

Company Registration No. 05857467 (England and Wales)

**SPARK ENERGY SUPPLY LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

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# SPARK ENERGY SUPPLY LIMITED

## COMPANY INFORMATION

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

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# SPARK ENERGY SUPPLY LIMITED

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# SPARK ENERGY SUPPLY LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2012

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The directors present their report and financial statements for the year ended 30 June 2012

#### Principal activities

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

Company turnover increased by 67% to £18.00 million (2011: £10.78 million) and gross margin increased from £2.43 million to £4.03 million. The company made a profit for the year of £0.29 million (2011: loss of £0.86 million).

Revenue growth continued to be driven by new contracts with some of the UK's largest letting agencies. This has seen the group double its customer base of properties supplied to 31,000 during the year ended 30 June 2012.

To support this high level of growth and to provide the foundation for the future forecast customer growth, the directors have continued investment in the group's operational and IT infrastructure, resulting in high indirect costs for the year.

This investment has helped the directors to identify and reduce the impact of bad debts. During the year significant improvements were made in this area with the bad debt expense falling from 27% to 19% of turnover and there has been further improvement in the current year.

Improvement to the customer experience remains one of the directors' key focuses, and, in addition to the above investment, the financial year has seen the rollout of a new company website, enabling customer self-billing, and continued investment and improvement in the customer call centre.

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 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 effectively in the absence, for the time being, of any smart solution.

#### Going concern

The ability of the company to continue as a going concern is dependent upon the group's ability to meet its cash flow projections.

Subsequent to the year end the group raised £1.9m of shareholder capital which the directors expect will meet the minimum capital requirements of the group based on current trading assumptions proving realistic. There are uncertainties inherent in these projections, the most significant of which are detailed in note 1.1.

For the reasons detailed at note 1.1, the directors are satisfied that it remains appropriate to prepare the accounts on a going concern basis.

#### Directors

The following directors have held office since 1 July 2011

Chris Gauld (Appointed 28 March 2013)

Peter Darling

Christopher Trigg (Resigned 24 July 2012)

# SPARK ENERGY SUPPLY LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

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### 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

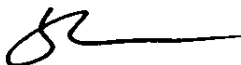
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

21/6/12

# **SPARK ENERGY SUPPLY LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

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

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We have audited the financial statements of Spark Energy Supply Limited for the year ended 30 June 2012 set out on pages 5 to 11. 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 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 - 2, 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 2012 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.

#### **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 incurred a net loss of £3,265,800 during the year ended 30 June 2012 and, at that date, the group's current liabilities exceeded its total assets by £3,983,369. 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

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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

*21 June 2013*

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 2012

		2012	2011
	Notes	£	£
Turnover	2	18,003,072	10,781,039
Raw materials and other consumables		(5,373,885)	(2,845,039)
Other external charges		(8,599,417)	(5,502,461)
		<u>13,973,302</u>	<u>8,347,500</u>
		4,029,770	2,433,539
Depreciation and amortisation		(25,500)	(25,500)
Other operating charges		(337,648)	(378,835)
Bad debt charge		(3,347,732)	(2,885,371)
		<u>3,710,880</u>	<u>3,289,706</u>
<b>Operating profit/(loss)</b>	<b>3</b>	<b>318,890</b>	<b>(856,167)</b>
Interest payable and similar charges	4	(24,413)	-
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>294,477</b>	<b>(856,167)</b>
Tax on profit/(loss) on ordinary activities	5	-	-
<b>Profit/(loss) for the year</b>	<b>11</b>	<b>294,477</b>	<b>(856,167)</b>

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 2012

	Notes	2012 £	2011 £
<b>Assets</b>			
<b>Fixed assets</b>			
Tangible assets	6	51,000	76,500
<b>Current assets</b>			
Debtors	7	11,901,769	5,753,043
Investments	8	239,422	829,126
<b>Total assets</b>		<u>12,192,191</u>	<u>6,658,669</u>
<b>Capital and reserves</b>			
Called up share capital	10	1	1
Profit and loss account	11	262,099	(32,378)
<b>Shareholders' funds</b>	12	<u>262,100</u>	<u>(32,377)</u>
<b>Liabilities</b>			
<b>Creditors: amounts falling due within one year</b>	9	11,930,091	6,691,046
<b>Total Equity &amp; Liabilities</b>		<u>12,192,191</u>	<u>6,658,669</u>

Approved by the Board and authorised for issue on 21/6/13



Chris Gauld  
Director

Company Registration No 05857467

# SPARK ENERGY SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

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#### 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 incurred a loss of £3.27 million for the year ended 30 June 2012 and had net liabilities of £3.98 million at that date, including £3.43m owed to certain shareholders

The availability of traditional forms of short term lending, such as bank finance, to manage intra month cash flows has not been available. Since 30 June 2012 further equity funding has been raised amounting to £1.9 million which has been used to fund working capital and past losses.

