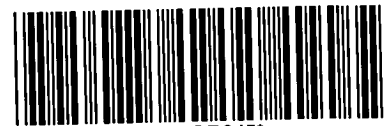


Company Registration No. SC301188 (Scotland)

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

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COMPANIES HOUSE

SPARK ENERGY LIMITED

DIRECTORS AND ADVISERS

Directors

Sir Timothy Noble (Chairman)
Chris Gauld (Chief Executive)
Hamish Osborn (Finance Director)
Christopher Fletcher
Nicholas Leeming
James Paget
Joao Rosa

Secretary

Debbie Harding

Company number

SC301188

Registered office

5th Floor
125 Princes Street
Edinburgh
EH2 4AD

Registered auditors

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

SPARK ENERGY LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditors' report	5 - 6
Consolidated profit and loss account	7
Balance sheets	8
Notes to the financial statements	11 - 25

SPARK ENERGY 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

The principal activity of the group is that of energy supply through its two licensed subsidiaries.

Group turnover increased by 43% to £118.6 million (2014: £83.01 million) and gross margin increased from £17.52 million to £25.8 million. Profit for the year was £3.4 million before allowing for a £0.5 million cost associated with the granting of share options to Morgan Stanley. This result represents an improvement of approximately £2.1 million over the previous year, on a comparable basis. This significant improvement was driven through a combination of continued customer growth and continuing reduction in bad debts as a result of our focus on delivering excellence in the customer experience. While subject to a number of operational requirements, the Morgan Stanley options were awarded during the financial year under the Wholesale Energy and Trading Agreement ("WETA") signed in December 2013.

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 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 complaint volumes.

The rollout of smart meters to every property remains a long term aim for the 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 group infrastructure and operations to ensure the group can maintain its constant improvement programme ahead of the realisation of Smart Meter ambitions.

Future developments

The group's 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 the 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 company is about to sign 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 LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

Principal risks and uncertainties

The principal risks and uncertainties affecting the group 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. 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.

By order of the board



Debbie Harding

Secretary

15/12/2015

SPARK ENERGY 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. These accounts were approved at a meeting of the board on 15 December 2015.

Principal activities

The principal activity of the group is that of energy supply through its two licensed subsidiaries.

Results and dividends

The consolidated profit and loss account for the year is set out on page 7.

Directors

The following directors have held office since 1 July 2014:

Sir Timothy Noble (Chairman)
Chris Gauld (Chief Executive)
Hamish Osborn (Finance Director)
Christopher Fletcher
Nicholas Leeming
James Paget
Joao Rosa

(Appointed 25 June 2015)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of 0.01p each	
	2015	2014
Christopher Fletcher	380,170	367,670
Chris Gauld (Chief Executive)	17,866	17,866
James Paget	440,000	400,000
Nicholas Leeming	171,590	170,090

Joao Rosa was appointed to the board on 25 June 2015. At 30 June 2015 he held 234,285 ordinary shares. In May 2013 Sir Timothy Noble transferred his entire shareholding of 720,000 Ordinary Shares to his three children.

In 2014 the following directors exercised share options:

- N Leeming exercised options for 1,500 ordinary shares of 0.01p each for a total consideration of £3,000.
- C Fletcher exercised options for 12,500 ordinary shares of 0.01p each for a total consideration of £25,000.

In addition, a number of directors hold share options as detailed in note 15.

SPARK ENERGY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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 group and of the profit or loss of the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

The directors confirm that;

(a) so far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and

(b) 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 group's auditors are aware of that information.

