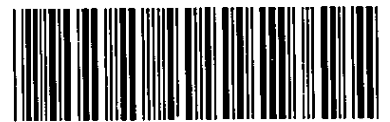


Company Registration No. 05857467 (England and Wales)

SPARK ENERGY SUPPLY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

FRIDAY



S33NNLM0

SCT

14/03/2014

#142

COMPANIES HOUSE

SPARK ENERGY SUPPLY LIMITED

COMPANY INFORMATION

Directors	Chris Gauld Peter Darling	(Appointed 28 March 2013)
Secretary	MBM Secretarial Services Limited	
Company number	05857467	
Registered office	Regent House 316 Beulah Hill London SE19 3HF	
Auditors	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE	

SPARK ENERGY SUPPLY LIMITED

CONTENTS

	Page
Directors' report	1 - 3
Independent auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 15

SPARK ENERGY SUPPLY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2013

The directors present their report and financial statements for the year ended 30 June 2013

Principal activities and review of the business

The principal activity of the company is the purchase of electricity and gas and onward sale to customers

Company turnover increased by 126% to £40.74 million (2012 £18.00 million) and gross margin increased from £4.03 million to £4.17 million. The company made a loss for the year of £0.73 million (2012 profit of £0.29 million).

The significant improvement in turnover was driven through a combination of continued customer growth and continued bad debt improvements were also achieved off the back of our customer experience focus.

The customer base of properties supplied doubled during the year ended 30 June 2013. This was driven through continued growth of our existing relationships with the UK's largest letting agencies, supplemented with new business lines such as the Spark Advance tariff (the UK's lowest utility tariff).

To support this high level of growth and to provide the foundations for future forecast customer growth, the directors have continued investment in the group's operational and IT infrastructure. This has seen incremental improvements in the bad debt expense. The bad debt provision as a percentage of turnover fell from 19% to 11%.

The rollout of smart meters to every property remains a long term aim for the group. There has been little progress during the year as installation continues to be delayed by the lack of availability of mainstream financing to fund such a rollout. This delay is due to the uncertainty over the exact specification of the smart meter itself, a matter which is currently the subject of government consultation, the results of which have taken much longer than the one year which the government originally suggested in 2010.

The lack of any significant movement in smart meter installation is another reason for the directors' decision to invest in the group infrastructure and operating methods, to ensure the group can operate as effectively as possible in the absence, for the time being, of any smart solution.

Future developments

The group's financial performance in the current year is expected, at this stage, to show a growth in profit. Customer numbers have continued to grow.

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. Meanwhile the improved systems and operating methods will enable the directors to continue to bring down the bad debt levels.

The company is currently working with Ofgem to confirm the status of its compliance with various licence obligations.

SPARK ENERGY SUPPLY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

Principle Risks and uncertainties

The principal risks and uncertainties affecting the group are

- Volatility in the wholesale price of gas and electricity,
- bad debt risk,
- growing the customer base,
- operational risks, and
- the availability of finance (going concern)

The group aims to manage the supply price volatility risk by securing gas and electricity, where possible, under forward contracts, although this requires cash deposits and puts pressure on financial resources. Bad debt risk is principally managed through a sales acquisition strategy designed to encourage rental customers to take up direct debit plans. In the long term we aim to utilise smart meters once the government consultation is at a stage which permits finance to be obtained. The group manages risks to growth by offering a high quality tailored service to customers and partner organisations at suitable prices and of a quality which aims to be superior to that of competitors. Operational risks are managed through improving systems and controls and monitoring operations against key performance indicators including those set out below.

Subsequent to the year end the company raised further equity. In addition, since the year end, a supplier finance agreement has been concluded with Morgan Stanley Capital Group Inc, further details of which are included at note 16. This agreement enables credit to be taken for energy supplies and more closely matches such costs with related customer revenue during the year, particularly during seasonal winter peaks.

There are uncertainties inherent in the future cashflow projections, the most significant of which are detailed in note 11.

