Contingent Consideration |  | **-** |  | - |  | - |  |
| Finance expenditure |  | **244,210** |  | 87,223 |  | 358,593 |  |
| Other financial items |  | **-** |  | - |  | 61,658 |  |
|  |  |  |  |  |  |  |  |
| **Cash flows before changes in working capital** |  | **3,595,857** |  | 2,290,779 |  | 5,208,826 |  |
|  |  |  |  |  |  |  |  |
| **Movement in working capital** |  |  |  |  |  |  |  |
| Decrease/(Increase) in trade and other receivables |  | **(1,113,337)** |  | (445,463) |  | (2,200,656) |  |
| (Decrease)/increase in trade and other payables |  | **70,073** |  | 62,692 |  | (289,165) |  |
| **Cash generated from operations** |  | **2,552,593** |  | 1,908,008 |  | 2,719,005 |  |
|  |  |  |  |  |  |  |  |
| Income taxes paid |  | **(532,786)** |  | (635,361) |  | (987,833) |  |
|  |  |  |  |  |  |  |  |
| **Net cash flows from operating activities** |  | **2,019,807** |  | 1,272,647 |  | 1,731,172 |  |
|  |  |  |  |  |  |  |  |
| **Cash flows from investing activities** |  |  |  |  |  |  |  |
| Purchase of property, plant and equipment |  | **(187,568)** |  | (422,354) |  | (246,091) |  |
| Payments to acquire intangible assets |  | **(225,859)** |  | - |  | (529,772) |  |
| Deferred consideration paid |  | **(750,000)** |  | (50,000) |  | - |  |
| Contingent consideration paid |  | **-** |  | - |  | (50,000) |  |
| Disposal of property, plant and equipment |  |  |  |  |  | 19,911 |  |
| Acquisition of subsidiary, net of cash |  | **-** |  | - |  | (5,571,279) |  |
|  |  | **(1,163,427)** |  | (472,354) |  | (6,377,231) |  |
|  |  |  |  |  |  |  |  |
| **Cash flows from financing activities** |  |  |  |  |  |  |  |
| New bank loans |  | - |  | - |  | 7,363,158 |  |
| Repayment of bank loans |  | **(700,000)** |  | (350,000) |  | (613,158) |  |
| Finance expenses |  | **(244,210)** |  | (87,223) |  | (355,192) |  |
| Repayment of hire purchase agreements |  | **-** |  | - |  | (23,225) |  |
| Net proceeds of equity |  | **258,283** |  | 87,382 |  | 315,134 |  |
| Dividends paid |  | **-** |  | - |  | (1,210,629) |  |
|  |  | **(685,927)** |  | (349,841) |  | 5,476,088 |  |
|  |  |  |  |  |  |  |  |
| **Net increase/(decrease) in cash and cash equivalents** |  | **170,453** |  | 450,452 |  | 830,029 |  |
|  |  |  |  |  |  |  |  |
| Cash and cash equivalents brought forward |  | **1,604,851** |  | 774,822 |  | 774,822 |  |
| Cash and cash equivalents carried forward |  | **1,775,304** |  | 1,225,274 |  | 1,604,851 |  |