By order of the board



Debbie Harding

Secretary

15/12/2015

SPARK ENERGY LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SPARK ENERGY LIMITED

We have audited the financial statements of Spark Energy Limited for the year ended 30 June 2015 set out on pages 7 to 25. 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 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 group's and 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2015 and of the group's 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 LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF SPARK ENERGY 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Johnston Carmichael LLP

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

17 December 2015

Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

SPARK ENERGY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 £'000	2014 £'000
Turnover	2	118,550	83,007
Other operating income	3	40	60
		<u>118,590</u>	<u>83,067</u>
Purchases and other consumables		(55,839)	(40,048)
Other external charges		(36,948)	(25,496)
		<u>(92,787)</u>	<u>(65,544)</u>
Gross profit		<u>25,803</u>	<u>17,523</u>
Staff costs		(6,104)	(4,380)
Depreciation and amortisation		(416)	(256)
Other operating charges		(6,295)	(4,218)
Bad debt charge	3	(8,444)	(6,378)
		<u>(21,259)</u>	<u>(15,232)</u>
Operating profit on ordinary activities before interest		4,544	2,291
Morgan Stanley options	4	(512)	-
Interest payable and similar charges	5	(1,109)	(1,026)
Profit on ordinary activities before taxation		<u>2,923</u>	<u>1,265</u>
Tax on profit on ordinary activities	6	98	-
Profit on ordinary activities after taxation		<u><u>3,021</u></u>	<u><u>1,265</u></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 LIMITED

BALANCE SHEETS

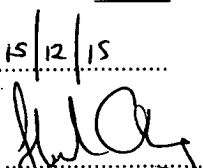
AS AT 30 JUNE 2015

	Notes	Group 2015 £'000	2014 £'000	Company 2015 £'000	2014 £'000
Assets					
Fixed assets					
Tangible assets	8	1,965	1,212	317	209
Investments	9	-	-	55	5
		<u>1,965</u>	<u>1,212</u>	<u>372</u>	<u>214</u>
Current assets					
Debtors	10	31,464	21,450	9,248	56,240
Cash at bank and in hand		940	2,560	928	2,560
		<u>32,404</u>	<u>24,010</u>	<u>10,176</u>	<u>58,800</u>
Total assets		<u>34,369</u>	<u>25,222</u>	<u>10,548</u>	<u>59,014</u>
Liabilities					
Creditors: amounts falling due within one year	11	27,019	23,186	5,435	55,952
Creditors: amounts falling due after more than one year	12	3,324	1,680	1,317	1,680
Accruals & deferred Income	13	104	-	-	-
		<u>30,447</u>	<u>24,866</u>	<u>6,752</u>	<u>57,632</u>
Total liabilities		<u>30,447</u>	<u>24,866</u>	<u>6,752</u>	<u>57,632</u>
Capital and reserves					
Called up share capital	15	1	1	1	1
Share premium account	16	12,430	12,397	12,430	12,397
Profit and loss account	16	(8,509)	(12,042)	(8,635)	(11,016)
		<u>3,922</u>	<u>356</u>	<u>3,796</u>	<u>1,382</u>
Shareholders' funds	17	<u>3,922</u>	<u>356</u>	<u>3,796</u>	<u>1,382</u>
Total equity and liabilities		<u>34,369</u>	<u>25,222</u>	<u>10,548</u>	<u>59,014</u>

Approved by the board and authorised for issue on 15/12/15



Chris Gauld (Chief Executive)
Director



Hamish Osborn (Finance Director)
Director

Company Registration No. SC301188

SPARK ENERGY LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

	£'000	2015 £'000	£'000	2014 £'000
Net cash (outflow)/inflow from operating activities		(12)		2,223
Returns on investments and servicing of finance				
Interest paid	(925)		(881)	
Net cash outflow for returns on investments and servicing of finance		(925)		(881)
Taxation		98		-
Capital expenditure				
Tangible assets and software development costs	(1,170)		(898)	
Net cash outflow for capital expenditure		(1,170)		(898)
Net cash (outflow)/inflow before management of liquid resources and financing		(2,009)		444
Financing				
Issue of ordinary share capital	28		916	
Cost of share issue	(5)		(29)	
Other loans and debt issued in year	2,175		641	
Other loans and debt repaid in year	(1,913)		(1,060)	
Government grant received	104		-	
Capital element of hire purchase contracts	-		(2)	
Net cash inflow from financing		389		466
(Decrease)/Increase in cash in the year		(1,620)		910

