



Today's partner for
a better tomorrow

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Inspired PLC
Annual Report & Accounts 2022

Inspired PLC is a leading B2B technology enabled service provider delivering solutions that enable corporate businesses to transition to net-zero carbon and manage their response to climate change in the UK and Ireland.

STRATEGIC REPORT

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Businesses are facing increasing pressure to prioritise sustainability and ESG: they need access to specialist expert advisors to demonstrate to their stakeholders, including customers and investors, that they have clear plans to achieve net-zero carbon and to improve their ESG impacts.

Inspired PLC provides the expert insight and tailored advisory services to help businesses manage their energy costs, optimise their energy consumption, reduce their carbon emissions and prove their net-zero carbon and ESG strategies to their investors, customers and other stakeholders. Our solutions create clear and actionable long-term plans, making investment easier to obtain and carbon reductions quicker to realise. Reaching net-zero is a challenge, but with the right support and advice, businesses can achieve their goals in a commercially and operationally beneficial way.

Our offering

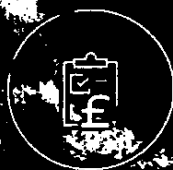
With businesses facing increasing pressure on many fronts to take the issues of sustainability and ESG seriously, they need access to specialist advisors to prove to all their stakeholders including customers and investors that they have a plan to achieve net-zero carbon and improve their ESG impact.

Inspired PLC provides expert insight and advisory services to help businesses manage their journey to net-zero Carbon and respond to the climate emergency whilst controlling their costs.

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, it can present businesses with a range of commercially and operationally beneficial opportunities.

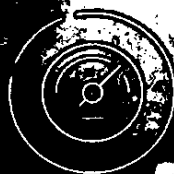
What we do

Inspired PLC has four areas of expertise:



1

Assurance
Services



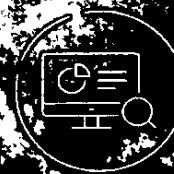
2

Optimisation
Services



3

ESG
Services



4

Software
Services

STRATEGIC REPORT

Our offering continued

Our four divisions work together to help Corporate Businesses deliver Net Zero and respond to climate change whilst controlling their costs by addressing each of the “4Cs”

How we help

No matter what a business' purpose is, energy is essential to achieving corporate objectives. Whether it is manufacturing goods, displaying them, storing them or providing services to businesses or consumers, businesses need energy, which now comes with a responsibility too. Investors, clients, employees and the supply chain are rightly concerned with the Carbon impact of the energy we all use. All businesses also need to understand how to control Cost and ensure Compliance with their reporting requirements. To improve on all those fronts reducing Consumption becomes the natural priority. These “4Cs” are the major challenges that our clients face and become the cornerstones of the services that Inspired deliver.

Cost

The 2022 price crisis meant that energy re-emerged as a Board level risk for the foreseeable future. It was a timely reminder for businesses to invest in professional energy procurement services as without such specialist expertise businesses become exposed to high energy price risks.

With some suppliers exiting the market and other pausing participation, securing supply contracts has been a challenge. It's not just about assessing supplier margin, but also the mechanism for fixing commodity; the transparency of the non-commodity costs and the balance of fixed vs pass through pricing along with customer service, billing accuracy and administration of portfolio changes. There's also credit terms and volume tolerance to sort.

Inspired's procurement specialists support over 3,500 clients through these challenges, offering detailed insight on all elements of energy price management. Qualified and expert risk managers work with clients to define and execute intelligent Risk Management Strategies (RMS) that meet their objectives. Adopting a flexible risk managed plan, using our collective circa 30TWh market power, allows our clients to navigate the volatile commodity markets more effectively, protecting against price shocks whilst taking advantage of any price drops.

Once procured, budgeting and understanding the billing of energy is another challenge. The complexity of energy billing has always been troublesome for suppliers with statistically one in three invoices having errors on them. With the welcome addition of the Energy Bill Relief Scheme (EBRS) validating energy bills went from close to impossible, to even harder for clients. Our energy accounting analysts challenge and validate every component of the bill delivering payment files direct into clients' accounting systems. This ensures full allocation in accordance with customer requirements for accurate payment to suppliers.

Consumption

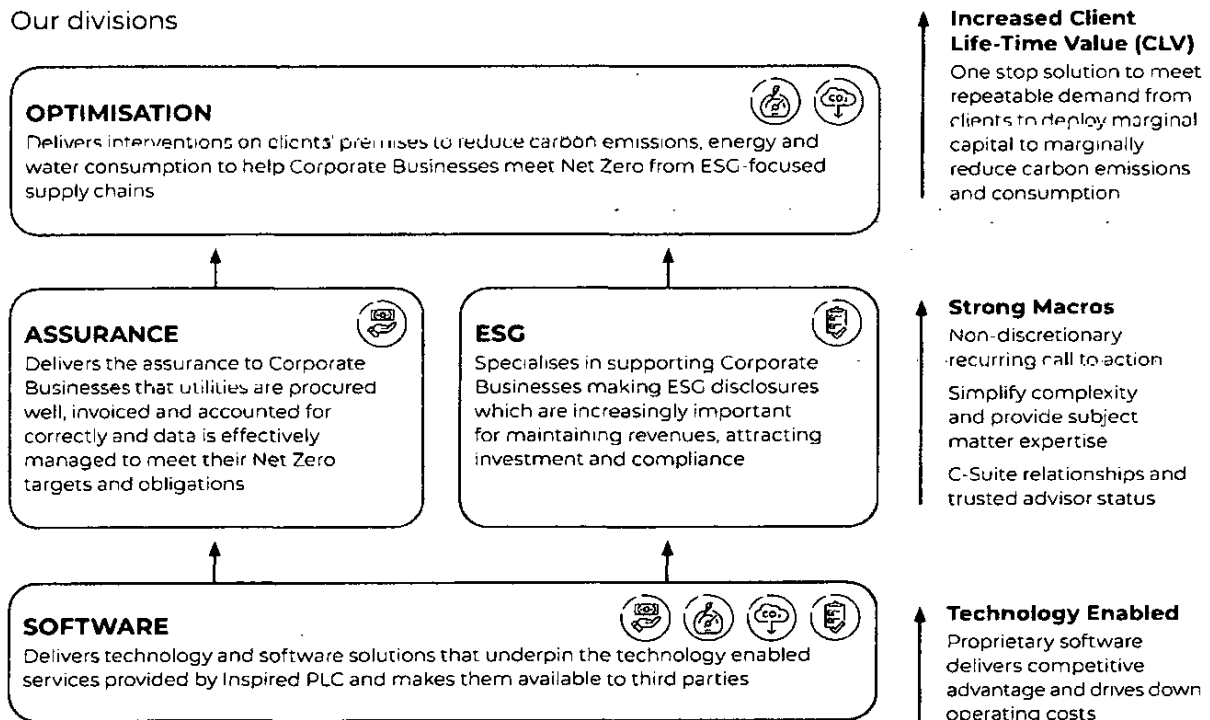
With prices increasing fivefold, the call to action to reduce consumption has never been louder. Whether its lighting, controls systems, heating, cooling or something more nuanced, technology is moving at a fast pace.

It's a challenge to keep on top of all the new ideas; prepare the investment case; secure the capital expenditure; choose the provider; oversee the work; validate the expected saving and move onto the next site – all whilst continuing to monitor the performance of an entire estate.

The Group have been responding to this challenge working with clients for over 15 years helping their investments reduce carbon emissions and energy consumption. We are technology agnostic and not tied to any manufacturer or service provider. Working directly with the Boards of major UK brands as well as smaller businesses, we identify areas of concern and deliver turnkey solutions to reduce carbon emissions and energy consumption in all areas.



Our divisions



Carbon

Although it is often said 'what gets measured can get managed', it doesn't always happen in a structured and controlled manner. This is where Inspired's Carbon Action Programme (CAP) can help. Working with clients to set clear and achievable objectives over the short, medium, and long-term, we then set about taking the practical steps to meet those goals.

Whether it is 100% green energy procurement or carbon offsetting to demonstrate commitment, or more long-term answers through the feasibility, planning and installation of onsite energy generation, we have solutions suitable for almost any business.

It's unlikely that the journey to net-zero and beyond will be achieved overnight with a few simple measures. That's why the Inspired plans are incremental and iterative. We offer the drive, knowledge and experience to back up a customer's desire to take good intentions and through our Optimisation Services can provide a full suite of deliverable solutions making a difference now and for all our future.

Mapping scope 1,2, and 3 emissions is just the starting point. A full carbon balance sheet and an action plan with specific and measurable steps to achieving reduction goals in line with science-based targets is becoming the norm. And not just for larger consumers that are captured by TCFD (Task Force on Climate-related Financial Disclosures) but for anyone involved in a supply chain or wanting to secure new investment this is becoming a revenue critical and investment critical item.

If a business cannot disclose their credentials and direction of travel to reduce their impact on the environment against a growing list of reporting frameworks, they risk becoming unattractive to investors and clients alike. Taking unstructured data and complex eco-systems to produce robust auditable and meaningful disclosures is a difficult challenge that Inspired's team of experts help clients deliver. Investing in understanding how to reduce impact on society is essential to business prosperity and a revenue protection mechanism rather than just a simple cost and time to pay back equation.

Inspired's ESG market-leading service helps businesses understand and take control of their disclosure requirements. We deliver a data driven service that can be translated into any number of reporting standards in a robust, auditable and repeatable format as the starting point on a Carbon Action Programme (CAP).

Compliance

The climate change emergency we are facing means that accountability for energy use is growing. To secure investment and/or be a supplier to whole sectors of the economy means businesses must go beyond the basic mandated reporting obligations into the world of understanding their full end-to-end impact on society.

STRATEGIC REPORT

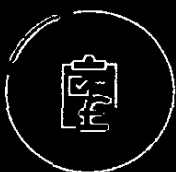
Group evolution

Inspired PLC

Inspired has continued its trajectory into a market leading technology enabled provider of energy advisory and sustainability services. We support businesses with their drive to net-zero, controlling energy costs and managing their ESG impacts.

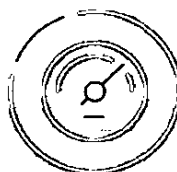
We present our clients with a seamless integrated business offering that addresses many different areas of need. As such, we have segmented our reporting into four divisions.

The logical and demonstrable evolution of our client relationships, whether started through our Assurance Services or ESG Services Division, is into a Carbon Action Programme (CAP). This is delivered by our newly segmented Optimisation Services Division. Our Software Services Division offers the proprietary technology that underpins our delivery across all divisions delivering the integrated experience our customers seek.



Assurance Services

Delivers services to enable corporate businesses to better manage their energy **cost** impacts.



Optimisation Services

Supporting businesses to deliver on their **net-zero plans plus carbon and consumption reduction commitments.**

We help Corporate Businesses deliver net-zero and respond to climate change whilst controlling their costs."



ESG Services

Delivers end-to-end solutions for investors and businesses to make effective compliance disclosures and transform them into effective ESG impacts.



Software Services

Proprietary software that underpins the services provided by the Group. Sold on a SaaS basis to other service providers and third parties

STRATEGIC REPORT

Strategy

Our Group purpose can be summarised as:



Help businesses manage their journey to net-zero carbon and respond to the climate emergency whilst controlling their costs."

Economic	
Short Term (Current FY to 2027)	Assurance Services <ul style="list-style-type: none"> Maintain position as the market leader in UK and Ireland. Deliver 0% to 3% organic growth. Focus on customer service to maximise client retention rates and where market churn is high due to external factors maintain a net neutral position with new sales. Deliver opportunistic M&A that helps consolidate the market where capital is available and they are earnings enhancing within one year. Deliver a market entry into c.five new geographies by December 2025, which are earnings enhancing within three years.
	ESG Services <ul style="list-style-type: none"> Grow our taxonomy and ESG framework agnostic solutions to help Corporate Businesses make their ESG disclosures in UK and Ireland. Expand our offering to support our clients' business operations that are captured by the emerging EU and US disclosure frameworks. Deliver the five-year organic growth plan set out in 2021. Deliver the SDGme solution for 25% of Group clients by December 2025 Build ESG Impact services to enable solution provision for each element of the ESG wheel.
Medium Term (2028 to 2037)	Optimisation Services <ul style="list-style-type: none"> Deliver 15% to 25% organic growth. Focus on delivering Carbon Action Programmes to deliver net-zero carbon strategies for clients. Deliver up to two acquisitions per year that provide additional solutions capability or consolidate the market and are earnings enhancing within two years.
	Software Services <ul style="list-style-type: none"> Deliver 10% to 20% organic growth. Deploy Capex to deliver 6-8 new technology solutions per year. Deliver up to two acquisitions per year that provide SaaS services that underpin the Group's technology enabled Services.
Long Term (2038 to 2052)	ESG Disclosure Services (operating within ESG Solutions Division) <ul style="list-style-type: none"> Leveraging our support for our UK and Ireland based Corporate Clients whose business operations are captured by EU and US disclosure mandates to deliver organic growth of our taxonomy and ESG framework solutions in the EU and US markets.
	<ul style="list-style-type: none"> Maintain a market leading position for each division in UK and Ireland maximising cash generation for the benefit of all stakeholders. Leveraging our support for our UK, Ireland, EU and US Corporate Clients whose business operations are captured by EU and US disclosure mandates to deliver organic growth of our taxonomy and ESG framework solutions in the EU and US markets.



Delivering long-term sustained growth

In order to meet this purpose, we consider our strategy over three-time horizons from an economic, environmental and social perspective.

Environmental	Social
<ul style="list-style-type: none"> • Prepare and implement required actions for the emerging ESG disclosures mandates in the UK and Ireland. • Improve business processes to allow better management of Supply Chain, Waste Management and Water Management to allow an acceleration in delivering net-zero carbon. • Review the office estate and rationalise to locations that have the potential to deliver absolute net-zero carbon on a location basis. • Deliver carbon neutrality for our Scope 1 and 2 emissions and our consumed Scope 3 emissions. • Deliver a 25% reduction in water use by 2025. • Replace or remove single use plastic by 2025. • Reduce paper usage by 50% by 2025. • Recycle 90% of paper by 2025. • 80% of suppliers by spend making a TCFD disclosure or equivalent by 2025. 	<ul style="list-style-type: none"> • Prepare and implement required actions for the emerging ESG disclosures mandates in the UK and Ireland. • Review learnings from the COVID-19 pandemic and work collegiately with employees to implement "flexible working practices". • Invest in further IT infrastructure to create a best-in-class remote working environment. • Implement the UN Sustainable Development Goals within the business culture. • Develop a STEM Scholarship programme with a diversity and inclusion focus. • Develop a training/apprenticeship programme to support individuals from low-income households develop the required technical skills to work in a low-carbon economy. • Launch the Inspired Foundation that will receive donations for products that we share with clients. • Create a programme to scale charitable contributions from the organisation in proportion to business growth. • Increase supplier engagement on ESG topics, including reviewing Supplier Code of Conduct, taking into consideration the Ethical Trading Initiative and ILO conventions.
<ul style="list-style-type: none"> • Achieve net-zero through absolute Scope 1 and 2 reduction on a location basis by 50% by 2030 versus 2019 and in total by 2035. 	<ul style="list-style-type: none"> • Expand the reach of our STEM Scholarship programme with a diversity and inclusion focus. • Expand the reach of our training/apprenticeship programme to support individuals from low-income households develop the required technical skills to work in a low-carbon economy. • Expand the reach of the Inspired Foundation. • Maintain the charitable programme contributions from the organisation in proportion to business growth. • Continue supply chain engagement and develop an action plan to support supply chain companies improve their ESG performance.
<ul style="list-style-type: none"> • Net-zero for Scope 1, 2 and 3 by 2050. 	<ul style="list-style-type: none"> • Expand the reach of our training/apprenticeship programme to support individuals from low-income households develop the required technical skills to work in a low-carbon economy. • Expand the reach of the Inspired Foundation. • Maintain the charitable programme contributions from the organisation in proportion to business growth. • Maintain supply chain action plan to support supply chain companies improve their ESG performance.

STRATEGIC REPORT

Our year in review

Q&A with CEO, Mark Dickinson

Q What do you see as the biggest achievements for the Group this year?

A I think first and foremost it's how the team has responded to the energy crisis; I can't emphasise enough how serious this has been. Price wise, the crisis has been up to five times worse than what we saw during the Global Financial Crisis in 2008. This has threatened many of our clients' continued operations, leading to frustrated and often frantic pleas for help that the team have admirably delivered on. They continue to work tirelessly to support our customers through the challenges of these unprecedented times.

Having survived that adversity, it's two key things:

- a) Acceleration of the Optimisation Services Division to make a physical difference to those businesses in terms of reducing carbon emissions and energy consumption.
- b) Exponential evolution of the ESG Services Division in terms of quality of offering and the price point it can be delivered at giving me confidence that we have a market leading solution at the market leading price point.

Q The energy crisis has been a challenge for all businesses, what are the key challenges inspired has supported clients on and has the crisis changed how you engage with clients?

A The challenges clients have been facing can be summarised as:

- a) Significant EBITDA shocks to one of their largest indirect costs.
- b) Suppliers who continuously change supply contract offers or refuse to quote.
- c) Suppliers who significantly increase their credit requirements to the client.
- d) Energy invoices where up to one in three can have an error and when prices are three to five times the long-term average, this error can be significant.

To maintain our service levels in these challenging times, we have had to incur more operating costs in the Assurance Service Division. This is because clients need a greater intensity of service and supplier inconsistency creates higher workloads.

However, these challenges have also created opportunities to accelerate the value we add to clients when reducing carbon emissions and energy consumption. As such, we have and continue to focus on the actions a client can control, independent of energy prices.

Q How have corporates been forced to react and where have you seen the most innovation across the business?

A I think there has been a wide range of responses from consumers. We can summarise the best practice, which in our opinion, should be adopted by all as:

- a) Enter long-term flexible contracts where you fix the suppliers margins, but not the price of energy. This means you can separate the supplier transaction process from the setting of the price you will pay. If you are already on a long-term flexible contract, make sure you keep your purchasing horizon open for at least six seasons ahead. That means extension or tendering decisions need to be made >3 years ahead of contract end.
- b) Develop a risk management strategy where you can take price fixing and unfixing decisions that are consistent with the needs of your business.
- c) Develop a Carbon Action Programme, so you can use the crisis to make progress towards net-zero.
- d) Implement optimisation projects to reduce carbon emissions and energy consumption.
- e) Produce effective ESG disclosures to allow you to effectively communicate with investors and the clients whose supply chain they are active within.

Q ESG remains of significant importance to both companies and stakeholders, what trends from the year stood out to you and where do companies need the most help?

A By far the biggest is ESG becoming a revenue critical item for clients. We see it in our business. If we want to be considered for a new piece of business, we have to complete various hurdles to even be in with a chance. Those hurdles now have a focus on ESG matters. You must have a credible net-zero plan and a social action programme. If you don't, you don't even get to the starting line. It is the same in all sectors. If a client wants to win a new sales contract or, more increasingly, retain their existing clients, they need to demonstrate their net-zero and social action plans. Some businesses are captured by the ever-evolving regulatory environment. But what all businesses need to realise is that these regulations require compliance by their supply chain. As such the increasing significance of ESG will be felt by all. We find the key bit of help businesses need is a practical delivered solution.

There are numerous companies that want to provide strategic consultancy and run a materiality workshop and when they leave the client has some suggestions but no disclosure.

There are hundreds of companies promoting a software solution, but the clients have no people available to use the software or understand if the answer it gives is correct.



We are a full-service suite provider that is well positioned in exciting macro themes, which are expected to be prevalent in the market over the years to come.”

We find what clients want is an auditable, data driven disclosure which the client's Board of Directors can use to make decisions. This is the solution that the Group provides to clients in what we believe to be a market leading service at a market leading price point.

Q **Has the outlook for businesses changed because of more recent changing macroeconomic environment?**

A We took the strategic decisions to own our own proprietary software and develop Optimisation Services in 2018. This was followed by the decision to enter the ESG market on a bootstrap basis in 2021. These choices have left us well positioned to benefit from the most exciting macro themes in the market.

The increasing focus of society on net-zero has created a long-term repeatable demand for Optimisation Services, where the object for clients is to reduce the next marginal unit of carbon emissions or energy consumption. This growth is expected to further accelerate in absolute terms, as we see record pipelines for Optimisation Services for both large and small clients.

Societies focus on ESG has driven the need for effective ESG disclosures. These require the processing and management of unstructured data, which is a core competence of the business. This demand has created a new stream of logos that join the Group to manage ESG, develop a Carbon Action Programme and deliver Optimisation Services.

Our positioning within these themes is allowing the Group to transform Client Life-time Value (CLV) for our clients. Whereas many businesses use CLV to extrapolate future potential, ours is empirically observed with our largest clients generating over £23 million CLV and repeatable demand in 10 of the last 13 years. Where we extrapolate out the life-time value of our portfolio assuming a modest £3.1 million ten-year CLV for large clients, our current client base provides a potential CLV of £3.6 billion. This is exciting for the growth of our business but more-so for the carbon and cost reduction opportunity it provides our clients.

Q **Where do you see the biggest opportunities for the Group?**

A We are a double-digit growth machine. We have delivered 8% CAGR from 2019 to 2022 which includes a 25% reverse in 2020 due to COVID-19. Management expects to deliver 12% to 15% EBITDA growth in 2023 and have a credible organic growth plan to double EBITDA over the next five years – repeating our achievements over the last five years. We aim to augment this strategy with acquisitions continuing our raison d'être of completing the right deal, at the right time and the right price.

Our organic growth opportunity is the culmination of the foundation work over the last five years, which despite losing 18 months to COVID-19, has created a platform capable of creating a £40m EBITDA opportunity with only a modest execution of the full potential of the business.

Q **What are your key takeaways for investors?**

A We are a robust business, extremely well placed to deliver growth. It has been tough 18 months lost to COVID-19 and energy crisis pressures, and the business has still grown.

We are a full-service suite provider, which is well positioned in exciting macro themes, which are expected to be prevalent in the market over the years to come.

Our Software Services are becoming a market leading platform which is now supported by over 60 TPIs reflecting its increasing integration into the fabric of the marketplace.

While there is still some short-term uncertainty regarding Assurance Services as the Energy Crisis evolves, this is more than offset by the opportunities in Optimisation Services and ESG. This leads us to expect to deliver double-digit EBITDA growth in 2023 and doubling EBITDA by 2027.



STRATEGIC REPORT

Financial highlights

Financial highlights of the Group

£88.8m

Revenues delivered by the Group of £88.8 million, a 31% increase on the prior year (2021: £67.9 million).

£37.2m

Net debt^{***} increased to £37.2 million at the year-end (2021: £32.9 million).

£21.7m

Underlying cash generated from operations (excluding the impact of deal fees and restructuring costs) amounted to £21.7 million increasing by 113% (2021: £10.2 million).

£14.0m

Adjusted profit before income tax^{***} in the year increased by 5% to £14.0 million (2021: £13.4 million).

£21.0m

Group adjusted EBITDA^{*} increasing by 6% to £21.0 million (2021: £19.8 million).

(£4.0m)

Loss before income tax in the year of (£4.0 million), compared to a profit of £1.1 million in 2021.

£69.0m

Corporate Order Book at 31 December 2022 increased by 24% year on year, to £69.0 million (2021: £57.5 million).





0.14p

Final dividend of 0.14 pence per share, which delivers a full year dividend of 0.27 pence per share (2021: 0.25 pence per share), in line with the Group's stated policy of dividend cover of at least 2.0x earnings.

- * Adjusted EBITDA is earnings before interest, taxation, depreciation, and amortisation, excluding exceptional items, share-based payments and changes in fair value of contingent consideration.
- ** Net debt is bank borrowings less cash and cash equivalents.
- *** Adjusted profit before income tax is earnings before tax, amortisation of intangible assets (excluding internally generated amortisation related to computer software and customer databases), exceptional items, share-based payments, the change in fair value of contingent consideration and foreign exchange gains/(losses) (a reconciliation of adjusted profit before tax to reported profit before tax can be found in note 10).

Operational and strategic highlights

Strong performance across all four business divisions, which are underpinned by long-term structural growth drivers:

 <p>Assurance Services</p> <ul style="list-style-type: none"> Record year for new business which counteracted an increase in client churn as a result of the unprecedented conditions in UK energy markets. Delivered revenues in line with expectations with increased overheads to maintain service-level quality standards whilst addressing client needs during the energy crisis, leading to a modest reduction in margin in the period. 	 <p>Optimisation Services</p> <ul style="list-style-type: none"> Revenue grew 64% to £477 million (2021: £291 million) driven by significant demand as the ongoing energy crisis significantly sharpened clients' focus on the economics of investment in energy reductions, combined with the drive for delivering net-zero. Optimisation Services are a key component in increasing the lifetime value of our clients as the repeatable demand for solutions to deliver net-zero and reduce costs address the strong macro themes of ESG and managing responses to climate change. These macro themes offer the opportunity to significantly drive absolute EBITDA growth for the Group over the next 20 years albeit at lower blended Group EBITDA margin. 	 <p>ESG Services</p> <ul style="list-style-type: none"> ESG revenue up 167% on FY21, in line with uplifted expectations post the Group's interim results, as the expanded service offering continues to gain significant traction. ESG Services not only offer an opportunity to increase the lifetime value of the existing client base but also to bring new clients to the Group including Videndum plc, QA Limited, City Electrical Factors (CEF) and John Wiley & Sons. 	 <p>Software Services</p> <ul style="list-style-type: none"> Performed in line with expectations, working with several flagship clients including Peabody, NHS Property Services, Laser and SMS plc. A number of significant software solution modules are expected to be released in 2023, providing opportunity for further upside growth.
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Current trading and outlook

- Trading in Q1 2023 started with considerable momentum across the business which is consistent with management expectations of circa double-digit EBITDA growth in year. Despite the ongoing macroeconomic and geopolitical uncertainties the Board is confident of the Group's continued ability to deliver full year results in line with expectations.
- The Group has a substantial addressable market underpinned by an extensive and blue-chip client base. The 'new normal', created by the energy crisis, has resulted in increased demand for the Group's products and services with optimisation and ESG becoming a revenue centric item for most businesses.
- For 2023, the Group intends to continue to refine its operating model in Assurance Services, whilst adapting service levels to the new environment.
- Specific focus during the year will also be given to increasing the 'life-time value' of clients by increasing penetration across the Group's suite of services.
- The improved processes for managing working capital within the Optimisation Services Division have continued to operate well as we start the year providing confidence that cash conversion for the year should operate in the 80% to 90% range.

STRATEGIC REPORT

ESG and sustainability
symbiotic market growth



Mandatory climate risk and carbon emissions reporting will drive the highest spend increase on consulting services and software in 2023."

Verdantix

\$16bn

ESG and sustainability consulting
forecasted to reach \$16 billion by 2027

UK's 2030 target a

31%

reduction in emissions
to reach 2030 target

2,253

companies had approved emissions
reductions targets or commitments
with the SBTi at end of 2021

Over

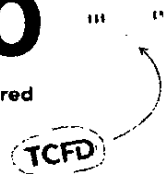
746

investors are requesting
companies to make
CDP disclosures

Over

1,300

companies are required
to make an annual
TCFD disclosure



Over

50,000

companies will be covered by the
new CSRD obligations

ESG solutions

Supporting over

300

clients in making
various ESG disclosures.

Our plan

Growing our client base as ESG
disclosures become revenue
and investment critical items for
Corporate Businesses is
underpinned by the continuing
introduction of new legislation.

Supporting our clients to improve
their supply chain governance and
social impact output to enhance
their ESG performance.

Implement Optimisation Services
and decarbonisation solutions to
improve their carbon balance
sheets and deliver net-zero.

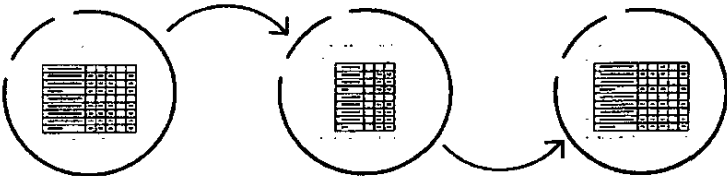
Carbon balance sheet

Demonstrable improvements in client's Carbon balance sheet helping them to
analyse their operations and drive reductions in their Carbon emissions

What is the emissions
inventory?

Understanding
operational
emissions

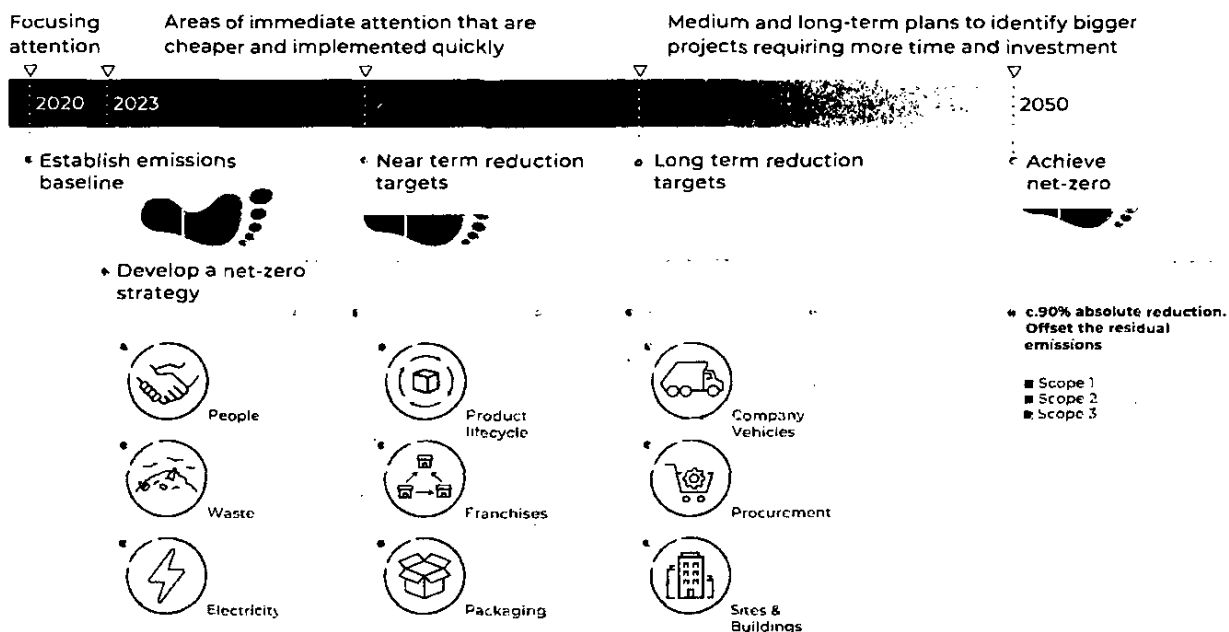
Understanding
emissions impact of
sold products





Delivering net-zero

Long-term programmes to decarbonise and deliver net-zero as businesses transition to a low carbon economy



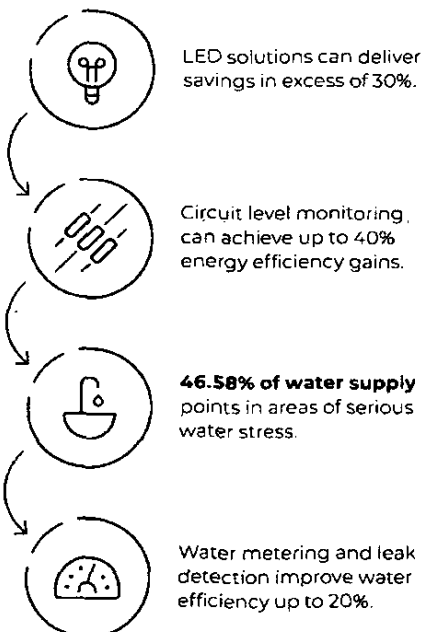
STRATEGIC REPORT

Decarbonisation focus areas

It is recommended to split decarbonisation action plan into focus areas. Each focus area will have specific targets linked to the short and long-term targets. The level of detail and data required should be gradually built up.

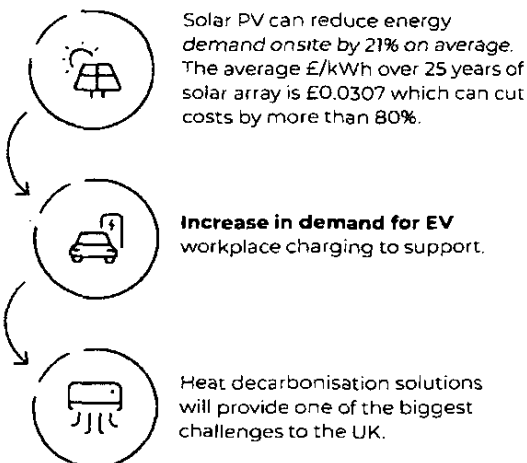
Optimising efficiency

Supporting our clients to improve operational performance while reducing their carbon emissions, to achieve their near term targets



Decarbonisation

Enabling our clients to meet their net-zero targets.



STRATEGIC REPORT

The power of 'Repeatable Demand'

Sometimes stakeholders look at the recurring nature and higher margins of the Assurance Services, ESG Services and Software Solutions divisions and they worry that the Optimisation Services Division is simply a lower quality project-based business unit. This misconception serves to fundamentally misunderstand the long-term nature of the challenges that clients are facing and the critical role that the Group places in helping clients meet this challenge.

