

Company Registration No. 05857467 (England and Wales)

**SPARK ENERGY SUPPLY LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**COMPANIES HOUSE**  
**31 MAR 2017**  
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COMPANIES HOUSE

# SPARK ENERGY SUPPLY LTD

## COMPANY INFORMATION

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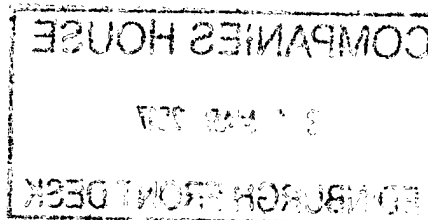
**Directors** Chris Gauld (Chief Executive)  
Hamish Osborn (Finance Director)

**Secretary** Mrs D M Harding

**Company number** 05857467

**Registered office** Regent House  
316 Beulah Hill Upper  
Norwood  
London  
SE19 3HF

**Auditor** Johnston Carmichael LLP  
7-11 Melville Street  
Edinburgh  
EH3 7PE



# SPARK ENERGY SUPPLY LTD

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# **SPARK ENERGY SUPPLY LTD**

## **STRATEGIC REPORT**

### ***FOR THE YEAR ENDED 30 JUNE 2016***

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The directors present the strategic report for the year ended 30 June 2016.

#### **Fair review of the business**

Company turnover increased by 6% to £126.3 million (2015: £118.6 million) and gross margin increased from £10.46 million to £16.19 million. Profit for the year was £4.8m an increase from the £885k profit in prior year. This significant improvement was driven through continued customer growth as a result of lower prices, better experience and tailored energy solutions for the private and social rented sectors.

The customer base of properties supplied increased by 29% during the year ended 30 June 2016.

To support this high level of profitable growth and its acceleration in the year to 30 June 2017, the directors have continued investment in the IT infrastructure.

As a result, the company outperformed all of the Big 6 and the average of the independent energy suppliers in customer complaints levels for each of the quarters as reported by Ofgem and calculated per 100,000 customers. The team was awarded a Silver award at the European Contact Centre of the year awards and named winner of Training Team of the year at the Customer Service Training Awards.

The company's results are consolidated into the accounts Spark Energy Limited, its immediate parent company.

#### **Future developments**

The company performance in the current year is expected to show further growth in both customer numbers and earnings with a management buyout completed in August 2016 to create further strength in the platform for growth.

Further significant IT system and digital release/upgrades have now been completed and deployed and will allow the directors to accelerate customer growth while improving operational efficiency and increasing levels of customer satisfaction.

Meanwhile, additional customer payment options, metering technology and bespoke customer journeys will enable the directors to offer customer experience and debt support which aim to reduce the impact of growth on working capital requirements and to minimize bad debt levels while the Wholesale Energy Trading Agreement provides security of supply and certainty of prices for its customers.

The company opened its extended offices and in house Training Academy facility in November to provide further improvement in customer and employee experience which ultimately benefits all aspects of company's performance.

# SPARK ENERGY SUPPLY LTD

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

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### Principal risks and uncertainties

The principal risk and uncertainties affecting the group and the sector in general are:

- Volatility in the wholesale price of gas and electricity;
- bad debt risk;
- rates of growth of the customer base;
- financial and operational strains caused by growth.

The group manages the supply price volatility risk by securing gas and electricity under forward contracts through its agreement with Macquarie Bank.

Bad debt is principally managed through a customer on-boarding experience designed to engage customers early in their lifetime with positive choices and multiple payment options, the most popular of which is the take up of direct debit plans to spread payments and minimise hassle. 24/7 payment support is provided through the company's digital service tools which includes web portal and smart phone app. Partnerships with debt support charities assist customers having difficulty to pay.

The group manages risks to growth by offering a bespoke service to rental customers, housing providers and bills inclusive consumers compromising value for money, a superior customer experience and administrative support versus that of a less specialised competitors.

Operational risks are managed through constant improvements of systems, processes and controls with daily monitoring against key performance indicators including those set out below.

Financial risks are managed in a large part through the relationship with Macquarie Bank, which provides supplies of energy and working capital facilities in relation to those purchases. A management buyout was completed in August 2016 to introduce institutional backers to the business.

For reasons detailed in note 1.2, the directors are satisfied that it remains appropriate to prepare the accounts on a going concern basis.

### Key performance indicators

The directors have a number of key performance indicators that are produced and monitored on a regular basis.

The key metrics include rates and sources of customer growth, customer contact rates, customer service and satisfaction metrics as well as complaints performance and root cause. Customer payment behaviour and the level of bad debt expense as a percentage of turnover, the percentage of meter readings obtained and the speed and accuracy of billing are closely monitored as is the performance of third party suppliers in line with their SLA and regulatory requirements.