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities	2015	2014
		£'000	£'000
	Operating profit	4,544	2,291
	Depreciation of tangible assets	417	256
	Increase in debtors	(18,533)	(15,153)
	Bad debt provision	8,444	6,378
	Increase in creditors within one year	5,116	8,451
	Net cash (outflow)/inflow from operating activities	(12)	2,223

2	Analysis of net debt	1 July 2014	Cash flow	Other non- cash changes	30 June 2015
		£'000	£'000	£'000	£'000
	Net cash:				
	Cash at bank and in hand	2,560	(1,620)	-	940
	Loans falling due within one year	(2,196)	1,538	(414)	(1,072)
	Loans falling due after one year	(1,680)	(1,800)	156	(3,324)
		(3,876)	(262)	(258)	(4,396)
	Net debt	(1,316)	(1,882)	(258)	(3,456)

3	Reconciliation of net cash flow to movement in net debt	2015	2014
		£'000	£'000
	(Decrease)/increase in cash in the year	(1,620)	910
	Cash (inflow)/outflow from (increase)/decrease in debt	(262)	421
	Other non cash movement	(258)	(124)
	Movement in net debt in the year	(2,140)	1,207
	Opening net debt	(1,316)	(2,523)
	Closing net debt	(3,456)	(1,316)

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED 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 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 group's 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 early New 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.

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 the 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 group'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 historical payment profile by tariff.

1.3 Compliance with accounting standards

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).

1.4 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 June 2015. Intra-group sales and profits are eliminated fully on consolidation.

1.5 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 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

1 Accounting policies (Continued)

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Cost includes capitalised internal labour costs for IT developers. 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 & related software	Over 2 to 5 years
Fixtures, fittings & equipment	Over 5 years

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

1.7 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.9 Pensions

The group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.10 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 they are likely to be recovered and if the board decides recognition is prudent and appropriate. Deferred tax assets and liabilities are not discounted.

1.11 Share-based payments

The group has issued share options to certain directors, employees and suppliers. If material, these are measured at fair value and recognised as an expense in the profit and loss account with a corresponding increase in equity. The fair value of the options is estimated at the date of grant using the Black Scholes option-pricing model. The fair value is charged as an expense in the profit and loss account over the vesting/service period.

1.12 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.

1.13 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.

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

1 Accounting policies (Continued)

1.14 Bonds

Bonds are presented as liabilities on the balance sheet, measured initially at their issue cost.

1.15 Deferred commission

Amounts paid to customer acquisition partners in respect of new customers are deferred over the expected period the customer will remain with Spark, calculated conservatively. Deferred commissions are included within prepayments.

2 Turnover

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

3	Operating profit	2015 £'000	2014 £'000
	Operating profit is stated after charging:		
	Depreciation of tangible assets	417	256
	Operating lease rentals	265	184
	and after crediting:		
	Government grants	40	60
		<u> </u>	<u> </u>

The group has increased its provision against bad debt, estimated supplies to property and unbilled energy by £8,444k (2014 - £6,378k) at 30 June 2015 in respect of outstanding customer debtor balances at the year end.

Auditors' remuneration

Audit of the financial statements (company £14.5k ; 2014: £13.6k)	43	39
Other fees to auditors	24	36

4	Morgan Stanley options	2015 £'000	2014 £'000
	Share-based charge	512	-
		<u> </u>	<u> </u>

This charge relates to warrants granted to Morgan Stanley Capital Group Inc as compensation for the credit risk assumed by it as part of the wholesale trading agreement. The charge is then credited back to the profit and loss account (Note 16).