Why does the Group have Optimisation Services?

The Group diversified into Optimisation Services in 2019 for three key reasons:

1. Historically, the Group had only managed half of the client's problem, focusing on the 'price side' of their energy cost equation. If you are going to serve a client well, you need to support them on the whole problem they face.
2. When energy prices are rising, as we have seen during the energy crisis, Assurance Services can only help a client with 'cost avoidance', a client needs Optimisation Services to reduce costs and protect the profitability of the business.
3. When implementing carbon and energy reduction through Optimisation Services, clients have a preference for an expedient, cost effective solution from a service provider who has analysed all of their site data and prequalified that the project matches their objectives already.

Why isn't it a low-quality project based business?

Clearly when the Group supports a client by intervening with a building to reduce carbon or energy consumption, that's a project and it doesn't repeat until there is a need update or replace the solution. However, the problem the Group solves for the client is not:

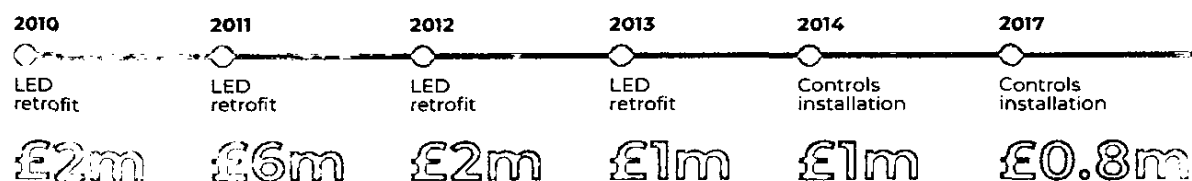
"I need an LED solution or I need a solar solution."

The problem the Group solves for clients is:

"I need to deliver a marginal reduction in carbon emissions to meet net-zero carbon or I need to deliver a marginal reduction in energy consumption; what capital and interventions can I make to achieve this?"

When we solve this problem (the "Marginal Need") we benefit from 'repeatable demand'.

Timeline of projects completed and value generated



Our client

over 500
storesspends c.£6m
on electricity,
gas and waterstarted working
with us in 2010

By way of example, through our subsidiary Ignite Energy LTD, we have worked with a leading retailer and FTSE 250 constituent for the last 13 years and have delivered Optimisation Services to that client in 10 out of 13 years.

At a glance

Whilst the annual fee for Assurance Services has remained at £135k for this client over the duration of the relationship, we have delivered over £23.7 million in projects for multiple technologies (and replacements as projects come to the end of their economic lives) to reduce energy and carbon consumption at the relevant stores by 30% per year, helping the client reduce costs and their carbon footprint.

The client is currently spending c.£2.5 million with us annually on delivering energy initiatives to ensure they become more sustainable, and this makes up a significant proportion of their total procurement spend.

We expect to deliver a further £4.7 million of projects delivering an annual saving on utility spend of 30% across the portfolio.

On average we have delivered £1.7 million of Optimisation Projects by meeting the clients Marginal Need, delivering value against that repeatable demand.

£23.7m+

Projects for multiple
technologies

30%

Energy and carbon consumption
reduction per year

£4.7m

Further projects scheduled

£1.7m

Average delivered
Optimisation Projects

2018

Controls
installation

£0.8m

2019

Controls installation &
chiller airflow optimisation

£0.75m

2020

LED
upgrade

£1m

2022

LED &
BEMS upgrade

£1m

STRATEGIC REPORT

A trusted advisor to the UK manufacturing sector

A smarter approach to the market

Many energy consultancies use single channel sales strategies, often adopting cold-calling telesales tactics when targeting businesses. This approach is expensive, time consuming and results in lower quality, transactional client engagements.

The Group takes a different route. Embracing an omnichannel sales strategy, we use a range of digital, social, content and networking hooks to engage businesses. This includes partnering with trade and sector bodies, whereby acting as a trusted advisor to the membership, we can deploy a 'one to many' approach in terms of reaching our target client profiles.

A perfect example of this is through our partnership with Make UK, who represent over 20,000 manufacturers, making them the UK's leading voice for the sector. Starting with our foundational Assurance offerings, after gaining sector and customer trust we have expanded this into our wider Optimisation and ESG Services. This has given Make UK members opportunity to not only control energy costs more effectively, but build sustainability into their operations, whilst continuing their journey to net-zero.

From our work with the members and wider manufacturing businesses, net-zero also helps them create competitive

advantage in their market space. Being on the end of supply chain pressure to disclose and reduce their carbon footprint, manufacturers can differentiate themselves and add value to their clients and supply chain.

Tackling the 4Cs for manufacturers

The COVID-19 pandemic and subsequent energy price crisis in 2022 put into sharp focus the challenges of cost control and consumption reduction for energy-intensive businesses. None more so than for the UK manufacturing sector, where energy is often the highest indirect cost to these organisations. Along with this cost pressure, are the strong drivers of charting a cost-effective route to net-zero and complying with all carbon reporting legislation. It's a huge burden on manufacturers who are already grappling with tough economic conditions.

Our partnership with Make UK goes beyond just service provision – we have worked hard to develop our thought leadership with Make UK over time to become a trusted strategic advisor to the sector. We have actively led and participated in a series of national and regional workshops, steering groups, events, roadshows and campaigns guiding the Make UK Executive and their members on how to apply best practice in delivering effective energy and sustainability strategies.

Q1-Q4

2020

Q1-Q2

2021

Service delivered**Assurance**

- Fixed and risk managed procurement, market analysis, energy accounting, financial and consumption reporting.

Value generated

- Delivered a series of webinars and thought leadership pieces to members to support with controlling energy costs in COVID-19.

Service delivered**Optimisation**

- Introduced our net-zero and carbon reduction services through our net-zero Toolkit.
- Carbon disclosure services (ESOS and SECR).
- Carbon price optimisation (Green Gas and Power Certificates, On-site Generation).
- Levy exemption application and management (CCA and EII).

Value generated

- Delivered a programme of webinars, 'Demystifying net-zero', to build awareness around net-zero.
- Designed and rolled out the net-zero Toolkit to support the smaller-and-medium sized manufacturers in how to develop and plan a net-zero roadmap.

20,000+

Manufacturers who Make UK represent

STRATEGIC REPORT

Q3-Q4

2021

Q1-Q4

2022

Service delivered

Optimisation

- Widened our net-zero and carbon services to build sub-sectorisation into service offerings.

Value generated

- Developed and delivered the 'UK Manufacturing Sectors' roadmap to net-zero.
- Consultation with wider manufacturing sector trade bodies and adherence to a climate science pathway backed target.
- Sponsored and judged 'Energy and Sustainability' category at National Awards. Celebrates the early adopters or pro-active businesses making a real impact on their journey to net-zero.

Service delivered

Assurance and ESG

- Increased product offering with ESG disclosures, monitoring and targeting and renewables.
- Renewed focus on energy price risk management and cost reduction to combat the energy crisis.

Value generated

- In 2022, we delivered £750k of revenue, with 23 new logos onboarded.
- Focused on support to members navigating record high energy prices (energy crisis) through better purchasing, energy optimisation and onsite generation.
- Celebrates the early adopters or pro-active businesses making a real impact on their journey to net-zero.

STRATEGIC REPORT

EMaaS™ driving increases in Client Lifetime Value

The Group has a track record of delivering significant carbon and energy reduction solutions for larger organisations. Through the acquisition of Businesswise Solutions we have been able to extend this capability across all of our client base through EMaaS™ (Energy Management as-a-Service).

EMaaS™ puts expert carbon and energy management into the hands of almost any size business by blending hardware, software, and expertise to achieve strategic energy objectives. When deployed within an engaged organisation, it delivers exponential value to the client, and provides the basis for them to improve their ESG disclosures which in turn opens up many more revenue generating opportunities for the Group increasing the Client lifetime Value (CLV).

EMaaS™ can be deployed to good effect by almost any business as a subscription service giving access to energy manager expertise on a call-off basis. Circuit level monitoring and analysis tools identify opportunities for efficiency, pinpointing energy usage and wastage at a granular level.

EMaaS™ is revenue generating as a service across a variety of clients, but more importantly is one of the bridges between a transactional Assurance relationship to the trusted advisor status. This opens the door for a better understanding of a client's energy usage, leading to improved ESG disclosures and onto further Optimisation Services under carbon action programmes.

Client 1

Retail

CLV

£0.8m → £1.5m

Assurance Services

£80k p.a.

EMaaS™ added

£72k p.a.

Efficiency savings identified

6.5%

Client 2

Brewery

CLV

£0.5m → £0.8m

Assurance Services

£57k p.a.

EMaaS™ added

£24k p.a.

Efficiency savings identified

>16%



Client 3

Food distributor

CLV

£0.5m → £0.8m

Assurance Services

£50k p.a.

EMaaS™ added

£24k p.a.

Entry level ESG Services

£25k

Client 4

Manufacturer

CLV

£0.17m → £0.25m

Assurance Services

£17k p.a.

EMaaS™ added

£17k p.a.

ESG opportunities

under consideration

STRATEGIC REPORT

Chairman's statement



Richard Logan
Chairman



We continue to position the Group as the leading provider of services to help businesses respond to climate change and meet their net-zero targets."

Delivered across all business divisions and created a strengthened platform capable of generating long term growth, against a very challenging backdrop in UK energy markets

2022 was a year of significant progress across all business divisions, with a strengthened platform created, capable of generating long-term growth, against a very challenging backdrop in UK energy markets. As a Board, we are incredibly proud of what our team has achieved during these unprecedented times. We continue to overcome the challenges the UK market faces, positioning the Group as the leading provider of services to help businesses to respond to climate change and meet their net-zero targets

The year started with the impact of the war in Ukraine causing significant volatility and uncertainty across commodity and energy markets. The crisis further highlighted energy as an essential Board level priority and the Group continues to take every opportunity to help all clients mitigate the cost of energy and manage their energy consumption and carbon emissions during these unprecedented times.

We are delighted with the resilient revenue and margin performance of the Assurance Services in 2022. The last three financial years have been an especially challenging time for our Assurance Services, with COVID-19 impacting both 2020 and 2021, and the energy crisis impacting 2022. Our drive to continue to provide a first-class level of service to our Assurance clients has led to an increase in our overheads during the year, an investment in our cost base which we believe is essential if we are to continue to be the market leader.

Our decision to diversify, firstly into Optimisation Services in 2019 and subsequently into ESG Services in 2021, has proven to be an excellent strategic choice. Optimisation has grown rapidly and now represents the majority of Group revenues whilst ESG, from a standing start, is already experiencing rapid growth. Both continue to provide significant opportunities for long-term growth. Inspired has the benefit of a substantial client base developed over the years through its Assurance Division. The energy crisis has provided the additional catalyst to potentially accelerate that growth through increasing levels of cross-selling into our client base, supplementing continued new business generation.

Together with the strong foundation of the performance of the Assurance operation, we have created the platform for an exciting period of opportunity for the business.

Environmental, Social & Governance (ESG)

As a service provider helping businesses deliver market leading ESG disclosures, it is important that the Group is at the forefront of ESG performance.

During 2022, the Group made the following progress towards its ESG objectives:

1. Modelled our net-zero pathway.
2. Piloted half hourly monitoring at our head office which will be rolled out across our estate to drive energy efficiency and reduce our carbon emissions.
3. Introduced an Electric Vehicle scheme to employees.



4. Introduced a new suite of professional skills development courses for employees.
5. Prepared our third voluntary Task Force on Climate-Related Financial Disclosure (TCFD).
6. Prepared our third voluntary ESG report aligned with the Global Reporting Initiative (GRI).
7. Submitted our first CDP disclosure and achieved a B score.

For 2023, the Group's planned ESG deliverables can be summarised as:

1. Submit our near-term and net-zero targets for validation to the Science-Based Targets Initiative (SBTi).
2. Engage with our top suppliers on ESG.
3. Start conducting lifecycle assessments (LCA) on top selling products.
4. Develop our STEM scholarship programme.
5. Prepare our first Task Force on Nature-Related Financial Disclosure.
6. Prepare our fourth Task Force on Climate-Related Financial Disclosure (TCFD).
7. Prepare our fourth voluntary ESG Report aligned to the Global Reporting Initiative (GRI).

Dividend

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

Accordingly, the Board is pleased to propose a final dividend of 0.14 pence (2021: 0.13 pence) subject to shareholder approval at the AGM in June, resulting in a full year dividend of 0.27 pence (2021: 0.25 pence). The dividend aligns with the Board's stated policy of a dividend cover of at least 3x earnings, with the objective of delivering progressive dividend growth over time and reflects the Board's confidence in the business.

The dividend will be payable on 26 July 2023 to all shareholders on the register on 16 June 2023 and the shares will go ex-dividend on 15 June 2023.

Staff

On behalf of the Board, I would like to thank all our employees who continue to overcome the challenges of these difficult times. We have continued, throughout, to invest in our valued team and the business. The Group takes every opportunity to help all clients mitigate the cost of energy and manage their energy consumption and carbon emissions during these unprecedented times.

Board update

On 2 March 2023, Sarah Flannigan stepped down from the Board and we welcomed Peter Tracey, as a Non-Executive Director. I wish to thank Sarah for her contribution to the Group's achievements since joining the Board in June 2020. Sarah has been a trusted and valued member of the Board, providing strong support and guidance throughout the COVID-19 pandemic and subsequent unprecedented energy market volatility. Peter adds significant capital markets experience and brings with him a skill set that complements those of the existing Non-Executive Board members. The Board looks forward to benefiting from Peter's knowledge and experience as we work towards another year of significant growth and development.

The Board will continue to consist of three Executive Directors supported by a Non-Executive Chairman and three independent Non-Executive Directors, representing a broad mix of skills and diversity to align with the Group's evolving strategy.

Richard Logan
Chairman
28 March 2023

DocuSigned by:

Richard Logan
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STRATEGIC REPORT

Our investment case

A compelling growth opportunity for investors

1

UK's leading commercial energy and sustainability advisor

- Leading technology enabled service provider of energy advisory and sustainability services, supporting over 3,400 businesses in their drive to net zero, controlling energy costs and managing their response to climate change.
- Unique energy assurance and optimisation services as businesses focus on reducing costs and the net-zero Carbon agenda to manage the 4Cs (Cost, Consumption, Compliance and Carbon).
- By procuring effectively, managing operations and monitoring performance, we can directly impact clients carbon performance.
- Received the LSE Green Economy Mark in November 2020, recognising the Group's environmental and strategic focus, service and support to clients and the impact the business has on the green economy



2

Strong macro-drivers

- Every business in the country who typically spends more than £100,000 on energy and water per year is a potential customer.
- Regulatory and legal obligations for companies to demonstrate how they meet the necessary standards, gives *Inspired* the advisor status.
- £2.5bn market opportunity in what is a highly fragmented market.
- Offers a leading ESG disclosure service in response to the growing climate change challenges facing UK businesses.
- The global energy crisis has highlighted energy as a high priority Board level topic, accelerating the need for the Group's services.
- Strong sales pipeline demonstrating we are the market leading solution as a market leading price point.

Market opportunity

£2.5bn

3

Differentiated value proposition

- By solving complexity for clients with respect to energy and ESC, we understand their business and their carbon related data.
- We provide disclosures and information which allows our clients to meet their regulatory and legal obligations and have a baseline for making decisions with respect to energy and the environment.
- A genuine end-to-end solutions provider and our services earn us trusted advisor status, at client C-Suite level. By mining the data, we collect through our assurance and ESG services we, not only design but implement solutions for clients to reach net-zero.
- We are the leading independent solution agnostic provider of services that manage the four C's (Cost, Consumption, Compliance and Carbon) and the leading player of scale in our market.

Manage the four C's

Cost

Consumption

Compliance

Carbon

4

Technology enabled service

- We own the proprietary software that underpins our service.
- We process millions of pieces of client data with respect to cost, consumption and carbon every month.
- We monetise this technology on a SaaS basis with other market participants, extracting revenues from parts of the market we wouldn't normally have access to.
- By providing technology to our competitors, we professionalise our M&A pipeline and simplify the integration costs when we acquire a business already utilising our backbone.
- We provide disclosures and information which allows our clients to meet their regulatory and legal obligations and have a baseline for making decisions with respect to energy and the environment.

SaaS revenue

c. £2.5m

5

Ambitious with a strong growth engine

- For the last 5 years we have delivered a transformational growth thesis through acquisition, delivering market consolidation to become the player scale, diversification of capability to increase the breadth of our client relationships and technology enablement to improve the effectiveness of our service.
- All of this has been achieved whilst doubling EBITDA over the last 5 years and creating an organization which designed to have a business plan to double EBITDA again over the next 5 years through organic growth.
- With a focus on client life time value that can be empirically evidenced through our multi-decade relationships with clients FY23 sees a business plan designed to deliver double digit Adj EBITDA Growth of 14%.

FY23 Organic double digit Adj. EBITDA Growth expectation

c. 14%

6

Experienced senior leadership team

- Committed leadership team invested in building out a business that can scale.
- Highly experienced management team positioned to deliver shareholder value.
- A balanced and successful Board and senior management team provide the capability to effectively navigate the fast-evolving sector.
- Unique combination of established supplier relationships, market expertise and technical capability.

Combined senior leadership team years experience

over. 35yrs

STRATEGIC REPORT

Chief Executive Officer's statement



Mark Dickinson
Chief Executive Officer

Our strong performance this year is testament to our evolving offering within each of our four divisions and the teams we have working across our business."

Inspired's performance has been very strong both financially and operationally in what has been the most challenging year ever seen in UK energy markets

In what has been the most challenging year ever seen in the UK energy markets, when the need for our services supporting clients in their drive to net-zero, controlling energy costs and managing their response to climate change has never been more apparent, Inspired's performance has been very strong, both financially and operationally.

The unprecedented conditions in the UK energy markets, which we believe has started a transition to a 'new normal', have sharpened our clients' focus on ensuring they have invested effectively in carbon and energy reduction. The energy crisis has accelerated the focus on ESG objectives as a key priority at Board level across our client base and our evolving strategy is well aligned to meet the resulting market demands and requirements.

The secular market tailwinds are now well established, as the business represents a pure play investment on the exciting macro ESG and net-zero themes, providing a significant opportunity for the Group to grow and capture a larger market share. Our strong performance this year is testament to our evolving offering within each of our four divisions and the teams we have working across our business.

The increased demand delivered a considerable acceleration in revenue growth of 31% above FY21, at £88.8 million, ahead of previous market expectations. With significant demand for Optimisation Services, a solid H2 performance in Assurance Services, combined with encouraging momentum in our ESG Services division, the Group delivered adjusted EBITDA of £21.0 million, being 6% ahead of FY21. We delivered strong underlying cash generation in the period, with cash

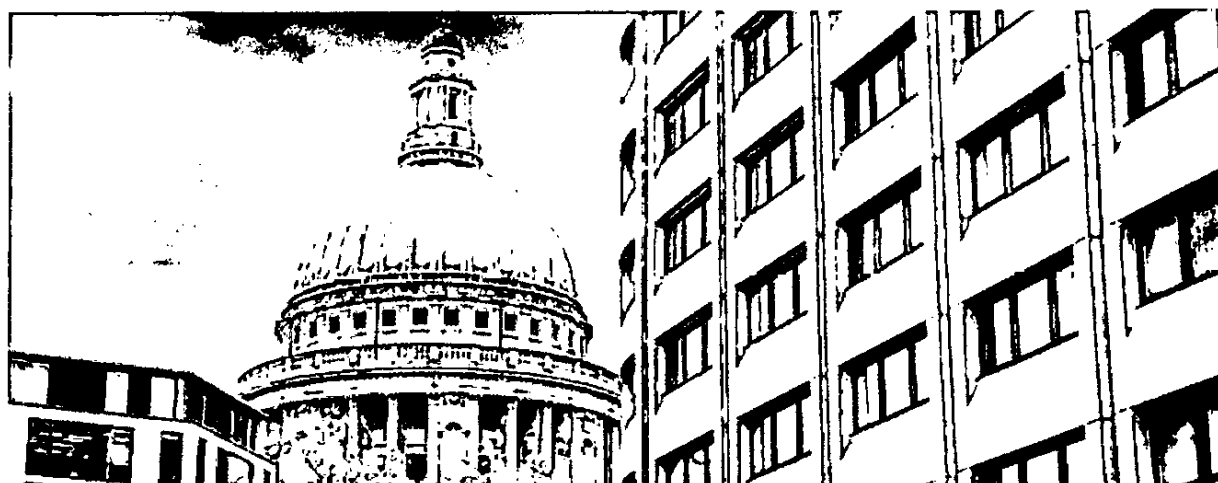
generated from operations increasing 113% to £21.7 million, driven by improved working capital management within Optimisation Services. The need for energy efficiency initiatives continued to drive strong demand for our services and we expect this momentum to continue heading into the new financial year and beyond.

Whilst mindful of the current backdrop, and in particular the risk posed by prolonged inflation in energy costs to our clients, which we constantly look to help them mitigate, the long-term opportunities for the Group have been made even more apparent in FY22. As a result, we have entered FY23 with considerable momentum across the business which is reflected in our FY23 EBITDA growth expectations. We have a substantial addressable market, high profile clients, and a high-quality business model driving growth in revenue, adjusted EBITDA and cash generation. These factors, coupled with a record new business pipeline, underpin the Board's confidence in the long-term growth and success of the Group.

During this period of uncertainty, the Group has continued to work tirelessly to support clients in the face of such challenges and, on behalf of the Board, I would like to thank all colleagues, clients and suppliers for their efforts and collaboration during these challenging times.

Strategy

In 2021, the Group evolved to Inspired plc, with four key reporting segments. During 2022, it has become clear that Optimisation Services are the logical conclusion for clients who utilise our Assurance Services or our ESG Services, as both lead to the implementation of a carbon action programme to reduce energy costs and deliver



net-zero. There remains a substantial opportunity to provide the full suite of services across our client base who may currently only purchase one of the Group's services. This will not only embed the Group as a trusted provider and advisor to its clients, but also substantially increase the lifetime value and level of repeat revenues underpinning the future growth of the business. All divisions are supported by our proprietary software provided by our Software Services Division.

This focus on client lifetime value (CLV) has identified the opportunity to materially change the client lifetime value of c.2,500 of our 3,500 clients. For example, a retailer that the Group has worked with for 13 years has an Assurance Services CLV of c.£1.5 million. Its CLV from Optimisation Services, where the Group has received repeat demand on 10 of the last 13 years, is over £20 million, an increase in CLV over the last 13 years of over 10 times with more to come. This provides a substantial organic revenue growth opportunity if applied effectively across the Group's client portfolio.

If we consider the wider portfolio in terms of ten-year CLV opportunity, we can see that of our 850 larger clients there is the opportunity to increase their CLV from £0.2 million to £3.1 million and of our 1600 smaller clients there is the opportunity to increase our CLV from £0.05 million to £0.5 million. During 2022 we were active on site on a full-service basis with 12 large clients and 15 smaller clients.

Our focus on CLV affords the Group the opportunity to double EBITDA organically over the next five years and we believe this would require us to cycle through c.15% of the client base on a full-service basis to achieve that objective.

Assurance Services

Our Assurance Services Division is at the front line of helping businesses manage their energy pricing, the importance of which has never been greater because of the energy crisis, helping them manage the risks of the energy markets whilst taking advantage of opportunities to reduce costs as they occur.

To do this effectively, thousands of pieces of data need to be processed every month, which is made possible by our technology enabled service. Once this data is collected and audited, it provides the detail required to identify and deliver effective Carbon Action Programmes and Optimisation Services.

The Assurance Services Division performed resiliently through a challenging year, with a small reduction in margin driven by increased operating costs as the energy crisis increased the amount of re-work needed to place energy supply contracts and the intensity of client interactions required to meet their needs.

As expected, the division endured higher client churn than previously experienced during the period. Despite this being largely offset by record new business wins in the period, the time lag between a new business win contracting and the contract commencing, with the Group only starting to recognise revenue at the point a contract goes live, led to a reduction in organic growth rates in the year, and we expect this to continue into 2023.

Impact of macro environment

The energy crisis saw some businesses facing up to 500% increases in energy costs during 2022. Whilst energy prices are significantly lower as we come to the end of Q1 2023, we observe the elevation of energy costs on Board agendas becoming a 'new normal', as businesses

look to professionalise their approach to managing energy costs and reducing carbon emissions.

Key developments and outlook

As the player of scale in the market, the Group enjoyed a record year of new client wins with companies including Aldi, Naked Wines plc, Arnold Clark LTD, Signature Pubs, Hello Fresh, Moto, Extra MSA, and Saint-Gobain all becoming clients during the period.

Increasing operating costs in the division have been a function of increased service needs of clients during the energy crisis and challenges in supporting business place contracts with energy suppliers.

As we look at 2023 and beyond, the Group will focus on increasing the CLV where we can add material value to the client across all divisions.

ESG Services

The ESG Services Division supports businesses with the production of their ESG disclosures to meet their regulatory obligations and determining strategies to deliver the ESG impacts they wish to make.

Once a business has a robust process for making consistent disclosures, its Board has the information it needs to make more effective decisions and the data required to formulate a Carbon Action Programme and deliver Optimisation Services.

STRATEGIC REPORT

Chief Executive Officer's statement continued

ESG Services continued

Following the Group's organic entry into the ESG market during 2021, the division delivered revenue growth of 167% compared to FY21 and delivered adjusted EBITDA in line with the upgraded expectations post interim results.

This exceptional organic growth is testament to the Group creating a market leading product at a market leading price point, in a market which is still forming in terms of its needs and requirements.

Whilst there are a range of consultative solutions in the marketplace, they are often delivered by inexperienced resources and ultimately do not lead to a functioning deliverable being produced that meet the client's needs. There are also several businesses aiming to provide Software-as-a-Service (SaaS) solutions which purport to meet the client's needs. However, typically these only solve c.70% of the client's problem and the client doesn't generally have resources available internally to use such software.

The Group is increasingly confident it has the most effective technology enabled data driven solution in the market which is resonating well with clients and is delighted to be a recipient of the LSE Green Economy mark.

Impact of macro environment

ESG has evolved from a reluctant compliance obligation to a revenue critical item for many businesses. Even if a business does not currently have a mandatory compliance obligation, if they want to win new business from their clients, they invariably need to have an ESG disclosure and a Carbon Action Programme.

This macro environment makes a robust ESG disclosure service a non-discretionary requirement for almost any business wishing to defend or grow its revenue line and is likely to become increasingly mandatory as most larger organisations are compelled to make TCFD disclosures by 2025.

Key developments and outlook

The ESG Services Division is growing quickly within a new and exciting market that has become non-discretionary for investors and

businesses alike. The Group now provides full ESG Disclosure Services for several substantive organisations such as Lookers plc, Videndum plc, Naked Wines plc, QA Limited, City Electrical Factors (CEF) and John Wiley & Sons.

The original mandatory ESG disclosures facing businesses in the UK market were SECR and ESOS where the Group currently has approximately 282 clients with an average ten-year CLV of £0.1 million, of which 16 have been converted to TCFD and ESG Disclosure Services with an CLV of £0.4 million

For 2023, the focus of the ESG Services Division is increasing the lifetime value of existing clients and adding new clients to the Group.

Optimisation Services

Once clients have benefited from the Group's Assurance Services to manage the price of their energy and are reporting their ESG disclosures effectively, their attention quickly turns to how they can reduce energy and carbon emissions.

The cornerstone of Assurance and ESG Services is data management, and this data allows the Group to help clients identify opportunities to reduce carbon emissions and energy consumption, delivering their response to climate change and further reducing their energy costs. As a Group, we focus on providing Optimisation Services to existing clients as a cross-sell service, which dramatically improves the cost effectiveness and relevance of the solution as we already understand the client's business intimately. This is where we can significantly move the dial with respect to CLV where we expect that the Group would only need to cycle c.15% of the client base to organically double EBITDA over the next five years.

We process the data to identify projects that meet the clients return on capital requirements, or support in identifying financing solutions and then operate as a 'turn-key' solution provider, designing the project, procuring the equipment, project managing the install and quality assuring the outcome for the client.

Optimisation Services has performed ahead of expectations, with a strong step up in demand as clients focus

on the economics of investments of energy reductions and delivering net-zero. We have observed this acceleration in performance not only in the number of active projects on client premises but also in the pipeline of prospective opportunities that are available, which has surged 500% since the start of 2021.

As we address the strong macro themes of net-zero and ESG, we expect *Optimisation Services* to be a key driver for revenue and EBITDA growth not only into the near term but for the foreseeable future as the world strives to meet 2050 targets.

One of the most pleasing things about this achievement is that it represents the validation of an investment thesis initiated in 2018 and represents only a fraction of the opportunity that is available to the Group. These results have been achieved by active on-premise intervention, with only 27 clients from a potential pool of over 3,500.

Impact of macro environment

Businesses have a need to manage their response to climate change and deliver net-zero, which has been accelerated by the energy crisis and started the transition to a 'new normal'. Optimisation Services are a Board level agenda item and there is a desire to work with technology agnostic service providers who understand the client's business and can deliver in a timely manner with cost certainty.

The 'learned experience' of the energy crisis means that businesses are unlikely to ever want to experience the costs shocks seen during 2022 again and the emergence of ESG as a revenue generating hygiene factor leads us to believe the demand for Optimisation Services is likely to continue to accelerate into the future.

Key development and outlook

Strong data management from our Assurance and ESG Services has allowed us to help clients identify and evaluate opportunities for energy and carbon reduction, delivering ever increasing numbers of on-premise solutions for clients.

During the period, we have been delighted to deliver solutions for clients including WH Smiths, SSP, IVC, Interfloor, M.I. Dickson, Ann Summers and Informa.



We have been particularly pleased by the repeatable nature of this demand, noting that the need we satisfy for clients is not the one-off implementation of a particular technology, but rather one of supporting them to deploy marginal units of capital to deliver incremental carbon or energy reduction. It is iterative in nature with continued refinement and improvement over time using the information generated each period which is reported against under a client's ESG disclosure requirements.

Software Services

Assurance, Optimisation and ESG Services require significant management and processing of unstructured data which underpins our service delivery. The technology enablement of these solutions is provided by our proprietary software which has been significantly developed over recent years.

Our technology platform is increasingly becoming a market standard with more than 60 TPIs (where our technology underpins the services of competing companies) and 200 direct clients utilising our platform.

Within the TPI market, the energy crisis has led to a reduced investment in technology which has inhibited the organic growth of Software Services. However, the division delivered growth in 2022 whilst retaining attractive margins, adding a number of flagship clients to its user base including NHS Property Services, Peabody, Laser and SMS plc.

Impact of macro environment

The reduction in technology investment caused by the energy crisis in 2022 appears to have been an issue pertaining to timing and availability of cash, as opposed to a change in underlying demand. Whilst this has acted as a dampener for growth, we expect it to have diminishing impact in 2023 as the world adjusts to the 'new normal' and TPIs require software to meet evolving client needs.

Key developments and outlook

During 2022, additional security features were added to the software, allowing the division to normalise the prices of the base software across the client base which we expect to deliver a full year effect in 2023.

In addition, we expect the release of the software modules during 2023 to further stimulate the growth potential of this division during 2023.

Acquisitions

During 2022, the Group acquired Digital Energy Limited and Information Prophets Compliance Limited, providing software which has been integrated into our Software Services division, a portfolio of energy account clients which has been integrated into Assurance Services, and a selection of building certification clients that have been integrated into the Optimisation Services Division.

The Group continues to see M&A as a significant route to creating value for shareholders and we have built a strong track record of earning enhancing acquisitions and an ability to successfully integrate those acquisitions. This strategy has materially contributed to the growth and development of the Group over the years, both through scaling up the business and expanding the breadth of services we now provide to our clients, the acquisition of Ignite Energy LTD to enable the entry into Optimisation Services being a case in point.

In FY22 the Group paid £10.8 million of performance related payments for past acquisitions. This payment was funded from our cash generated from operations and existing facilities. In FY23 and FY24 we fully expect to make further significant cash payments as past acquisitions perform and deliver against the stringent growth metrics we set at the time of acquisition, further reducing the contingent liabilities on our balance sheet.

Our approach to transaction structuring does focus on using performance payments (in the form of contingent consideration), this enables us to pay for actual realised EBITDA rather than on the basis of forecast EBITDA as well as other benefits. Our approach has meant that the 'see through' multiples for the businesses acquired by the Group has averaged less than four times EBITDA as the performance-based structures complete, and most importantly it has been proven to protect our shareholders during periods of volatility such as in 2020 and 2021.

We maintain an active pipeline of M&A opportunities which can enhance our products and services and the value we can deliver to clients. Together with our focus on organic growth, acquisitions will form a key part of our overall strategy to create long-term sustainable value for our shareholders.

Strategic priorities and outlook

The 'new normal' created by the energy crisis and ESG becoming a revenue centric item for most businesses has accelerated demand for the Group's products and services.

For 2023, we will be focusing on refining our operating model in Assurance Services, normalising margins and adapting service levels to the new environment.

Specific focus will be given to increasing the 'lifetime value' of clients by increasing the number of clients utilising the Group's Optimisation and ESG Services.