Based on currently anticipated 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 cost of energy supplies, and thus margins, is volatile and not wholly within the control of the group. The group has directly contracted with small energy generators to forward purchase its base electricity requirements. The projections assume that contracts will be achievable to cover winter 2013/2014 base load, that weather patterns will not be abnormal, that there will be no significant adverse spikes in energy prices from time to time, and that it will be possible to raise prices to cover longer term increases in energy costs.

- 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.

##### 1.2 Turnover

Turnover comprises the sale value of energy supplied to customers during the year exclusive of VAT. Turnover from the sale of energy is the value of units supplied during the year based on external data supplied by the electricity and gas market settlement processes, and includes an estimate of the value of units supplied to properties between the date of the last meter reading and the year end.

##### 1.3 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

# SPARK ENERGY SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

**1 Accounting policies** **(continued)**

**1.4 Investments**

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

**1.5 Group accounts**

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

**1.6 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

**1.7 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

**2 Turnover**

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

<b>3 Operating profit/(loss)</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Operating profit/(loss) is stated after charging		
Depreciation of tangible assets	25,500	25,500
Amounts written off ROCs	-	103,161
	<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 £3,347,732 (2011 - £2,885,371) at 30 June 2012 in respect of outstanding customer debtor balances at the year end

Auditors' remuneration was borne by Spark Energy Limited

<b>4 Interest payable</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
On bank loans and overdrafts	24,413	-
	<u>          </u>	<u>          </u>

# SPARK ENERGY SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

### 5 Taxation

The company has estimated losses of £ 8,712,597 (2011 - £ 4,456,178) available for carry forward against future trading profits

### 6 Tangible fixed assets

	<b>Computer equipment and related software £</b>
<b>Cost</b>	
At 1 July 2011 & at 30 June 2012	127,500
<b>Depreciation</b>	
At 1 July 2011	51,000
Charge for the year	25,500
At 30 June 2012	76,500
<b>Net book value</b>	
At 30 June 2012	51,000
At 30 June 2011	76,500

Included within the cost of computer equipment and related software above, is £127,500 of external costs in relation to the development of the billing platform. The billing platform is being amortised over a 5 year period

<b>7 Debtors</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Trade debtors	3,737,984	2,671,025
Amounts owed by parent and fellow subsidiary undertakings	7,285,713	2,774,701
Other debtors	814,239	248,923
Prepayments and accrued income	63,833	58,394
	<u>11,901,769</u>	<u>5,753,043</u>

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 2012

8 Current asset investments	2012 £	2011 £
Renewable Obligation Certificates	239,422	932,287
Amounts written off	-	(103,161)
	<u>239,422</u>	<u>829,126</u>

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. The amounts written off in the prior year represents the difference between cost and net realisable value of the Renewable Obligation Certificates at the balance sheet date.

9 Creditors amounts falling due within one year	2012 £	2011 £
Trade creditors	1,842,117	1,513,736
Amounts owed to parent and fellow subsidiary undertakings	7,214,946	3,214,946
Other creditors	715,050	1,095,461
Accruals and deferred income	2,157,978	866,903
	<u>11,930,091</u>	<u>6,691,046</u>

10 Share capital	2012 £	2011 £
<b>Allotted, called up and fully paid</b>		
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 2011	(32,378)
Profit for the year	294,477
	<u>262,099</u>

# SPARK ENERGY SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

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12 Reconciliation of movements in shareholders' funds	2012	2011
	£	£
Profit/(Loss) for the financial year	294,477	(856,167)
Opening shareholders' funds	(32,377)	823,790
	<hr/>	<hr/>
Closing shareholders' funds	262,100	(32,377)
	<hr/>	<hr/>

13 Capital commitments	2012	2011
	£	£
At 30 June 2012 the company had capital commitments as follows		
Contracted for but not provided in the financial statements energy contracts	647,795	1,503,319
	<hr/>	<hr/>

### 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 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 2012 the company has a derivative liability of £73,892 (2011 - asset of £54,811)

### 17 Related party relationships and transactions

#### Other transactions

The company has taken advantage of the exemption of the Financial Reporting Standard for Smaller Entities (effective April 2008) from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company