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

5	Interest payable	2015	2014
		£'000	£'000
	On bank loans and overdrafts	1	23
	Credit charges on commodity purchases	745	357
	Other interest	363	646
		<u>1,109</u>	<u>1,026</u>
		<u><u>1,109</u></u>	<u><u>1,026</u></u>
6	Taxation	2015	2014
		£'000	£'000
	Domestic current year tax		
	Tax credit adjustment for prior years	(98)	-
		<u>(98)</u>	<u>-</u>
	Total current tax	<u>(98)</u>	<u>-</u>
		<u><u>(98)</u></u>	<u><u>-</u></u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	2,923	1,265
		<u>2,923</u>	<u>1,265</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21% (2014 - 22.5%)	614	285
		<u>614</u>	<u>285</u>
	Effects of:		
	Non deductible expenses	-	5
	Capital allowances in excess of depreciation	-	(67)
	(Utilised) / unrelieved tax losses	(614)	(223)
	Tax credit adjustment for prior years	(98)	-
		<u>(712)</u>	<u>(285)</u>
		<u><u>(712)</u></u>	<u><u>(285)</u></u>
	Current tax (credit) / charge for the year	<u>(98)</u>	<u>-</u>
		<u><u>(98)</u></u>	<u><u>-</u></u>

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

The group has not recognised a potential deferred tax asset of £1,740k (2014: £2,335k) arising on surplus losses of £8,700k at a corporation tax rate of 20% within the group, in accordance with the accounting policy set out in Note 1.10.

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

7 Profit for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2015 £'000	2014 £'000
Holding company's profit for the financial year	1,869	1,236

8 Tangible fixed assets

Group

	Assets under construction £'000	Computer equipment & related software £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 1 July 2014	537	1,054	160	1,751
Additions	881	130	159	1,170
Transfers	(260)	260	-	-
At 30 June 2015	1,158	1,444	319	2,921
Depreciation				
At 1 July 2014	-	471	68	539
Charge for the year	-	367	50	417
At 30 June 2015	-	838	118	956
Net book value				
At 30 June 2015	1,158	606	201	1,965
At 30 June 2014	537	583	92	1,212

Included within the cost of assets under construction and computer equipment and related software above, is £2,127,902 (2014: £1,246,962) of costs 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.

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

8 Tangible fixed assets

(Continued)

Company

	Computer equipment & related software £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost			
At 1 July 2014	343	160	503
Additions	131	159	290
	<hr/>	<hr/>	<hr/>
At 30 June 2015	474	319	793
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 July 2014	226	68	294
Charge for the year	132	50	182
	<hr/>	<hr/>	<hr/>
At 30 June 2015	358	118	476
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2015	116	201	317
	<hr/>	<hr/>	<hr/>
At 30 June 2014	117	92	209
	<hr/>	<hr/>	<hr/>

9 Fixed asset investments

Company

	Shares in group undertakings £'000
Cost	
At 1 July 2014	5
Additions	50
	<hr/>
At 30 June 2015	55
	<hr/>
Net book value	
At 30 June 2015	55
	<hr/>
At 30 June 2014	5
	<hr/>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

9 Fixed asset investments

(Continued)

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Spark Energy Supply Ltd	England	Ordinary	100.00
Spark Gas Shipping Ltd	England	Ordinary	100.00
Spark Generation Ltd	Scotland	Ordinary	100.00
Spark Energy Finance Plc	Scotland	Ordinary	100.00

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Spark Energy Supply Ltd	Energy supply
Spark Gas Shipping Ltd	Distribution of gaseous fuels
Spark Generation Ltd	Dormant
Spark Energy Finance Plc	Finance

The first set of financial statements for Spark Energy Finance Plc will be prepared to 30 June 2016. The consolidated financial statements incorporate the results of the company to 30 June 2015.