Trading during Q1 2023 has started in line with management expectations to deliver double-digit percentage EBITDA growth in FY23 as the Group carried positive momentum into the year.

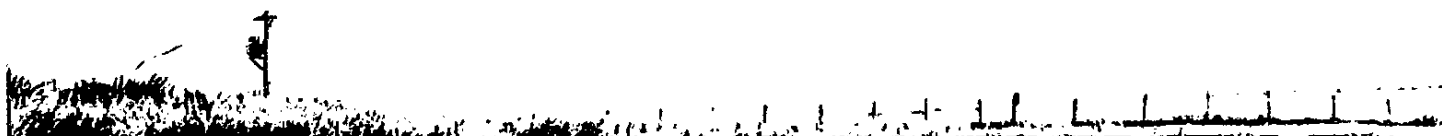
Mark Dickinson
Chief Executive Officer
28 March 2023

DocuSigned by:

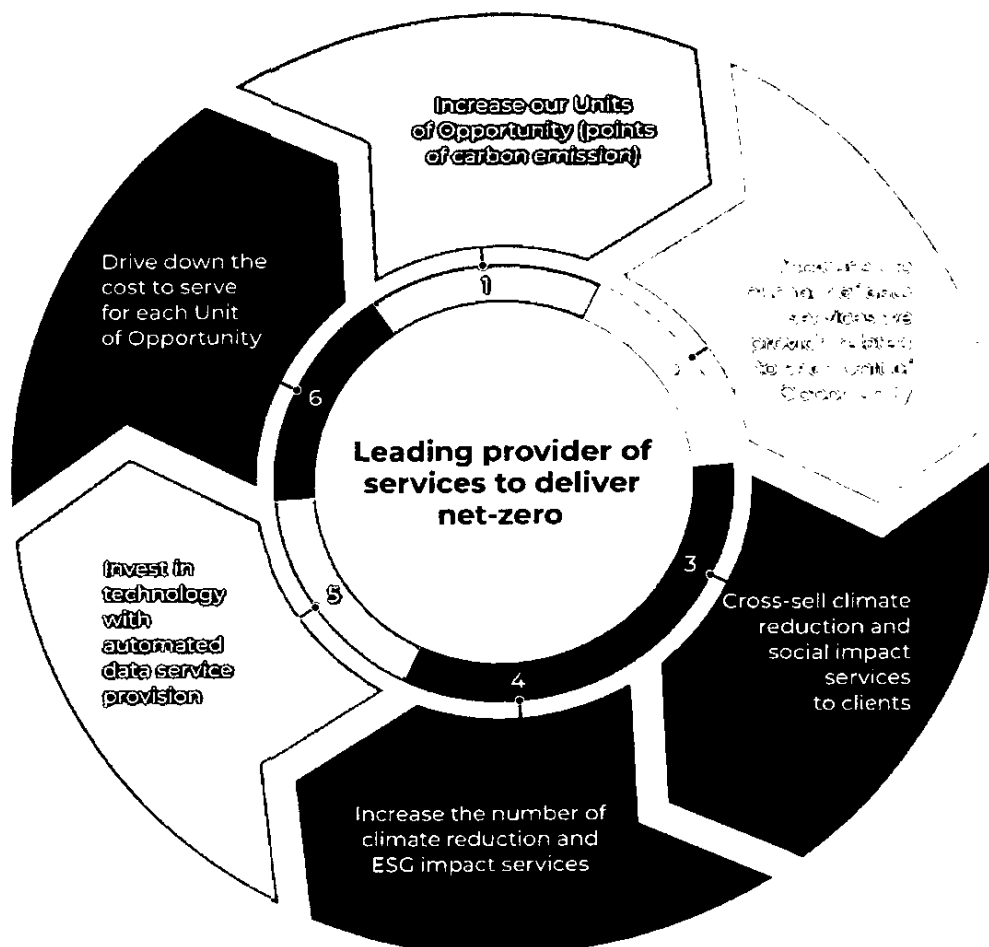
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Our business model

As we mature as a business to meet our client's growing demands, we have been able to evolve our organisational flywheel, which provides the platform for delivering sustainable growth.



Organisational fly wheel





At the start of 2022 we were able to share our organisational fly wheel to allow stakeholders to understand the Group's operational engine. During 2022, we have continued to execute that strategy effectively and as our learned experience increases incrementally improve it by better understanding the life-time value of our client base.

We will start by reviewing how our organic growth engine works and proceed to demonstrate the potential to further accelerate the strategy through an increased focus on 'life-time value' of the client.

1. Increasing Units of Opportunity

In order to deliver net-zero carbon solutions that make a difference we need to provide services that influence as many points of carbon emission (Units of Opportunity) as possible. For a business these are meter points where energy is consumed and buildings and structures where operations occur. We increase the number Units of Opportunity we manage, through:

- a) Organic client acquisition providing Energy Assurance Services.
- b) Organic client acquisition providing ESG Disclosure Services.
- c) Acquisitions of Energy Assurance Businesses like Business Wise, GEM and LSI Energy Holdings Limited (acquired in 2020).
- d) Forensic audits of clients historic energy costs unlock latent value in their property estates.
- e) SaaS sales of our proprietary software to other technology enabled service providers.
- f) SDGMe, where our free software helps clients employees engage with ESG.
- g) Investors, where fund managers recommend our services to their portfolio companies.

2. Increase Energy Assurance Services & ESG Disclosure Services we provide to our Units of Opportunity

Our Energy Assurance Services & ESG Disclosure Services are effectively 'Data Services' which collect, validate and process the clients unstructured data relating to energy and carbon emissions for corporate businesses, delivering regulated compliance services, resolving complexity with respect to non-discretionary purchases and ESG Disclosure.

These services require regular monthly interaction with the client's procurement, operations, property and finance teams and often result in a regular high-quality C-Suite relationship with the client. Through the provision of these services we:

- Help the client control their costs.
- Ensure the client complies with their legal and regulatory obligations.
- Manage the data that allows us to identify their optimum opportunities for reducing carbon emissions and deliver net-zero carbon.
- Earn the right to help them implement those net-zero carbon solutions.

STRATEGIC REPORT

Our business model continued

3. Cross-sell carbon reduction and social impact services to clients

Our Energy Optimisation Services are very rarely sold directly to a new prospect. They are a cross-sell to the Units of Opportunity that we have already built a 'trusted advisor' relationship with clients who are engaged with our Data Services. These services include:

- a) Monitoring, targeting, behavioural change and waste reduction.
- b) Net-zero carbon strategy development.
- c) Metering and building controls.
- d) Energy efficiency and reduction measures.
- e) Demand Side Response.
- f) On Site generation and storage.

Inspired is one of the few independent, solution agnostic service providers that can provide an end-to-end service in relation to delivering net-zero carbon for the corporate businesses.

4. Increase the number of carbon reduction and social impact services to clients

Historically Inspired has its roots in the 'E' of ESG and we have built capability in this area via acquisitions. The Group will continue to add more solutions and services not only in the 'E' but also the 'S' and 'G' by future acquisitions or partnerships. This increases the revenue we can generate as part of cross-sell process as set out in section 3.

5. Invest in technology to increase Data Services

In order to retain the right to provide net-zero carbon services to our customers' Units of Opportunity, we need to remain relevant and market leading with respect to our data services in order to maintain our trusted advisor status with the client. This requires capital investment in new solutions and underpins maintaining and organically growing our Units of Opportunity.

Such investment is a fundamental part of our flywheel. However, it also provides a vehicle for adding indirect Units of Opportunity to our portfolio through our provision of SaaS solutions to other service providers in the marketplace. This gives us an extra return on this investment and a route to further accelerate our organisational fly wheel.

6. Drive down the cost to serve for each Unit of Opportunity

Continuous focus on driving down the cost to serve for each Unit of Opportunity allows us to invest in new service provision, business improvement and organically increasing our Units of Opportunity.

The life-time value of our clients (CLV)

Our strategic evolution, stated with some fundamental building blocks which can be summarised as:

- 1) Assuming ownership of our proprietary technology.
- 2) Diversification in Optimisation Services.
- 3) Diversification into ESG Services.
- 4) Increase the units of opportunity through acquisition.

The Group now has in excess of 3,500 clients, a diverse solution set that plays to some of the most relevant challenges facing society and is well positioned to focus on increasing the lifetime value of its client base.

Clients are generally onboarded to the organisation via the Assurance or ESG Services where the CLV on a gross margin basis is high quality but relatively modest.

By providing these technology enabled services which involve the management of large amounts of unstructured data, we support those clients in managing their energy costs and making their ESG Disclosures which builds trusted C-Suite relationships and invariably leads to a Carbon Action Programme/net-zero roadmap being created.

Once the road map exists and given the Group is technology agnostic, the Group is well placed to help the client implement those chosen solutions and this significantly increases the CLV.

The average journey for increasing that CLV from our existing client base is shown on the right:

The acceleration in Optimisation and ESG Gross Margin has in 2022 been delivered by relatively modest penetration in the client base where clients have entered into projects to deliver energy and carbon savings. Clearly these project-based revenues are not recurring but they are repeatable.

A common misconception amongst our stakeholders is that our Services involve refitting lighting, adding a building controls system or implementing a solar solution and this is a one-off thing and the client then will not deliver more revenue to the Group.

Such a misconception is to misunderstand the problem we are solving for the client. The client has to achieve 'net-zero carbon' and as such their repeatable need can be stated as:

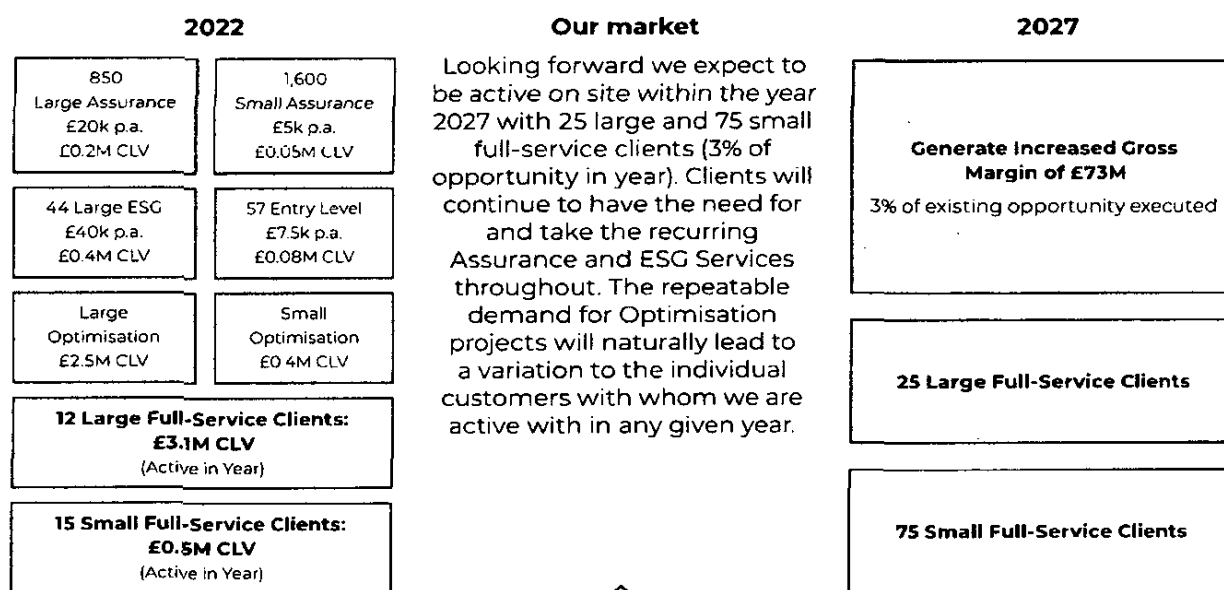
"I need to deploy marginal capital to deliver a marginal reduction in carbon emissions and/or energy consumption."

Now that ESG is a revenue sensitive item, and the energy crisis has shown how important reducing energy consumption is the client has a repeatable demand to install the next technology until they run out of capital or they reach their tolerance to procure financed solutions. This is the need that the Group satisfies for its clients and is illustrated by the case study on page 62.

In order to deliver a doubling of gross margin over five years, the Group only needs to achieve full CLV for 3% of its client base during 2028. Clearly those clients may be different to those that the Group worked with in 2027 or 2026, but even if they were completely different clients, providing the CLV per client holds true the Group would have cycled less than 15% of its client base over five years.

Having become the player of scale in the market and building a suite of solutions to give a 'full-service solution', the Group will for 2023 and beyond focus transforming its operating model to increasing average CLV per client.

Average journey for increasing CLV from our existing client base



Business needs



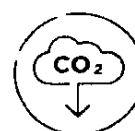
Cost



Consumption



Compliance



Carbon

Business Drivers

Energy

High prices

Extreme volatility

Complexity

Increasing credit requirements

ESG

Investor critical

Revenue critical

Supply chain critical

Legal compliance

Business ethics

STRATEGIC REPORT
Our marketsThe markets we
operate in

Assurance Services

£0.40bn*

UK Market Size

Market State

Mature but fragmented with many small players.

85%

Available Blue Ocean

10%

Inspired Market Share

Need:

- Every corporate consumer is a potential customer.
- Consumers have a non-discretionary call to action – they need a supply contract.
- Energy procurement is complex and volatile – expertise is required.
- Bill validation and budgeting is also complex and error prone – expertise is required.
- Absolute price levels are such that access to C-Suite is readily available.

Solution:

- Expert procurement and energy accounting options.

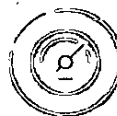
Objective:

- To become trusted advisor.

* Source: Cornwall Insight

** Source: Management estimate based on number of business captured by mandatory reporting requirements.

*** Source: Management estimate based on number of TPLs in the market available to utilise the technology platform.



Optimisation Services

£1.1bn**

UK Market Size

Market State

New immature market with strong and growing call to action.

100%

Available Blue Ocean

0.2%

Inspired Market Share

Need:

- Understanding customers' budgets and consumption patterns under their decarbonisation plans and maps enables a structured conversation to be had around making a difference to a customer's consumption, leading to cost reduction and improving disclosures.
- Faced with the pressing need to act driven by cost reduction targets and, for net-zero carbon and others, required by customers, investors and other stakeholders, customers face with too much choice and execution risk. Customers seek and find a trusted technology provider and digital service provider to help them achieve their plans.

Solution:

- Inspired provides turnkey contractor solutions with comprehensive reductions on a one off or pilot, prove and roll out basis.

Objective:

- To build on the trusted advisor status to deliver on net zero plans long term on either Assurance or ESC Services that may not yet be contracted.



ESG Services

£0.85bn*

UK Market Size

Market State

Established market, technology constantly evolving, customer faced with plethora of alternatives.

25%

Available Blue Ocean

6%

Inspired Market Share

Need:

- Compliance non-discretionary.
- Additional disclosures and improvement plans increasingly becoming business critical for securing investment and winning new customers.
- Inconsistent frameworks and unstructured data makes self-diagnosis and reporting challenging for customers.

Solution:

- Expert data collection analysis, synthesis and taxonomy agnostic disclosures leading to executable plans.

Objective:

- To become trusted advisor.



Software Services

£0.2bn***

UK Market Size

Market State

Fragmented market with self-build main competition.

50%

Available Blue Ocean

1%

Inspired Market Share

Need:

- Robust reliable solution to underpin the offering from Inspired.

Solution:

- Modular in nature, easy to update and refine. Developed for Inspired's needs to our schedule and specification.

Objective:

- To support the business and reach parts of the market Inspired cannot reach. Sold externally direct to larger estate customers and as enabler to smaller TPis that look after customers Inspired would not necessarily have direct access to

STRATEGIC REPORT

Our KPIs

We monitor a range of financial metrics that reflect the underlying strength of our business and it's operating divisions, enabling measurement of progress against our strategy

Group

Average number of persons employed

+5%

2022	641
2021	608
2020	521

Average number of persons employed indicates both the organic and acquisitive growth during the period, and the continued investment in talent to facilitate future growth.

Corporate Order Book (£000)

+2%

2022	69,000
2021	67,500
2020	63,000

The Corporate Order Book provides an indicator of the latent growth of the business which has yet to be recognised as revenue of the Group.

Revenue (£000)

+31%

2022	88,776
2021	67,941
2020	46,110

Revenue performance of the Group reflects the progression of the Group against our strategy to deliver both organic and acquisitive growth.

Gross profit (£000)

+14%

2022	57,706
2021	50,692
2020	38,900

We consider Gross Profit a key measure of the direct cost required to provide our different service lines to customers.

Adjusted EBITDA (£000)

+5%

2022	21,000
2021	19,791
2020	12,767

Adjusted EBITDA is earnings before interest, taxation, depreciation, and amortisation, excluding exceptional items and share-based payments. Adjusted EBITDA is the main measure of profitability used within the business.

Adjusted EBITDA margin (%)

-5%

2022	24
2021	29
2020	28

Adjusted EBITDA is the main measure of profitability used within the business, and therefore the percentage of EBITDA generated from revenues enables the Group to monitor the profitability of the Group as the revenue mix of the Group evolves.

Assurance Services

Revenue (£000)

+1%

2022	35,972
2021	35,521
2020	29,608

Adjusted EBITDA (£000)

-5%

2022	15,178
2021	17,015
2020	14,336

Gross profit (£000)

-%

2022	32,741
2021	32,665
2020	27,912

Adjusted EBITDA margin (%)

-3%

2022	45
2021	48
2020	48

Optimisation Services

Revenue (£000)

+64%

2022	47,710
2021	29,059
2020	13,892

Adjusted EBITDA (£000)

+101%

2022	9,979
2021	4,961
2020	(465)

Gross profit (£000)

+38%

2022	20,283
2021	14,731
2020	8,425

Adjusted EBITDA margin (%)

+4%

2022	21
2021	17
2020	(3)

ESG Services

Revenue (£000)

+167%

2022	2,580
2021	966
2020	493

Adjusted EBITDA (£000)

2022	(572)
2021	31
2020	93

Gross profit (£000)

+140%

2022	2,325
2021	966
2020	493

Adjusted EBITDA margin (%)

-25%

2022	(22)
2021	3
2020	19

Software Services

Revenue (£000)

+5%

2022	2,514
2021	2,395
2020	2,117

Adjusted EBITDA (£000)

-%

2022	1,768
2021	1,770
2020	1,436

Gross profit (£000)

+1%

2022	2,357
2021	2,330
2020	2,070

Adjusted EBITDA margin (%)

-4%

2022	70
2021	74
2020	68

STRATEGIC REPORT

Chief Financial Officer's statement



Paul Connor
Chief Financial Officer



The strategic and financial initiatives delivered in the year have ensured the Group is well placed to deliver the effective implementation of our strategic growth plan whilst managing the additional risks."

The Group delivered a strong trading performance in FY22, achieving revenue growth of 31% to £88.8m

We are pleased to report strong financial results for the year ended 31 December 2022, where we have remained agile and alert to the environment in which we operate. Positive momentum in the second half enabled the Group to deliver a strong overall trading performance for FY22, whilst also making clear strategic progress and navigating unprecedented volatility in the UK energy markets.

2022 was a year in which we achieved a 31% increase in revenue, with total revenues of £88.8 million compared to £67.9 million in 2021. The Group's organic revenue increased by 30% (2021: 37%). Group adjusted EBITDA increased by 6%, to £21.0 million (2021: £19.8 million). In percentage terms the adjusted EBITDA margin was 24% (2021: 29%). The reduction was a combination of a greater contribution from Optimisation Services which has a lower underlying adjusted EBITDA percentage margin than our other operating units and a slight reduction of margins within Assurance Services and increased PLC costs.

Divisional Performance

Assurance Services

The Group anticipated more volatility in Assurance Services because of the unprecedented conditions in UK energy markets and whilst client churn has increased, as expected, we have also seen a record year for new business. Assurance Services delivered revenues in line with expectations, with increased overheads to deliver our service as a result of market conditions leading to a reduction in margin in the period.

Assurance Services generated 41% of total Group revenues in 2022 (2021: 52%) being £36.0 million (2021: £35.5 million) a 1% increase.

Assurance Services continues to be the main contributor to the Group representing 59% of Group EBITDA prior to accounting for PLC costs and contributed adjusted EBITDA of £16.2 million (2021: £17.0 million), a reduction of 5%. The adjusted EBITDA percentage margin was 45% (2021: 48%). The Board anticipates that margins will remain impacted in the near term as market volatility remains and we retain our objective to provide a first-class level of service to our Assurance clients, which we believe is essential to continue to be the market leaders in Assurance Services.

ESG Services

ESG Services generated revenues of £2.6 million (2021: £1.0 million), delivering 167% growth organically, reflective of the growing market for these services. The ESG Services Division delivered an adjusted EBITDA loss of £0.7 million (2021: £0.0 million) in line with the upgraded market expectations post our interim results as we continue to invest in resources in this division.

The increasing focus of investors and businesses on net-zero targets, combined with mandatory requirements for businesses to make ESG disclosures from 2022, provides a favourable backdrop to continue to invest in the strategy for the ESG Services Division.

Optimisation Services

The ongoing energy crisis has significantly sharpened clients' focus on the economics of investment in energy reductions, combined with the drive for delivering net-zero, and this has translated into a significant step up in demand and activity for the Optimisation Services Division during H2 2022.



	2022 £000	2021 £000
(Loss)/profit before income tax	(3,957)	1,114
Share-based payment cost	1,732	1,030
Amortisation of acquired intangible assets	2,687	4,415
Foreign exchange variance	508	(339)
Exceptional costs:		
– fees associated with acquisition	523	1,038
– restructuring cost	1,574	1,280
– Impairment of right of use assets	—	113
– change in fair value of contingent consideration	10,936	4,735
Adjusted profit before tax	14,003	13,386

Optimisation Services generated 54% of total Group revenues in 2022 (2020: 43%), amounting to £47.7 million (2021: £29.1 million), an increase of 64%, all of which was organic. Optimisation services contributed adjusted EBITDA of £10.0 million (2021: £5.0 million), an increase of 100% and a resulting improvement in adjusted EBITDA margin to 21% (2021: 17%) in part as a result of the adverse impact of COVID-19 restrictions on the trading performance and resulting reduction in adjusted EBITDA percentage margins of the division in H1 2021. Subject to product mix, management's expectation is that the division will consistently generate adjusted EBITDA margins of c.20%.

Demand for Optimisation Services continues to increase, with strong underlying drivers, including the drive to net-zero, and also further accelerated by the high commodity prices. As the division continues to represent a greater proportion of Group revenues, Group margins will reflect the change in business mix.

Software Services

The Group's Software Services Division continues to develop well, with revenues growing by 5% to £2.5 million (2021: £2.4 million) and adjusted EBITDA of £1.8 million (2021: £1.8 million), with the division producing a strong sustainable adjusted EBITDA margin of 70% (2021: 74%).

Group results

PLC costs were £6.3 million (2021: £4.0 million), reflecting the increased investment in management bandwidth including the appointment of a Chief Commercial Officer, plus investment into central functions including Marketing, Finance and HR, to support the acceleration in growth.

Overall, the Group generated adjusted EBITDA for the year of £21.0 million (2021: £19.8 million) in percentage terms the adjusted EBITDA margin was 24% (2021: 29%) and the reduction is due to underlying sales mix with Optimisation Services generating a greater proportion of Group revenue, a reduction in the adjusted EBITDA margin from Assurance Services, and an increase in PLC costs. After deducting charges for depreciation, amortisation of internally generated intangible assets and finance expenditure, the adjusted profit before tax for the year was £14.0 million (2021: £13.4 million). The increase in adjusted EBITDA was offset in part by an increase in finance costs. Finance costs were higher than in 2021 due to a combination of the company carrying a higher level of debt over the year and increased interest rates.

Under IFRS measures, the Group reported a loss before tax for the year of £4.0 million (2021: profit of £1.1 million), with reported loss before tax in the year impacted significantly by substantial charges for changes in the fair value of contingent consideration, the amortisation of intangible assets as a result of acquisitions, share-based payment charges and restructuring costs.

A reconciliation of reported (loss)/profit before tax to adjusted profit before tax is calculated in the table above.

Alternative performance measures

Acquisition activity can significantly distort underlying financial performance from IFRS measures. The Board therefore considers it appropriate to report adjusted metrics, as well as IFRS measures, for the benefit of primary users of the Group's financial statements. Reconciliations to Adjusted Profit Before Tax and Adjusted Fully Diluted EPS can be found in note 5.

Exceptional costs

Exceptional costs of £2.1 million (2021: £2.3 million) incurred in the year predominantly related to restructuring costs, which related to restructuring programmes associated with the integration of businesses acquired prior to 2022.

Change in fair value of contingent consideration

The fair value of contingent consideration at the balance sheet date is a judgement of the contingent consideration which will become payable based on a weighted average range of performance outcomes of the acquired business during an earn out period, which is subsequently discounted for the time value of money and risk.

The Group recognised a £10.9 million loss (2021: loss of £4.7 million) in the period as a result of changes in the fair value of contingent consideration which was treated as exceptional. Of the £10.9 million loss (2021: £4.7 million), £7.7 million (2021: £3.0 million) relates to the increase in the liability for contingent consideration payable, of which £0.6 million (2021: £1.9 million) relates to the unwinding of discount rate, with £8.5 million in respect of Ignite Energy LTD and Businesswise Solutions Limited performing at the higher end of the range of possible performance outcomes. In particular, Ignite Energy LTD benefited from an increase in demand for Optimisation Services as a result of the energy crisis in both 2022 which is expected to continue into the next financial year.

STRATEGIC REPORT

Chief Financial Officer's statement continued

Change in fair value of contingent consideration continued

In addition, the greater visibility of Businesswise Solutions Limited performance as a result of the resolution of the uncertainty relating to the future trading of Gazprom Marketing and Trading Retail Limited, contributed to the increase in contingent consideration payable.

Of the £10.9 million loss, £3.2 million relates to the reduction in the expected recovery of the deferred contingent consideration from the SME disposal completed in December 2020. The reduction in expected recovery is reflective of the impact of prolonged under consumption and site closures within the SME portfolio due to firstly COVID-19, and then subsequently the energy crisis.

Exceptional costs, amortisation and impairment of internally generated intangible assets, share based payment charges and changes in fair value of contingent consideration are considered by the Directors to be material in nature and non-recurring; they, therefore, merit separate identification to give a true and fair view of the Group's result for the period.

Cash and working capital

Group cash generated from operations during the period was £19.7 million (2021: £7.9 million), a 149% increase in line with management expectations and driven by strong working capital management within the Optimisation Services Division. Excluding non-recurring fees associated with restructuring costs and deal fees, cash generated from operations was £21.7 million (2021: £10.1 million).

Underlying operating cash conversion ratios remain a key focus for management, acknowledging the need to facilitate the acceleration of growth within the Optimisation Services Division.

Trade and other receivables increased 12% in the period to £37.5 million (2021: £33.4 million), with invoiced trade receivables reducing 25% to £12.3 million (2021: £16.5 million) as a result of strong cash collection within the Optimisation Services Division in H2 2022. Conversely, accrued income increased in the period 59% to £18.6 million (2021: £11.7 million)

primarily as a result of increased activity levels and product mix within the Optimisation Services Division in H2 2022, and the balance is unwinding in 2023 as expected. Working capital management remains a key focus for the Group in sustaining strong cash conversion.

Trade and other payables increased 39% to £17.1 million (2021: £12.3 million), driven by a 46% increase in deferred income, primarily within the Optimisation Services Division, and a 43% increase in trade payables to £6.0 million (2021: £4.2 million) and accruals increased to £3.1 million (2021: £1.5 million) reflecting the increased activity levels.

As detailed in the 2021 CFO statement, during H2 2021, the Group made an accelerated investment in solutions architecture and CRM, to ensure our platforms can continue to scale and are interoperable with other systems. This wasn't repeatable expenditure and led to the reduction in payments to acquire intangible assets to £4.7 million in 2022 (2021: £5.9 million).

The Group's net debt (defined as bank borrowings less cash and cash equivalents) increased by £4.3 million (13%) in the year to £37.2 million (2021: £32.9 million), equating to 1.77x FY2022 Adjusted EBITDA. This level of net debt is in line with the Board's objective to maintain net debt to less than 2.00x Adjusted EBITDA, subject to the short-term impact of acquisition payments.

The increase in Group net debt reflects a year in which the cash generation of £19.7 million was offset by the payment of £10.8 million of contingent cash consideration to the vendors of Ignite, BWS, ECM, LSI and GEM, together with £0.7 million of initial cash consideration payable for Digital Energy Limited and Information Prophets Compliance Limited. A further £13.0 million performance payments, in the form of contingent cash consideration for acquisitions expected to be paid in FY23, £2.6 million of which would be payable in ordinary shares of the Group.

Financial position and liquidity

At 31 December 2022, the Group's net debt was £37.2 million (2021: £32.9 million). Cash and cash equivalents were £12.3 million (2021: £12.9 million) on hand.

Approximately £10.5 million of the Group's £60.0 million Revolving Credit Facility was undrawn, with an additional £25.0 million accordion option available to the Group, subject to covenant compliance.

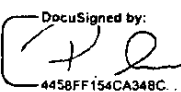
On entering the current facility agreement with Santander and Bank of Ireland in October 2019, the Group had an option to extend the term of the facility from October 2023 to October 2024. The Group exercised that option in September 2021, taking the term of the existing facility to October 2024. Subsequently, the Group has agreed with the lenders to defer by 12 months the tapering, from 2.50:1.00 to 2.00:1.00, of the Adjusted Net Leverage covenant; this was due to apply in the quarter ending 31 December 2022, but its application has now been extended to 31 December 2023, to align with the extension of the facility.

Subsequent to the year end, the Group agreed with its banking partners in March 2023 a resetting of the adjusted leverage covenant for quarters ending 31 March 2023 through to 30 June 2024, increasing the headroom available to the Group from a covenant perspective through a period in which the Group expects to make material contingent consideration payments, while facilitating the acceleration of growth within the Optimisation Division.

In summary

The strategic and financial initiatives delivered in the year have ensured the Group is well placed to deliver the effective implementation of our strategic growth plan, whilst managing the additional risks created by market volatility. The strong growth of the Group's revenues, and adjusted EBITDA in the year, in a challenging environment coupled with a strengthened platform capable of generating long-term growth position leaves Inspired well placed to achieve its long-term financial goals.

Paul Connor
Chief Financial Officer
28 March 2023

DocuSigned by:

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Principal risks and uncertainties

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

The Board has assessed the Group Strategy in the context of the risks and uncertainties that it would be willing to take in pursuit of that strategy. The Board has made a clear assertion of those risks that are considered to be unacceptable.

The accepted risks form the basis of our Risk Appetite Statement which comprises the risk assertions and the

parameters within which we expect our people to work. The parameters can apply to more than one risk assertion, and therefore the individual risk assertions should not be read in isolation.

Risk appetite statement

Risk assertion	Risk parameters
Organic growth We will rigorously pursue divisional organic growth strategies in accordance with our Strategy.	Investment in resources will be consistent with the strategic plan, which will be reviewed on a timely basis. We are prepared to make EBITDA-impacting Investment providing such investment is capable of delivering an IRR within the Board's set parameters.
Mergers and acquisitions We will actively pursue acquisitions that are consistent with our Strategy.	Any acquisition will be made on the basis that net debt/EBITDA returns to less than two times within 12 months of a transaction all other things being equal. An acquisition will be earnings enhancing within 24 months of completion, on an adjusted fully diluted EPS basis.
Returns and profitability Growth shall be pursued on a profitable basis.	The Group shall aim to maintain EBITDA margins at a divisional level. Overall margin dilution is acceptable when this is due to blend of services provided by division. The Group shall be able to loss lead a product or service as a catalyst for growth providing the overall margin dilution at a divisional level is within the Boards set parameters.
Capital structure The Group is prepared to use leverage to achieve its objective pursuant to the Strategy.	We will seek to maintain the ratio of net debt to EBITDA at less than two times, save where driven by the short-term impact of an acquisition or an increase in working capital to deliver organic growth. We will maintain adequate head room against covenants as reviewed on a monthly basis.
Reputation/brand/image We will avoid/manage situations or actions that could have a negative impact on our reputation and brands. We aim to be transparent with all of our stakeholders unless prejudicial to our collective interests.	No tolerance for breaches of: <ul style="list-style-type: none"> Legislative/statutory requirements Inspired policies International sanctions Delegated authority levels
Safety, health and environment We will not undertake or pursue activities that pose unacceptable hazard or risk to our people, the communities in which we operate, or the broader environment.	Require RAMs (Risk Assessment Method Statements) for any work undertaken on Group properties. Provide RAMs for any work we undertake on third party premises. No tolerance for breaches of the Inspired Health and Safety and Environmental Policy.
Innovation We will invest in technology, research and development to innovate our customer offering allowing us to maintain and expand our market share.	<ul style="list-style-type: none"> We are prepared to invest up to a Board approved percentage of Group revenue on innovation or software development to underpin our technology enabled service.

STRATEGIC REPORT

Principal risks and uncertainties continued





Risk management

The responsibility for risk identification and mitigation lies with the management of the business. Current and emerging risks are identified by each business area, with each area responsible for managing that risk, implementing appropriate controls and mitigating actions in the short term and monitoring the longer term impacts and reporting on it to the management team and senior Executives. Risks are assessed, and quantified, in terms of likelihood of occurrence and impact, both before and after control mitigation. Assessing the gross risk before control mitigation allows the business to review the relative impact of the existing controls by comparing the gross and net risk assessment. This also allows the business to better allocate resources on mitigating controls and avoid actions which have a negligible impact on the risk assessment.