# Group Statement of Changes in Equity

# For the six months ended 30 June 2016

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | ***Share capital***  ***£*** |  | ***Share premium account***  ***£*** |  | ***Merger relief reserve***  ***£*** |  | ***Share-based payment reserve***  ***£*** |  | ***Retained earnings***  ***£*** | |  | ***Reverse acquisition reserve***  ***£*** | |  | ***Total shareholders’ equity***  ***£*** |
|  |  |  |  |  |  |  |  |  |  | |  |  | |  |  |
| **Balance at 1 January 2015** | **529,602** |  | **1,596,028** |  | **8,925,737** |  | **457,728** |  | **4,120,212** | |  | **(11,382,773)** | |  | **4,246,534** |
| **Profit and total comprehensive income for the period** | **-** |  | **-** |  | **-** |  | **-** |  | **2,843,249** | |  | **-** | |  | **2,843,249** |
| Shares issued  (1 April 2015) | 2,675 |  | 84,707 |  | - |  | - |  | - | |  | - | |  | 87,382 |
| Shares issued  (20 May 2015) | 3,704 |  | - |  | 296,296 |  | - |  | - | |  | - | |  | 300,000 |
| Shares issued  (31 July 2015) | 5,800 |  | - |  | 494,200 |  | - |  | - | |  | - | |  | 500,000 |
| Shares issued  (21 August 2015) | 6,740 |  | 221,012 |  | - |  | - |  | - | |  | - | |  | 227,752 |
| Shares issued  (17 November 2015) | 40,984 |  | - |  | 3,959,016 |  | - |  | - | |  | - | |  | 4,000,000 |
| Share-based payment cost | - |  | - |  | - |  | 312,919 |  | - | |  | - | |  | 312,919 |
| Share options lapsed/exercised |  |  | - |  | - |  | (139,624) |  | 139,624 | |  | - | |  | - |
| Dividends paid | - |  | - |  | - |  |  |  | (1,210,629) | |  | - | |  | (1,210,629) |
| **Total transactions with owners** | **59,903** |  | **305,719** |  | **4,749,512** |  | **173,295** |  | **(1,071,005)** | |  | **-** | |  | **4,217,424** |
| **Balance at 31 December 2015** | **589,505** |  | **1,901,747** |  | **13,675,249** |  | **631,023** |  | **5,892,456** | |  | **(11,382,773)** | |  | **11,307,207** |
| **Profit and total comprehensive income for the period** | **-** |  | - |  | **-** |  | **-** |  | | **1,572,352** |  | | - |  | **1,572,352** |
| Shares issued  (12 January 2016) | **2,187** |  | **131,565** |  | **-** |  | **-** |  | | **-** |  | | **-** |  | **133,752** |
| Shares issued  (5 May 2016) | **1,672** |  | **122,859** |  | **-** |  | **-** |  | | **-** |  | | **-** |  | **124,531** |
| Shares issued (23 May 2016) | **6,906** |  | **-** |  | **743,094** |  | **-** |  | | **-** |  | | **-** |  | **750,000** |
| Share-based payment costs | **-** |  | **-** |  | **-** |  | **156,460** |  | | **-** |  | | **-** |  | **156,460** |
| Dividend | - |  | - |  | **-** |  | **-** |  | | **-** |  | | **-** |  | **-** |
| **Balance at 30 June 2016** | **600,270** |  | **2,156,171** |  | **14,418,343** |  | **787,483** |  | **7,464,808** | |  | **(11,382,773)** | |  | **14,044,302** |

# 1. Accounting Policies

## Basis of Preparation

These consolidated, unaudited, interim financial statements are for the six months ended 30 June 2016. Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), this announcement in itself does not contain sufficient information to comply with IFRS. Details of the accounting policies are those set out in the annual report for the year ended 31 December 2015. These accounting policies have remained unchanged for the six months ended 30 June 2016.

## *Going Concern*

The Group’s forecasts, which have been prepared for the period to 31 December 2017 after taking into account the contracted orders book, future sales performance, expected overheads, capital expenditure and debt service costs, show that the Group should be able to operate profitably and within the current financial resources available to the Group.

After making enquiries, the Directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated interim financial statements.

The preparation of financial statements, in conformity with generally accepted accounting principles under IFRS, requirements management to make estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

* 1. **Revenue Recognition**

Corporate Division

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

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

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

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

In respect of contracts for on-going services billed directly to the Corporate customer including bureau services, which have increased since the acquisition of STC Energy and Carbon Holdings Limited, revenue represents the value of work done in the year. Revenue in respect of contracts for on-going consultancy services is recognised as it becomes unconditionally due to the group as services are delivered and is measured by reference to stage of completion as determined by cost profile.

SME Division

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

*Change of Tenancy Agreements ('COTS')*

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

*Other SME Agreements*

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

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

## 2. 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 six month period to 30 June 2016 were determined on the basis of the reporting presented at regular Board meetings of the Group which is by nature of customer and level of procurement advice provided. The segments comprise:

### The Corporate Division (“Corporate”)

This sector comprises the operations of Inspired Energy Solutions Limited, Direct Energy Purchasing Limited, Wholesale Power UK Limited and STC Energy Management Limited. The Corporate’s core services are primarily in the review, analysis and negotiation of gas and electricity contracts on behalf of corporate clients. Additional services provided include Energy Review and Benchmarking, Negotiation and Bill Validation. The Group’s Corporate Division benefits from a market leading trading team, who actively focus on high volume customers, providing more complex, long-term energy frameworks based on agreed risk management strategies.