For the reasons detailed in note 11, 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 details of customer acquisition numbers, the percentage of customers paying by direct debit or prepayment, the level of bad debt expense as a percentage of turnover, the percentage of meter reads obtained, and the number and percentage of customer complaints.

All of these indicators have seen improvement since the financial year end.

Results and dividends

The results for the year are set out on page 6.

Directors

The following directors have held office since 1 July 2012

Chns Gauld
Peter Darling

(Appointed 28 March 2013)

SPARK ENERGY SUPPLY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors 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 auditors are aware of that information.

On behalf of the board



Chris Gauld

Director
24/02/14

SPARK ENERGY SUPPLY LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SPARK ENERGY SUPPLY LIMITED

We have audited the financial statements of Spark Energy Supply Limited for the year ended 30 June 2013 set out on pages 6 to 15. 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).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out within the Directors' Report on pages 1 - 3, 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 2013 and of its loss 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.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1.1 to the financial statements concerning the company's ability to continue as a going concern. The group to which the company belongs earned a profit of £337,469 for the year ended 30 June 2013 and, at that date, the group's liabilities exceeded its assets by £1,796,595. These conditions, along with other matters explained in note 1.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

SPARK ENERGY SUPPLY LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF SPARK ENERGY SUPPLY LIMITED

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

26 February 2014

Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

SPARK ENERGY SUPPLY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012
	Notes	£	£
Turnover	2	40,739,201	18,003,072
Raw materials and other consumables		(9,058,226)	(5,373,885)
Other external charges		(27,508,355)	(8,599,417)
		<u>(36,566,581)</u>	<u>(13,973,302)</u>
		4,172,620	4,029,770
Depreciation and amortisation		(25,500)	(25,500)
Other operating charges		(395,003)	(337,648)
Bad debt charge		(4,450,014)	(3,347,732)
		<u>(4,870,517)</u>	<u>(3,710,880)</u>
Operating (loss)/profit	3	(697,897)	318,890
Interest payable and similar charges	4	(32,130)	(24,413)
(Loss)/profit on ordinary activities before taxation		(730,027)	294,477
Tax on (loss)/profit on ordinary activities	5	-	-
(Loss)/profit for the year	11	(730,027)	294,477

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

There are no recognised gains and losses other than those passing through the profit and loss account

SPARK ENERGY SUPPLY LIMITED

BALANCE SHEET

AS AT 30 JUNE 2013

	Notes	2013 £	2012 £
Assets			
Fixed assets			
Tangible assets	6	463,336	51,000
Current assets			
Debtors	7	29,670,308	11,901,769
Investments	8	-	239,422
Total assets		<u>30,133,644</u>	<u>12,192,191</u>
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account	11	<u>(467,928)</u>	<u>262,099</u>
Shareholders' funds	12	<u>(467,927)</u>	<u>262,100</u>
Liabilities			
Creditors amounts falling due within one year	9	<u>30,601,571</u>	<u>11,930,091</u>
Total Equity & Liabilities		<u>30,133,644</u>	<u>12,192,191</u>

Approved by the Board and authorised for issue on 24/02/14



Chris Gaud
Director

Company Registration No. 05857467

SPARK ENERGY SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

Going concern

The group to which the company belongs earned a profit of £0.3 million for the year ended 30 June 2013 and had net liabilities of £1.79 million at that date, including £4.2 million owed to certain shareholders

While the availability of traditional forms of short term lending, such as bank finance, remains difficult, since 30 June 2013 the group has concluded discussions with a supplier to provide access to working capital, including the critical winter period. These arrangements are further described in note 16.

Based on currently agreed funding, the group's ability to continue as a going concern is dependent upon its ability to meet its cash flow projections. Whilst actual results and cash flows for the year to date are broadly in line with projections, there are uncertainties with regard to the assumptions used to prepare future projections, the most significant of which are as follows:

- Customer numbers: The group projects there will be a net increase in customer numbers over the next 12 months in line with previous trends.

- The cost of energy and margins: The group has entered into forward hedge deals to forward purchase its base requirements.