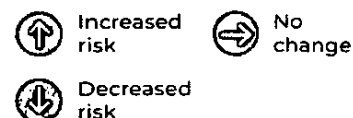
The environment in which we operate is constantly evolving; new risks arise and the potential likelihood and impact of known risks may change. Thus not all risks are controllable or foreseeable, a key example being natural disasters or pandemics. Our response to such risks is having controls which lessen the impact to our business should they occur. For example, in the case of a natural disaster, we have planning protocols, with clear accountability to minimise disruption to operations and our customers whilst prioritising the safety of our employees.

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.

Whilst not a principal risk for the Group we have also adopted what we consider to be best practice, in particular building on our management of risks associated with climate change through our Group TCFD Disclosure.

Staff recruitment, development and retention		Impact on strategy
Failure to recruit, train, develop and retain our staff may impact Group operations and service delivery.		  
Why we think this is important	How we are mitigating this risk	Changes during FY22
<p>As a technology enabled service provider in a specialist market place, our employees are our largest direct cost and fundamental to the quality and provision of our services. The COVID-19 pandemic has led people to reflect on their career and lifestyle choices and as such we have noticed much greater workforce churn than usual.</p>	<p>In the instance the CEO, CCO and CFO were unable to undertake their duties due to unforeseen circumstance, the business has interim succession in place to minimise the disruption to the business in the short term, and enable the Board to facilitate a process to appoint permanent replacements in an appropriate manner.</p> <p>Regular competitive review of reward structures and staff surveys/appraisals.</p> <p>All senior managers are incentivised with share options with a 12 to 24 month forward horizon.</p> <p>All staff have a quarterly bonus structure which provides a high precision tool for aligning rewards to behaviours. 25% of this bonus is retained for 12 months and is lost if the individual leaves the company.</p> <p>An internal recruitment function maintains an active recruitment pipeline for all key roles within the organisation.</p> <p>The business is increasingly focused on a grow-your-own policy with respect to Graduate Training Scheme and an Apprentice scheme.</p>	<ul style="list-style-type: none"> Development of a Training function which delivered 1,249 days of training during 2022. Implementation of an 'Account Executive' entry level role where we grow our own labour within the Assurance Business. 



Strategy**Risk key**

Health and safety	Impact on strategy
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Failure to protect our people and other stakeholders from harm associated with a breach of our legal and regulatory obligations.



Why we think this is important	How we are mitigating this risk	Changes during FY22
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Our Optimisation Services require visits by staff and contractors to client sites, to install and remove electrical and other equipment.

In addition, since the COVID-19 pandemic the shift towards home working places extra demands on employers to ensure their employees are safe within the work from home environment.

All employees and contractors must provide and operate to an approved RAMs when working on a clients site.

Every employee is surveyed each month with respect to their ability to work safely from home.

Every employee working at home is required to complete a DSE assessment.

Any employee that cannot maintain a safe home working environment is contractually required to return to the office environment.

- 2022 saw our first full year of operating ISO 45001 and the successful completion of our first audit.
- A grey fleet management system has been implemented to manage vehicle and drive compliance with H&S policies.
- Improved granularity of reporting from sub contract resources.



IT security and continuity	Impact on strategy
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Failure to maintain business systems or technical infrastructure that serves the business needs.

Failure to successfully execute changes to these business systems or technical infrastructure; together with failure to minimise disruption and maintain business as usual activity during technical infrastructure or business system changes.

Failure to adequately protect the business operations from cybercrime.



Why we think this is important	How we are mitigating this risk	Changes during FY22
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Given we are a B2B service provider we do not really process any personal data. As a technology enabled service provider we would suffer material reputational risk if we were the victim of a cyber-attack.

Our Software Solutions Division provides SaaS based solutions and needs to maintain data security to current market standards.

We operate to a Cyber Essentials II standard.

We operate a cyber security autonomous breach protection platform across our IT assets.

We operate a regular programme of simulated phishing attacks on the organisation to allow us to educate and embed 'cyber safe' behaviours in employees

Our proprietary software is regularly penetration tested by a third party and subject to independent code reviews prior to release.






- Senior staff ISACA qualified to become Certified Information Manager.
- ISO27001 and Cyber Essentials Plus successfully maintained.
- Data centre consolidation to 'Police Assured' secure facility.



STRATEGIC REPORT

Principal risks and uncertainties continued

Risk management continued

Ethics, ESG and political		Impact on strategy
Failure to balance the interests of our stakeholders in the context of environmental, social and political risks can have an adverse reaction on the business.		   
Why we think this is important	How we are mitigating this risk	Changes during FY22
<p>We operate a business which performs an integral role in enabling ESG reporting and it is essential that our organisation remains at the forefront of thought leadership and behaviours in that regard.</p> <p>We are unwilling to accept dishonest or corrupt behaviour from our people, or external parties acting on our behalf, whilst conducting our business. If we fail to act with integrity, we are at risk of:</p> <ul style="list-style-type: none"> • reputational damage leading to a loss of customers; • legal action from regulators including fines, penalties and imprisonment; and • exclusion from markets important for our future growth. <p>We expect all areas of the business to do the right thing and conduct business in compliance with procedures, applicable laws and Inspired PLC policies.</p>	<p>We provide voluntarily a full suite of ESG disclosures.</p> <p>The Group policies set out standards that Inspired PLC expect from employees and suppliers and the consequences of failure to operate at the expected standards.</p> <p>All of these policies are published on our Group website, along with a statement of our performance against those policies within this document.</p>	<ul style="list-style-type: none"> • Achieved Ecovadis Silver Medal. • Achieved a B CDP Climate Change score. • Became a member of Social Value UK and Social Value International. • ESG performance Committee convened for a second time. • Board undertook climate change and net-zero capacity building sessions. 

Strategy

Organic growth



People



Customers



Investment



Reputation



Legal



Community

Risk key

Increased risk



No change



Decreased risk

Competitive environment and market conditions		Impact on strategy
Changes to our market place and the competitive environment can impact our ability to retain our clients and attract new ones.		
Why we think this is important	How we are mitigating this risk	Changes during FY22
<p>When energy prices rise, energy suppliers can fail financially and clients often delay their contracting decisions and shorten the duration of the contracts they place. Whilst this does not impact our revenues providing we maintain our client retention rates it will reduce the businesses forward order book which is measured on a total contract value basis.</p> <p>In the event of an energy crisis energy suppliers can start to fail in their ability to provide contracts for consumers, this can increase the amount of rework required to meet normal client needs and reduce margins.</p> <p>In addition, the energy crisis can increase the amount of client churn in the market place as even clients who have received a good service have suffered bad results, which can lead to a contraction in market share if the business is not replaced by new clients.</p> <p>Inspired PLC is the player of scale in the energy assurance market which supports the organic growth engine. As such, Inspired needs be aware of changes in competitor behaviour and proactively develop services and solutions in the face of changing market conditions.</p> <p>Energy Assurance Services are currently an unregulated market and should regulation be introduced, the increased cost of compliance could impact the results of the Group.</p> <p>In the current global macro-economic environment, there is an increased risk of supply chain failure which can impact Optimisation projects.</p> <p>The general market for insurance products has tightened for the energy sector which has increased premiums. Such Insurance can be a pre requisite for sales contract award and could restrict new sales and increased premiums can reduce margins.</p>	<p>The credit worthiness of Suppliers is a key determinant of supplier selection recommendations made to clients.</p> <p>Credit Insurance has been taken out with respect to energy Suppliers and Clients (where we recover our fees directly) to mitigate the bad debt risk associated with Supplier failure.</p> <p>We prioritise client service and satisfaction in order to maintain retention rates during a period of shorter contract situation. We operate a 'Client at Risk/Intensive Care' process should a client express concerns about service.</p> <p>We maintain capacity within our product development functions to redeploy resources to front line services, should we see a spike in requirements for service delivery, which can cover a circa six-month resource shock.</p> <p>We increase focus on new sales to Assurance clients in to mitigate the risk of increase churn during an energy crisis.</p> <p>Diversify risk away from Assurance revenues so any adverse impact is diluted by Optimisation Services which typically accelerate during an energy crisis.</p> <p>We endeavour to maintain sales and operational processes that operate to a level over and above the proposed regulatory requirements.</p> <p>With respect to the tightening insurance market and its impact on the contracting of our services we focus on helping clients understand that it is the reliability and cost effectiveness of the insurance that is important and not a high notional value of cover which may not be enforceable.</p>	<ul style="list-style-type: none"> 2022 has seen an energy crisis impact the industry which has reduced margins and increased operational complexity within the assurance business. We have seen an increase in insurance premiums due to a general aversion to the energy sector. These impacts and their mitigation are currently accounted for in the existing business plan.

STRATEGIC REPORT

Principal risks and uncertainties continued

Risk management continued

Operational risk	Impact on strategy
Failure to maintain operational productivity will risk client service levels and delivery of results.	
<p>Acquisitions are a significant growth driver for Inspired PLC and failure to integrate them properly can adversely affect expected results.</p> <p>In times of high energy price volatility there is an increased risk that the client evaluates <i>their positions with hindsight</i> and can be dissatisfied that too much or too little has been bought at any point in time.</p> <p>Whilst the transition to home working has been successful there is a danger that productivity declines as collaboration and problem solving reduces.</p> <p>The business provides a critical service to clients with respect to managing client disconnection notices which relies on the postal service.</p>	<p>In the first phase of integration, employee contracts are transformed to Inspired standard with strong non-competes and non-solicitation clauses to protect the consequences of employee churn.</p> <p>The integration of client facing roles generally <i>does not occur until the end of the second year of the integration program</i> to deliberately minimise disruption to clients.</p> <p>For each acquisition that is not in a contingent consideration situation we provide salary journeys and zero cost share options for essential staff.</p> <p>Client contracts have a limit of liability which generally caps exposure at the fees of the client and in exceptional cases the limit of the Group's professional indemnity insurance.</p> <p>We are in process of implementing software which tracks activity per software package.</p> <p>Operational KPIs track the quantities of deliverables which determines productivity with qualitative customer survey KPIs also regularly monitored.</p> <p>The current flexible working proposals will mandate time in the office with teams to maintain collaboration.</p> <p>We are implementing an outsourced scanning solution which allows post to be delivered to a PO box, scanned and distributed electronically to the correct person in our organisation, increasingly reliability and differentiating our service.</p>

Strategy

Organic growth



People



Customers



Investment



Reputation



Legal



Community

Risk key

Increased risk



No change



Decreased risk

Finance and contractual risk		Impact on strategy
Failure to manage our financial and contractual risks can lead to unexpected increased changes to the Group's results.		
Why we think this is important	How we are mitigating this risk	Changes during FY22
<p>Our revenues can be exposed to the underlying performance of our clients businesses.</p> <p>Our Optimisation Services require the purchase and hold stocks of equipment to deliver net-zero projects to our clients. The value of this stock can vary over time.</p> <p>The journey to net-zero carbon can require the use of offset certificates for clients. In order to match buyers with seller we need to warehouse these certificates from time to time which can expose the Group to market risk with respect to the value of certificates.</p> <p>Projects that deliver net-zero carbon solutions can require the installation of equipment and this process can adversely affect the working capital profile of the business.</p> <p>The business finances its acquisitive growth and working capital requirements using banking debt which is subject to satisfaction of applicable covenant tests.</p> <p>Increased interest rates are likely to reduce profit before tax.</p> <p>A tightening debt market may cause issues with respect to the cost of and access to the debt markets in the future.</p>	<p>We maintain a highly diversified revenue stream within our Assurance Services Division with no client representing more than 1% of revenues.</p> <p>The Group does have revenue concentration with respect to Optimisation Services which is mitigated from a bad debt perspective by credit insurance. From an orderbook perspective the risk is mitigated by the relatively low number of clients the Group has to be active with on premise to deliver its growth thesis (<3%).</p> <p>Stocks are revalued regularly and assessed for relevance given the fast paced nature of technological change.</p> <p>The value of warehoused green certificates are marked to market on a monthly basis and sold back if adversely impacting the P&L to limit liability.</p> <p>Project WIP, invoicing and cash recovery is monitored on a weekly basis by the Chief Financial Officer.</p> <p>The satisfaction of our debt covenants is assessed on a monthly basis to ensure our compliance and to monitor future expected headroom.</p> <p>Interest rate costs are a focus of management attention with careful management of debt levels where it does not prejudice the strategic plan.</p>	

CORPORATE GOVERNANCE

Section 172

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

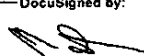
In addressing each of the ten points of the QCA code within the Corporate governance statement on pages 47 to 77 and in the ESG Performance Summary on pages 62 to 73, we provide examples of how the company:

- takes into account the likely consequences of decisions in the long term;
- has regard for the interests of the company's shareholders, employees and other stakeholders;
- promotes openness amongst employees and endeavours to maintain a culture built on integrity;
- takes into account the desirability of the company maintaining a reputation for high standards of business conduct, and;
- has regard for the need to act fairly.

The Directors assess and take into account what is most likely to promote the success of the company for its members in the long term as part of their decision-making process, and make this assessment fairly and in good faith.

The Strategic Report has been approved by the Board and signed off by:

Mark Dickinson
Chief Executive Officer
28 March 2023

DocuSigned by:

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Corporate governance statement

Ensuring high standards of corporate governance

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

As ESG becomes of paramount importance to the investment industry and corporates, the company intends to become a leading provider of ESG solutions to both investment companies and corporate businesses. We will also continue to evolve our disclosures with respect to the performance of the business with regard to ESG. In this section we shall address the following priorities:

1. Board structure and appointments;
2. stakeholder communication;
3. Executive remuneration; and
4. governance structure and delegation.

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

QCA principles and Inspired approach

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

Our goals:

As a listed 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 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 strategy is to grow delivery of our energy, net-zero carbon and ESG solutions, underpinned by market-leading technology. 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 6 of this annual report.
- For details of our business model, please see our divisions on pages 28 to 31.
- For key challenges and how they will be addressed, please see principal risks on pages 39 to 45 of this annual report.

CORPORATE GOVERNANCE

Corporate governance statement continued

QCA principles and inspired approach continued

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

The Board is committed to maintaining good communication and having constructive dialogue with all shareholders on a regular basis. The company enables this with investors and the media by providing communications through the annual and interim reports, along with Regulatory News Service announcements. The Board maintains a general policy of keeping all interested parties informed by regular announcements and update statements.

All Directors attend the AGM, where private investors are given the opportunity to question the Board. The AGM provides an opportunity to meet, listen to and present to shareholders, and shareholders are encouraged to attend.

In addition, institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the company.

The company is committed to ensuring that it engages with retail investors so that its strategy, business model and performance are clearly understood. During 2022, the CEO, CCO and CFO gave an 'Introduction to Inspired' presentation via the Investor Meet Company platform which was open to all existing, and potential, shareholders. Participants were actively encouraged to submit feedback directly to Inspired management at the conclusion of the presentation, to ensure the company understands and responds to the views of the shareholder base.

From 2022 the remuneration report for the Group was subject to a vote so that all shareholders could provide their feedback as to whether the remuneration of Executives correctly strikes the balance between talent retention, long-term incentivisation and the interests of shareholders. Moreover, shareholders with questions can use the 'Contact us' page on the www.inspiredplc.co.uk website or contact the Company Secretary, who will refer questions to the Directors.

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, beyond its shareholders; these include employees, clients, lenders, suppliers, the environment and society.

The Board has an ambition for the Group to develop best practice ESG policies. A series of initiatives to support this is well underway. Our policies on engagement with stakeholders (together with feedback received during 2022) are summarised on page 55 and in full on our website, <https://inspiredplc.co.uk/esg/corporate-governance/>.

Communications are relevant to the stakeholders 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 Group has made a number of ESG disclosures which are published on our website.

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

Through our Audit & Risk Committee, the Board recognises the need for an effective and well-defined risk management process. The Executive management team maintains a risk register, evaluating the frequency and severity of identified risks and reporting to the Board each quarter, as well as reporting any significant new risks identified at every Board meeting to ensure the risks are properly evaluated and the strategies for management of such risks agreed. Through this process the Board can determine if the risk exposure has changed during the year.

Risk governance culture is embedded across the Group. Organisational divisions have their own management Boards which also meet regularly and assess the risks relevant to that specific division and support function.

The Audit & Risk Committee is also responsible for assessing and monitoring the company's financial risks and reviewing the company's financial controls. The Audit & Risk Committee has delegated responsibility to ensure that the Group's management has designed and implemented an effective system of internal financial controls.

Since 2020 the principles of the Task Force on Climate-Related Financial Disclosures (TCFD) were voluntarily integrated into our Executive risk management process as have ESG disclosures under the Global Reporting Initiative (GRI). Our full TCFD and GRI disclosure report 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 (on page 39) of this annual report and accounts.

QCA principles and inspired approach *continued***Principle 5 – Maintain the Board as a well-functioning, balanced team led by the Chair**

Richard Logan, the Non-Executive Chair, is responsible for ensuring that the Group maintains effective standards of corporate governance. During 2022, the Board had four Non-Executive Directors, all of whom are considered to be independent, being Richard Logan, Sarah Flannigan, Sangita Shah and Dianne Walker. The Board had eleven scheduled Board meetings during 2022 and additional discussions where necessary.

The Executive Directors have responsibility for implementation of the Board's strategy. The Directors have appropriate skills and experience for the roles they perform at Inspired, 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. 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 and Risk, Nomination and Remuneration, and ESG providing governance and experience for these areas. The ESG Performance Committee met for the second time in 2022.

The Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties and are expected to work at least one day a month for the Group.

For details of the Board members, see Meet the Directors on pages 51 to 53. For details on Board membership of the Committees, please see page 54.

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

The Board continually evaluates the skills that are required of its members and whether they are adequately provided for. To enable each Director to keep their skill set up to date, individual training needs are identified as part of the annual Board evaluation process and training is provided as required. The Nominations Committee oversees the process of identifying candidates and makes recommendations to the Board. Appointments are made on merit, against objective criteria and an assessment of the expected benefits to be brought to the Board and the Group.

During 2022 the Non-Executive Directors undertook capacity building meetings to develop their knowledge with respect to ESG.

The Board also considers succession planning. In the case of new Directors there is an induction process to ensure that they have a full understanding of the operations of the Group. The Directors are aware of their individual responsibility to undertake appropriate continuing development. The Company Secretary has the responsibility of making the Board aware of legal changes, including those in relation to their duties as Directors.

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

The Chair commissions an annual Board effectiveness review, in which Directors are invited to assess the Board's performance via a survey. The Board then discusses the results of this survey and agrees any measures needed to improve Board effectiveness.

During 2022 the Board made progress with respect to the matters raised in the 2021 Board evaluation by:

1. Improving the granularity of the Risk Register and cascading down to the next level of management within the business.
2. Improving the functioning of the employee led ESG Action and Employee Engagement Committees and how they feed into the Board's ESG Performance Committee.
3. Implementing capacity building workshops for the Board with respect to ESG.

As a result of the Board evaluation for the 2022 period, the Board will seek to improve effectiveness by focusing on:

1. Introducing a fuller KPI suite to better reflect the size and scale of the business and improve the efficiency of Board meetings.
2. Introducing Board Management software to better manage document flow.
3. Revert to more face-to-face Board meetings and improve the timeliness of information flow to and from the Board.

The auditors attend an Audit & Risk Committee meeting twice a year and, along with auditing the financial statements of the Group, they comment on the Group's systems and procedures and efficacy of the management. The nominated advisor has access to the Chair and meets the non-Executives on an ad-hoc basis as required. In terms of re-election, past performance is considered prior to them being proposed to ensure that Directors continue to be effective in their role, add value and 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 reject a Director's Board membership. The Remuneration Committee is tasked with not only the remuneration of the Executive Directors but also evaluation of their performance. To this end, the members of the Board are provided with press comments and market feedback on the business. Market share data and peer group analysis are available. The Chair will review the performance of the CEO, CCO and CFO throughout the year, with a formal discussion at the mid-year, as well as receiving feedback on his own performance from fellow Directors.

CORPORATE GOVERNANCE

Corporate governance statement continued

QCA principles and inspired 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 and the Board monitors and promotes a healthy corporate culture.

The Group has documented procedures with respect to its policy on ethical behaviour, specifically bribery, corruption and modern slavery, Board gender diversity, employee gender diversity, equal pay with respect to gender, workplace accident prevention, whistle-blower protection, human rights, supplier code of conduct, grievance and complaints handling mechanism, anti-discrimination, recognition of ILO Conventions, climate change and the environment.

Our policies with respect to our ethical values and our performance against them are summarised on page 50 of this annual report and in full on our website, <https://inspiredplc.co.uk/policies/>

How our values and ethics translate into the culture of the company is monitored by the Board through the ESG Performance Committee from the employee led ESG Action Committee and Employee Engagement Committee.

The Board takes seriously its responsibilities towards the sustainability of its operations and the impact on the environment, and this is a key strategic intent

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 on pages 51 to 53 of this annual report and in full on our website, <https://inspiredplc.co.uk/esg/corporate-governance/>. The Board meets a minimum of six times per year. Each Committee has approved 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 annually whether the structures, policies 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 Board is committed to maintaining effective communication and having constructive dialogue with its shareholders and other relevant stakeholders. The Group intends to have ongoing relationships with both private and institutional shareholders and shareholder analysts, and for them to have the opportunity to discuss issues and provide feedback at meetings with the company. We also maintain regular contact with our advisors in order to ensure that the Board develops an understanding of the views of any other major shareholders.

The AGM is a key forum for communications with any shareholder who wishes to attend, and the Directors are available to listen to views expressed, both formally and informally.

The AGM, combined with the normal cycle of announcements, is the key method of communication. 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 currently consists of three Executive Directors and four 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 and stewardship of the Group and the benefit of corporate governance commensurate with the size and nature of the Group 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.

The Directors believe that good governance is fundamental to the successful growth of our business. The Board and its Committees play a central role in the Group's governance, by providing an external and independent perspective on matters of importance to Inspired's stakeholders, and by ensuring that effective internal controls and risk management measures are in place.

The Board promotes a culture of good governance throughout the Group by creating a framework of openness, transparency, accountability and responsibility.

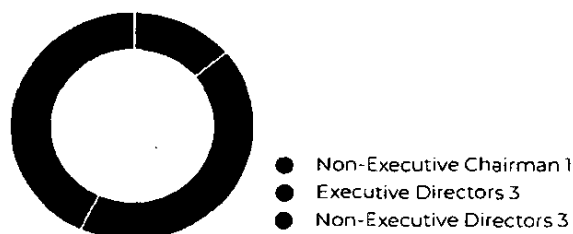
Appointments and conflicts of interest

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 adequacy of the size of the Board based on the following principles:

- a. maintaining more Non-Executive Directors than Executive Directors; and
- b. maintaining a size of Board that is appropriate for the current and future size and scale of the Group.

Board composition at 28 March 2023



Board Committees are formed to address specific matters of governance as set out in the governance section on pages 52 to 54. Appointments to the relevant Committees are made by the Nominations Committee, with due consideration of the required skills and relevant experience.

The Nominations Committee also considers succession planning, to ensure business continuity in the event that a change of an Executive Director occurs or 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 of each Board member.

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

Board gender diversity

The Board recognises that having a diverse Board with a blend of genders, ethnicities, skills, experiences, perspectives, ages and other protected characteristics leads to a more robust understanding of, and challenge of, opportunities, issues and risks and more informed decision making.

Our Board gender diversity policy is summarised on page 61 and published in full on our website, <https://inspiredplc.co.uk/esg/corporate-governance/>.

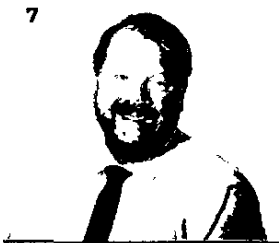
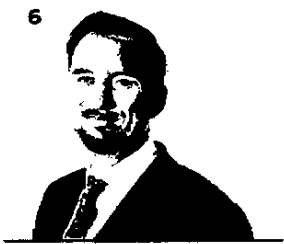
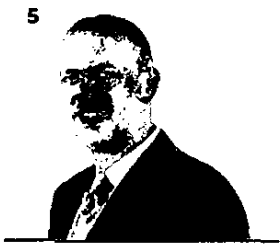
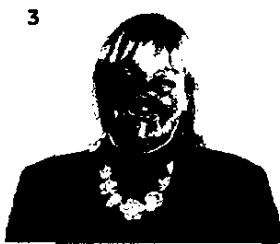
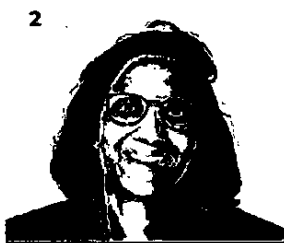
Richard Logan
Chairman
28 March 2023

DocuSigned by:

Richard Logan
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CORPORATE GOVERNANCE
Meet the Directors continued

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



- Key:
- (A) Audit & Risk Committee
 - (N) Nominations Committee
 - (R) Remuneration Committee
 - (E) ESG Performance Committee
 - Chair

1. Richard Logan
Non-Executive Chairman
(A) (N) (R) (E)

Skills and experience
Richard is a chartered accountant with over 36 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 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.

2. Sangita Shah
Non-Executive Director
(A) (N) (R) (E)

Skills and experience
Sangita has extensive experience in corporate finance, journalism and senior consultancy. She has held a number of senior roles within blue chip organisations, including Unilever, Mars, Ernst & Young and KPMG, and was a former Board Director of Swindon Town FC and a past President of the Chartered Institute of Journalists. She has consulted to a number of organisations including HM Cabinet Office and HSBC.

Sangita is a qualified accountant and a frequent keynote Chairman and speaker in forums for the Windsor Leadership Trust and, in the past, the European Parliament.



External appointments

Sangita is currently Chairman of AIM quoted companies Kinovo Plc and RA International Group plc, a Board Director of Ten Entertainment Group plc, and NASDAQ listed Forward Industries Inc. On a policy level she presides over the Quoted Companies Alliance, and as an investor presides over several private companies.

3. Dianne Walker

Non-Executive Director

(A)(N)(R)(E)

Skills and experience

Dianne is an experienced, award-winning Non-Executive Director with a strong background in finance, risk and governance. Prior to holding Non-Executive and Board advisory roles, Dianne was a member of the senior management team at PwC overseeing audit and transaction support professional services. Dianne is a Fellow of the Institute of Chartered Accountants in England and Wales.

External appointments

Dianne holds the position of Non-Executive Director and Chair of the Remuneration Committee of Victoria Plumbing plc, Non-Executive Director of Development Bank of Wales Plc and Senior Independent Director and Chair of the Audit Committee of Scott Bader Co. Ltd.

Dianne is also Non-Executive Chair of two small private limited companies, J&L Elevator Components (EOT) Ltd and Cygnet Texkimp Limited.

4. Peter Tracey

Non-Executive Director

(A)(N)(R)

Skills and experience

Peter is Managing Director of Blackdown Partners Limited, an independent investment bank. Peter has over 25 years' capital markets experience, which includes positions as Head of Investment Banking at Liberum Capital and senior leadership positions at Merrill Lynch across cash equities and investment banking in London, Frankfurt and New York.

External appointments

Peter is a Non-Executive Director of Water Babies Group Limited and is Chairman of Hurtwood Capital Limited, a private family office with interests in the real estate and media sectors.

5. Mark Dickinson

Chief Executive Officer

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.

6. Paul Connor

Chief Financial Officer

Skills and experience

Paul was appointed Chief Financial Officer 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 18 businesses. Paul qualified as a chartered accountant in 2009.

External appointments

None.

7. David Cockshott

Chief Commercial Officer

Skills and experience

David joined the Group in 2020 and became Chief Commercial Officer in March 2022, bringing over 30 years' experience in the energy sector. He has held Board positions at Marubeni-owned Smartest Energy Limited and at Inenco Group, as well as having Executive responsibility for I&C and, latterly, domestic markets for energy supplier Npower.

External appointments

None.

CORPORATE GOVERNANCE**Governance structure****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 & Risk 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 & Risk 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. 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:	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 end, a number of employee committees have been formed that report into the ESG Performance Committee.

The ESG 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 | 4. Commercial Services | 7. ESG Services |
| 2. Account Management | 5. Optimisation Services | 8. Software Solutions |
| 3. Regulated Services | 6. Operations | 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 62.

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

The Group adopt 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.



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. All RNS announcements 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 and disclosures

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

1. Green Economy Mark Revenue Disclosure	2. Streamlined Energy and Carbon Reporting (SECR)
3. Task Force on Climate-Related Financial Disclosures (TCFD)	4. ESG Report aligned to the Global Reporting Initiative (GRI)

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

CORPORATE GOVERNANCE**Directors' remuneration report****Statement from the Chair of the Remuneration Committee**

I am pleased to present this Directors' remuneration report, which sets out the Group's approach to remuneration for the Executive and Non-Executive Directors for the year ended 31 December 2022 and how remuneration will operate for the year ending 31 December 2023.

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 the Companies Act 2006 regulations; however, in the interests of transparency and good governance, the disclosures in this report seek to address some of these areas.

Summary of Executive remuneration outcomes for 2022

As outlined in last year's report, the Committee approved the introduction of the new Inspired Incentive Plan (IIP) for the 2022 financial year. The plan is a combined short and long-term incentive, with a maximum opportunity for 2022 of 200% of salary for the Executive Directors. Performance was measured over 2022 based on targets set at the beginning of the financial year relating to adjusted EPS (40%), combined adjusted EBITDA and cash conversion (40%) and ESG (20%).

The Committee is pleased to report that the combined adjusted EBITDA and cash conversion and adjusted EPS performance were broadly in line with the target levels set at the start of the year. The Committee also considered the good progress made by the company on its ESG objectives during the year, including the delivery of operating activities such as establishing an employee committee and detailed implementation plan to ensure we are on track to deliver a 25% reduction in Scope 1 and 2 emissions and 25% reduction in waste and water usage by 2025, as well as performance against other strategic objectives. The Committee determined that an overall award of 81% of the maximum opportunity was appropriate, equivalent to 162% of salary (pro-rata for David Cockshott for the period he was an Executive Director).

As outlined in last year's report, 50% of the award is paid in cash with the remaining 50% deferred in Inspired PLC ordinary shares (using nil-cost options) which vest after three years subject to a share price multiplier and continued employment. For the 2022 awards, if the share price at the end of the three-year deferral period is:

- less than 21.5 pence, no additional shares will be awarded;
- equal to 21.5 pence, an additional 50% of the deferred shares originally granted will be awarded; or
- equal to 25 pence, an additional 100% of the deferred shares originally granted will be awarded.

and so on, with an additional 50% of the deferred shares originally granted being awarded for every additional 5 pence increase in the share price, up to a maximum of 75 pence.

Board changes

David Cockshott was promoted to the Board as Chief Commercial Officer with effect from 1 April 2022. His salary was set at £200,000 on appointment, reflecting his 30+ years' experience in the energy sector. David's pension and benefits are in line with the other Executive Directors and he will participate in the IIP on the same terms as other Executive Directors.

Composition and role of the Remuneration Committee

Remuneration Committee members during the period consisted of the Non-Executive Directors Sangita Shah (Chair), Richard Logan and Sarah Flannigan. Following the year end, Dianne Walker was appointed to the Committee on 1 March 2023, and Sarah Flannigan resigned from the Committee (and the Board) on this date.

The Committee does not include any Executive Directors to ensure there are no conflict of interests.

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. The fees for the other Non-Executive Directors are determined by the Chairman and the Executive Directors.

The Committee met twice during 2022 and held a number of additional ad hoc discussions throughout the year.

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 since 1 January 2022 have been £290,000 and £210,000 respectively. The basic annual salary payable to the Chief Commercial Officer since his appointment to the Board on 1 April 2022 has been £200,000.

Remuneration structure for Executive Directors continued

Inspired Incentive Plan (IIP)

Under the IIP, performance is measured over consecutive one-year periods. Part of the award is paid in cash, with the remainder deferred in shares (in the form of nil-cost options) which vest after three years, subject to continued employment. The deferred shares element may also be subject to a performance ratchet whereby the number of shares that vest can be increased on the achievement of a set of share price hurdles during the deferral period. The total performance period for the IIP is therefore four years.

For 2022, the maximum opportunity for Executive Directors was 200% of salary, with 50% of any award paid in cash following the end of the performance period and the remaining 50% will be deferred in Inspired PLC ordinary shares (using nil-cost options), vesting after three years subject to continued employment and (if applicable) a share price multiplier.

The Remuneration Committee determines appropriate financial and strategic measures at the start of each performance year.

The plan is subject to standard malus and clawback provisions and good/bad leaver terms.

Shareholding requirement

The Remuneration Committee has introduced a shareholding requirement for Executive Directors, equal to 150% and 100% of salary for the Chief Executive Officer and other Executive Directors respectively. Executive Directors have five years from 1 January 2022 (or date of appointment to the Board if later) to achieve this shareholding requirement. Unvested share awards subject to performance conditions are not taken into account. All awards vesting from the company's

variable remuneration schemes must be retained until the shareholding requirement is met.

