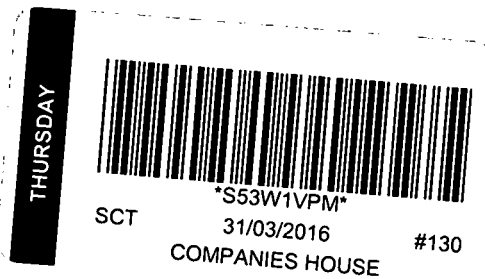


Company Registration No. 05857467 (England and Wales)

SPARK ENERGY SUPPLY LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015



SPARK ENERGY SUPPLY LIMITED

COMPANY INFORMATION

Directors	Chris Gauld (Chief Executive) Hamish Osborn (Finance Director)
Secretary	Debbie Harding
Company number	05857467
Registered office	Regent House 316 Beulah Hill Upper Norwood London SE19 3HF
Auditors	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE

SPARK ENERGY SUPPLY LIMITED

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SPARK ENERGY SUPPLY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2015

The directors present the strategic report and financial statements for the year ended 30 June 2015.

Review of the business

Company turnover increased by 43% to £118.5 million (2014: £83.01 million) and gross margin increased from £7.27 million to £10.46 million. Profit for the year was £885k an increase from the £34k loss in prior year. This significant improvement was driven through a combination of continued customer growth and continued bad debt improvements off the back of our customer experience focus.

The customer base of properties supplied increased by 20% during the year ended 30 June 2015.

To support this high level of growth and to provide the foundation for future forecast customer growth, the directors have continued investment in the company and group's operational and IT infrastructure. This has seen incremental improvement in both the overall customer experience and the bad debt expense. The bad debt provision as a percentage of turnover fell from 7.7% to 7.1% and the company's own customers rate its service 4 stars out of 5 with positive NPS scores and reduced customer complaints.

The rollout of smart meters to every property remains a long term aim for the Spark group. Delays to the UK wide Smart Metering programme and the consequential impact on the availability of suitable meter financing has led to the group to delay its own Smart Meter programme. Mainstream financing is now becoming available. The directors are therefore hopeful that the company will be in a position to commence roll out over the course of the next year.

In the absence of Smart Meters, the directors continued to invest in the company infrastructure and operations to ensure the company the group can maintain its constant improvement programme ahead of the realisation of Smart Meter ambitions.

Future developments

The financial performance in the current year is budgeted, 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 directors to accelerate customer growth while improving operational efficiency and maintaining or increasing levels of customer satisfaction. Meanwhile the improved systems 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 minimise bad debt levels.

In June 2015 Morgan Stanley announced its intention to cease power and gas trading activities in Europe, and served notice that the existing WETA with Spark Energy would be terminated in December 2015. After reviewing a number of alternative providers, the group has signed a new 3 year exclusive arrangement with Macquarie Bank Plc. This deal provides similar access to the market on similar or better terms. No options have been granted under this deal. The company has agreed to raise extra loan capital to support required covenant levels.

SPARK ENERGY SUPPLY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

Principal risks and uncertainties

Since the company sales services its group companies the principal risks and uncertainties facing the company are those of the group:

- 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. Bad debt risk is principally managed through an on-boarding experience designed to encourage customers to take up direct debit plans. The group manages risks to growth by offering a bespoke service to rental customers, value for money and a superior experience to that of less specialised competitors. Operational risks are managed through improving systems and controls and monitoring operations against key performance indicators including those set out below.

Financial risks are managed in large part through concluding a relationship with Morgan Stanley, and in the future Macquarie Bank, which provides supplies of energy and working capital facilities in relation to such purchases.

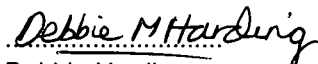
For the reasons detailed in note 1.1, the directors are satisfied that it remains appropriate to prepare the accounts on a going concern basis.

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 growth, customer service and complaints performance, customer payment behaviour and the level of bad debt expense as a percentage of turnover, the percentage of meter readings obtained and our reliability of billing.

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

On behalf of the board



Debbie Harding

Secretary

23 March 2016

SPARK ENERGY SUPPLY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2015

The directors present their report and financial statements for the year ended 30 June 2015.

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.