### The SME Division (SME)

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

### PLC costs

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Six months ended 30 June 2016 | | | | | | |  | Six months ended 30 June 2015 | | | | | | |  |
|  |  | Corporate  £ |  | SME  £ |  | PLC costs  £ |  | Total  £ |  | Corporate  £ |  | SME  £ |  | PLC costs  £ |  | Total  £ |  |
|  | Revenue | 7,497,760 |  | 2,605,533 |  | 60,105 |  | 10,163,398 |  | 4,354,337 |  | 2,109,633 |  | 60,049 |  | 6,524,019 |  |
|  | Cost of sales | (907,040) |  | (1,305,287) |  | - |  | (2,212,327) |  | (609,505) |  | (1,016,284) |  | - |  | (1,625,789) |  |
|  | Gross profit | 6,590,720 |  | 1,300,246 |  | 60,105 |  | 7,951,071 |  | 3,744,832 |  | 1,093,349 |  | 60,049 |  | 4,898,230 |  |
|  | Administration expenses | (3,621,167) |  | (646,309) |  | (1,506,831) |  | (5,774,307) |  | (1,758,964) |  | (669,220) |  | (617,518) |  | (3,045,702) |  |
|  | Operating profit | 2,969,553 |  | 653,937 |  | (1,446,726) |  | 2,176,764 |  | 1,985,868 |  | 424,129 |  | (557,469) |  | 1,852,528 |  |
| - | Analysed as: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | - |
|  | **EBITDA** | 3,234,045 |  | 867,678 |  | (354,981) |  | 3,746,742 |  | 2,118,313 |  | 579,434 |  | (238,394) |  | 2,459,353 |  |
|  | Depreciation | (182,540) |  | (14,850) |  | - |  | (197,390) |  | (62,287) |  | (7,431) |  | (634) |  | (70,352) |  |
|  | Amortisation | (81,952) |  | (198,891) |  | (784,400) |  | (1,065,243) |  | (70,158) |  | (147,874) |  | - |  | (218,032) |  |
|  | Share-based payments | - |  | - |  | (156,460) |  | (156,460) |  | - |  | - |  | (149,867) |  | (149,867) |  |
|  | Exceptional costs | - |  | - |  | (150,885) |  | (150,885) |  | - |  | - |  | (168,573) |  | (168,574) |  |
|  |  | 2,969,553 |  | 653,937 |  | (1,446,726) |  | 2,176,764 |  | 1,985,868 |  | 424,129 |  | (557,468) |  | 1,852,528 |  |

# 3. Earnings Per Share

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Six months ended 30 June 2016 (unaudited)**  **£** |  | Six months ended 30 June 2015 (unaudited)  £ |  | Year ended 31 December 2015 (audited)  £ |  |
|  |  |  |  |  |  |  |
| Profit attributable to equity holders of the Group | **1,572,352** |  | 1,360,018 |  | 2,843,249 |  |
| Amortisation of computer software and customer databases | **608,993** |  | 173,210 |  | 388,430 |  |
| Amortisation of other intangible assets acquired | **456,250** |  | 44,822 |  | 398,275 |  |
| Deferred tax in respect of amortisation | **-** |  | - |  | (62,703) |  |
| Fees associated with acquisition/listing | **52,993** |  | - |  | 480,128 |  |
| Share based payments costs | **156,460** |  | 149,867 |  | 312,919 |  |
| Exceptional items | **97,892** |  | 168,574 |  | - |  |
|  |  |  |  |  |  |  |
| Adjusted profit attributable to equity holders of the Group | **2,944,940** |  | 1,896,491 |  | 4,360,298 |  |
|  |  |  |  |  |  |  |
| Weighted average number of ordinary shares in issue | **474,850,659** |  | 425,245,485 |  | 434,844,094 |  |
| Diluted weighted average number of ordinary shares in issue | **501,835,399** |  | 448,529,786 |  | 458,849,929 |  |
|  |  |  |  |  |  |  |
| Basic earnings per share (pence) | **0.33** |  | 0.32 |  | 0.65 |  |
| Diluted earnings per share (pence) | **0.31** |  | 0.30 |  | 0.62 |  |
| Adjusted basic earnings per share (pence) | **0.62** |  | 0.45 |  | 1.00 |  |
| Adjusted diluted earnings per share (pence) | **0.59** |  | 0.42 |  | 0.95 |  |
| Alternate adjusted diluted earnings per share (pence) | **0.49** |  | 0.40 |  | 0.91 |  |
| Alternate adjusted diluted earnings per share (pence) | **0.47** |  | 0.38 |  | 0.87 |  |

The weighted average number of shares in issue for the adjusted diluted earnings per share include the dilutive effect of the 26,984,740 share options in issue to senior staff of Inspired Energy plc.

Adjusted earnings per share represents the earnings per share, as adjusted to remove the effect of the fees associated with acquisition/listing, amortisation of intangible assets, share based payments and exceptional items which have been expensed to the income statement in the period.

Alternate adjusted earnings per share represents the earnings per share, as adjusted to remove the effect of the fees associated with acquisition/listing, amortisation of intangible assets (excluding amortisation related to computer software and customer databases), share based payments and exceptional items which have been expensed to the income statement in the period.