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 service contracts terminable on no more than twelve months' notice.

Remuneration structure for Non-Executive Directors

Non-Executive Directors are paid a basic annual fee. Additional fees may be paid to Non-Executive Directors for additional responsibilities, such as the Senior Independent Director and chairing or being a member of a Board Committee. A single fee is paid to the Chairman. The Chairman and Non-Executive Directors are not involved in any discussions or decisions concerning their own remuneration.

The annual fee levels for the 2022 financial year were:

- Chairman – £65,000; and
- Non-Executive Directors – £45,000.

There is no right to any further benefits in kind.

Remuneration for 2022 financial year

The table below sets out the Directors' emoluments for the year ended 31 December 2022. A comparison for the financial year ended 31 December 2021 is also provided.

	2022				2021			
	Salary/fees £000	Bonus ¹ £000	Pension £000	Total £000	Salary/fees £000	Bonus £000	Pension £000	Total £000
Executive								
Mark Dickinson	290	235	1	526	275	275	1	551
David Cockshott (appointed 1 April 2022)	150	122	1	273	—	—	—	—
Paul Connor	210	170	1	381	200	200	1	401
	650	527	3	1,180	475	475	2	952
Non-Executive								
Mike Fletcher (resigned 30 June 2021)	—	—	—	—	27	—	—	27
Richard Logan	65	—	—	65	49	—	—	49
Sarah Flannigan	45	—	—	45	45	—	—	45
Sangita Shah (appointed 1 July 2021)	45	—	—	45	23	—	—	23
Dianne Walker (appointed 4 August 2021)	45	—	—	45	19	—	—	19
	200	—	—	200	163	—	—	163
Total	850	527	3	1,380	638	475	2	1,115

1 Bonus figures for 2022 includes the cash element (50% of the award). The deferred element (remaining 50% of the award) vests after three years subject to continued employment and is also subject to share price multipliers – the value of the deferred element will be disclosed in the remuneration table for the financial year in which the multiplier is assessed.

CORPORATE GOVERNANCE**Directors' remuneration report continued****Remuneration for 2022 financial year continued****2022 IIP outcome**

The table below sets out the performance measures, weightings and outcomes for the 2022 IIP:

	Weighting	Performance
Adjusted EBITDA and cash conversion	40%	Adjusted EBITDA: £21.0m Cash conversion: 102%
Adjusted EPS	40%	1.31p
ESG	20%	See below*
Total	100%	100%

* Outcomes in respect of the ESG element included delivery of operating activities such as establishing an employee committee and detailed implementation plan to ensure we are on track to deliver a 25% reduction in Scope 1 and 2 emissions and 25% reduction in waste and water usage by 2025

The Committee also considered overall progress of the company against its strategic objectives

The overall outcome was 81% of maximum, equivalent to 162% of salary (pro-rata for David Cockshott). The outcomes for the Executive Directors were therefore as follows:

- Mark Dickinson (Chief Executive Officer): £235,095 in cash and £235,095 deferred in shares;
- Paul Connor (Chief Financial Officer): £170,241 in cash and £170,241 deferred in shares; and
- David Cockshott (Chief Commercial Officer): £121,601 in cash and £121,601 deferred in shares.

50% of the awards will be paid in cash. The remaining 50% will be deferred in Inspired PLC shares (using nil-cost options) which vest after three years subject to continued employment and share price multipliers as per the Chair's statement.

Directors' shareholdings and share interests

The table below sets out the Directors' interests in shares of the company as at 31 December 2021.

	Number of shares ¹	%
Executive		
Mark Dickinson ¹	7,534,310	0.77%
David Cockshott	—	—
Paul Connor ²	7,215,000	0.74%
Non-Executive		
Richard Logan	459,828	0.05%
Sarah Flannigan	—	—
Sangita Shah	128,205	0.01%
Dianne Walker	—	—

1 Including 4,995,000 vested share options held at 31.12.2022 under the LTIP scheme, 3,595,000 of which were exercised on 30 January 2023 and transferred from Inspired Energy EBT to Mark Dickinson.

2 Including 2,025,000 vested share options under the LTIP scheme and 4,190,000 vested EMI/unapproved share options. On 30 January 2023, Paul Connor exercised 1,725,000 LTIP Scheme Ordinary Shares, and the ordinary shares were transferred from Inspired Energy EBT to Paul Connor.

3 In addition to the tabled number of shares, Mark Dickinson has 300,000 options which remain unvested and Paul Connor has 300,000 options which remain unvested, all of which are subject to performance conditions.

Directors' shareholdings and share interests continued

On 30 January 2023, Mark Dickinson exercised 3,595,000 awards under the 2017 LTIP. The exercise of the 3,595,000 ordinary shares at a share price of 9.15 pence was subject to income tax including employer's NIC (resulting in an effective 55% tax rate), resulting in a gain on exercise of £148,024. In addition, Mark Dickinson purchased 479,966 ordinary shares at an average price of 10.41 pence per ordinary shares.

On 30 January 2023, Paul Connor exercised 1,725,000 awards under the 2017 LTIP. The exercise of the 1,725,000 ordinary shares at a share price of 9.15 pence was subject to income tax including employer's NIC (resulting in an effective 55% tax rate), resulting in a gain on exercise of £71,027.

In addition, on 30 January 2023 the following Non-Executive Directors purchased ordinary shares:

- Richard Logan, Non-Executive Chair, purchased 288,193 ordinary shares at a price of 10.375 pence per ordinary share on 30 January 2023. Following this transaction, Richard Logan holds 748,021 ordinary shares in the company.
- Sangita Shah, Non-Executive Director, and her spouse, collectively purchased 287,769 ordinary shares at a price of 10.425 pence per ordinary share on 30 January 2023. Following this transaction, Sangita Shah and her spouse together hold 415,974 ordinary shares in the company.
- Dianne Walker, Non-Executive Director, purchased 90,969 ordinary shares at a price of 10.32 pence per ordinary share on 30 January 2023. Following this transaction, Diane Walker holds 90,969 ordinary shares in the company.

Approach to remuneration for 2023

Executive Directors

Base salary

As indicated in last year's report, the Committee undertook an external remuneration benchmarking review during the year with the Committee's remuneration advisors. Noting inflationary pressures, the Committee determined that salary increases for 2023 would be limited to 5% with effect from 1 January 2023.

The salaries of the Executive Directors with effect from 1 January 2023 are therefore:

- Mark Dickinson (Chief Executive Officer): £304,500;
- Paul Connor (Chief Financial Officer): £220,500; and
- David Cockshott (Chief Commercial Officer): £210,000.

Inspired Incentive Plan (IIP)

The Committee has considered the appropriate approach for the IIP in 2023. Based on the current share price position and the potential high dilution, the Committee has concluded that it would not be appropriate to operate the share multipliers for the deferred element of any 2023 award.

With this in mind, the Committee is proposing to make the following changes to the operation of the IIP for 2023:

- remove the application of share price multipliers for the 2023 award; and
- increase the maximum opportunity for Executive Directors from 200% to 250% of salary for 2023 to reflect the removal of the multipliers.

The performance measures will remain broadly unchanged from 2022:

- adjusted EBITDA (subject to a cash conversion underpin) (40% weighting);
- adjusted Earnings Per Share (40% weighting); and
- ESG (20% weighting) – this element will be based on the company's progress towards its 2025 ESG goals during the 2023 financial year.

Details of performance outcomes will be set out in the 2023 Directors' Remuneration Report. The Committee will review the appropriateness of the share price multipliers for the future financial years on an annual basis.

CORPORATE GOVERNANCE

Directors' remuneration report continued

Non-Executive Directors

Following a market review of Non-Executive Director fees, the Board approved the following changes with effect from 1 January 2023:

- The fee for the Chairman would be increased to £85,000 to reflect the responsibilities and increased time commitments of the role, and to remain competitive compared to other similarly sized AIM companies.
- The fee for the Non-Executive Directors will remain unchanged (£45,000) but the Chairman and Executive Directors determined that additional fees should be introduced for the following roles:
 - Senior Independent Director (£5,000)
 - Chair of the Audit & Risk Committee (£5,000)
 - Chair of the Remuneration Committee (£5,000)
 - Chair of the ESG Performance Committee (£2,500)

to reflect the increased responsibilities and time commitments for these roles as the company's governance arrangements have increased.

This report has been approved by the Board and has been signed on behalf of the Board by:

Sangita Shah

Chair of the Remuneration Committee

28 March 2023

DocuSigned by:



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Policies and code of conduct

Our policies and codes of conduct are published on our website. The purpose of each policy and our performance against it are set out below.

Policy	Summary	Performance during 2022
Anti-bribery and 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.	During 2022, the PLC Board had a gender diversity of 42.9%, complying with our target to achieve 37.5% by December 2022. Subsequent to the Board changes on 2 March 2023, the Board has a gender diversity of 28.6%. Consistent with its policy of non-discrimination the Board will continue to seek to expand the Board to achieve its target as and when it is appropriate to do so.
Climate change and the environment	Outlines the Group's policy with respect to climate change and the environment.	The Group achieved carbon neutrality during 2022 and set targets to reach 50% net-zero on a location-basis by 2035 and fully by 2050.
Complaints handling	Sets out the policies for managing complaints from third parties.	There have been no complaints raised under this policy during 2022.
Employee gender diversity and equal pay	Sets out our policies on gender diversity and equal pay.	The Group has an average 7% variance in basic pay between the minority gender and the other gender at any operating level and a 48% representation of the minority gender. However, we have low diversity at our top three levels in the business and whilst this has improved to 24% (20% 2021 representation of the minority gender) it still drives the majority of our gender pay gap which remains at 27% due to skewed diversity at the leadership level.
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 19 accidents reported during 2022, one RIDDOR and no work-related fatalities. There were eight referrals during 2022 to occupational health for a work-related issue.
Human rights	Sets out our policy with respect to the Group's commitment to human rights.	There have been no complaints or reported incidents with respect to human rights.
Modern slavery and human trafficking	Sets 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 and retention with respect to third parties.	There have been no complaints or reported incidents with respect to our privacy 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 2022.
Whistleblower protection	Sets out our policy with respect to the treatment of whistleblowers.	There have been no incidents of whistleblowing or matters of significant concern raised during 2022.

CORPORATE GOVERNANCE

ESG Performance Summary
Our ESG strategy

We continue to believe that environmental, social and governance (ESG) management is key to good business practice and want to ensure that our operations are sustainable for people and the planet."

We want to be transparent in what we are doing, providing comparable data year-on-year and annual updates on our progress towards our targets. This is the third year we have published a standalone ESG Report, aligned with the Global Reporting Initiative (GRI) Standards, and a voluntary Task Force on Climate-related Financial Disclosures (TCFD) report. This section of the annual report is the highlights of our ESG achievements and performance in 2022, full details, including year-on-year data, is provided in our 2022 ESG and TCFD reports.

Our ESG strategy and commitment

We are committed to doing our part in creating a sustainable world. We approach this from two angles: improving our own operations and supporting clients in managing their ESG impacts. For both, we consider sustainability to be a journey, starting with legal compliance and benchmarking, followed by building a robust strategy, processes and reporting, always with the goal of net-zero in mind.

Our ESG strategy is informed by both mandatory and voluntary ESG disclosures, which are published on our website, <https://inspiredplc.co.uk/>. These include:

- a **Streamlined Energy and Carbon Reporting (SECR)** disclosure which outlines our energy use, Scope 1, 2 and partial 3 (grey fleet) carbon emissions and carbon intensity, as well as how we are improving energy efficiency within the business;
 - a **gender pay gap** report detailing the gender pay differences across the business as a whole and within each level of the company;
 - a voluntary **Task Force on Climate-Related Financial Disclosures (TCFD)** report which explains our assessment of climate-related risks and opportunities for Inspired and our strategic response to climate change (in 2022 we published our second report);
 - a voluntary **ESG report**, which is aligned with the Global Reporting Initiative (GRI) standards and provides detailed information on the topics of economic and strategy, environment, governance and social (in 2022 we published our second report);
 - a **CDP** (formerly: Carbon Disclosure Project) disclosure, submitted for the first time in 2022 and achieving a B Climate Change score, which outlines how we are managing our environmental impacts and climate-related risks and opportunities; and
 - during 2022 the Group was awarded an Ecovadis silver medal.
- We consider it important to support and partner with leading organisations in our industry. Currently, we have the following ESG memberships and partnerships:
- **Principles for Responsible Investment (PRI)**: we are a service provider signatory as we advise asset owners and investment managers on ESG topics and support them in submitting PRI reports.
 - **Global Reporting Initiative (GRI)**: we are a member of the GRI Community and support its mission to empower decision makers everywhere, through GRI Sustainability Reporting Standards and its multi-stakeholder network, to take action towards a more sustainable economy and world.
 - **Global Real Estate Sustainability Benchmark (GRESB)**: we are a Data and Premier Partner as we help clients report asset data directly to the GRESB Portal.
 - **edie**: we have had a relationship with edie since 2018 and collaborate on a range of activities to educate and inform its readership about topics including energy management, compliance reporting, data management and sustainable reporting.
 - **UK Business Council for Sustainable Development (UKBCSD)**: we became a member of the UKBCSD in 2021. It aims to lead sustainable business growth, supporting technological innovation and advocating for the role of sustainable development.
 - **Social Value UK and Social Value International**: this year we have become members of these organisations which change the way the world accounts for value by including environmental and social factors.
 - **Disability Confident Employer**: is a movement of change, encouraging employers to think differently about disability and take action to improve how they recruit, retain and develop disabled people.
 - **Social Mobility Pledge**: encourages organisations to being a force for good by putting social mobility at the heart of their purpose.
 - **Mental Health at work commitment**: is a commitment to implementing each of the standards including ideas and tools to get organisations started.
 - **The Global Business Collaboration for Better Workplace Mental Health Pledge**: is an initiative that seeks to advance progress by committing senior leaders to a Pledge to create mentally healthy workplaces.

ESG governance

Over the last few years, we have been working to formalise our ESG governance to ensure that the principles are embedded throughout the business, from the Board through to our employees. This is all driven by our CEO, Mark Dickinson and his commitment to creating a better world in the face of the climate emergency. The Board shares responsibility for approving the ESG strategy and reviewing performance with the ESG Performance Committee. It plays a crucial role in the company's governance by providing an external and independent perspective, ensuring there are adequate internal controls and risk management measures in place.

Executive remuneration

Since 2021, our Executive remuneration has had an ESG component because it is a core part of how we do business. For 2022, we overhauled our remuneration policy for Executives and created the Inspired Incentive Plan; within this, ESG targets have a weighting of 20%.

ESG Performance Committee

The ESG Performance Committee sits alongside the Audit, Remuneration and Nominations Committees. It is responsible for holding the Executive Directors to account concerning all

aspects of ESG, it met for the first time in 2021 and once in 2022 and plans to meet once a quarter from 2023.

ESG Action Committee

Now that we have established a governance structure for ESG within Inspired, we are aiming to increase employee engagement with sustainability topics. In 2022, we created the terms of reference for our ESG Action Committee (formerly referred to as the Environmental and Social Action Committees) and the first meeting was held in January 2023. This consists of employees from each department who can help us make progress on our ESG actions and ambitions.

Green Economy Mark

We are pleased to have received the London Stock Exchange's Green Economy Mark. It recognises those companies that are contributing to a greener and more sustainable economy and allows greater visibility for investors interested in green economy activities. To receive it, companies must generate at least 50% of their revenue from green revenue streams as defined by FTSE Russell's Green Revenues taxonomy. We first received it in 2020 and are pleased to have exceeded 50% green revenue again this year, as shown in the table below.

Table 1: Green revenue for Inspired PLC in 2020 and 2021, split by services and division

Service	Description	2022 revenue £000	2022 green revenue £000	2021 revenue £000	2021 green revenue £000
Procurement	Consultancy and advisory services on placing energy supply contracts for corporate consumers. Focusing on the management of renewable obligations, feed-in tariffs and climate change levies	24,726	24,726	24,443	24,443
Energy accounting	Verification of energy invoices and charges for corporate energy consumers, including validation of consumption data which forms the basis of submissions for sustainability reporting and voluntary schemes such as the CDP (formerly known as the Carbon Disclosure Project)	6,341	6,341	5,965	5,965
Monitoring and targeting	Monitoring of site energy consumption to reduce energy and water waste and drive energy-efficient behaviour from employees	7,362	7,362	7,039	7,039
ESG	Production of net-zero Carbon Action Programmes and setting of science-based targets. Creation of TCFD and SECR disclosures and ESG reports	2,580	2,580	966	966
Forensic audit	Historical cost recovery relating to consumer energy and water invoices	4,344	—	3,093	—
TRIAD alerts	Forecasting and notifying of TRIAD periods to energy consumers	84	—	127	—
Optimisation Services	Consumption reduction management through energy efficiency, demand-side response and onsite renewable generation	43,397	43,397	26,308	26,308
Total		88,834	84,405	67,942	64,721
↳ green revenues			95%		95%

CORPORATE GOVERNANCE

ESG Performance Summary continued

Task Force on Climate-Related Financial Disclosures (TCFD)



We have been using the TCFD framework since FY2020 to assess the climate-related risks and opportunities for our business. It provides eleven recommendations in four areas that integrate into our existing business structures: governance, strategy, risk management and metrics and targets.”

This is a summary of our results, with full details provided in our 2022 TCFD report.

Overview

Risk management is a key process in any business and, as a company that acknowledges the climate crisis, we are aware that this must include management of climate-related risks and opportunities. This will allow us to create a resilient business strategy and a company which is sustainable in the long term. Using the TCFD recommendations, we have developed an internal Climate Risk Management Framework to help us integrate climate change considerations into our regular planning, risk management and disclosure processes.

The TCFD presents two main risk categories: physical risks, such as extreme weather events or rising mean temperatures, and transitional risks, such as increasing reporting requirements and carbon pricing. For *Inspired*, the transition to a low-carbon economy is associated with the highest risks and the greatest opportunities. We are growing our net-zero and ESG Disclosure Services in response to business demand, supporting companies in complying with UK laws and aligning with the Nationally Determined Contributions which form part of the Paris Agreement. In terms of physical risk, although these are low overall, we are aware of the potential impacts of flooding and heatwaves and are monitoring these.

Governance

Management and responsibility for climate-related risks and TCFD reporting fall within our broader ESG governance framework, which is described above. All disclosures are subject to our internal governance processes with Executive responsibility and Board oversight. The CEO, Mark Dickinson, has overall responsibility for ensuring climate-related risks, opportunities and responses are integrated into the business strategy. Consideration of how climate-related risks may impact the company's financial performance is the responsibility of the CFO, Paul Connor. Climate change is a standing agenda item for the ESG Performance Committee, which is responsible for reviewing and validating the strategy.

Strategy

Our approach

We see many opportunities for our business as a result of the transition to a low-carbon economy and are aware of the potential risks. As recommended by the TCFD, we use climate scenario analysis to understand the risk levels over the short (2022-2027), medium (2028-2037) and long term (2038-2052), considering three different possible futures in terms of climate and governmental response, as follows.

Forward-looking analysis

The potential impacts of climate change will vary depending on the action taken to mitigate it on a global scale. Additionally, the greatest physical impacts will be felt on a timescale beyond traditional business planning and investment cycles. That is why it is necessary to use climate scenarios to model potential futures. We have done this for the period 2022 to 2052 as this covers the period of greatest transition, as the UK Government has committed to being net-zero by 2050, and begins to factor in the long-term physical impacts. From that information, we can assess potential business impacts and resilience, as well as identify possible opportunities.

Climate scenarios

When running our climate modelling, we ran scenarios for three potential futures and three time horizons mentioned above to ensure sufficient granularity in our assessment. The scenarios were:

- proactive: <2°C by 2100: this is associated with high levels of transitional risks but limited physical risks;
- reactive: 2–3°C by 2100: this would see the highest level of transitional risks with some physical risks; and
- inactive: >3°C by 2100: this would bring limited transitional risks but the highest level of physical risks.

We used IPCC accredited external datasets, including the CORDEX, CLIMADA and IAM models. We ran the analysis for each of our twelve offices. Full details will be available in our standalone 2022 TCFD report.

Risk management

Our internal risk management is based on the UK Government's Green Leaves III Environmental Risk Management Practices which has four interconnected processes to identify, assess and address potential risks. Our Climate Risk Framework considers the potential risks to our business for each of the categories outlined by the TCFD recommendations. We are able to assess these using the data from our climate scenario analysis and calculating the associated financial risk. Once material risks have been identified, we appraise the options for managing the risk and address any remaining residual risk.



Our results

As a primarily office-based company, our highest risks lay in the transition to a low-carbon economy. Due to the nature of our business activities and because most of our operations are in the UK and Ireland, our physical climate-related risks are low, although we will continue to monitor them. There are also opportunities for our business and we are acting on these with the development of our optimisation and ESG departments. Our results suggest a similar financial impact across all three scenarios, with minimal differences for some business categories.

Table 2: Risks and opportunities for Inspired PLC split by business category

Business category	2022 value £m	2021 value £m	Risk	Opportunity
Technology providers	0.8	1.2	•	
Transport	0.5	0.4	•	
Energy and utility costs	0.1	0.1	•	
Capital markets	0.4	0.4	•	
Bank finance	3.1	1.9	•	
Engineering contractors	6.5	4.8	•	•
Offices	0.5	0.6	•	•
Asset values	83.0	83.0	•	
Robotic process automation	0.3	0.3	•	
Capital equipment	1.1	0.9	•	
IT development	2.6	3.0	•	
M&A execution	0.5	0.5	•	
Labour	33.8	32.5	•	
Energy assurance services	36.0	35.0	•	•
Energy optimisation services	47.7	29.6	•	•
ESG disclosure services	2.6	0.9	•	•
Software solutions	2.5	2.4	•	•
ESG impact services	—	—		
Equipment manufacturers	4.1	5.6	•	•

Once we have established the associated financial impact for each business category, we create a risk and opportunity materiality ranking, as shown in the tables below.

Table 3: Top material risks

Category	Key area	Materiality risk ranking	Business category	2022		2021	
				Value of impact area £m	Risk value £m	Value of impact area £m	Risk value £m
Transition	Market	1	Asset values	83.0	4.2	83.0	4.2
Physical	Chronic	2	Energy assurance services	36.0	0.5	35.0	0.5
Transition	Reputation	3	Labour	33.8	3.3	32.5	3.2

As well as risks, we also identified three material opportunities. For our Energy Optimisation Services, the increasing pricing of GHG emissions offers increasing opportunities to support clients in managing their energy use. For our Energy Assurance and ESG departments, increasing reporting obligations allows us to expand our offering in terms of disclosure preparation and energy reduction strategies for clients.

Table 4: Top material opportunities

Category	Key area	Materiality opportunity ranking	Business category	2022		2021	
				Value of impact area £m	Opportunity value £m	Value of impact area £m	Opportunity value £m
Transition	Reputation	1	Energy optimisation services	47.7	7.0	29.6	4.6
Physical	Chronic	2	Energy assurance services	36.0	4.5	35.0	4.3
Transition	Market	3	ESG disclosure services	2.6	19.5	0.9	6.8

CORPORATE GOVERNANCE

ESG Performance Summary continued

TCFD continued

Metrics and targets

As a provider of ESG Services to businesses, we aim to lead by example. Since 2020, we have achieved carbon neutrality through offsets for Scope 1 and 2 and operational Scope 3 emissions. Expanding our offsetting to include Scope 3 emissions associated with our operational supply chain provides a further incentive to improve emissions from our suppliers. We are currently working with our suppliers to better understand their emissions and improve our data collection. This will allow us to reduce our Scope 3 emissions, a key step on our path to net-zero. In 2022 we committed to submitting our targets to the Science-based Targets initiative (SBTi), by providing our letter of intent to the organisation.

Table 5: Key targets

Target year	Key performance indicators	Progress in 2022	Next steps
2022	Commit to submitting science-based targets to SBTi	<ul style="list-style-type: none"> Officially committed to set near-term and net-zero SBTs Presented SBT options to the Board Modelled decarbonisation trajectory for SBTs 	<ul style="list-style-type: none"> Get sign off from environmental committee on SBTs Pull together documentation for SBT submission Book validation slot Continuous Scope 3 data improvement
2025	Reduce our Scope 1 and 2 carbon footprint by 25% against a 2021 baseline	<ul style="list-style-type: none"> Installed half-hourly monitoring at Kirkham office and trialled energy efficiency measures 	<ul style="list-style-type: none"> Roll out energy efficiency measures identified in Kirkham trial to remaining offices
2030	Reduce our Scope 1 and 2 carbon footprint by 50% (on a location-basis) compared to a 2019 baseline		<ul style="list-style-type: none"> Improve f-gas data collection
2035	Achieve net-zero Scope 1 and 2 emissions (on a location-basis)		
2050	Achieve net-zero Scope 1, 2 and 3 emissions	<ul style="list-style-type: none"> Designed schedule for lifecycle analysis of products over next five years Set up internal team to manage and improve waste data Improved financial data system which streamlines Scope 3 Category 1 and 2 calculations Electric Car Benefit Scheme to reduce Scope 3 Category 7 emissions (employee commuting) 	<ul style="list-style-type: none"> Produce 5 LCAs for top selling inspired products Set up central folder for all Scope 3 data sharing and process for data collection Begin supply chain engagement with top suppliers (by spend) Develop net-zero strategy for the whole business

Our streamlined carbon and energy report and carbon balance sheet, below, lays out all our carbon emissions, broken down by scope and subcategory.

Streamlined carbon and energy report (SECR)

Our environmental impact

Total greenhouse gas emissions

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

Table 6: Inspired PLC total consumption (kWh) figures

Utility and scope	2022 UK consumption (kWh)	2022 global (excluding UK) consumption (kWh)	2021 UK consumption (kWh)	2021 global (excluding UK) consumption (kWh)
Gaseous and other fuels (Scope 1)	272,410	—	357,413	—
Transportation (Scope 1)	231,661	—	168,213	—
Grid-supplied electricity (Scope 2)	258,784	15,482	327,431	14,826
Transportation (Scope 3)	1,008,329	—	409,733	—
Total	1,771,185	15,482	1,262,790	14,826

The total emissions (tCO₂e) figures for energy supplies reportable by the Group are as follows. These have been calculated utilising both location-based and market-based conversion factors. The market-based emissions also reflect the carbon savings achieved through the purchase of REGO backed electricity (275 MWh) and Green Gas Certificates (273 MWh). Conversion factors utilised in these calculations are detailed in the methodology below.

Table 7: Inspired PLC total location-based emissions (tCO₂e) figures

Utility and scope	2022 UK consumption (tCO ₂ e) Location based	2022 global (excluding UK) consumption (tCO ₂ e) Location based	2021 UK consumption (tCO ₂ e) Location based	2021 global (excluding UK) consumption (tCO ₂ e) Location based
Scope 1 total	105.59	—	105.31	—
Gaseous and other fuels (Scope 1)	49.73	—	65.46	—
Transportation (Scope 1)	55.87	—	39.84	—
Scope 2 total	50.04	4.58	69.52	—
Grid-supplied electricity (Scope 2)	50.04	4.58	69.52	4.39
Scope 3 total	232.58	—	95.01	—
Transportation (Scope 3)	232.58	—	95.01	—
Total	388.21	4.58	269.84	4.39

Table 8: Inspired PLC total market-based emissions (tCO₂e) figures

Utility and scope	2022 UK consumption (tCO ₂ e) Market based	2022 global (excluding UK) consumption (tCO ₂ e) Market based	2021 UK consumption (tCO ₂ e) Market based	2021 global (excluding UK) consumption (tCO ₂ e) Market based
Scope 1 total	56	—	39.98	—
Gaseous and other fuels (Scope 1) ¹	0.06	—	0.14	—
Transportation (Scope 1)	55.87	—	39.84	—
Scope 2 total	—	—	—	—
Grid-supplied electricity (Scope 2)	—	—	—	—
Scope 3 total	232.58	—	95.01	—
Transportation (Scope 3)	232.58	—	95.01	—
Total	288.50	—	134.99	—

¹ Natural gas market-based emissions have been calculated taking into account carbon dioxide savings from the purchase of Green Gas Certificates.

ESG Performance Summary continued

SECR continued

Intensity metric

An intensity metric of tCO₂e per FTE has been applied for the annual total consumption of the Group. This methodology is compliant with SI 2008/410 7 Sch 15(3), and the results of this analysis are as follows.

Table 9: Inspired PLC emissions intensity metrics

Intensity metric	2022 intensity metric	2021 intensity metric
Total FTE	641	608
tCO ₂ e/FTE (location based)	0.61	0.45
tCO ₂ e/FTE (market based)	0.45	0.22

Electricity and natural gas location-based emissions for Inspired have decreased from 2021 levels by over 22% in 2022. While the business has resumed a proportion of existing office operations, and new premises opened in Central London and Cardiff, work has continued to ensure that occupied offices are not consuming energy unnecessarily.

Measures have been taken to ensure that offices that are open are operating in the most efficient way possible, in particular with heating and cooling time controls, reflected in further reduced emissions for these utilities. Occupation of serviced offices has supported our energy reduction efforts, as technology such as motion-activated lighting ensures that utilities are not in use when the spaces are empty.

This year we have seen an increase in business travel, which is to be expected as business returns to usual following the restrictions during the pandemic. In particular, there has been an increase in use of personal vehicles due to the ongoing train strikes. In addition, we have reduced our use of pool and company cars, which has moved some emissions from Scope 1 company cars to Scope 3 grey fleet.

Inspired has one subsidiary that qualifies for SECR as an individual entity in 2022. The consumption and emission figures for this subsidiary for the 2022 reporting year are shown below:

Table 10: Inspired Energy Solutions total consumption (kWh) figures

Utility and scope	2022 consumption (kWh)	2021 consumption (kWh)
Gaseous and other fuels (Scope 1)	42,164	9,220
Transportation (Scope 1)	497,854	7,691
Grid-supplied electricity (Scope 2)	152,130	128,391
Transportation (Scope 3)	231,661	109,422
Total	923,809	254,724

Table 11: Inspired Energy Solutions total location-based emissions (tCO₂e) figures

Utility and scope	2022 consumption (tCO ₂ e)	2021 consumption (tCO ₂ e)
Gaseous and other fuels (Scope 1)	7.70	1.69
Transportation (Scope 1)	55.87	1.82
Grid-supplied electricity (Scope 2)	29.41	27.26
Transportation (Scope 3)	114.83	25.37
Total	207.81	56.14

Energy efficiency improvements

Inspired PLC is committed to year-on-year improvements in its 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 2022:

Half-hourly monitoring has been implemented at the Kirkham office to allow a detailed understanding of our energy use here and enable us to roll out best practice across all our offices.

Time controls have been implemented on heating and cooling plant within the Kirkham office space to further improve the efficiency of operation. This has included the utilisation of heat recovery systems, and the programming of Bank Holidays to ensure the plant is not operational during periods of non-occupancy.

An **employee commuting survey** was sent out to improve the accuracy of our Scope 3 Category 7 (employee commuting) emissions data.

An **electric vehicle scheme** has been introduced for Inspired employees to give more employees access to electric cars and also lower our Scope 3 Category 6 and 7 emissions (employee commuting).

Measures prioritised for implementation in 2023:

A **net-zero workshop** was held with key stakeholders in July. This was a training session on net-zero and Inspired's current position to ensure net-zero is embedded throughout the business. In October, a Board training session on TCFD and net-zero was held to provide the information needed for them to sign-off on our carbon reduction targets and strategy.

Best practice rollout for all our offices based on the findings from the half-hourly monitoring and energy saving initiatives at our Kirkham office.

Improve f-gas data collection to improve our data accuracy for Scope 1.

SECR methodology

Scope 1, 2 and 3 consumption and CO₂e emissions data has been calculated in line with the 2019 UK Government environmental reporting guidance. BEIS Greenhouse Gas Reporting Conversion Factors 2022 version 1 has been used, utilising the published kWh gross calorific value (CV) and kgCO₂e emissions factors relevant for reporting period 1 January 2022 to 31 December 2022.

Estimations undertaken to cover missing billing periods for properties directly invoiced to Inspired PLC were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 28% of reported consumption.

For properties where Inspired PLC is indirectly responsible for utilities (i.e. via a landlord or service charge), an average kWh/m² 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 five electricity supplies and one gas supply for Inspired PLC.

Natural gas market-based emissions have been calculated taking into account carbon dioxide savings from the purchase of Green Gas Certificates.

Intensity metrics have been calculated using total tCO₂e figures and the selected performance indicator agreed with Inspired PLC for the relevant reporting period.

Full time equivalents (FTE) 2022: 641 (2021: 608).

CORPORATE GOVERNANCE

ESG Performance Summary continued
Carbon balance sheet**GHG inventory**

When considering metrics and targets for TCFD disclosures, businesses should set out their full carbon footprint, covering Scopes 1, 2 and 3, with respect to the GHG Protocol. Some companies choose which categories of the GHG Protocol to disclose in their carbon footprint on a materiality basis. However, we believe this methodology does not provide the full picture of a company's emissions footprint compared to disclosing all 15 Scope 3 categories. As such, we review every category of the GHG Protocol and report on all that are applicable to our business. This ensures the highest standard of transparency for our disclosure.