- Cash collection: The projections assume significant reductions in the proportion of customers paying by cash or cheque and increases in customers paying by direct debit, smart meter or prepayment meter in line with existing trends.

- Shareholder lending: The projections assume that a significant proportion of the shareholder lending will be rolled over until summer 2014. Whilst written commitments to this effect do not cover all such borrowings, the directors believe it is a realistic assumption based on previous experience and ongoing discussions with the lenders.

The directors are satisfied that on the basis of the above assumptions the group will have sufficient resources to enable the group to meet its liabilities as they fall due for at least 12 months from the date of signing these financial statements. The directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

SPARK ENERGY SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

1 Accounting policies

(continued)

1.2 Critical estimates and judgements

In the process of applying the group's accounting policies, management has to make judgements and estimates that have a significant effect on the amounts recognised in these financial statements. These estimates and judgements are re-evaluated periodically and are based on historical experience and information available up to the date of signing the accounts. The key estimates and judgements made by the directors are in respect of revenue recognition and trade debtor provisioning.

Revenue Recognition

During the year the company changed its methodology for revenue recognition. Revenue recognised for the supply of electricity and gas was previously based on industry estimates of the quantity of units used. During the year, the value of actual units billed to customers from the Company's billing system, together with an estimate of the value of units unbilled, was used. These units were reconciled to those charged by the industry.

Trade debtor provisioning

Provisions against trade receivables are recognised where a loss is probable. This is assessed on the basis of the ageing of the receivables and the historic payment profile by tariff.

1.3 Turnover

Turnover comprises the sale value of energy 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 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment and related software - 20% straight line

Assets under construction are depreciated once the asset is fully implemented in to use in the business.

1.5 Investments

Current asset investments related to purchased Renewable Obligation Certificates (ROCs) and are stated at the lower of cost and net realisable value.

1.6 Deferred taxation

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.

1.7 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.

SPARK ENERGY SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

1 Accounting policies **(continued)**

1.8 Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group

1.9 Financial instruments

The company uses derivative financial instruments to hedge its exposure to changes in market prices arising from energy purchases

Forward contracts to purchase energy are accounted for on an accruals basis at cost, with gains and losses recorded in the profit and loss account in the period in which the supply of power occurs

1.10 Renewables Obligation

The company recognises liabilities in respect of Renewable Obligations payable to OFGEM in respect of energy supplied to customers at the value at which they are expected to be extinguished

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 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

3 Operating (loss)/profit	2013	2012
	£	£
Operating (loss)/profit is stated after charging		
Depreciation of tangible assets	25,500	25,500
	<u> </u>	<u> </u>

The company has increased its provision against bad debt (including adjustments to revenue estimates), estimated supplies to property and unbilled energy by £4,450,014 (2012 - £3,347,732) at 30 June 2013 in respect of outstanding customer debtor balances at the year end

Auditors' remuneration was borne by Spark Energy Limited

4 Interest payable	2013	2012
	£	£
On bank loans and overdrafts	32,130	24,413
	<u> </u>	<u> </u>

SPARK ENERGY SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

5 Taxation	2013	2012
	£	£
Total current tax	-	-
	<u> </u>	<u> </u>
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(730,027)	294,477
	<u> </u>	<u> </u>
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.75% (2012 - 20.00%)	(173,381)	58,895
	<u> </u>	<u> </u>
Effects of		
Capital allowances in excess of depreciation	(40,536)	3,864
Unrelieved tax losses and other deductions	213,917	851,284
Adjustments to previous periods	-	(914,043)
	<u> </u>	<u> </u>
	173,381	(58,895)
	<u> </u>	<u> </u>
Current tax charge for the year	-	-
	<u> </u>	<u> </u>

The company has estimated losses of £ 9,442,624 (2012 - £ 8,712,597) available for carry forward against future trading profits

SPARK ENERGY SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

6 Tangible fixed assets

	Computer equipment and related software £
Cost	
At 1 July 2012	127,500
Additions	437,836
	<hr/>
At 30 June 2013	565,336
	<hr/>
Depreciation	
At 1 July 2012	76,500
Charge for the year	25,500
	<hr/>
At 30 June 2013	102,000
	<hr/>
Net book value	
At 30 June 2013	463,336
	<hr/> <hr/>
At 30 June 2012	51,000
	<hr/> <hr/>

Included within the cost of computer equipment and related software above, is £565,336 of costs in relation to the development of IT systems. Included within tangible fixed assets is £437,386 (2012: £Nil) of software development costs that have not been depreciated due to the IT systems being under development at the year end.