10 Debtors

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade debtors	23,661	14,801	-	-
Amounts owed by group undertakings	-	-	8,970	55,863
Other debtors	4,914	4,063	176	188
Prepayments and accrued income	2,889	2,586	102	189
	<u>31,464</u>	<u>21,450</u>	<u>9,248</u>	<u>56,240</u>

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

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

11 Creditors : amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade creditors	1,864	1,887	621	693
Amounts owed to group undertakings	-	-	2,924	52,236
Taxes and social security costs	166	313	166	195
Other loans	1,072	2,196	1,072	2,196
Customer advances	13,153	10,560	-	-
Accruals	10,764	8,230	652	632
	<u>27,019</u>	<u>23,186</u>	<u>5,435</u>	<u>55,952</u>

A floating charge is in place over the company's assets in respect of security held in relation to the following :

- Accruals amounting to £2,419,973 (2014: £2,284,614) in relation to the trading agreement with Morgan Stanley Capital Group Inc.;
- Other loans amounting to £Nil (2014: £423,511).

Included in other loans are directors' loans amounting to £194,657 (2014: £473,832) which are further analysed at note 23.

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

12 Creditors : amounts falling due after more than one year

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Other loans	3,324	1,680	1,317	1,680
Analysis of loans				
Wholly repayable within five years	4,396	3,876	2,389	3,876
Included in current liabilities	(1,072)	(2,196)	(1,072)	(2,196)
	<u>3,324</u>	<u>1,680</u>	<u>1,317</u>	<u>1,680</u>

Finance bonds

During the year the group issued £2,000,000 of finance bonds. Interest is charged at 9.75%, payable quarterly in arrears. Bonds in issue at the year end are repayable in September 2016.

Included in other loans above are directors' loans amounting to £728,569 (2014: £668,716) which are further analysed at note 23.

Corporate energy bonds

During the year, the company repaid 17 two-year, Corporate Energy Bonds of £5,000 each to investors. A further 2 bonds were converted to share capital during the year. At the year end a total of 56 bonds were in issue (2014 - 75). The conditions attached to these bonds are as follows:

- 6 percent fixed rate of interest of the life of the bond
- Interest paid quarterly in arrears
- Benefits of £1,000 per bond or year
- Option to convert certain of the bonds into shares at a 10 percent discount.

13 Accruals and deferred income

Group	Government grants £'000
Grants received during the year	104
Balance at 30 June 2015	<u>104</u>

14 Retirement benefits

Defined contribution scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to:

	2015 £'000	2014 £'000
Contributions payable by the group for the year	177	76
Contributions payable to the fund at the year end and included in creditors	<u>(34)</u>	<u>(20)</u>

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

15 Share capital

Allotted, called up and fully paid

	£'000	£'000
13,014,853 Ordinary shares of £0.0001 each	1	1
Nil (2014: 678,847) Ordinary 'B' shares of £0.00005 each	-	-
Nil (2014: 678,847) Ordinary 'C' shares of £0.00005 each	-	-
	<u>1</u>	<u>1</u>

During the year the company issued 14,000 Ordinary shares of £0.0001 each to directors at £2 per share and 5,555 Ordinary shares of £0.0001 each at £1.80 per share on conversion of corporate energy bonds. The total cash consideration for these shares was £32,820 (net of issue costs of £5,177).

On 26 March 2015, consolidation of the share capital occurred with Ordinary 'B' shares and Ordinary 'C' shares being exchanged for Ordinary shares on the basis of one "B" share and one "C" share for one Ordinary share. As a result no "B" shares or "C" shares now remain in issue.

Following shareholder approval, the company has granted options in respect of Ordinary shares of £0.0001 each at various prices as detailed below:

Option price (£)	Exerciseable between	Opening	Granted	Exercised	Forfeited	Closing
0.0001	n/a	-	731,432	-	-	731,432
0.01	30/09/09 - 30/09/19	20,000	-	-	-	20,000
0.70	26/04/12 - 31/10/18	4,482	-	-	-	4,482
1.05	10/11/08 - 28/07/18	69,014	-	-	-	69,014
1.33	26/04/12 - 24/11/17	1,104	-	-	-	1,104
1.40	31/01/11 - 30/11/17	279,374	-	(53,406)	(133,046)	92,922
1.60	01/01/11 - 20/12/17	492,000	-	-	(51,900)	440,100
1.75	10/02/10 - 10/02/20	36,286	-	-	-	36,286
2.00	01/10/09 - 22/03/17	237,050	-	(14,000)	(69,000)	154,050
		<u>1,139,310</u>	<u>731,432</u>	<u>(67,406)</u>	<u>(253,946)</u>	<u>1,549,390</u>