Our carbon footprint, calculated on a location-basis, is outlined in Table 12. Overall our total emissions for all scopes increased by 9% between 2021 and 2022 and 99% of them come from Scope 3. This was driven mainly by a 16% increase in the energy used by products we sold to third parties, which is by far the largest category for Inspired and represents

62% of the Group's total emissions. Inspired provides energy saving solutions to other businesses that help them to reduce their Scope 1 and 2 emissions. However, these products still consume energy and the GHG Protocol indicates that we need to account for the emissions associated with the energy this equipment consumes within our GHG inventory. On this basis, the more energy saving products we sell to help our clients decarbonise and manage their response to climate change, the higher our Scope 3 emissions will become.

When we consider this growth in the context of the increasing scale of our operations on both a revenue and employee basis, we are becoming more effective in our emissions management. However, it should be remembered that the objective of net-zero is to deliver absolute reductions in emissions and intensity metrics only serve to show a direction of travel.

Table 12: 2022 carbon balance sheet

This table is to be read across pages 69 and 70

Emissions scope and Scope 3 category	GHG inventory					
	Location based tCO ₂ e			Market based tCO ₂ e		
	2022	Restated 2021	% change	2022	Restated 2021	% change
Scope 1	106	105	+0%	56	40	+40%
Natural gas	50	65	-24%	0.06	0.1	-57%
Transportation (excluding grey fleet)	56	40	+40%	56	40	+40%
Scope 2	55	74	-26%	0	0	0%
Scope 3	17,653	16,111	+10%	17,653	16,111	+10%
1. Purchased goods and services	5,371	5,860	-8%	5,371	5,860	-8%
Energy consuming products for resale	1,257	539	+133%	1,257	539	+133%
Other goods and services	4,114	4,829	-15%	4,114	4,829	-15%
2. Capital goods	345	192	+79%	345	192	+79%
3. Fuel-related emissions	29	63	-55%	29	63	-55%
4. Upstream transportation and distribution	61	56	+10%	61	56	+10%
5. Waste generated in operations	1	1	+37%	1	1	+37%
6. Business travel	479	146	+229%	479	146	+229%
7. Employee commuting	297	226	+31%	297	226	+31%
8. Upstream leased assets	N/A	N/A	—	N/A	N/A	—
9. Downstream transportation and distribution	N/A	N/A	—	N/A	N/A	—
10. Processing of sold products	N/A	N/A	—	N/A	N/A	—
11. Use of sold products	11,069	9,567	+16%	11,069	9,567	+16%
12. End-of-life treatment of sold products	1	1	+6%	1	1	+6%
13. Downstream leased assets	N/A	N/A	—	N/A	N/A	—
14. Franchises	N/A	N/A	—	N/A	N/A	—
15. Investments	0.1	0.1	-30%	0.1	0.1	-30%
Total all scopes	17,813	16,290	+9%	17,709	16,151	+10%
All scopes kgCO₂e per £ (revenue)	0.20	0.24	-16%	0.20	0.24	-16%
All scopes tCO₂e per employee	27.8	26.8	+4%	27.6	26.6	+4%

* 2021 revenue corrected from £68.28 million estimated at time of writing the original disclosure to £67.941 million as per 2021 report and accounts restatement of percentage change from 25% to 26% of market-based carbon cost of operations for 2021.



Operational analysis

As an organisation we seek to not only make ourselves carbon neutral for our Scope 1 and Scope 2 emissions, but also for the Scope 3 emissions we have consumed in the provision of our operations. Our operational analysis shows that our absolute carbon cost of operations reduced by 3% during 2022. We have purchased 4,731 tCO₂e of offsets and 650 tCO₂e carbon sequestration to achieve carbon neutrality across our operations.

We purposefully achieve carbon neutrality for our operations to ensure there is a commercial cost associated with our emissions, in order to provide a commercial incentive to make improvements our business.

While we see carbon neutrality as a useful tool in the short term to both help fund sustainable projects and put a price on our emissions, we are ultimately aiming for an absolute reduction in the emissions we produce across our operations in order to achieve net-zero.

Analysis of carbon benefits to customers

Where we provide energy consuming products to our customers to help them reduce their emissions, such as LED light bulbs and heat pumps, we aim to see the return on investment through the net carbon impact of those products. The analysis of carbon benefits to customers shows that we are saving our customers more emissions than those associated with the products themselves, i.e. embedded in the raw materials of the products or from their end of life treatment. This results in a positive net carbon impact for our customers. In 2022 we invested 1,258 tCO₂e, in Categories 1 and 12-related emissions, to help our customers to save 16,364 tCO₂e, a net increase of 49% over 2021.

Operational analysis			Analysis of carbon benefits from customer use of energy consuming products								
Carbon cost of operations tCO ₂ e			Carbon cost of energy consuming products sold to customers tCO ₂ e			Carbon saving from use of energy consuming products by customers tCO ₂ e			Customers net carbon impact from use of energy consuming products tCO ₂ e		
2022	2021	% change	2022	2021	% change	2022	Restated 2021	% change	2022	2021	% change
56	40	+40%	—	—	—	—	—	—	—	—	—
0.06	0.1	-57%	—	—	—	—	—	—	—	—	—
56	40	+40%	—	—	—	—	—	—	—	—	—
0	0	—	—	—	—	—	—	—	—	—	—
5,325	5,513	-3%	1,258	540	+133%	16,364	10,658	+54%	15,106	10,118	+49%
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	1,257	539	+133%	—	—	—	(1,257)	(539)	+133%
4,114	4,829	-15%	—	—	—	—	—	—	—	—	—
345	192	+79%	—	—	—	—	—	—	—	—	—
29	63	-55%	—	—	—	—	—	—	—	—	—
61	56	+9%	—	—	—	—	—	—	—	—	—
1	1	+37%	—	—	—	—	—	—	—	—	—
479	146	+229%	—	—	—	—	—	—	—	—	—
296	226	+31%	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	16,364	10,658	+54%	16,364	10,658	+54%
—	—	—	1	1	+30%	—	—	—	(1)	(1)	+30%
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
5,381	5,553	-3%	1,258	540	+133%	16,364	10,658	+54%	15,106	10,118	+49%
0.06	0.08	-26%*	0.01	0.01	+78%**	0.18	0.16	+18%	0.17	0.15	+14%
8.4	9.1	-8%	2.0	0.9	+121%	25.5	17.5	+46%	23.6	16.6	+42%

ary continued

Environment

We acknowledge the climate emergency and are committed to mitigating our impact on the environment. We have a climate change and environment policy that states this commitment and outlines the steps we are taking. This includes reducing our waste and energy use, utilising video conferencing technology to reduce our business travel and assessing the environmental impact of new products and processes before we introduce them. We also encourage our clients and suppliers to do the same.

Our overarching environmental target is to reach net-zero on a location-basis by 2035. This year we have held training sessions with the Board and key stakeholders to provide the information needed for them to understand and approve our carbon reduction targets and strategy. We have modelled our net-zero pathway and created interim targets which will be signed off in Q1 2023. Further emissions and environmental targets are detailed in the metrics and targets section of the TCFD summary.

Waste and water

Our water use and waste production are relatively low and have reduced in recent years with the increase in homeworking since the COVID-19 pandemic. We have set the targets below to reduce our water usage and waste in the short term.

Table 13: Waste and water targets

	Target 2025	Progress
Water	25% reduction in water use by 2025	Feasibility investigations are underway for the installation of water AMR in our long-term leased and owned offices
Waste	Replace or remove single-use plastic by 2025 Reduce paper usage by 50% by 2025 Recycle 90% of paper by 2025	DocuSign is used to reduce printing of documents

Suppliers

We are also keen to work with our suppliers to improve their environmental impact. We ask that all suppliers work to environmental standards consistent with our own and review their environmental policies during our onboarding process. We are currently improving our screening processes to include more detail on environmental and social topics. To further improve our knowledge of how suppliers are engaging with the topic of climate change, we have set ourselves a target of having 80% of suppliers, by spend, making a TCFD or equivalent disclosure by 2025.

Table 14: Supplier targets

	Target	Progress
Vendor engagement	Achieve 80% of suppliers by spend making a TCFD disclosure or equivalent by 2025	Suppliers were consulted in 2021, and engagement is ongoing

Social

SDGme

We want to embed the UN SDGs into our organisational culture through our SDGme app. This encourages employees to record actions that save carbon and contribute to specific Sustainable Development Goals. It aims to foster employee engagement and shape individual behaviour around global social and environmental issues.

In 2022, almost 9,500 actions have been logged, saving a total of 26.52 tCO₂e. Actions include choosing active travel over driving, conserving energy by turning off devices at night and shopping locally. We are in the early stages of testing the app with clients and look forward to rolling it out in 2023.



Our people

Inspired recognises that our people are fundamental to the delivery of our strategy. We support our employees in their professional development and health and wellbeing through internal training and providing access to external resources. We also aim to attract the best new talent and have an internal talent acquisition team of industry experts who develop a talent pool of high-quality candidates. In 2022, we created and filled 103 additional roles.

In the long-term (5-25 years), we aim to maintain an equitable distribution of benefits between all stakeholders in proportion to the performance of the business. To develop social support and equity in our company, we have set short and medium-term targets based on learning from past experiences to strengthen our company culture and invest in initiatives that promote diversity and inclusion. This year we have introduced an enhanced maternity leave policy, which goes beyond the legal minimum to give employees 16 weeks of full pay.

We have introduced flexible working practices based on our experience during COVID-19, with employees now able to work fully or partially remotely or fully in-house. We have also invested in our IT infrastructure to create a best-in-class remote working environment.

The information in this section is a summary of our ESG progress this year and full details are provided in our 2022 ESG Report.

Employee Engagement Committee

The Employee Engagement Committee consists employees from across the business and our offices. It runs charity fundraising and engagement initiatives. Each month it writes and sends out a newsletter celebrating employee fundraising, sharing sustainability tips and encouraging engagement. Below are a few highlights from 2022:

Coffee mornings

In June, we held our first company-wide virtual coffee morning, a chance for employees from across the business to get to know each other. This was very well received and there are now monthly coffee catch-ups with high attendance and positive feedback.

Employee wellbeing

In 2022, we continued engaging with our employees to improve their health and wellbeing. We know that wellness and wellbeing are very personal and can be different for each individual. During 2022, 229 employees registered for the Unmind app, a workplace mental wellbeing platform that is 100% confidential and can be accessed anywhere, anytime. It helps employees track, assess, and understand their wellbeing with tools, training and assessments, and a wide variety of activities. It focuses on seven key areas: fulfilment, coping, calmness, happiness, connection, health, and sleep. Employees can access self-guided programs, exercises and clinically backed insights.

Beach clean-up

In September, employees from Inspired volunteered to litter pick on Blackpool Beach for International Coastal Clean Up Day. Together, they collected 9.8kgs of rubbish.

Employee newsletter

In December 2022, we launched a monthly newsletter based on feedback from employees. It aims to keep employees informed about the business and act as a space for celebrating achievements.

Learning and development

This year, we are pleased to have launched a new course catalogue for our employees which covers both training on internal systems and software and, for the first time, professional skills development. This has been very well received and uptake of the courses has been high equating to 1,249 full days for employee training across the Group.

We are looking to launch a further 20 professional skills courses in 2023, including an Inspired Leadership Programme. This is in addition to our core modules, which are taken each year, and include Equality and Diversity, Health and Safety and Cyber Security.

More information on our employee learning and development are provided in our 2022 ESG report.

Gender diversity

Gender diversity is an area of focus for Inspired, especially at the higher levels of the company. In 2022, our Group gender diversity was 48%, an increase from 46% last year. Our Board diversity was 42% at the year end as we maintained our target of ensuring each gender represents at least 37.5% of the Board's composition. Subsequent to the Board changes on 2 March 2023, the Board has a gender diversity of 28.6%. Consistent with its policy of non-discrimination the Board will continue to seek to expand the Board to achieve its target as and when it is appropriate to do so.

We believe in equal pay for equal experience and performance to support this diversity. At each level of the organisation, men and women are paid the same under these conditions. Overall, there is a 23% Group gender pay gap due to the low level of diversity in senior leadership positions. This is a reduction from last year's 27% and we aim to continue improving it, as outlined in our 2022 ESG report.

The ratio of the basic pay of our most senior Executive is 7.5 times that of average UK employees.

Our full gender pay gap report can be found on our website.

Health and safety

As a primarily office-based service provider, the potential for work-related injuries is relatively low compared to many organisations. However, we do provide some onsite services and take health and safety very seriously. As such, we have had our management system BS ISO 45001:2018 certified. Furthermore, we are registered with the Achilles Utilities Vendor Database (UVDB) scheme, which aims to manage and mitigate risks in the supply chain.

In 2022, there were no fatalities (2021: no fatalities) and one HSE-reportable injury (2021: nil). There were six accidents, with two requiring medical treatment and nine near-misses. This is an increase on previous years; in 2022, we have seen an increase in our construction-focused projects, following a lull during the pandemic. All incidents are logged in a tracker and followed-up internally to ensure any possible improvements are made to reduce likelihood of recurrence. Work-related hazards are reviewed monthly by the office management team to minimise risk.

CORPORATE GOVERNANCE**Group Directors' report**

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

Principal activities

Inspired is focused on the creation of shareholder value through a leading technology enabled service supporting businesses in their drive to net-zero, controlling energy costs and managing their response to climate change.

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 the rest of the strategic report.

The review of business and commentary on future developments have been included in the strategic report on pages 1 to 46.

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	%
Mark Dickinson	2,539,310	0.26
Paul Connor	1,000,000	0.10
David Cockshott	—	—
Richard Logan	459,828	0.05
Sangita Shah	128,205	0.01
Dianne Walker	—	—
Sarah Flannigan	—	—

On 1 March 2023 Sarah Flannigan resigned as a Non-Executive Director of the company. On the same date Peter Tracey was appointed as a Non-Executive Director of the company.

On 30 January 2023, Mark Dickinson exercised 3,595,000 awards under the 2017 LTIP. The exercise of the 3,595,000 ordinary shares at a share price of 9.15 pence was subject to income tax including employer's NIC (resulting in an effective 55% tax rate). In addition, Mark Dickinson purchased 479,966 ordinary shares at an average price of 10.41 pence per ordinary shares. As a result, Mark Dickinson increased his holding to 6,614,276 ordinary shares.

On 30 January 2023, Paul Connor exercised 1,725,000 awards under the 2017 LTIP. The exercise of the 1,725,000 ordinary shares at a share price of 9.15 pence was subject to income tax including employer's NIC (resulting in an effective 55% tax rate). As a result, Paul Connor increased his holding to 2,725,000 ordinary shares.

In addition, on 30 January 2023 the following Non-Executive directors purchased ordinary shares:

Richard Logan, Non-Executive Chair, purchased 288,193 ordinary shares at a price of 10.375 pence per ordinary share on 30 January 2023. Following this transaction, Richard Logan holds 748,021 ordinary shares in the company.

Sangita Shah, Non-Executive Director, and her spouse, collectively purchased 287,769 ordinary shares at a price of 10.425 pence per ordinary share on 30 January 2023. Following this transaction, Sangita Shah and her spouse together hold 415,974 ordinary shares in the company.

Dianne Walker, Non-Executive Director, purchased 90,969 ordinary shares at a price of 10.32 pence per ordinary share on 30 January 2023. Following this transaction, Dianne Walker holds 90,969 ordinary shares in the company.

Dividends

The Board is delighted to propose a final dividend of 0.14 pence per share subject to approval at the Annual General Meeting of the Group. Following the payment of an interim dividend of 0.13 pence per share, the total dividend payable for the year ended 31 December 2022 is 0.27 pence per share (2021: 0.25 pence per share). The dividend will be payable on 26 July 2023 to all shareholders on the register on 16 June 2023 and the shares will go ex-dividend on 15 June 2023.

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 2024, 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. Furthermore, on entering the current facility agreement with Santander and Bank of Ireland in October 2019, the Group had an option to extend the term of the facility from October 2023 to October 2024. The Group exercised that option in September 2021, taking the term of the existing facility to October 2024. Whilst a refinancing is not required in order to conclude on the going concern basis being appropriate given existing facilities the Group expects to refinance its current facility during the financial year ending 31 December 2023.



Going concern continued

At 31 December 2022 the Group's net debt was £37.0 million, increasing from £32.9 million at 31 December 2021. In addition to cash and cash equivalents of £12.3 million on hand as at 31 December 2022, approximately £10.5 million of the Group's £60.0 million revolving credit facility is undrawn with an additional £25.0 million accordion option available, subject to Going concern continued covenant compliance. The facility is subject to two covenants, which are tested quarterly, adjusted leverage to adjusted EBITDA and adjusted EBITDA to net finance charges.

In March 2022, the Group agreed with the lenders to defer the tapering of the adjusted net leverage covenant from 2.50:1.00 to 2.00:1.00, which was due to commence in the quarter ending 31 December 2022 for twelve months to 31 December 2023 to align with the extension of the facility completed in September 2021.

Furthermore, subsequent to the year end, the Group agreed with its banking partners in February 2023 a resetting of the adjusted leverage covenant for quarters ending 31 March 2023 through to 30 June 2024, significantly increasing the headroom available to the Group from a covenant perspective through a period in which the Group expects to make material contingent consideration payments, while facilitating the acceleration of growth within the Optimisation Division.

The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and scenarios, taking account of reasonably possible changes in trading performances 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 47 to 50 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 an Audit & Risk Committee, a Remuneration Committee, an ESG Performance Committee and a Nominations Committee. Each Committee operates within defined terms of reference.

The Remuneration Committee

The members of the Remuneration Committee during the year were Sangita Shah, Richard Logan and Sarah Flannigan. Remuneration Committee is chaired by Sangita Shah. Subsequent to the period end, Dianne Walker was appointed to the committee 1 March 2023, and Sarah Flannigan resigned from the committee on 1 March 2023.

The Remuneration Committee met on three occasions in 2022. All members of the Remuneration Committee were in attendance.

The Audit & Risk Committee

The members of the Audit & Risk Committee during the year were Dianne Walker, Richard Logan and Sangita Shah.

The Audit & Risk Committee is chaired by Dianne Walker. Dianne has recent and relevant experience. She 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 & Risk Committee met on three occasions in 2022. All members of the Audit & Risk Committee were in attendance.

The Audit & Risk 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.

The Audit & Risk Committee is also responsible for ensuring that risk management and the related controls in place have been effective during the year.

CORPORATE GOVERNANCE**Group Directors' report continued****The Audit & Risk Committee continued**

At the invitation of the Committee, meetings may be attended by the Chief Executive Officer, Chief Financial Officer and the Chief Commercial Officer. Representatives of the external auditors, RSM UK Audit LLP, also attend certain meetings during the year. The Chair of the Committee also meets separately with the external auditors. Under its terms of reference, the Audit & Risk 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 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 take 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.

Responsibilities of the Committee also include oversight of the Group's risk management processes and reviews of the scope and effectiveness of the Group's internal controls, including financial, operational and compliance controls (systems established by management to identify, assess, manage and monitor key risks).

The ESG Performance Committee

The members of the ESG Committee during the year were Sarah Flannigan, Richard Logan, Sangita Shah and Dianne Walker. The ESG Committee is chaired by Sarah Flannigan. Subsequent to the period end, Sangita Shah was appointed Chair to the committee 1 March 2023, and Sarah Flannigan resigned from the committee on 1 March 2023.

The ESG Committee met on one occasion in 2022. All members of the ESG Committee were in attendance.

Substantial shareholdings

At 14 February 2023, 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 74.

	Number of shares	%
Gresham House Asset Management	289,774,075	29.72
Fidelity International	87,612,941	8.97
Slater Investments	80,834,103	8.28
Premier Miton Investors	74,605,505	7.64
Regent Gas Holdings Limited	72,687,101	7.45
Chelverton Asset Management	57,050,000	5.84
Otus Capital Management	56,549,010	5.79
Tellworth Investments	42,643,580	4.37
Lombard Odier Investment Manager	34,171,389	3.50

Approach to risk

Risk is an accepted part of doing business. The real challenge for any business is to identify the principal risks and to develop and monitor appropriate controls. A successful risk management process balances risk and reward and relies on a sound judgement of their likelihood and consequence. The principal risks identified by the Executive management were reviewed by the Board of Directors and the Audit & Risk Committee.

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 SONIA 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 refinancing in September 2019.



Financial risk management continued

Interest rate risk continued

The Group continues to assess the correct hedging position for its debt facility. The Group does not adopt the principles of hedge accounting.

Directors' responsibilities statement

The Directors are responsible for preparing the strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and company financial statements for each financial year. The Directors have elected under company law and the AIM Rules of the London Stock Exchange to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group and company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the Group and the company and the financial performance of the Group and the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 of the Group and the company and of the profit or loss of the Group for that period.

In preparing each of the Group and company 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 they have been prepared in accordance with UK-adopted International Accounting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Inspired PLC website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Section 172 statement

Detail of engagement with shareholders, employees, suppliers, customers, and others in a business relationship with the company can be found in each of the ten points of the QCA code within the Corporate governance statement on pages 47 to 50 and in the ESG Performance Summary on pages 62 to 73.

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

Details of post-balance sheet events can be found in note 29 on page 122.

Auditors

RSM UK Audit 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.

Streamlined Energy and Carbon Reporting (SECR)

The Group's SECR report can be found on pages 67 to 69.

On behalf of the Board

DocuSigned by:

Mark Dickinson
Chief Executive Officer
28 March 2023

FINANCIAL STATEMENTS**Independent auditors' report**

To the members of Inspired PLC

Opinion

We have audited the financial statements of Inspired PLC (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2022 which comprise the Group statement of comprehensive income, Group statement of financial position, Group statement of changes in equity, Group statement of cash flows, company statement of financial position, company statement of changes in equity 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 UK-adopted International Accounting Standards. 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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Summary of our audit approach

Key audit matters	Group <ul style="list-style-type: none"> • Revenue recognition and accrued income. No key audit matters are identified with respect to the parent company
Materiality	Group <ul style="list-style-type: none"> • Overall materiality: £834,000 (2021: £618,000) • Performance materiality: £625,000 (2021: £377,000) Parent company <ul style="list-style-type: none"> • Overall materiality: £250,000 (2021: £617,000) • Performance materiality: £187,000 (2021: £462,000)
Scope	Our audit procedures covered 96% of revenue, 85% of total assets and 89% of EBITDA.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group and parent company 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 and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matters continued

Revenue recognition and accrued income

Key audit matter description	<p>(Refer to note 2.3 for details of the Group's revenue recognition policies and note 2.3 for details of the value and measurement of accrued income at the year-end).</p> <p>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.</p> <p>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.</p>
How the matter was addressed in the audit	<p>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. Management were challenged on whether the revenue recognition policies applied by the Group remained appropriate.</p> <p>The cut-off of revenue recognised in the year was considered by selecting a sample of sales transactions pre and post year end and obtaining evidence for when the service was performed or goods delivered, to compare this to the period in which the revenue was recognised, to test whether this was in accordance with the revenue recognition policy of the Group.</p> <p>In respect of accrued income balances, our testing included substantive tests of detail performed on a sample basis. Customer contracts were obtained and contract information was scrutinised to determine whether the year-end balance was measured appropriately. A sample of post-year-end cash receipts were scrutinised to evidence the existence and valuation of accrued income.</p>

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:

	Group	Parent company
Overall materiality	£834,000 (2021: £618,000)	£250,000 (2021: £617,000)
Basis for determining overall materiality	4% of adjusted EBITDA	2% of total assets
Rationale for benchmark applied	Adjusted 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	£625,000 (2021: £377,000)	£187,000 (2021: £462,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit & Risk Committee	Misstatements in excess of £41,700 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £12,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

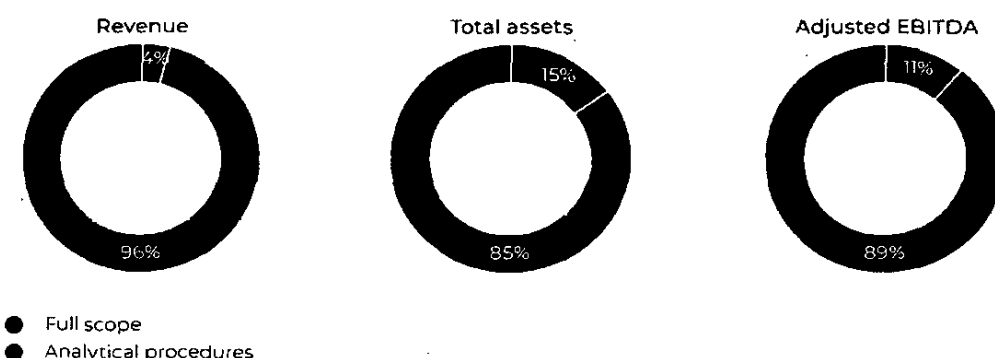
FINANCIAL STATEMENTS

Independent auditors' report continued To the members of Inspired PLC

An overview of the scope of our audit

The Group consists of 31 components, all of which are based in the UK with the exception of one entity located within the Republic of Ireland.

The coverage achieved by our audit procedures was:



Full scope audits were performed for six components and analytical procedures at Group-level for the remaining 25 components.

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 twelve months after the date of approval of the financial statements;
- assessment of the available financing facilities including nature of facilities and forecast and historic compliance with covenants;
- consideration of available headroom provided by existing funding facilities and the Group's ability to comply with financial 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditors' 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.



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 page 77, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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.

FINANCIAL STATEMENTS

Independent auditors' report continued

To the members of Inspired PLC

The extent to which the audit was considered capable of detecting irregularities, including fraud continued
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, we:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the Group and parent company operates 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; and
- 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.

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 the 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. Testing a sample of sales recorded in the year and corroborating to underlying sales documentation and cash receipt. Testing the cut-off of revenue recognised in the year was considered by selecting a sample of revenue transactions pre and post year end and obtaining evidence for when the service was performed or goods delivered, to compare this to the period in which the revenue was recognised, to test whether this was in accordance with the revenue recognition policy of the Group.
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. 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 auditors' report.

Use of our report

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

DocuSigned by:

Alastair Nuttall

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

28 March 2023



Group statement of comprehensive income

For the year ended 31 December 2022

FINANCIAL STATEMENTS

	Note	2022 £000	2021 £000
Revenue	6	88,776	67,941
Cost of sales		(31,070)	(17,249)
Gross profit		57,706	50,692
Administrative expenses		(58,524)	(47,823)
Analysed as:			
Adjusted EBITDA		21,000	19,791
Exceptional costs	4	(2,097)	(2,318)
Change in fair value of contingent consideration	4	(10,936)	(4,735)
Depreciation, impairment and loss on disposal on property, plant and equipment	11/12	(1,827)	(1,870)
Amortisation of acquired intangible assets	13	(2,687)	(4,415)
Amortisation and impairment of internally generated intangible assets	13	(2,539)	(2,554)
Share-based payment cost	24	(1,732)	(1,030)
Operating (loss)/profit		(818)	2,869
Finance expenditure	5	(3,148)	(1,860)
Other financial items		9	105
(Loss)/profit before income tax	4	(3,957)	1,114
Income tax charge	9	329	524
(Loss)/profit for the year		(3,628)	1,638
Attributable to:			
Equity owners of the company		(3,628)	1,638
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Movement in deferred tax asset as a result of change in fair value of share options		(1,323)	—
Exchange differences on translation of foreign operations		119	(753)
Total other comprehensive income/(expense) for the year		(1,204)	(753)
Total comprehensive (expense)/income for the year		(4,832)	885
Attributable to:			
Equity owners of the company		(4,832)	885
Basic (loss)/earnings per share attributable to the equity holders of the company (pence)	10	(0.37)	0.17
Diluted (loss)/earnings per share attributable to the equity holders of the company (pence)	11	(0.37)	0.16

The notes on pages 87 to 126 form part of these financial statements. All items relate to continuing operations.

FINANCIAL STATEMENTS**Group statement of financial position**

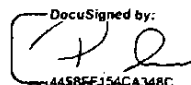
At 31 December 2022

	Note	2022 £000	2021 £000
ASSETS			
Non-current assets			
Investments	14	1,737	1,461
Goodwill	13	76,960	76,111
Other intangible assets	13	17,716	18,291
Property, plant and equipment	11	3,216	2,452
Right of use assets	12	1,428	2,180
Non-current assets		101,057	100,495
Current assets			
Trade and other receivables	17	37,520	33,440
Deferred contingent consideration	17	1,077	4,529
Inventories	16	211	300
Cash and cash equivalents	15	12,270	12,944
Current assets		51,078	51,221
Total assets		152,135	151,716
LIABILITIES			
Current liabilities			
Trade and other payables	18	17,079	12,315
Lease liabilities	19	869	860
Contingent consideration	22	13,056	14,586
Current tax liability		3,091	1,823
Current tax liability		34,095	29,584
Current liabilities		33,465	29,584
Non-current liabilities			
Bank borrowings	21	49,462	45,847
Lease liabilities	19	552	993
Contingent consideration	22	5,699	7,165
Derivative financial liability	21	17	25
Deferred tax liability	20	1,282	1,522
Non-current liabilities		57,012	55,552
Total liabilities		91,107	85,136
Net assets		61,028	66,580
EQUITY			
Share capital	23	1,220	1,219
Share premium account	23	60,930	60,923
Merger relief reserve	23	20,995	20,995
Share-based payment reserve		8,111	6,379
Retained earnings		(18,447)	(11,036)
Investment in own shares		(36)	(36)
Translation reserve		(362)	(481)
Reverse acquisition reserve		(11,383)	(11,383)
Total equity		61,028	66,580

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2023 and were signed on its behalf by:

DocuSigned by:

Mark Dickinson
 Chief Executive Officer

DocuSigned by:

Paul Connor
 Chief Financial Officer

Company registration number: 07639760.

The notes on pages 87 to 126 form part of these financial statements.



Group statement of changes in equity

For the year ended 31 December 2022

FINANCIAL STATEMENTS

	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	Total shareholders' equity £000
Balance at 1 January 2021	1,202	67,000	20,995	5,349	(10,418)	(6,742)	272	(11,383)	66,275
Profit for the year	—	—	—	—	1,638	—	—	—	1,638
Other comprehensive expense for the year	—	—	—	—	—	—	(753)	—	(753)
Total comprehensive income/ (expense) for the year	—	—	—	—	1,638	—	(753)	—	885
Share-based payment cost	—	—	—	1,030	—	—	—	—	1,030
Shares issued (8 April 2021)	13	376	—	—	—	—	—	—	389
Shares issued (22 June 2021)	1	114	—	—	—	—	—	—	115
Shares issued (28 July 2021)	1	62	—	—	—	—	—	—	63
Shares issued (15 September 2021)	1	53	—	—	—	—	—	—	54
Shares issued (21 December 2021)	1	12	—	—	—	—	—	—	13
Shares issued to EBT*	—	(6,694)	—	—	—	6,706	—	—	12
Dividends paid	—	—	—	—	(2,256)	—	—	—	(2,256)
Total transactions with owners	17	(6,077)	—	1,030	(618)	6,706	(753)	—	305
Balance at 31 December 2021	1,219	60,923	20,995	6,379	(11,036)	(36)	(481)	(11,383)	66,580
Loss for the year	—	—	—	—	(3,628)	—	—	—	(3,628)
Other comprehensive income for the year	—	—	—	—	(1,323)	—	119	—	(1,204)
Total comprehensive income/ (expense) for the year	—	—	—	—	(4,951)	—	119	—	(4,832)
Share-based payment cost	—	—	—	1,732	—	—	—	—	1,732
Shares issued (12 April 2022)	—	7	—	—	—	—	—	—	7
Shares issued (7 December 2022)	1	—	—	—	—	—	—	—	1
Dividends paid	—	—	—	—	(2,460)	—	—	—	(2,460)
Total transactions with owners	1	7	—	1,732	(7,411)	—	119	—	(5,552)
Balance at 31 December 2022	1,220	60,930	20,995	8,111	(18,447)	(36)	(362)	(11,383)	61,028

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 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.

Investment in own shares equates to 29,115,000 (2021: 29,115,000) shares.

The notes on pages 87 to 126 form part of these financial statements.

- * During 2021, the valuation of the investments in own shares was reassessed and revised to the nominal value of the shares held. This resulted in a transfer of £6,694,000 from share premium to investment in own shares. There is no impact upon total equity as a result of this transfer between reserves

FINANCIAL STATEMENTS**Group statement of cash flows**

For the year ended 31 December 2022

	2022 £000	2021 £000
Cash flows from operating activities		
(Loss)/profit before income tax	(3,957)	1,114
Adjustments		
Depreciation and impairment	1,827	1,870
Amortisation and impairment	5,226	6,969
Share-based payment cost	1,732	1,030
Finance expenditure	3,139	1,755
Exchange rate variances	151	266
Change in fair value of contingent consideration	10,936	4,735
Cash flows before changes in working capital	19,054	17,739
Movement in working capital		
Decrease/(increase) in inventories	88	(180)
Increase in trade and other receivables	(3,995)	(9,841)
Decrease in trade and other payables	4,602	185
Cash generated from operations	19,749	7,903
Income taxes paid	(421)	(869)
Net cash flows from operating activities	19,328	7,034
Cash flows from investing activities		
Contingent consideration paid	(10,790)	(1,086)
Acquisition of subsidiaries and investments, net of cash acquired (note 25)	(1,233)	(7,268)
Disposal of investments	324	—
Repayment/(provision) of working capital facility to discontinued operation	375	(500)
Payments to acquire property, plant and equipment	(1,137)	(998)
Payments to acquire intangible assets	(4,651)	(5,866)
Net cash outflows from investing activities	(17,112)	(15,718)
Cash flows from financing activities		
New bank loans	3,500	—
Proceeds from issue of new shares	8	645
Interest paid on financing activities	(3,032)	(2,069)
Repayment of lease liabilities	(1,048)	(1,443)
Dividends paid	(2,460)	(2,256)
Net cash outflows from financing activities	(3,032)	(5,123)
Net decrease in cash and cash equivalents	(816)	(13,807)
Cash and cash equivalents brought forward	12,994	26,884
Exchange differences on cash and cash equivalents	92	(83)
Cash and cash equivalents carried forward	12,270	12,994

The notes on pages 87 to 126 form part of these financial statements.