7 Debtors	2013	2012
	£	£
Trade debtors	9,379,303	3,737,984
Amounts owed by parent and fellow subsidiary undertakings	19,281,670	7,285,713
Other debtors	266,396	814,239
Prepayments and accrued income	742,939	63,833
	<hr/>	<hr/>
	29,670,308	11,901,769
	<hr/> <hr/>	<hr/> <hr/>

Trade debtors are shown net of the provisions (see note 3)

SPARK ENERGY SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

8	Current asset investments	2013	2012
		£	£
	Renewable Obligation Certificates	-	239,422

Renewable Obligation Certificates are purchases from renewable generation sites. There is a delay between the date of acquisition and the earliest date on which such certificates may be sold, during which the market value of certificates may change.

9	Creditors: amounts falling due within one year	2013	2012
		£	£
	Trade creditors	2,763,927	1,842,117
	Amounts owed to parent and fellow subsidiary undertakings	20,703,570	7,214,946
	Taxes and social security costs	150,332	-
	Customer advances	4,613,978	715,050
	Accruals and deferred income	2,369,764	2,157,978
		<u>30,601,571</u>	<u>11,930,091</u>

10	Share capital	2013	2012
		£	£
	Allotted, called up and fully paid		
	1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

11	Statement of movements on profit and loss account	Profit and loss account £
	Balance at 1 July 2012	262,099
	Loss for the year	(730,027)
	Balance at 30 June 2013	<u>(467,928)</u>

SPARK ENERGY SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

12 Reconciliation of movements in shareholders' funds	2013	2012
	£	£
(Loss)/Profit for the financial year	(730,027)	294,477
Opening shareholders' funds	262,100	(32,377)
Closing shareholders' funds	<u>(467,927)</u>	<u>262,100</u>

13 Capital commitments	2013	2012
	£	£
At 30 June 2013 the company had capital commitments as follows		
Contracted for but not provided in the financial statements energy contracts	-	647,795

14 Employees

Number of employees

There were no employees during the year apart from the directors

15 Control

The ultimate parent company is Spark Energy Limited, a company registered in Scotland. Spark Energy Limited prepares group financial statements and copies can be obtained from its registered office.

There is no ultimate controlling party.

16 Post balance sheet events

In December 2013, Spark Energy Limited entered into a wholesale trading agreement with Morgan Stanley Capital Group Inc. In return for a commitment to buy all energy supplies from this company at competitive prices, granting of security over the group's assets in favour of Morgan Stanley Capital Group Inc, and an agreement to seek shareholders' authority for a future shareholding of 4.99%, Spark Energy has obtained access to collateral free long term hedging and supply arrangements for its core commodities on extended payment terms. The deal therefore provides working capital arrangements over the high usage winter period that closely match commodity costs to customer revenues, and so reduce the group's working capital requirements as well as reducing its supply price volatility risk.

17 Derivatives not included at fair value

The company uses derivatives to hedge its exposure to changes in market prices arising from energy purchases. The fair values are based on market values at the balance sheet date and at 30 June 2013 the company has a derivative liability of £Nil (2012 - £73,892).

SPARK ENERGY SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

18 Related party relationships and transactions

Other transactions

The company has taken advantage of the exemption available in accordance with FRS 8 'Related party disclosures' not to disclose transactions entered into between two or more members of a group, as the company is a wholly owned subsidiary undertaking of the group to which it is party to the transactions