By order of the board

  
Mrs D M Harding

Secretary

29/03/2017

# **SPARK ENERGY SUPPLY LTD**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2016**

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The directors present their annual report and financial statements for the year ended 30 June 2016.

### **Principal activities**

The principal activity of the company continues to be that of the purchase of electricity and gas and onward sale to customers.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Chris Gauld (Chief Executive)  
Hamish Osborn (Finance Director)

### **Results and dividends**

The results for the year are set out on pages 7-18.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

### **Future developments**

The group's financial performance in the current year is expected, at this stage, to show continued growth in both customer numbers and profit.

The completion of major systems upgrades in the next 12 months will allow the directors to continue this customer growth with low additional indirect cost, and continuing efforts with retail customers are expected to reduce the impact of growth on working capital requirements in the year ended 30 June 2017. Meanwhile the improved systems and operating methods will enable the directors to continue aiming to bring down the bad debt levels proportionately.

### **Financial Instruments**

Details of financial instruments are provided in the strategic report on page 1.

### **Auditor**

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

# SPARK ENERGY SUPPLY LTD

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

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### Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

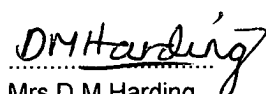
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board



Mrs D M Harding

Secretary

29/03/2017

# **SPARK ENERGY SUPPLY LTD**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF SPARK ENERGY SUPPLY LTD**

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We have audited the financial statements of Spark Energy Supply Ltd for the year ended 30 June 2016 set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 - 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the impact for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion 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.



# SPARK ENERGY SUPPLY LTD

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF SPARK ENERGY SUPPLY LTD

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#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

*Johnston Carmichael LLP*

David Holmes (Senior Statutory Auditor)  
for and on behalf of Johnston Carmichael LLP

*31 March 2017*

Chartered Accountants  
Statutory Auditor

7-11 Melville Street  
Edinburgh  
EH3 7PE

# SPARK ENERGY SUPPLY LTD

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 £'000	2015 £'000
<b>Turnover</b>	<b>3</b>	126,320	118,550
Raw materials and other consumables		(31,079)	(29,872)
Other charges		(79,047)	(78,220)
		<u>(110,126)</u>	<u>(108,092)</u>
<b>Gross profit</b>		<b>16,194</b>	<b>10,458</b>
Depreciation and amortisation		(270)	(235)
Other operating charges		(2,024)	(990)
Bad debt charge		(9,911)	(8,444)
		<u>(12,205)</u>	<u>(9,669)</u>
<b>Operating profit</b>	<b>4</b>	<b>3,989</b>	<b>789</b>
Interest payable and similar charges	<b>5</b>	-	(1)
<b>Profit on ordinary activities before taxation</b>		<b>3,989</b>	<b>788</b>
Tax on profit on ordinary activities	<b>6</b>	800	97
<b>Profit for the financial year</b>		<b>4,789</b>	<b>885</b>
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive income for the year</b>		<b>4,789</b>	<b>885</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# SPARK ENERGY SUPPLY LTD

## BALANCE SHEET

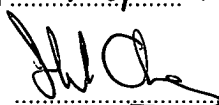
AS AT 30 JUNE 2016

	Notes	2016 £'000	2015 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible assets	7	2,155	1,648
<b>Current assets</b>			
Debtors	9	39,556	29,233
<b>Total assets</b>		<u>41,711</u>	<u>30,881</u>
<b>Capital and reserves</b>			
Called up share capital	14	-	-
Profit and loss account		5,172	383
<b>Shareholders' funds</b>		<u>5,172</u>	<u>383</u>
<b>Liabilities</b>			
Creditors: amounts falling due within one year	10	36,492	30,498
Provisions for liabilities	11	47	-
<b>Total equity &amp; liabilities</b>		<u>41,711</u>	<u>30,881</u>

Approved by the Board and authorised for issue on 29/03/2017



Chris Gauld (Chief Executive)  
Director



Hamish Osborn (Finance Director)  
Director

Company Registration No. 05857467

# SPARK ENERGY SUPPLY LTD

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

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	Notes	Profit and loss reserves £'000
Balance at 1 July 2014		(502)
<b>Year ended 30 June 2015:</b>		
Profit and total comprehensive income for the year		885
<b>Balance at 30 June 2015</b>		<u>383</u>
<b>Year ended 30 June 2016:</b>		
Profit and total comprehensive income for the year		4,789
<b>Balance at 30 June 2016</b>		<u><u>5,172</u></u>

# SPARK ENERGY SUPPLY LTD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2016

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#### 1 Accounting policies

##### Company information

Spark Energy Supply Ltd is a company limited by shares incorporated in England and Wales. The registered office is Regent House, 316 Beulah Hill Upper, Norwood, London, SE19 3HF.

##### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 30 June 2016 are the first financial statements of Spark Energy Supply Ltd prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 July 2014. Under the adoption of FRS 102 computer software and software development costs have been reclassified from property, plant and equipment to intangible assets. There were no other adjustments.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Spark Energy Limited. These consolidated financial statements are available from its registered office, Ettrick Riverside, Dunsdale Road, Selkirk, United Kingdom, TD7 5EB.

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

# SPARK ENERGY SUPPLY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

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### 1 Accounting policies (Continued)

#### 1.2 Going concern

The group to which the company belongs earned a profit before tax of £4.1 million and had net assets of £8.8 million at the balance sheet date. This progress continues to improve the group's financial position. During the year, the cash generated from profitable operations and additional funding has been applied in a number of ways, principally in upgrading our key software systems, repaying more expensive debt, and paying administrative fees for new business. Based on current projections, the directors are satisfied that the group will be able to meet its liabilities as they fall due for the foreseeable future. Accordingly, the directors are satisfied that the accounts should be prepared on a going concern basis.

#### 1.3 Turnover

Turnover comprises the sale value of electricity and gas supplied to customers during the year exclusive of VAT and includes an estimate of the value of units supplied to properties between the date of the last meter reading and the year end.

#### 1.4 Intangible fixed assets other than goodwill

Intangible assets include development costs and computer software. Assets have been measured at cost less any accumulated amortisation and impairment losses. Development costs represent software currently in development whereas computer software represents software in use by the company. When software assets are substantially available for use, they are transferred from development costs to computer software and amortisation commences.

Computer software costs include capitalised internal labour costs for IT developers and are being amortised over their useful lives of 2-5 years. Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

#### 1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Financial assets classified as receivable within one year are not amortised.

##### **Trade receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for estimated irrecoverable amounts, net of non-refundable over-recoveries. The provision against trade receivables is specific and is based on the ageing of the receivables and the historical payment profile by tariff.

##### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

# SPARK ENERGY SUPPLY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

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### 1 Accounting policies

(Continued)

#### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### ***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### ***Basic financial liabilities***

Basic financial liabilities, including creditors and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### 1.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### ***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### ***Deferred tax***

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

# SPARK ENERGY SUPPLY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

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### 1 Accounting policies (Continued)

#### 1.8 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

#### 1.9 Operating profit

Operating profit is stated after charging depreciation and amortisation but before finance costs.

#### 1.10 Renewables obligations

The company recognises a liability in respect of Renewable Obligations payable to Ofgem in respect of energy supplied to customers at the ROC buy-out price or the price at which the obligation can be settled at the year end.

#### 1.11 Deferred commissions

Amounts paid to switching engine websites in respect of new customers are deferred over the minimum expected period the customer will remain with Spark. Deferred commissions are included within prepayments.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### **Revenue recognition**

Given the nature of the industry, there is a degree of estimation involved in the recognition of revenue. Energy sales are based on regular meter readings. Revenue recognised for the supply of electricity and gas represents the value of actual units billed to customers from the group's billing system, and an estimate of the value of units unbilled. The calculation of these estimates required judgements to be made with regards to the energy used by customers between the last meter reading and year end. These units were reconciled to those charged by the industry.

#### **Customer debtor provisioning**

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Trade receivables are stated at their net realisable value. The net realisable value includes a provision for bad debts where a loss is probable. Calculations of this bad debt provision requires judgements to be made around the recoverability of debts based upon their ageing profile, and the historic payment profile by the tariff.



# SPARK ENERGY SUPPLY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2016 £'000	2015 £'000
<b>Turnover</b>		
Electricity and gas supply	126,320	118,550

#### Turnover analysed by geographical market

	2016 £'000	2015 £'000
United Kingdom	126,320	118,550

### 4 Operating profit

	2016 £'000	2015 £'000
Operating profit for the year is stated after charging/(crediting):		
Amortisation of intangible assets	270	236

Auditor's remuneration was borne by Spark Energy Limited.