# 4. Property, plant and equipment

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Fixtures and fittings  £ |  | Motor  vehicles  £ |  | Computer equipment  £ |  | Leasehold improvements  £ |  | Total  £ |
| ***Cost*** |  |  |  |  |  |  |  |  |  |
| As at 1 January 2015 | 315,873 |  | 38,326 |  | 263,071 |  | 183,796 |  | 801,066 |
| Acquisitions through business combinations | 30,802 |  | 13,100 |  | 724,349 |  | - |  | 768,251 |
| Additions | 101,768 |  | - |  | 109,460 |  | 34,863 |  | 246,091 |
| Disposals | - |  | (38,326) |  | - |  | - |  | (38,326) |
| **At 31 December 2015** | **448,443** |  | **13,100** |  | **1,096,880** |  | **218,659** |  | **1,777,082** |
| Additions | 96,203 |  | - |  | 82,589 |  | 8,776 |  | 187,568 |
| **At 30 June 2016** | **544,646** |  | **13,100** |  | **1,179,469** |  | **227,435** |  | **1,964,650** |
| ***Depreciation*** |  |  |  |  |  |  |  |  |  |
| As at 1 January 2015 | 98,086 |  | 12,478 |  | 111,673 |  | 18,599 |  | 240,836 |
| Charge for the year | 68,876 |  | 8,213 |  | 96,950 |  | 20,319 |  | 194,358 |
| Disposals | - |  | (18,415) |  | - |  | - |  | (18,415) |
| **At 31 December 2015** | **166,962** |  | **2,276** |  | **208,623** |  | **38,918** |  | **416,779** |
| Charge for the year | 39,290 |  | 728 |  | 145,988 |  | 11,384 |  | 197,390 |
| **At 30 June 2016** | **206,252** |  | **3,004** |  | **354,611** |  | **50,302** |  | **614,169** |
| **Net Book Value** |  |  |  |  |  |  |  |  |  |
| **At 30 June 2016** | **338,394** |  | **10,096** |  | **824,858** |  | **177,133** |  | **1,350,481** |
| At 31 December 2015 | 281,481 |  | 10,824 |  | 888,257 |  | 179,741 |  | 1,360,303 |

# 5. Intangible assets and goodwill

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Computer software  £ |  | Trade name £ |  | Customer databases  £ |  | Customer contracts  £ |  | Customer relationships £ |  | Goodwill  £ |  | Total  £ |
| **Cost** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| At 1 January 2015 | 954,903 |  | - |  | 516,015 |  | 1,835,850 |  | - |  | 2,075,739 |  | 5,382,507 |
| Additions | 101,487 |  | - |  | 428,285 |  | - |  | - |  | - |  | 529,772 |
| Acquisitions through business combinations | 3,009,000 |  | 115,000 |  | - |  | 1,638,000 |  | 1,989,000 |  | 7,325,095 |  | 14,076,095 |
| **At 31 December 2015** | **4,065,390** |  | **115,000** |  | **944,300** |  | **3,473,850** |  | **1,989,000** |  | **9,400,834** |  | **19,988,374** |
| Additions | 56,659 |  | - |  | 169,200 |  | - |  | - |  | - |  | 225,859 |
| **At 30 June 2016** | **4,122,049** |  | **115,000** |  | **1,113,500** |  | **3,473,850** |  | **1,989,000** |  | **9,400,834** |  | **20,214,233** |
| **Amortisation** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| As at 1 January 2015 | 210,035 |  | - |  | 217,044 |  | 1,835,850 |  | - |  | - |  | 2,262,929 |
| Charge for the year | 259,570 |  | 677 |  | 339,018 |  | 128,860 |  | 58,580 |  | - |  | 786,705 |
| **At 31 December 2015** | **469,605** |  | **677** |  | **556,062** |  | **1,964,710** |  | **58,580** |  | **-** |  | **3,049,634** |
| Charge for the year | 410,102 |  | 2,875 |  | 198,891 |  | 204,750 |  | 248,625 |  | - |  | 1,065,243 |
| **At 30 June 2016** | **879,707** |  | **3,552** |  | **754,953** |  | **2,169,460** |  | **307,205** |  | **-** |  | **4,114,877** |
| **Net Book Value** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **At 30 June 2016** | **3,242,342** |  | **111,448** |  | **358,547** |  | **1,304,390** |  | **1,681,795** |  | **9,400,834** |  | **16,099,356** |
| At 31 December 2015 | 3,595,785 |  | 114,323 |  | 388,238 |  | 1,509,140 |  | 1,930,420 |  | 9,400,834 |  | 16,938,740 |

Computer software is a combination of assets internally generated and assets acquired through business combinations. Amortisation charged in the period to 30 June 2016 associated with computer software acquired through business combinations is £328,150. The additional £81,952 charged in the period relates to the amortisation of internally generated computer software. Amortisation of customer databases of £198,891 is also in relation to internally generated intangible assets.

# 6. Availability of this announcement

This announcement together with the financial statements herein and a presentation in respect of the interim financial results are available on the Group's website, www.inspiredplc.co.uk