The options granted during the year were to Morgan Stanley Capital Group Inc under the terms of a wholesale energy trading agreement dated 17 December 2013. The grant of options was approved by shareholders in July 2014.

Director share options (included above):

Director	Exercise price range	Opening	Granted	Exercised	Assigned	Closing
Sir Timothy Noble	1.60 - 2.00	78,400	-	-	-	78,400
Christopher Fletcher	1.40 - 2.00	101,700	-	(12,500)	-	89,200
Chris Gauld	1.05 - 1.60	194,014	-	-	-	194,014
Nicholas Leeming	1.60 - 2.00	11,000	-	(1,500)	(1,500)	8,000
Hamish Osborn	1.60	80,000	-	-	-	80,000
		<u>465,114</u>	<u>-</u>	<u>(14,000)</u>	<u>(1,500)</u>	<u>449,614</u>

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

15 Share capital

(Continued)

Options granted to external investors, directors and key employees have the following conditions attached:

Condition 1 - options issued to executive directors and key employees are conditional on the recipient continuing as an eligible employee of the company or upon ceasing to be an employee, immediately exercising the options.

Condition 2 - options issued to directors and key employees whereby the options shall vest immediately (92,550 options) or provided that the individual continues to be a director or an employee on each anniversary from grant 2010 (4,000 options), 2011 (6,000 options), 2012 (6,000 options), 2013 (6,000 options), 2014 (79,550 options), 2015 (92,850 options), 2016 (92,850 options), 2017 (92,850 options) and 2018 (21,300 options). Options can only be exercised if the share value is deemed to be in excess of £3 (416,100 options), £3.50 (8,000 options) and £5.40 (16,000 options).

Condition 3 - no current vesting conditions.

Condition 4 - options granted to third party investors as part of receipt of loan funds which only vest in the event of failure by the company to repay these loans per the respective loan agreements.

Condition 5 - options can be exercised at any time but become deferred shares if they exceed 4.99% of the issued share capital.

Option split by vesting condition:

	Option Price (£)	Opening	Granted	Exercised	Forfeited	Closing
Condition 1	1.05	34,014	-	-	-	34,014
		34,014	-	-	-	34,014
Condition 2	1.60	492,000	-	-	(51,900)	440,100
		492,000	-	-	(51,900)	440,100
Condition 3	0.01	20,000	-	-	-	20,000
	0.70	4,482	-	-	-	4,482
	1.05	35,000	-	-	-	35,000
	1.33	1,104	-	-	-	1,104
	1.40	92,922	-	-	-	92,922
	1.75	36,286	-	-	-	36,286
	2.00	237,050	-	(14,000)	(69,000)	154,050
		426,844	-	(14,000)	(69,000)	343,844

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

15 Share capital

(Continued)

Option split by vesting condition (continued):

	Option Price (£)	Opening	Granted	Exercised	Forfeited	Closing
Condition 4	1.40	186,452	-	(53,406)	(133,046)	-
		186,452	-	(53,406)	(133,046)	-
Condition 5	0.0001	-	731,432	-	-	731,432
		-	731,432	-	-	731,432
		1,139,310	731,432	(67,406)	(253,946)	1,549,390

Under Financial Reporting Standard 20: Share Based Payments ("FRS20"), companies are required to estimate the fair value of share options granted and to recognise this fair value annually as a cost in the profit and loss account, over the life of the options.

Accordingly, the fair value of the company's share options has been estimated using an option pricing model.