Notes to the Group financial statements

1. General information

Inspired 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 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 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 in accordance with the Companies Act 2006 and UK adopted International Accounting Standards. 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 18 of its subsidiaries, Independent Utilities Limited (company number 05658810), LSI Independent Utility Brokers Limited (04072919), Energy Team (UK) Limited (06285279), Energy Team (Midlands) Ltd (02913371), Waterwatch UK Limited (08854844), Inspired Energy EBT Limited (10807501), Energy Broker Solutions Limited (07355726), Flexible Energy Management Limited (10264309), Inspired 4U Limited (08895906), Squareone Enterprises Limited (05261796), Energy Cost Management Limited (03377082), STC Energy Management Limited (03094427), Professional Cost Management Group Limited (06511368), Energy and Carbon Management Limited (05498141), Inprova Energy Limited (04729586), General Energy Management Limited (07236859), I-Prophets Compliance Limited (04194486) and Digital Energy Limited (07369818) by virtue of s479A of the Companies Act 2006. The Group has provided parent guarantees to these 18 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 2024, 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. Furthermore, on entering the current facility agreement with Santander and Bank of Ireland in October 2019, the Group had an option to extend the term of the facility from October 2023 to October 2024. The Group exercised that option in September 2021, taking the term of the existing facility to October 2024. Whilst a refinancing is not required in order to conclude on the going concern basis being appropriate given existing facilities the Group expects to refinance its current facility during the financial year ending 31 December 2023.

At 31 December 2022 the Group's net debt was £37.2 million, increasing from £32.9 million at 31 December 2021. In addition to cash and cash equivalents of £12.3 million on hand as at 31 December 2022, approximately £10.5 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.

In March 2022, the Group agreed with the lenders to defer the tapering of the adjusted net leverage covenant from 2.50:1.00 to 2.00:1.00, which was due to commence in the quarter ending 31 December 2022 for twelve months to 31 December 2023 to align with the extension of the facility completed in September 2021.

Furthermore, subsequent to the year end, the Group agreed with its banking partners in March 2023 a resetting of the adjusted leverage covenant for quarters ending 31 March 2023 through to 30 June 2024, significantly increasing the headroom available to the Group from a covenant perspective through a period in which the Group expects to make material contingent consideration payments, while facilitating the acceleration of growth within the Optimisation Division.

The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and scenarios, taking account of reasonably possible changes in trading performances 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.

FINANCIAL STATEMENTS**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**

The following are the key assumptions concerning the future, and other, key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. Item (vi) is considered a critical judgement:

i. 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 seven 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 13). 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 pre-tax discount rates, up to 15.0%, and no impairment was noted at any level. The value of goodwill at 31 December 2022 is £76,960,000 (2021: £76,111,000).

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 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 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. Management has to exercise judgement over the likely exercise period, the expected number of individuals who will leave the company such that their 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 £1,732,000 (2021: £1,030,000).

iii. Intangible assets acquired

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 2022 is £17,716,000 (2021: £18,291,000).

iv. Contingent consideration payable

An element of consideration relating to five 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/EBITDA based on forecasts prepared by management. These estimates are reassessed at each reporting date and adjustments are made where necessary. Amounts of contingent consideration payable after one year are discounted. The carrying value of contingent consideration, after discounting, at 31 December 2022 is £18,755,000 (2021: £21,751,000). The estimated undiscounted consideration payable is £20,045,000, producing an increase of £1,290,000 of increased liability as at 31 December 2022.

It is reasonably possible, based on existing knowledge, that outcomes within the next 12 months that are different from the assumption could require a material adjustment to the carrying amount of the liability. In all cases, the entity discloses the nature and carrying amount of the liability.

Any gain or loss on fair value movement of contingent consideration is treated as an exceptional item.

v. Contingent consideration receivable

Contingent consideration receivable relating to the disposal of Energisave Online Limited, KWH Consulting Limited and Simply Business Energy Limited ("SME division") is contingent on the payment of the collection and run-off of the SME division's estimated accrued income balance at time of disposal. These estimates are reassessed at each reporting date and adjustments are made where necessary. Amounts of contingent consideration receivable after one year are discounted. The carrying value of contingent consideration receivable, after discounting, at 31 December 2022 is £1,077,000 (2021: £4,529,000). The estimated undiscounted consideration receivable is £1,125,000, producing an increase of £48,000 of increased asset as at 31 December 2022.

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



2. Summary of significant accounting policies continued

2.1 Basis of preparation continued

vi. Revenue recognition – Assurance Division

When assessing the measurement of progress towards complete satisfaction of the performance obligation of the corporate sector revenue within the Assurance 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% (2021: 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. If the initial recognition percentage changed by 1%, this would have an £83,000 impact to revenue. The timing of satisfaction of this performance obligation is considered to be a significant judgement by management.

vii. Useful life of internally developed software

The Group reviews the useful life of internally developed software at each reporting date. Performing this review requires management to assess the existing use of the software, and make judgements surrounding future usage, taking into account expected competitor actions, technological innovations and industry developments. The useful life of an asset should reflect the period over which the Group expects to consume the benefits associated with the capitalised expenditure. A shorter useful life accelerates this consumption and leads to a greater charge through profit or loss over fewer accounting periods. Conversely, a longer useful life spreads the amortisation expense over a larger number of accounting periods.

The Group's internally developed proprietary software underpins the delivery of Assurance, Optimisation and ESG Services of the Group, in addition to generating a SaaS revenue through making this software available to third parties.

During the year ended 31 December 2022, the estimate of the useful economic lives of the developed software was increased up to seven years. In making this assessment, Management noted the following:

- the Group's core software platform is still in use after five years;
- the cycle for planned replacement or retirement of developed software supports a useful life of up to seven years;
- there is a consistent and stable market demand for the product's existing capability;
- there is relative stability in the industry from a technology innovation perspective; and
- the Group's investment in propriety software provides a sustained competitive advantage in the market.

The change in estimate has been accounted for prospectively, by adjusting the amortisation expense for the current and future periods. The impact of the change in estimate in 2022 is a £0.9 million reduction in the amortisation charge in the period. It is not possible to estimate the impact of the change on future periods at this time.

Key judgements

i. 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 2022.

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.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the non-controlling interests based on their respective ownership interest.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

Provisional fair values are adjusted against goodwill if additional information is obtained within one year of the acquisition date about facts or circumstances existing at the acquisition date.

Changes in contingent consideration arising from additional information, obtained within one year of the acquisition date, about facts or circumstances that existed at the acquisition date, are recognised as an adjustment to goodwill.

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.

FINANCIAL STATEMENTS**Notes to the Group financial statements continued****2. Summary of significant accounting policies continued****2.3 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.

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.

Revenue is comprised of the following four segments:

Assurance revenue

The Assurance Division's core services are the review, analysis and negotiation of gas and electricity contracts and bill validation on behalf of UK and Irish clients (Assurance revenue).

Assurance revenue is generated by way of fees received directly from customers or commissions received from energy suppliers, largely based upon the energy usage of the 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 Assurance 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. Industrial and commercial clients.
2. Public sector clients.
3. Mid-market clients.

Industrial and commercial 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.

Industrial and commercial 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

Mid-market clients require less input from Inspired over the life of the contract than the outsourcing arrangements provided to industrial and commercial and public sector clients. Mid-market 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 mid-market 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 is 10% of the total contract value. The remaining 90% is recognised evenly over the life of the contract.

If the amount recognised on the go-live date changed by 1%, it would have an £83,000 impact on revenue in the current year.



2. Summary of significant accounting policies continued

2.3 Revenue recognition/cost of sales continued

Optimisation revenue

Optimisation revenue encompasses separate works carried out for customers, including, but not limited to, energy audits, infrastructure and metering services and project work. 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. Each engagement 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.

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. Revenue is recognised on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services promised under the contract. Progress is measured via surveys of work completed. 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.

Software revenue

Software revenue comprises the provision of energy management software to third parties.

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

ESG revenue

ESG revenue comprises the provision of mandatory ESG disclosures such as Streamlined Energy and Carbon Reporting (SECR) and Task-Force on Climate-related Financial Disclosure (TCFD) reporting.

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

Cost of sales

Cost of sales represents commissions paid and project cost of sales and is recognised as follows:

Commissions

Commissions paid are expensed evenly over the life of the contract. The value of capitalised commissions as at 31 December 2022 is £2.0 million (2021: £1.7 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.

2.4 Exceptional costs

Exceptional costs 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/(loss) for the year.

2.5 Investments

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

2.6 Goodwill

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

Upon the acquisition of subsidiaries, goodwill is separately recognised after recognising the fair value of the separately identifiable assets and liabilities acquired.

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

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

FINANCIAL STATEMENTS**Notes to the Group financial statements continued****2. Summary of significant accounting policies continued****2.7 Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation and any provision for impairment. Depreciation of assets is calculated using either the straight-line or reducing balance method to allocate their cost over their estimated useful lives as follows:

- Fixtures and fittings: 15–25% reducing balance
- Motor vehicles: 25% reducing balance
- Computer equipment: 25% reducing balance
- Leasehold improvements: ten years straight line
- Office equipment: 25% reducing balance

Material residual value estimates are updated as required but are reviewed at least annually. Gains and losses on disposal are determined by comparing net proceeds with the carrying amount and are included in the Group statement of comprehensive income.

2.8 Impairment of non-financial assets

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

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

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

2.9 Other intangible assets

Customer relationships, customer contract and databases, 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 – 2 to 5 years straight line
- Computer software – up to 7 years straight line
- Customer databases – 2 years straight line
- Trade name – 20 years straight line
- Customer relationships – 4 to 7 years straight line



2. Summary of significant accounting policies continued

2.10 Current tax

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

2.11 Deferred tax

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

Deferred tax liabilities that are recognised are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Group statement of comprehensive income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

2.12 Share-based payments

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values using a Black-Scholes model. 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.

2.13 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)
Fixtures and fittings	– On a straight-line basis over the shorter of the lease term and the useful life of three to five years
Motor vehicles	– On a straight-line basis over the shorter of the lease term and the useful life of three to five 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 of 3% (2021: 3%) is the rate of interest the Group would have to pay to borrow over a similar term to fund the asset.

FINANCIAL STATEMENTS**Notes to the Group financial statements continued****2. Summary of significant accounting policies continued****2.13 Leases continued**

Initial and subsequent measurement of the lease liability continued

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.

2.14 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 2023 or later. The Group has not early adopted them.

- Amendments to IAS 8: Definition of Accounting Estimates (effective 1 January 2023).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosures of Accounting Policies (effective 1 January 2023).
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-Current (effective 1 January 2024).
- Amendments to IAS 1 Non-current Liabilities with Covenants (effective from 1 January 2023).

2.15 Newly applicable accounting standards

The following new accounting standards were adopted for the year ended 31 December 2022. There was no material impact on the financial statements.

- Amendments to IAS 16: Property, plant and equipment: Proceeds before intended use.
- Amendments to IFRS 3: Reference to the conceptual framework.
- Amendments to IAS 37: Onerous contracts cost of fulfilling a contract.

2.16 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 are measured at fair value through the profit or loss as described in note 22. Discounting is omitted where the effect of discounting is immaterial. Deferred contingent consideration is measured at fair value through the profit or loss.

2.17 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.

2.18 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.

2.19 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, trade and other payables and lease liabilities.

Financial liabilities categorised as at fair value through profit or loss are remeasured at each reporting date at fair value, with changes in fair value being recognised in the Group statement of comprehensive income. Items within this category relate to derivative financial instruments (interest rate swaps) and contingent consideration. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the Group statement of comprehensive income. Amortised cost liabilities are also initially recognised at fair value.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.



2. Summary of significant accounting policies continued

2.20 Foreign currency

Functional currency and presentation currency

The Individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in round thousand GBP (£000).

Transactions and balances

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

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

Translation of Group companies

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

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

2.21 Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Group financial statements. Any assets held by the EBT 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.

2.22 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 2022 were determined on the basis of the reporting presented at regular Board meetings of the Group. The segments comprise:

Assurance Division

Key services provided are the review, analysis and negotiation of gas and electricity contracts on behalf of clients in the UK and ROI. To access this market we have a professional bid response team, direct field sales team, and partnership channel.

Optimisation Division

This division focuses on the optimisation of a client's energy consumption. Services provided include forensic audits, energy efficiency projects and water solutions.

Software Division

This division comprises the provision of energy management software to third parties.

ESG Division

Within this division the Group manages the data collection and validation of consumption data to provide the resources for the creation of mandatory ESG disclosures, such as Streamlined Energy and Carbon Reporting (SECR) and Task Force on Climate-related Financial Disclosures (TCFD) reporting.

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.

FINANCIAL STATEMENTS

Notes to the Group financial statements continued

3. Segmental information continued

Revenue and segmental reporting continued

PLC costs continued

	2022					Total £000
	Assurance £000	Optimisation £000	Software £000	ESG £000	PLC £000	
Revenue	35,972	47,710	2,514	2,580	—	88,776
Cost of Sales	(3,231)	(27,427)	(157)	(255)	—	(31,070)
Gross profit	32,741	20,283	2,357	2,325	—	57,706
Administrative expenses	(17,410)	(10,373)	(596)	(2,935)	(20,157)	(51,471)
EBITDA	15,331	9,910	1,761	(610)	(20,157)	6,235
Analysed as:						
Adjusted EBITDA	16,177	9,979	1,768	(572)	(6,352)	21,000
Share-based payment cost	—	—	—	—	(1,732)	(1,732)
Exceptional costs	(846)	(69)	(7)	(38)	(1,137)	(2,097)
Change in fair value of contingent consideration	—	—	—	—	(10,936)	(10,936)
	15,331	9,910	1,761	(610)	(20,157)	6,235
Depreciation, impairment and loss on disposal						(1,827)
Amortisation and impairment						(5,226)
Finance expenditure						(3,148)
Other financial items						9
Loss before income tax						(3,957)

	2021					Total £000
	Assurance £000	Optimisation £000	Software £000	ESG £000	PLC £000	
Revenue	35,521	29,059	2,395	966	—	67,941
Cost of Sales	(2,856)	(14,328)	(65)	—	—	(17,249)
Gross profit	32,665	14,731	2,330	966	—	50,692
Administrative expenses	(16,407)	(9,852)	(608)	(935)	(11,182)	(38,984)
EBITDA	16,258	4,879	1,722	31	(11,182)	11,708
Analysed as:						
Adjusted EBITDA	17,015	4,961	1,770	31	(3,986)	19,791
Share-based payment cost	—	—	—	—	(1,030)	(1,030)
Exceptional costs	(757)	(82)	(48)	—	(1,431)	(2,318)
Change in fair value of contingent consideration	—	—	—	—	(4,735)	(4,735)
	16,258	4,879	1,722	31	(11,182)	11,708
Depreciation and impairment						(1,870)
Amortisation and impairment						(6,969)
Finance expenditure						(1,860)
Other financial items						105
Profit before income tax						1,114

Segmental assets and liabilities are not reviewed separately by operating segment.



4. (Loss)/profit before income tax

(Loss)/profit before income tax is attributable to the principal activity of the Group, which is carried out entirely in the United Kingdom.

	2022 £000	2021 £000
(Loss)/profit before income tax is stated after charging:		
Amortisation and impairment of intangible assets	5,226	6,969
Depreciation, impairment and loss on disposal:		
- owned	734	816
- right of use assets	1,048	1,054
Interest rate swap credit	(9)	(104)
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	410	331
- other non-audit services	8	2
Exceptional costs:		
- fees associated with acquisitions	523	1,038
- restructuring costs	1,574	1,280
- change in fair value of contingent consideration	10,936	4,735
	13,033	7,053

Exceptional costs

One-off costs include costs of £1,574,000 (2021: £1,280,000) relating to restructuring programmes associated with the integration of businesses acquired in 2021 and 2022. 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 with merger and acquisitions of £523,000 (2021: £1,038,000) 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 revaluation of contingent consideration at the balance sheet date.

The change in fair value of contingent consideration includes £7,794,000 (2021: £2,960,000) relating to contingent consideration payable and £3,142,000 (2021: £1,775,000) relating to deferred contingent consideration receivable. Further information is available in the Chief Financial Officer's statement.

The fair value of contingent consideration at the balance sheet date is a judgement of the contingent consideration which will become payable based on a weighted average range of performance outcomes of the relevant acquired businesses during the earn out period, which is subsequently discounted for the time value of money. The size of the change in the fair value of contingent consideration in the period is representative of the ongoing economic recovery post the significant impact on trading of COVID-19; in effect, representing an updated view of performance following the improvements noted post COVID-19.

The reduction in the expected recovery of the deferred contingent consideration arises from the SME disposal completed in December 2020. The reduction in expected recovery is reflective of the impact of prolonged under-consumption and site closures within the SME portfolio due to firstly COVID-19, and then subsequently the energy crisis.

5. Finance expenditure

	2022 £000	2021 £000
Interest payable on bank borrowings	2,268	1,485
Interest payable on lease liabilities	83	177
Foreign exchange variance	508	(325)
Other interest	20	46
Loan facility fees	153	361
Amortisation of debt issue costs	116	116
	3,148	1,860

FINANCIAL STATEMENTS**Notes to the Group financial statements continued****6. Revenue**

	2022 £000	2021 £000
UK	85,860	64,865
ROI	2,916	3,076
Rendering of services	88,776	67,941

The Group has earned revenue from one (2021: zero) customer which represented more than 10% of the Group's revenues in the current year. The Group earned revenue of £9,720,000 from this customer.

7. Directors' remuneration

	2022 £000	2021 £000
Remuneration	1,377	1,112
Pension contributions	3	4
	1,380	1,116
Share-based payment	128	221
	1,508	1,337

The emoluments of Directors disclosed above include the following:

In respect of the highest paid Director:

- Directors' remuneration	525	550
- employer's pension contributions	1	1
	526	551
- share-based payments	40	141

In the current year, three Directors (2021: two Directors) were accruing benefits under a defined contribution pension scheme.

Paul Connor and David Cockshott (2021: Paul Connor) are the only Directors to have an interest in the share options of the company. Both Paul Connor and Mark Dickinson have been granted interests in an LTIP.

The emoluments of the individual Directors can be found on page 98.

8. Employee benefit expense

	2022 £000	2021 £000
Wages and salaries	28,972	28,192
Social security costs	3,367	3,208
Pension contributions	1,428	1,105
	33,767	32,505

	No.	No.
Average number of persons (including Executive Directors) employed:		
Management	48	48
Energy procurement services	506	479
Administration and finance	87	81
	641	608

The key management personnel disclosure is contained within note 27.



9. Income tax credit

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

	2022 £000	2021 £000
Current tax		
Current tax expense	2,379	1,757
Adjustments in respect of prior years	(1,145)	(1,739)
	1,234	18
Deferred tax		
Origination and reversal of temporary differences	(1,563)	(542)
	(1,563)	(542)
Total income tax credit	(329)	(524)
Reconciliation of tax credit to accounting (loss)/profit:		
(Loss)/profit on ordinary activities before taxation	(3,957)	1,114
Tax at UK income tax rate of 19% (2021: 19%)	(752)	212
Disallowable expenses	2,490	1,142
Exchange rate difference	(99)	(112)
Share options	(628)	(820)
Effects of current year events on prior year balances	(1,145)	(1,739)
Movement in deferred tax asset not recognised	(59)	(201)
Adjust closing deferred tax to reflect change in tax rate	—	645
Excess of taxation allowances over depreciation on all non-current assets	(320)	—
Non-eligible intangible assets	184	349
Total income tax credit	(329)	(524)

10. Earnings per share

The basic earnings per share is based on the net (loss)/profit for the year attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the year.

	2022 £000	2021 £000
(Loss)/profit attributable to equity holders of the Group	(3,628)	1,638
Fees associated with acquisition	523	1,038
Restructuring costs	1,574	1,280
Changes in fair value of contingent consideration	10,936	4,735
Amortisation of acquired intangible assets	2,687	4,415
Impairment of right of use asset	—	113
Foreign exchange variance	508	(339)
Deferred tax in respect of amortisation of intangible assets	(673)	(783)
Share-based payment cost	1,732	1,030
Adjusted profit attributable to owners of the Group	13,659	13,127
Weighted average number of ordinary shares in issue (000)	975,071	970,589
Dilutive effect of share options (000)	70,999	40,870
Diluted weighted average number of ordinary shares in issue (000)	1,046,070	1,011,459
Basic (loss)/earnings per share (pence)	(0.37)	0.17
Diluted (loss)/earnings per share (pence)	(0.37)	0.16
Adjusted basic earnings per share (pence)	1.40	1.35
Adjusted diluted earnings per share (pence)	1.31	1.30

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.

FINANCIAL STATEMENTS**Notes to the Group financial statements continued****10. Earnings per share continued**

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), deferred tax in respect of amortisation of intangible assets, exceptional items and share-based payment costs which have been expensed to the Group statement of comprehensive income in the year, the unwinding of contingent consideration and foreign exchange variances. The adjustments to earnings per share have been disclosed to give a clear understanding of the Group's underlying trading performance.

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

	2022 £000	2021 £000
(Loss)/profit before income tax	(3,957)	1,114
Share-based payment cost	1,732	1,030
Amortisation of acquired intangible assets	2,687	4,415
Impairment of right of use asset	—	113
Foreign exchange variance	508	(339)
Exceptional costs:		
– fees associated with acquisition	523	1,038
– restructuring costs	1,574	1,280
– change in fair value of contingent consideration	10,936	4,735
	14,003	13,386

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.

11. Property, plant and equipment

	Fixtures and fittings £000	Motor vehicles £000	Computer equipment £000	Leasehold improvements £000	Office equipment £000	Total £000
Cost						
At 1 January 2021	937	158	2,412	592	—	4,099
Acquisitions through business combinations (note 26)	—	—	—	222	—	222
Foreign exchange variances	(4)	(5)	(11)	(5)	—	(25)
Additions	15	—	981	2	—	998
Disposals	(228)	(46)	(378)	(5)	—	(657)
At 31 December 2021	720	107	3,004	806	—	4,637
Transfer between classes	(368)	42	92	386	415	567
Foreign exchange variances	5	—	4	—	—	9
Additions	8	32	1,094	—	3	1,137
Disposals	(30)	(66)	(60)	—	—	(156)
At 31 December 2022	335	115	4,134	1,192	418	6,194
Depreciation						
At 1 January 2021	743	70	638	326	—	1,777
Charge for the year	88	4	604	120	—	816
Disposals	(167)	(36)	(200)	(5)	—	(408)
At 31 December 2021	664	38	1,042	441	—	2,185
Transfer between classes	(450)	38	281	70	293	232
Charge for the year	37	22	496	123	56	734
Foreign exchange variances	3	—	4	—	(33)	(26)
Disposals	(30)	(3)	(60)	(29)	(25)	(147)
At 31 December 2022	224	95	1,763	605	291	2,978
Net book value						
At 31 December 2022	111	20	2,371	587	127	3,216
At 31 December 2021	56	69	1,962	365	—	2,452
At 31 December 2020	194	88	1,774	266	—	2,322

**12. Right of use assets**

	Fixtures and fittings £000	Motor vehicles £000	Property £000	Intangibles £000	Total £000
Cost					
At 1 January 2021	490	314	3,326	—	4,130
Acquisitions through business combinations	—	4	44	—	48
Remeasurement of finance lease	—	—	(17)	—	(17)
Additions	133	106	386	—	625
Disposals	—	(71)	(50)	—	(121)
At 31 December 2021	623	353	3,689	—	4,665
Transfer between classes	—	(14)	(277)	—	(291)
Foreign exchange variances	—	1	(5)	—	(4)
Additions	—	86	360	301	747
Disposals	(368)	(5)	(433)	—	(806)
At 31 December 2022	255	421	3,334	301	4,311
Depreciation					
At 1 January 2021	138	86	1,313	—	1,537
Charge for the year	144	116	681	—	941
Disposals	—	(56)	(50)	—	(106)
At 31 December 2021	282	146	1,944	—	2,372
Transfer between classes	—	19	25	—	44
Charge for the year	87	169	742	50	1,048
Foreign exchange variances	—	(2)	14	—	12
Disposals	(211)	(22)	(473)	—	(706)
At 31 December 2022	158	310	2,252	50	2,770
Impairment					
At 1 January 2022	—	—	113	—	113
Impairment for the year	—	—	—	—	—
At 31 December 2022	—	—	113	—	113
Net book value					
At 31 December 2022	97	111	969	251	1,428
At 31 December 2021	341	207	1,632	—	2,180

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Notes to the Group financial statements continued

13. Intangible assets and goodwill

	Computer software £000	Trade name £000	Customer contracts £000	Customer relationships £000	Total other intangibles £000	Goodwill £000	Total £000
Cost							
At 1 January 2021	16,315	115	18,076	7,511	42,017	63,776	105,793
Additions	5,821	45	—	—	5,866	—	5,866
Acquisitions through business combinations	—	—	3,491	—	3,491	12,494	15,985
Adjustments to previous business combinations	—	—	8	—	8	—	8
Disposals	(819)	—	—	—	(819)	—	(819)
Foreign exchange variances	—	—	—	—	—	(159)	(159)
At 31 December 2021	21,317	160	21,575	7,511	50,563	76,111	126,674
Additions	4,651	—	—	—	4,651	—	4,651
Acquisitions through business combinations (note 25)	—	—	—	—	—	730	730
Foreign exchange variances	—	—	—	—	—	119	119
At 31 December 2022	25,968	160	21,575	7,511	55,214	76,960	132,174
Amortisation							
At 1 January 2021	8,829	30	13,582	3,225	25,666	—	25,666
Charge for the year	2,933	7	3,214	815	6,969	—	6,969
Disposals	(363)	—	—	—	(363)	—	(363)
At 31 December 2021	11,399	37	16,796	4,040	32,272	—	32,272
Charge for the year	2,920	8	1,531	767	5,226	—	5,226
Foreign exchange variances	—	—	—	—	—	—	—
At 31 December 2022	14,319	45	18,327	4,807	37,498	—	37,498
Net book value							
At 31 December 2022	11,649	115	3,248	2,704	17,716	76,960	94,676
At 31 December 2021	9,918	123	4,779	3,471	18,291	76,111	94,402
At 31 December 2020	7,486	85	4,494	4,286	16,351	63,776	80,127

Computer software is a combination of assets internally generated and assets acquired through business combinations. The amortisation charge in the year to 31 December 2022 associated with computer software acquired through business combinations is £381,000 (2021: £381,000). The additional £2,539,000 (2021: £2,552,000) charged in the year relates to the amortisation of internally generated computer software. The total amortisation charged in the year to 31 December 2022 associated with intangible assets acquired through business combinations is £2,687,000 (2021: £4,415,000). Amortisation is charged to administrative expenses for both financial years.

The Group's internally developed proprietary software underpins the delivery of Assurance, Optimisation and ESG Services of the Group, in addition to generating a SaaS revenue through making this software available to third parties.

During the year ended 31 December 2022, the estimate of useful life the developed software was increased up to seven years. In making this assessment, Management noted the following:

- the Group's core software platform is still in use after five years;
- the cycle for planned replacement or retirement of developed software supports a useful life of up to seven years;
- there is a consistent and stable market demand for the product's existing capability;
- there is relative stability in the industry from a technology innovation perspective; and
- the Group's investment in proprietary software provides a sustained competitive advantage in the market.

The change in estimate has been accounted for prospectively, by adjusting the amortisation expense for the current and future periods. The impact of the change in estimate in 2022 is a £0.9 million reduction in the amortisation charge in the period. It is not possible to estimate the impact of the change on future periods at this time.



13. Intangible assets and goodwill continued

Annual test for impairment

The Group has seven CGUs, being the Assurance Division, the Optimisation Division, the Software Division, the ESG Division, Horizon Energy Group Limited, Ignite Energy LTD and Businesswise Solutions Ltd.

The goodwill resulting from the acquisitions of Direct Energy Purchasing Limited, Wholesale Power UK Limited, Flexible Energy Management Limited, Churchcom Limited, Bluebell Energy Supply Limited, Squareone Enterprises Limited, LSI Independent Utility Brokers Limited and General Energy Management Limited has been wholly allocated to the Assurance Division CGU.

The goodwill resulting from the acquisitions of Professional Cost Management Group Limited, Waterwatch UK Limited and Independent Utilities Limited has been wholly allocated to the Optimisation Division CGU.

The goodwill resulting from the acquisitions of SystemsLink 2000 Limited and Energy Broker Solutions Limited has been wholly allocated to the Software Division CGU.

The goodwill resulting from the acquisitions of STC Energy and Carbon Holdings Limited, Energy Cost Management Limited, Informed Business Solutions Limited and Inprova Finance Limited has been split between the Assurance Division CGU and the Optimisation Division CGU according to the expected revenue to be generated by these divisions in FY23.

The goodwill resulting from the acquisitions of Digital Energy Limited and I-Prophets Compliance Limited has been split between the Assurance Division CGU and the Software Division CGU according to the expected revenue to be generated by these divisions in FY23.

- The goodwill resulting from the acquisitions of Horizon Energy Group Limited, Ignite Energy LTD and Businesswise Solutions Ltd has not been allocated as the CGU performance is monitored separately.

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:

	2022 £000
Assurance Division	25,839
Optimisation Division	17,488
Software Division	2,851
Horizon Energy Group Limited	5,580
Ignite Energy LTD	14,481
Businesswise Solutions Ltd	10,721
	76,960
	2021 £000
Assurance Division	33,133
Optimisation Division	9,829
Software Division	2,486
Horizon Energy Group Limited	5,461
Ignite Energy LTD	14,481
Businesswise Solutions Ltd	10,721
	76,111

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 CGUs 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 Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value by comparing to the CGU's value in use. With all other variables being equal, the discount rate would have to increase to in excess of 20% for goodwill to be impaired. Based on the results of the current year impairment review, no impairment charges have been recognised by the Group in the year ended 31 December 2022 (2021: £nil).

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% (2021: 5.0–20.0%) is consistent with the rate of return expected by the market considering the CGU forecast cash flow amounts, timing and risk profile.

FINANCIAL STATEMENTS**Notes to the Group financial statements continued****13. Intangible assets and goodwill continued****Cash flow assumptions**

Cash flows for the six-year period to 2028 have been extrapolated assuming no further growth aside from Horizon Energy Group Limited which assumed 7% revenue growth from 2025 to 2028. 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.

14. Investments

	Investments £000
Cost/valuation	
At 1 January 2021	898
Additions	563
At 31 December 2021	1,461
Additions	600
Disposals	(324)
At 31 December 2022	1,737

The Group had an interest in the following entities as at 31 December 2022:

Name of undertaking	Country of registration	Description of investment held
Information Prophets Limited	United Kingdom	Convertible loan
Switchd Ltd	United Kingdom	Shareholding (4.7%)
Industrial and Commercial Operations Network Ltd	United Kingdom	Convertible loan
Deer Technology 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 2021 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 2025. 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 in Switchd Ltd of 87,790 ordinary shares of £0.000001 within the company for an aggregate subscription price of £368,000 providing a 4.7% 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 2022 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 in 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.

The Group holds a convertible loan. The balance of the outstanding loan at 31 December 2022 was £250,000. The convertible loan note will convert into preferred ordinary shares with a 30% discount on the lower of the agreed price per share at the time or capped at the proposed £4.7 million current pre-money valuation; either at maturity, in the event of a qualifying financing event or any other event at the holder's discretion.

On 31 January 2022 the Group sold its investment in Zestec Asset Management Limited for £324,000.

15. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	12,270	12,944
	12,270	12,944



16. Inventories

Inventories consist of the following:

	2022 £000	2021 £000
Raw materials and consumables	211	300
	211	300

17. Trade and other receivables

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Trade receivables	12,298	16,492	5,296	—
Other receivables	1,078	1,472	456	848
Deferred contingent consideration	1,077	4,529	1,077	4,529
Prepayments	5,524	3,802	820	305
Accrued income	18,620	11,682	—	—
	38,597	37,977	7,649	5,682

Trade and other receivables increased 2% in the period to £38,597,000 (2021: £37,977,000), with invoiced trade receivables reducing 25% to £12,298,000 (2021: £16,492,000) as a result of strong cash collection within the Optimisation Division in H2 2022. Conversely, accrued income increased in the period 59% to £18,620,000 (2021: £11,682,000) primarily as a result of product mix and increased activity levels within the Optimisation Division in H2 2022, and the balance is unwinding in 2023 as expected.