Results and dividends

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

Directors

The following directors have held office since 1 July 2014:

Chris Gauld (Chief Executive)

Hamish Osborn (Finance Director)

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:

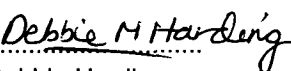
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;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



Debbie Harding

Secretary

23 March 2016

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 2015 set out on pages 6 to 13. 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 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 2015 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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

30 March 2016

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 2015

		2015	2014
	Notes	£'000	£'000
Turnover	2	118,550	83,007
Raw materials and other consumables		(29,872)	(19,615)
Other external charges		(78,220)	(56,118)
		<u>(108,092)</u>	<u>(75,733)</u>
		10,458	7,274
Depreciation and amortisation		(235)	(143)
Other operating charges		(990)	(761)
Bad debt charge		(8,444)	(6,378)
		<u>(9,669)</u>	<u>(7,282)</u>
Operating profit/(loss)	3	789	(8)
Interest payable and similar charges	4	(1)	(26)
Profit/(loss) on ordinary activities before taxation		788	(34)
Tax on profit/(loss) on ordinary activities	5	97	-
Profit/(loss) for the year	10	<u>885</u>	<u>(34)</u>

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.

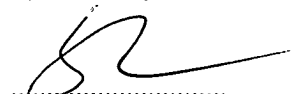
SPARK ENERGY SUPPLY LIMITED

BALANCE SHEET

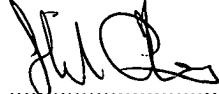
AS AT 30 JUNE 2015

	Notes	2015 £'000	2014 £'000
Assets			
Fixed assets			
Tangible assets	6	1,648	1,003
Current assets			
Debtors	7	29,233	71,091
Total assets		<u>30,881</u>	<u>72,094</u>
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	383	(502)
Shareholders' funds	11	<u>383</u>	<u>(502)</u>
Liabilities			
Creditors: amounts falling due within one year	8	30,498	72,596
Total equity & liabilities		<u>30,881</u>	<u>72,094</u>

Approved by the Board and authorised for issue on 23 March 2016



Chris Gauld (Chief Executive)
Director



Hamish Osborn (Finance Director)
Director

Company Registration No. 05857467

SPARK ENERGY SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 before tax and exceptional costs of £3.4 million and had net assets of £3.9 million at the balance sheet date. This progress continues to improve the groups financial position. During the year, the cash generated from profitable operations has been applied in a number of ways, principally in repaying more expensive debt, and paying commissions for new business. In addition a new power and gas supplier, Macquarie Bank, has been negotiated to replace Morgan Stanley. As part of the terms of business with Macquarie, the group has to meet certain covenants which will require additional funding to be put in place in the year. The directors believe that, on the basis of commitments received to date and ongoing discussions with funders, the new funding will be completed as expected and therefore the group will have the resources to meet its debts as they fall due and its financial covenants over the course of the next 12 months.

The directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

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.

1.2 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

Revenue recognised for the supply of electricity and gas represents the value of actual units billed to customers from the company's billing system, together with an estimate of the value of units unbilled. 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.

SPARK ENERGY SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

1 Accounting policies

(Continued)

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 - over 2 to 5 years

Depreciation is charged once assets are fully implemented and in use in the business.

1.5 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.

1.6 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.

1.7 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.

1.8 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.

1.9 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.

SPARK ENERGY SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

3	Operating profit/(loss)	2015	2014
		£'000	£'000
	Operating profit/(loss) is stated after charging:		
	Depreciation of tangible assets	236	143
		<u>236</u>	<u>143</u>
	The group has increased its provision against bad debt, estimated supplies to properties and unbilled energy by £8,444k (2014 - £6,378k) at 30 June 2015 in respect of outstanding customer debtor balances at the year end.		
	Auditor's remuneration was borne by Spark Energy Limited.		
4	Interest payable	2015	2014
		£'000	£'000
	On bank loans and overdrafts	1	26
		<u>1</u>	<u>26</u>
5	Taxation	2015	2014
		£'000	£'000
	Domestic current year tax		
	Tax credit adjustment for prior years	(97)	-
		<u>(97)</u>	<u>-</u>
	Total current tax	<u>(97)</u>	<u>-</u>
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	788	(34)
		<u>788</u>	<u>(34)</u>
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.75% (2014 - 22.50%)	164	(8)
		<u>164</u>	<u>(8)</u>
	Effects of:		
	Capital allowances in excess of depreciation	(135)	(122)
	Unrelieved tax losses and other deductions	(79)	130
	Tax credit adjustment for prior years	(97)	-
	Expenses not deductible for tax purposes	50	-
		<u>(261)</u>	<u>8</u>
	Current tax charge for the year	<u>(97)</u>	<u>-</u>

As the figure is a tax refund, it is shown as a positive amount in the profit and loss account.