### 5 Interest payable and similar charges

	2016 £'000	2015 £'000
Other finance charges	-	1

### 6 Taxation

	2016 £'000	2015 £'000
<b>Current tax</b>		
Adjustments in respect of prior periods	(80)	(97)
<b>Deferred tax</b>		
Origination and reversal of timing differences	47	-
Previously unrecognised tax losses brought forward	(767)	-
Total deferred tax	(720)	-
Total tax charge	(800)	(97)

# SPARK ENERGY SUPPLY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2016

#### 6 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2016 £'000	2015 £'000
Profit before taxation	3,989	788
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.75%)	798	164
Tax effect of expenses that are not deductible in determining taxable profit	-	50
Unutilised tax losses carried forward	(1,598)	-
Adjustments in respect of prior years	(80)	(97)
Adjust closing deferred tax to average rate of 20%	80	(135)
	-	(79)
Tax credit for the year	(800)	(97)

#### 7 Intangible fixed assets

	Computer software £'000	Development costs £'000	Total £'000
<b>Cost</b>			
At 1 July 2015	1,121	1,007	2,128
Additions - separately acquired	66	711	777
Reclassification	323	(323)	-
At 30 June 2016	1,510	1,395	2,905
<b>Amortisation and impairment</b>			
At 1 July 2015	480	-	480
Amortisation charged for the year	270	-	270
At 30 June 2016	750	-	750
<b>Carrying amount</b>			
At 30 June 2016	760	1,395	2,155
At 30 June 2015	641	1,007	1,648

#### 8 Financial instruments

	2016 £'000	2015 £'000
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	35,625	26,883

# SPARK ENERGY SUPPLY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

(Continued)

### 8 Financial instruments

#### Carrying amount of financial liabilities

Measured at amortised cost

36,354

30,318

#### Derivative financial instruments and hedging

The group uses commodity purchase contracts to hedge its exposure to fluctuations in commodity prices. When commodity purchase contracts have been entered into as part of normal business activity, they are classified as an 'own use' contract and outside the scope of FRS 102 (per FRS 102 para 12.5). This is achieved when physical delivery takes place in accordance with the group's expected usage requirements.

Commodity contracts not qualifying as 'own use' which also meet the definition of a derivative are within the scope of FRS 102 as derivative financial instruments.

Material derivatives not qualifying as 'own use' are measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivatives and other financial instruments are recognised in the income statements as they arise.

### 9 Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	31,816	23,661
Corporation tax recoverable	80	-
Amounts due from fellow group undertakings	1,087	986
Other debtors	2,745	2,236
Prepayments and accrued income	3,061	2,350
	<u>38,789</u>	<u>29,233</u>
Deferred tax asset (note 12)	767	-
	<u>39,556</u>	<u>29,233</u>

# SPARK ENERGY SUPPLY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

### 10 Creditors: amounts falling due within one year

	Notes	2016 £'000	2015 £'000
Trade creditors		1,501	878
Amounts due to group undertakings		10,207	8,007
Other taxation and social security		-	76
Deferred income	13	138	104
Other creditors		13,650	13,257
Accruals		10,996	8,176
		<u>36,492</u>	<u>30,498</u>

A floating charge is in place over the company's assets in respect of security held in relation to accruals amounting to £1,642K in relation to the trading agreement with Macquarie Bank. In the prior year, there was a floating charge over the groups assets amounting to £1,664K in relation to the trading agreement with Morgan Stanley Capital Group Inc.

### 11 Provisions for liabilities

		2016 £'000	2015 £'000
Deferred tax liabilities	12	47	-
		<u>47</u>	<u>-</u>

### 12 Deferred taxation

	Liabilities 2016 £'000	Liabilities 2015 £'000	Assets 2016 £'000	Assets 2015 £'000
<b>Balances:</b>				
Timing differences	47	-	-	-
Tax losses	-	-	767	-
	<u>47</u>	<u>-</u>	<u>767</u>	<u>-</u>

The deferred tax asset relates to the projected utilisation of tax losses against future profits. The deferred tax liability relates to fixed asset timing differences.

# SPARK ENERGY SUPPLY LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

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<b>13</b>	<b>Deferred income</b>		<b>2016</b>
			<b>£'000</b>
	Government grants brought forward as at 1 July 2015		104
	Released to the profit and loss in the year		(21)
	Increase in government grant in the year		55
			<hr/>
	Government grants as at 30 June 2016		138
			<hr/> <hr/>
<b>14</b>	<b>Share capital</b>		
		<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	<b>Authorised</b>		
	1 Ordinary share of £1 each	1	1
		<hr/>	<hr/>
<b>15</b>	<b>Related party transactions</b>		

The company has taken advantage of the exemption available in accordance with section 33.1A of FRS 102 'Related party disclosures' not to disclose transactions entered into between two or more members of the group, as the company is a wholly owned subsidiary undertaking of the group which is party to the transactions.

### 16 Controlling party

The ultimate parent company is Spark Holdco Limited (10281064), a company registered in England and Wales.

There is no ultimate controlling party.

### 17 Reserves

**Share capital** - This represents the nominal value of shares that have been issued.

**Retained earnings** - Includes all current and prior period retained profits and losses.