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

Contract assets within prepayments and accrued income total £4,976,000 (2021: £1,224,000).

The Group does not hold any collateral as security (2021: none). Group debtor days were 42 days (31 December 2021: 74 days).

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

	0-30 days	31-60 days	61-90 days	Older	Total
31 December 2022	4,262	2,840	1,432	3,764	12,298
31 December 2021	10,951	2,169	1,592	1,780	16,492

As at 31 December 2022, £5,196,000 (31 December 2021: £3,372,000) 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 (2021: £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 profit or loss.

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18. Trade and other payables

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Current				
Trade payables	5,952	4,154	577	301
Social security and other taxes	5,117	3,504	636	750
Accruals	3,141	1,502	1,298	756
Deferred income	1,861	1,268	—	—
Other payables	1,008	1,887	7	138
	17,079	12,315	2,518	1,945

Trade payables are paid under normal commercial terms.

The trade and other payables are stated at amortised cost which approximates to fair value.

Contract liabilities within accruals and deferred income total £2,366,000 (2021: £1,770,000).

Revenue totalling £1,268,000 has been recognised during the year ended 31 December 2022 relating to amounts included in deferred income at the beginning of the period (2021: £745,000).

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.

	Current		Non-current	Total
	Within 6 months £000	6-12 months £000	1-5 years £000	£000
31 December 2022				
Trade payables	5,952	—	—	5,952
Other payables	1,008	—	—	1,008
Accruals	3,141	—	—	3,141
Bank borrowings	1,242	1,242	51,538	54,022
Lease liabilities	497	442	608	1,547
Derivative financial liability	—	—	17	17
Contingent consideration	11,843	1,557	6,645	20,045
	23,683	3,241	58,808	85,732
31 December 2021				
Trade payables	4,154	—	—	4,154
Other payables	1,887	—	—	1,887
Accruals	1,502	—	—	1,502
Bank borrowings	802	802	49,058	50,662
Lease liabilities	435	504	1,006	1,945
Derivative financial liability	—	—	25	25
Contingent consideration	13,081	1,959	8,269	23,309
	21,861	3,265	58,358	83,484



19. Lease liabilities

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

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Non-current liabilities				
Lease liability – motor vehicles	29	95	19	34
Lease liability – property	342	763	—	364
Lease liability – fixtures and fittings	30	135	30	135
Lease liability – intangibles	151	—	151	—
	552	993	200	533
Current liabilities				
Lease liability – motor vehicles	83	112	47	41
Lease liability – property	619	667	424	435
Lease liability – fixtures and fittings	66	81	66	73
Lease liability – intangibles	101	—	100	—
	869	860	637	549

The lease liabilities are secured by the related underlying assets.

The lease liability for motor vehicles covers 13 vehicles at 31 December 2022 and leases are typically two years, when they will then terminate.

Total cash outflows from lease arrangements are £1,047,000 (2021: £1,339,000).

The undiscounted lease liability figure at 31 December 2022 is £1,547,000 (2021: £1,945,000).

20. Deferred tax liability

Deferred taxation is calculated at a tax rate of 25% (2021: 25%) and is set out below:

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Liability brought forward	1,522	1,278	—	—
Credited to income for the year	(240)	(542)	—	—
Deferred tax liability acquired through business combinations	—	122	—	—
Movement arising from business combinations	—	664	—	—
Liability carried forward	1,282	1,522	—	—

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Excess of taxation allowances over depreciation on all non-current assets	347	667	—	—
Share options	(592)	(1,286)	—	—
Temporary differences on intangible assets	1,527	2,141	—	—
	1,282	1,522	—	—

Corporation tax for the year ended 31 December 2022 was calculated at 19% of profits for the year.

Deferred taxation at the period end is analysed as follows:

	2022 £000	2021 £000
Deferred tax liability	1,282	1,522
	1,282	1,522

In the prior year the deferred tax asset pertaining to unexercised share options was valued at the share price as at 31 December 2021. As the share price decreased substantially in 2022 the deferred tax asset also decreased. As the recognition was not in the current year, the movement on the deferred tax asset was reversed through other comprehensive income.

FINANCIAL STATEMENTS**Notes to the Group financial statements continued****21. Bank borrowings**

Bank borrowings are repayable as follows:

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Within one year	(116)	(116)	(116)	(116)
One to two years	(116)	(116)	(116)	(116)
Two to five years	49,711	46,104	49,711	46,104
	49,479	45,872	49,479	45,872

The figures above include debt issue costs being amortised over the life of the borrowings, and also include an interest rate swap of £17,000 (2021: £25,000). In the current year borrowings total £49,694,000 with total debt issue costs being £232,000.

The above facility is for the principal sum of £60,000,000 (2021: £60,000,000).

As at 31 December 2022, the Group had a cash balance of £12.3 million and outstanding balances on its senior term debt facilities of £49.5 million.

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 deferred consideration of crystallised contingent consideration liability at the test date.

As at 31 December 2022, reported net debt, being bank debt less cash and cash equivalents, stood at £37.2 million, which is an increase of £4.3 million in comparison to 31 December 2021.

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 £49.5 million was drawn at 31 December 2022 (2021: £45.9 million), running to October 2023, with the Group having an option to extend the term for a further year to October 2024. The Group exercised the option to extend the term of the facility in September 2021, taking the term of the existing facility 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 SONIA, with the applicable interest rate dependent on the adjusted net leverage of the facility in the prior quarter.

The covenants attached to the facility are interest cover, which is not to be less than 4.00:1.00 during the term of the facility, and adjusted net leverage of the Group, which on entering the facility was limited to not exceed 2.75:1.00 and then tapers to 2.00:1.00 across the term of the facility. The Group has agreed with the lenders to defer the tapering of the adjusted net leverage covenant from 2.50:1.00 to 2.00:1.00, which was due to commence in the quarter ending 31 December 2022 for twelve months to 31 December 2023 to align with the extension of the facility.

Subsequent to the year end, the Group agreed with its banking partners in March 2023 a resetting of the adjusted leverage covenant for quarters ending 31 March 2023 through to 30 June 2024, significantly increasing the headroom available to the Group from a covenant perspective through a period in which the Group expects to make material contingent consideration payments, while facilitating the acceleration of growth within the Optimisation Division.

The increase in net debt reflects a year in which the cash generation of the Group was offset by the payment of £10.8 million of contingent cash consideration to the vendors of Ignite, BWS, LSI, ECM and GEM. As at 31 December 2022, £21.3 million of contingent consideration is held payable to the vendors of Ignite, PCMG, LSI, GEM and BWS.

**21. Bank borrowings continued**

	Long-term borrowings £000	Lease liabilities £000	Total £000
At 1 January 2021	45,860	2,671	48,531
Cash flows			
Repayment	—	(1,443)	(1,443)
Non-cash			
Additions to right of use assets	—	625	625
Interest rate swap revaluation	(104)	—	(104)
Debt issue costs releases	116	—	116
At 31 December 2021	45,872	1,853	47,725
Cash flows			
Drawdown	3,500	—	3,500
Interest paid	(1,648)	(83)	(1,731)
Repayment	—	(1,048)	(1,048)
Non-cash			
Additions to right of use assets	—	615	615
Interest rate swap revaluation	(9)	—	(9)
Interest charge	1,648	83	1,731
Debt issue costs releases	116	—	116
At 31 December 2022	49,479	1,420	50,899

22. 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 monitors any foreign exchange rate risks through regular Euro trades as and when deemed necessary.

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.

22.1 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.

FINANCIAL STATEMENTS

Notes to the Group financial statements continued

22. Financial instruments continued

22.2 Categories of financial instrument

Financial assets

	Amortised cost £000	Non-financial assets £000	Total £000
31 December 2022			
Inventories	—	211	211
Trade receivables	12,298	—	12,298
Other receivables	1,078	—	1,078
Deferred contingent consideration	1,077	—	1,077
Prepayments	—	5,524	5,524
Accrued income	18,620	—	18,620
Cash and cash equivalents – Sterling	11,097	—	11,097
Cash and cash equivalents – Euros	1,173	—	1,173
Current assets	45,343	5,735	51,078

	Amortised cost £000	Non-financial assets £000	Total £000
31 December 2021			
Inventories	—	300	300
Trade receivables	16,492	—	16,492
Other receivables	1,472	—	1,472
Deferred contingent consideration	4,529	—	4,529
Prepayments	—	3,802	3,802
Accrued income	11,682	—	11,682
Cash and cash equivalents – Sterling	9,224	—	9,224
Cash and cash equivalents – Euros	3,720	—	3,720
Current assets	47,119	4,102	51,221

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 2022				
Trade payables	5,952	—	—	5,952
Social security and other taxes	—	—	5,117	5,117
Accruals	3,141	—	—	3,141
Other payables	1,008	—	—	1,008
Lease liabilities	1,421	—	—	1,421
Bank borrowings – Sterling	49,462	—	—	49,462
Current tax liability	—	—	3,091	3,091
Contingent consideration	—	18,755	—	18,755
Derivative financial liability	—	17	—	17
	60,984	18,772	8,208	87,964

22. Financial instruments continued**22.2 Categories of financial instrument** continued

Financial liabilities continued

	Other liabilities (amortised cost) £000	Fair value through profit or loss £000	Liabilities not within scope of IFRS 9 £000	Total £000
31 December 2021				
Trade payables	4,154	—	—	4,154
Social security and other taxes	—	—	3,504	3,504
Accruals	1,502	—	—	1,502
Other payables	1,887	—	—	1,887
Lease liabilities	1,853	—	—	1,853
Bank borrowings – Sterling	45,847	—	—	45,847
Current tax liability	—	—	1,823	1,823
Contingent consideration	—	21,751	—	21,751
Derivative financial liability	—	25	—	25
Deferred tax liability	—	—	1,522	1,522
	55,243	21,776	6,849	83,868

22.3 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 3% (2021: 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 2022		Year ended 31 December 2021	
	+3%	-3%	+1%	-1%
(Loss)/profit for the year	109	(109)	329	(329)
Equity	109	(109)	329	(329)

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 2022 and 31 December 2021:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
31 December 2022				
Financial assets				
Deferred contingent consideration	—	—	1,077	1,077
Total assets	—	—	1,077	1,077
31 December 2021				
Financial assets				
Deferred contingent consideration	—	—	4,529	4,529
Total assets	—	—	4,529	4,529

FINANCIAL STATEMENTS

Notes to the Group financial statements continued

22. Financial instruments continued

22.3 Interest rate sensitivity continued

Fair value measurement of financial instruments continued

The following table shows the levels within the hierarchy of financial liabilities measured at fair value on a recurring basis at 31 December 2022 and 31 December 2021:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
31 December 2022				
Financial liabilities				
Interest rate swaps	—	17	—	17
Contingent consideration	—	—	18,755	18,755
Total liabilities	—	17	18,755	18,772
31 December 2021				
Financial liabilities				
Interest rate swaps	—	25	—	25
Contingent consideration	—	—	21,751	21,751
Total liabilities	—	25	21,751	21,776

There were no transfers between Level 1 and Level 2 in 2022 or 2021.

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

Interest rate swaps (Level 2)

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

Contingent consideration (Level 3)

The fair value of contingent considerations at 31 December 2022 related to the acquisitions of Professional Cost Management Group Limited, Ignite Energy LTD, LSI Independent Utility Brokers Limited, General Energy Management Limited and Businesswise Solutions Ltd and is estimated using a present value technique. The £20,035,000 fair value is measured by reference to the future cash outflows. The cash outflows reflect what will become payable based on a weighted average range of performance outcomes of the relevant acquired businesses during the earn out period, which is subsequently discounted for the time value of money.

The contingent consideration for Energy Cost Management Limited of £300,000 was settled in January 2022.

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 comprised four earn out tranches as follows. The First Earn Out Consideration of £3,400,000 was paid in January 2022. The Second Earn Out Consideration of up to £5,200,000 is payable as £1.50 consideration for every £1.00 growth in EBITDA before deduction of central overheads from FY21 over FY19, acknowledging FY20 trading was disrupted due to COVID-19. The Third Earn Out Consideration of up to £5,200,000 is payable 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 payable 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 PLC.

The contingent event for LSI Independent Utility Brokers Limited comprises 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.



22. Financial instruments continued

22.3 Interest rate sensitivity continued

Measurement of fair value of financial instruments continued

Contingent consideration (Level 3) continued

The contingent event for General Energy Management Limited comprises two tranches as follows. Of the aggregate contingent consideration of £500,000, the first tranche of £250,000 was settled in January 2022. The second tranche of up to £250,000 is payable in FY23.

The contingent event for Businesswise Solutions Ltd (BWS) comprises several tranches as follows. Of the aggregate £23,000,000, contingent consideration could 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. The Group paid £5,200,000 of a maximum possible £8,500,000 in relation to FY21 performance in April 2022. At 31 December 2022, maximum contingent consideration of up to £16,000,000 could be paid for performance in relation to EBITDA and order book growth targets for FY22 and FY23.

The contingent consideration liability is included within the Inspired PLC single entity and Group accounts.

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

	Contingent consideration	
	2022 £000	2021 £000
Balance as at 1 January	21,751	11,939
Arising on business combinations	—	6,279
Consideration paid	(10,790)	(1,086)
Change in fair value of contingent consideration (included within administrative expenses)	7,794	4,619
Balance at 31 December	18,755	21,751
Analysed as:		
– current liability	13,056	14,586
– non-current liability	5,699	7,165

Deferred contingent consideration (Level 3)

The deferred contingent consideration is receivable in respect of the disposal of the SME segment of the business 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 £1,077,000 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.

23. 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 0.125p each as at 1 January 2021	961,944,047	1,202	67,000	20,995
Ordinary shares of 0.125p each as at 31 December 2021	974,942,194	1,219	60,923	20,995
Ordinary shares of 0.125p each as at 31 December 2022	976,256,769	1,220	60,930	20,995

On 12 April 2022, the company issued 64,575 new ordinary shares of 10.84 pence and 16.52 pence to satisfy the exercise of options granted under the Save As You Earn share scheme at 0.125 pence each.

On 7 December 2022, the company issued 1,250,000 new ordinary shares of 7.75 pence. The shares were issued to satisfy the exercise of options granted under the Group's 2011 Share Option Scheme at 0.125 pence each.

FINANCIAL STATEMENTS**Notes to the Group financial statements continued****24. 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:

	2022		2021	
	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	45,373,453	4.57	59,874,643	4.53
Granted during the period	33,416,250	0.13	2,392,294	10.01
Expired during the period	(7,649,566)	2.98	(3,895,337)	6.90
Exercised during the period	(1,314,575)	0.93	(12,998,147)	4.82
Outstanding at the end of the period	69,825,562	2.69	45,373,453	4.57
Exercisable at the end of the period	23,859,738	5.24	17,217,439	6.40

The options outstanding at 31 December 2022 had a weighted average exercise price of 2.69 pence (2021: 4.57 pence) and a weighted average remaining contractual life of one year (2021: one year).

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				
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	1,175,000
31 July 2015	10.75p	31 July 2025	6,000,000	2,500,000
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
15 February 2018	19.85p	15 February 2028	600,000	150,000
Unapproved share options				
17 July 2017	0.13p	17 July 2027	8,700,000	1,210,000
1 January 2019	0.13p	1 January 2029	19,440,255	12,554,755
1 July 2019	0.13p	1 July 2029	11,640,000	7,280,000
15 August 2019	0.13p	15 August 2029	300,000	300,000
22 October 2019	0.13p	22 October 2029	100,000	100,000
31 December 2020	0.13p	31 December 2030	4,000,000	—
30 June 2021	0.13p	30 June 2031	21,160,000	21,160,000
30 September 2021	0.13p	30 September 2031	300,000	300,000
1 January 2022	0.13p	1 January 2032	11,756,250	11,756,250

On 24 May 2018 a grant of awards under the LTIP was made to the 13 members 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 (Joint Share Ownership Plan (JSOP) Award) will be held by the trustee for the joint benefit of itself and the Executives. The JSOP Award vests in three separate tranches which are individually governed by achievement of adjusted EPS performance targets over a three-year period, as set out in the table on the next page. 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.



24. Share-based payments continued

Approved share options continued

	EPS target set	FY18	FY19	FY20	FY21	FY22	FY23	Total
Tranche 1	Target for three years ended December 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 December 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 December 2022, set at 1 Jan 2020	—	—	1,950,000	1,950,000	1,950,000	—	5,850,000
Tranche 4	Target for three years ended December 2023, 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 its respective JSOP Award from the date of grant. The SMT also holds 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

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 ended 31 December 2021, Tranche 3 covering the three financial years ended 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 the members 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 the 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 exercisable in four unequal tranches on the following dates:

- the date on which the company published its audited accounts for the year ended 31 December 2019;
- the date on which the company published its audited accounts for the year ended 31 December 2020;
- the date on which the company published its audited accounts for the year ended 31 December 2021; and
- the date on which the company published its audited accounts for the year ended 31 December 2022

FINANCIAL STATEMENTS**Notes to the Group financial statements continued****24. Share-based payments continued****Approved share options continued****Exercise and hold period continued**

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 exercisable in six unequal tranches on the following dates:

- (i) the date on which the company published its audited accounts for the year ended 31 December 2019;
- (ii) the date on which the company published its unaudited interim accounts for the period ended 30 June 2020;
- (iii) the date on which the company published its audited accounts for the year ended 31 December 2020;
- (iv) the date on which the company published its audited accounts for the year ended 31 December 2021; –
- (v) the date on which the company published its unaudited interim accounts for the period ended 30 June 2022; and
- (vi) the date on which the company published its audited accounts for the year ended 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 became exercisable in one tranche on the following date:

- (i) the date on which the company published its audited accounts for the year ended 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 became exercisable in one tranche on the following date:

- (i) the date on which the company published its audited accounts for the year ended 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 became exercisable in one tranche on the following date:

- (i) the date on which the company published its audited accounts for the year ended 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 became/will become exercisable in two unequal tranches on the following dates:

- (i) the date on which the company published its unaudited interim accounts for the period ended 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 an 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:

	2022	2021
Share price (pence)	13.21–20.80	15.70–18.50
Exercise price (pence)	0.125	0.125
Expected volatility (%)	29.3–41.4	29.6–39.7
Risk-free rate (%)	0.02–1.24	0.28–1.19
Dividend yield (%)	1.2–4.9	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.

The Group recognised total expenses of £1,732,000 (2021: £1,030,000) 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, 2020, 2021 and 2022 and, at the balance sheet date, the number of outstanding options was 6,589,557. The share option charge pertaining to the Save As You Earn share scheme was deemed to be immaterial and was not posted.



FINANCIAL STATEMENTS

Notes to the Gr

26. Business combinat

Businesswise Solutions I
As disclosed in the 31 Dece
voting rights of DWS.

The provisional fair value of
the completion of the twelve
intangible assets of £2,992,
included are trade and oth

General Energy Manage

As disclosed in the 31 Dece
voting rights of GEM.

The provisional fair value of
completion of the twelve-r
receivables of £234,000 an
a current tax liability of £59

27. Contingent liabilities

The Group has been notifie
is contesting liability under

Given the nature of the pot
contractual remedies, it is r

28. Related party trans

The Directors consider that

Transactions between the r
on consolidation and are n

Details of the transactions I

Information Prophets Limit
subsidiaries of Information
to Inspired PLC. As at 31 De

Deer Technology Ltd is a cc
invoiced £34,000 (2021: £nil
balance outstanding was £

Switchd Limited is a compa
(2021: £nil) for services provi
£nil (31 December 2021: £nil

Vervantis Inc is a company i
for services provided, and £
(31 December 2021: £2,000)

Core Energy Services Kft. is
invoiced £445,000 (2021: £4
the balance outstanding w

In 2020, the Group complet
Energisave Online Limited,
The Group has provided a lc
(2021: £284,000) for service:

25. Business combinations

Digital Energy Limited/I-Prophets Compliance Limited (DE/IPC)

On 28 February 2022, the Group acquired 100% of the issued share capital and voting rights of DE/IPC, a company based in the United Kingdom. DE/IPC provides software enabled services.

The acquisition of DE/IPC was completed for a total consideration of up to £695,000. The initial £695,000 was satisfied in cash.

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	2	(2)	—
Trade and other receivables	163	(19)	144
Cash and cash equivalents	62	—	62
Total assets	227	(21)	206
Trade and other payables	191	50	241
Total liabilities	191	50	241
Provisional fair value of identifiable net liabilities			(35)
Provisional goodwill			730
Fair value of consideration transferred			695
Satisfied by:			
– cash consideration paid			695
			695
Net cash outflow arising from business combinations:			
– cash consideration paid			695
– cash and cash equivalents acquired			(62)
Net cash outflow			633

Trade and other receivables included £106,000 of gross trade receivables (£96,000 of net trade receivables).

Since acquisition DE/IPC has contributed £340,000 to revenue and £107,000 to profit before income tax. If the acquisition had taken place at the start of the financial period, DE/IPC would have contributed £454,000 to revenue and £65,000 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 DE/IPC has been carried out. Fair values are provisional as they are still within the twelve-month hindsight period to adjust fair values.

The Group estimates costs incurred in relation to the transaction to be £28,000. These costs are included within exceptional costs in the Group statement of comprehensive income and included within operating activities in the Group statement of cash flows.

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

	£000
Digital Energy Limited/I-Prophets Compliance Limited – net cash outflow	633
Investment in Deer Technology Ltd	250
Investment in Switchd Ltd	350
Acquisition of subsidiaries, net of cash acquired	1,233

28. Related party transactions continued

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

	2022 £000	2021 £000
Mark Dickinson	7	6
Paul Connor	2	2
Richard Logan	1	1
Sangita Shah	1	1
	11	10

Key management personnel remuneration

The remuneration of the key management personnel, the Directors, in the year ended 31 December 2022 is set out below:

	2022 £000	2021 £000
Short-term employee benefits		
Employee emoluments	1,177	950
Social security costs	171	125
Post-employment benefits	4	3
Share-based payments	128	221
	1,480	1,299

The aggregate dividends paid to Directors in the year were £11,000. The shareholdings of the Directors are disclosed within the Directors' remuneration report on pages 56 to 60

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

FINANCIAL STATEMENTS**Company statement of financial position**

At 31 December 2022

	Note	2022 £000	2021 £000
Non-current assets			
Investments	30	127,927	125,225
Intangible assets	31	41	43
Right of use assets	32	836	1,082
Amounts owed from subsidiary undertakings		44,799	—
Non-current assets		173,603	126,350
Current assets			
Trade and other receivables	17	6,572	1,153
Deferred contingent consideration	17	1,077	4,529
Amounts owed from subsidiary undertakings		—	39,036
Cash and cash equivalents		580	2,035
Current assets		8,229	46,753
Total assets		181,832	173,103
Current liabilities			
Trade and other payables	18	2,518	1,945
Lease liabilities	19	837	549
Amounts owed to subsidiary undertakings		12,915	11,180
Contingent consideration	22	13,056	14,586
Current tax liability		89	364
Current liabilities		29,415	28,624
Non-current liabilities			
Bank borrowings	21	49,462	45,847
Contingent consideration	22	5,699	7,165
Lease liabilities	10	—	533
Derivative financial liability	21	17	25
Non-current liabilities		55,178	53,570
Total liabilities		84,593	82,194
Net assets		97,239	90,909
Share capital	23	1,220	1,219
Share premium account	23	60,930	60,923
Merger relief reserve	23	20,995	20,995
Share-based payment reserve		7,883	6,151
Retained profit		6,211	1,621
Equity attributable to shareholders		97,239	90,909

The company generated a profit of £7,112,000 during the financial year (2021: £1,336,000). As permitted by section 408 of the Companies Act 2006, the company has elected not to present its own statement of comprehensive income. Inspired PLC reported a profit for the financial year.

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2023 and were signed on its behalf by:

DocuSigned by:
Mark Dickinson
 Director
 094B51091D7144B...

DocuSigned by:
Paul Connor
 Director
 445BFF154CA348C...

Company registration number: 07639760.

The notes on pages 122 to 126 form part of these company financial statements.



Company statement of changes in equity

For the year ended 31 December 2022

	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 2021	1,202	67,000	20,995	5,121	2,541	96,859
Profit and total comprehensive income for the period	—	—	—	—	1,336	1,336
Share-based payment cost	—	—	—	1,030	—	1,030
Shares issued (8 April 2021)	13	376	—	—	—	389
Shares issued (22 June 2021)	1	114	—	—	—	115
Shares issued (28 July 2021)	1	62	—	—	—	63
Shares issued (15 September 2021)	1	53	—	—	—	54
Shares issued (21 December 2021)	1	12	—	—	—	13
Shares issued to EBT*	—	(6,694)	—	—	—	(6,694)
Dividends paid	—	—	—	—	(2,256)	(2,256)
Total transactions with owners	17	(6,077)	—	1,030	(920)	(5,950)
Balance at 31 December 2021	1,219	60,923	20,995	6,151	1,621	90,909
Profit and total comprehensive income for the period	—	—	—	—	7,050	7,050
Share-based payment cost	—	—	—	1,732	—	1,732
Shares issued (12 April 2022)	—	7	—	—	—	7
Shares issued (7 December 2022)	1	—	—	—	—	1
Dividends paid	—	—	—	—	(2,460)	(2,460)
Total transactions with owners	1	7	—	1,732	4,590	6,330
Balance at 31 December 2022	1,220	60,930	20,995	7,883	6,211	97,239

* During 2021, the valuation of the investments in own shares was reassessed and revised to the nominal value of the shares held. This resulted in a transfer of £6,694,000 from share premium.

FINANCIAL STATEMENTS

Notes to the company financial statements

29. 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 2022.

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;
 - (ii) paragraph 118(e) of IAS 38 Intangible Assets; and
 - (iii) 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 PLC reported a profit for the financial period of £5,832,000 (2021: £1,336,000).

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 (2021: £nil).

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

The amounts due from Group undertakings are repayable on demand; however, having reviewed the company's intentions with respect to the expected request for repayment of amounts due from subsidiary companies the company has determined they should be classified as due after more than one year.



29. Accounting policies (parent company) continued

Accounting policies continued

Financial instruments

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

Share-based payments

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

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

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

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

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

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 2022 is £127,927,000 (2021: £125,225,000).

Merger relief reserve

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

FINANCIAL STATEMENTS

Notes to the company financial statements continued

30. Investments

£000

Cost and net book value	
At 31 December 2021	125,225*
Additions – acquisition of subsidiaries (note 25)	1,297
Disposals (note 25)	(327)
Share-based payments charge	1,732
At 31 December 2022	127,927

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
Inspired 4U Limited*	100%	£1	2
STC Energy and Carbon Holdings Limited*	100%	£1	1,000
STC Energy Management Limited**	100%	£1	103
Flexible Energy Management Limited*	100%	£1	1
Bluebell Energy Supply Limited*	100%	£1	1
Horizon Energy Group Limited* (registered in the 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	4.7%	£0.000001	87,790
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
BWS Holdco Ltd*	100%	£0.00001	208,800
Businesswise Solutions Limited**	100%	£0.00001	200,000
General Energy Management Limited*	100%	£1	1,002
I-Prophets Compliance Limited*	100%	£1	2
Digital Energy Limited*	100%	£1	2
Deer Technology Ltd	Convertible loan	N/A	N/A

* 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.

**31. Intangible assets**

	Trade name £000
Cost	
At 1 January 2022	45
Additions	—
At 31 December 2022	45
Amortisation	
At 1 January 2022	2
Charge for the year	2
At 31 December 2022	4
Net book value	
At 31 December 2022	41
At 31 December 2021	43

32. Right of use assets

	Motor vehicles £000	Fixtures and fittings £000	Property £000	Intangibles £000	Total £000
Cost					
At 1 January 2022	103	278	2,111	—	2,492
Additions	56	—	—	301	357
Disposals	—	(23)	—	—	(23)
At 31 December 2022	159	255	2,111	301	2,826
Depreciation					
At 1 January 2022	35	108	1,267	—	1,410
Charge for the year	58	74	421	50	603
Disposals	—	(23)	—	—	(23)
At 31 December 2022	93	159	1,688	50	1,990
Net book value					
At 31 December 2022	66	96	423	251	836
At 31 December 2021	68	170	844	—	1,082

FINANCIAL STATEMENTS**Notes to the company financial statements continued****33. Employee benefit expense**

	2022 £000	2021 £000
Wages and salaries	4,962	4,531
Social security costs	589	569
	5,551	5,100
	No.	No.
Average number of persons employed:		
Management	3	2
Administration and finance	88	65
	91	67

34. Dividends paid

	2022 £000	2021 £000
Dividends paid on equity capital – 0.13p per share (2021: 0.12p)	2,460	2,256

During 2022, the Group paid dividends of £2,460,000 (2021: £2,256,000) to its equity shareholders. This represents a payment of 0.13 pence per share (2021: 0.12 pence per share). Also, during 2022, the Directors proposed the payment of a final dividend of 0.14 pence per share (2021: 0.13 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 2022 consolidated financial statements.

35. Related party transactions

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

Refer to note 27 for details of other related party transactions entered into in the year.



Directors, Secretary and advisors to the Group

Directors

Richard Logan
(Non-Executive Chairman)

Mark Dickinson
(Chief Executive Officer)

Paul Connor
(Chief Financial Officer)

David Cockshott
(Chief Operating Officer)

Peter Tracey
(Non-Executive Director)

Sangita Shah
(Non-Executive Director)

Dianne Walker
(Non-Executive Director)

Company Secretary
Gateley Secretaries Limited

Registered office

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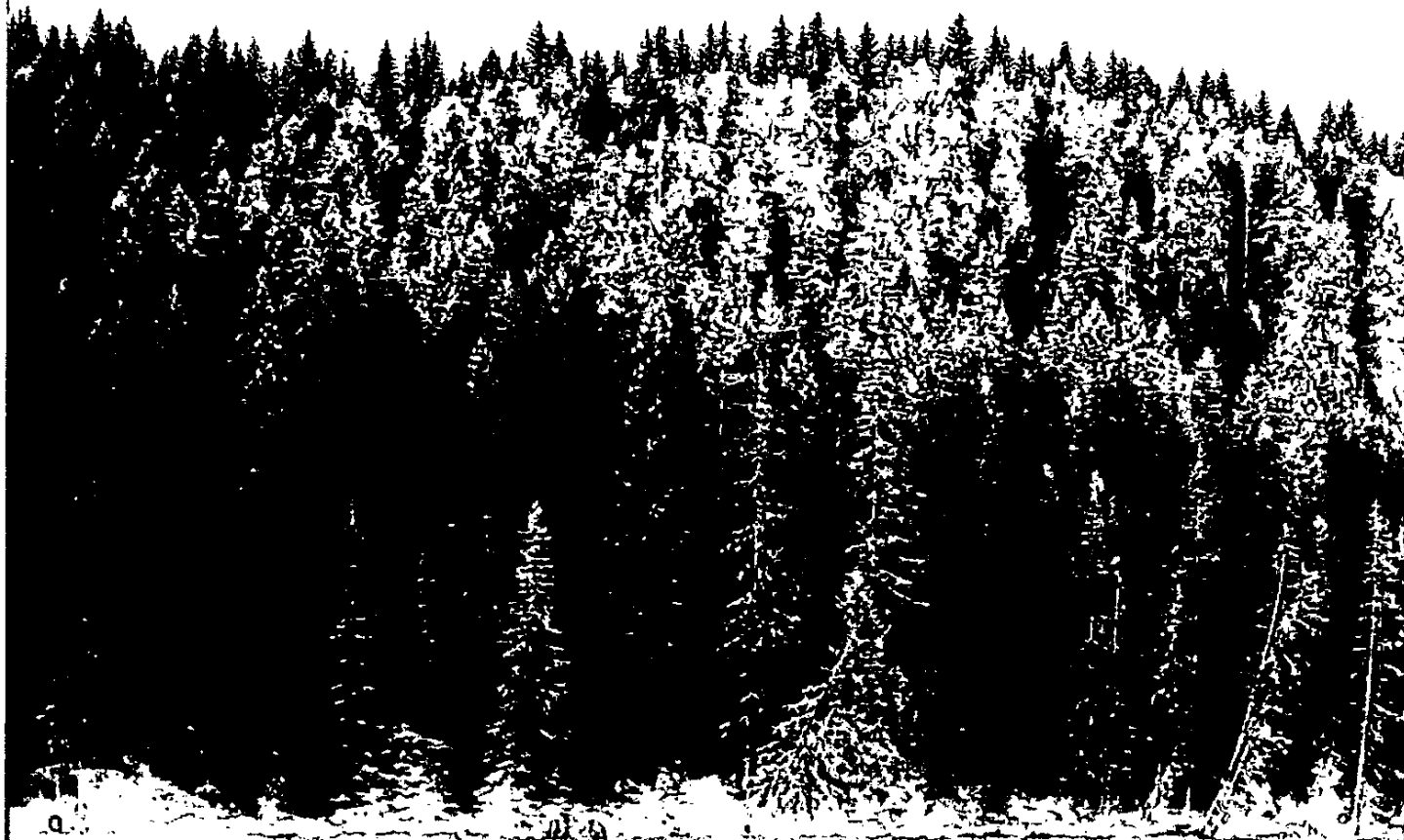
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