The company has not recognised a potential deferred tax asset of £1,605k (2014 - £1,785k) arising on surplus losses within the group, in accordance with the accounting policy set out in note 1.5.

SPARK ENERGY SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

6 Tangible fixed assets

	Assets under construction	Computer equipment and related software	Total
	£'000	£'000	£'000
Cost			
At 1 July 2014	386	861	1,247
Additions	881	-	881
Transfers	(260)	260	-
	<u>1,007</u>	<u>1,121</u>	<u>2,128</u>
Depreciation			
At 1 July 2014	-	244	244
Charge for the year	-	236	236
	<u>-</u>	<u>480</u>	<u>480</u>
At 30 June 2015	-	480	480
Net book value			
At 30 June 2015	<u>1,007</u>	<u>641</u>	<u>1,648</u>
At 30 June 2014	<u>386</u>	<u>617</u>	<u>1,003</u>

Included within the cost of assets under construction and computer equipment and related software above, is £2,128k in relation to the development of IT systems. Assets under construction represents software development costs that have not been depreciated due to the IT systems being under development at the year end.

7 Debtors

	2015 £'000	2014 £'000
Trade debtors	23,661	14,800
Amounts owed by parent and fellow subsidiary undertakings	986	52,236
Other debtors	2,236	2,333
Prepayments and accrued income	2,350	1,722
	<u>29,233</u>	<u>71,091</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 2015

8 Creditors: amounts falling due within one year	2015 £'000	2014 £'000
Trade creditors	878	1,000
Amounts owed to parent and fellow subsidiary undertakings	8,007	54,707
Taxes and social security costs	76	404
Customer advances	13,257	10,560
Accruals and deferred income	8,280	5,925
	<u>30,498</u>	<u>72,596</u>

A floating charge is in place over the group's assets in respect of security held in relation to accruals amounting to £1,664k (2014: £1,553k) in relation to the trading agreement with Morgan Stanley Capital Group Inc.

9 Share capital	2015 £	2014 £
Allotted, called up and fully paid		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

10 Statement of movements on profit and loss account	Profit and loss account £'000
Balance at 1 July 2014	(502)
Profit for the year	885
Balance at 30 June 2015	<u>383</u>

11 Reconciliation of movements in Shareholders' funds	2015 £'000	2014 £'000
Profit/(Loss) for the financial year	885	(34)
Opening Shareholders' funds	(502)	(468)
Closing Shareholders' funds	<u>383</u>	<u>(502)</u>

SPARK ENERGY SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

12 Other commitments	2015 £'000	2014 £'000
At 30 June 2015 the company had capital commitments as follows:		
Energy contracts	19,395	17,981

The commitments at 30 June 2015 will be realised during the period from 1 July 2015 until the contracts expire on 31 December 2016.

Energy Contracts reflect commitments entered into as part of a wholesale trading agreement with Morgan Stanley Capital Group Inc. which has been replaced post year end by a similar arrangement with Macquarie Bank Plc. In return for a commitment to buy all energy supplies from Macquarie Bank Plc at competitive prices and the granting of security over the group's assets, the group has obtained access to collateral free long-term hedging and supply arrangements for its core commodities on extended payment terms.

13 Employees

Number of employees

There were no employees during the year apart from the directors.

14 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.

15 Related party 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.

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 company's derivatives are not included at fair value in the financial statements. The 30 June 2015 difference between fair value and cost is a derivative liability of £870k (2014 - £1,603k). The liability represents the extent to which forward energy prices have fallen during the early summer, and there is no certainty that those lower prices will continue to prevail throughout the periods to which the purchases relate.