16 Statement of movements on reserves Group

	Share premium account £'000	Profit and loss account £'000
Balance at 1 July 2014	12,397	(12,042)
Profit for the year	-	3,021
Premium on shares issued during the year	33	-
Morgan Stanley options	-	512
		4
Balance at 30 June 2015	12,430	(8,509)

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

16 Statement of movements on reserves

(Continued)

Company

		Share premium account £'000	Profit and loss account £'000
Balance at 1 July 2014		12,397	(11,016)
Profit for the year		-	1,869
Premium on shares issued during the year		33	-
Morgan Stanley options	4	-	512
Balance at 30 June 2015		12,430	(8,635)

17 Reconciliation of movements in shareholders' funds Group

		2015 £'000	2014 £'000
Profit for the financial year		3,021	1,265
Proceeds from issue of shares		38	916
Cost of share issue written off to share premium account		(5)	(29)
Morgan Stanley options	4	512	-
Net addition to shareholders' funds		3,566	2,152
Opening shareholders' funds		356	(1,796)
Closing shareholders' funds		3,922	356

		2015 £'000	2014 £'000
Profit for the financial year		1,869	1,236
Proceeds from issue of shares		38	916
Cost of share issue written off to share premium account		(5)	(29)
Morgan Stanley options	4	512	-
Net addition to shareholders' funds		2,414	2,123
Opening shareholders' funds		1,382	(741)
Closing shareholders' funds		3,796	1,382

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

18 Financial commitments

At 30 June 2015 the group and company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2015 £'000	Other 2015 £'000
Expiry date:		
Within one year	6	2
Between two and five years	120	-
	<u>126</u>	<u>2</u>

19 Other commitments

	Group 2015 £'000	2014 £'000	Company 2015 £'000	2014 £'000
Energy contracts	<u>71,716</u>	<u>36,155</u>	<u>-</u>	<u>-</u>

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 in to as part of a wholesale trading agreement with Morgan Stanley Capital Group Inc. which is about to be replaced by a similar arrangement with Macquarie Bank Plc. 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 Macquarie Bank Plc. Spark Energy has obtained access to collateral free long term hedging and supply arrangements for its core commodities on extended payment terms.

20 Directors' remuneration

	2015 £'000	2014 £'000
Remuneration for qualifying services	427	336
Company pension contributions to defined contribution schemes	12	5
	<u>439</u>	<u>341</u>
Remuneration disclosed above include the following amounts paid to the highest paid director:	2015	2014
	£'000	£'000
Remuneration for qualifying services	172	118
Company pension contributions to defined contribution schemes	6	2
	<u>178</u>	<u>120</u>

SPARK ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2015 Number	2014 Number
Finance and management	24	32
Sales and marketing	20	16
Operations	202	142
	<u>246</u>	<u>190</u>

Employment costs

	2015 £'000	2014 £'000
Wages and salaries	5,412	3,933
Social security costs	514	372
Other pension costs	178	76
	<u>6,104</u>	<u>4,381</u>

22 Derivatives not included at fair value

The group uses derivatives to hedge its exposure to changes in market prices arising from energy purchases. The group'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 £2,705,455 (2014 - £3,574,706). 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. The forward purchases are for the group's use and will be brought into the profit and loss account in the relevant month, with lower prices then being reflected in lower energy costs.

23 Related party relationships and transactions

Group

Loans due to directors or their associates at 30 June 2015 including accrued interest amounted to: Sir Timothy Noble £388,757 (2014: £555,551), Chris Fletcher £502,274 (2014: £551,002) and Nicholas Leeming £32,195 (2014: £35,995). Repayments of £101,982, £204,672 and £7,270 were made to Chris Fletcher, Sir Timothy Noble and Nicholas Leeming respectively.

During the year the company was invoiced £Nil (2014: £4,279) for director services provided by Nicholas Leeming through LCS, an entity controlled by Nicholas Leeming. The amount due at 30 June 2015 was £Nil (2014: £Nil).