Company Registration No. SC301188 (Scotland)

SPARK ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

SPARK ENERGY LIMITED

COMPANY INFORMATION

Directors	Chris Gauld	
	Hamish Osborn	
	Vincent Casey	(Appointed 28 November 2018)
	Adrian Letts	(Appointed 7 January 2019)
	Stephen Fitzpatrick	(Appointed 28 November 2018)
	Kevin Lyon	(Appointed 23 February 2018 and resigned 10 December 2018)
Company number	SC301188	
Registered office	Ettrick Riverside Dunsdale Road Selkirk TD7 5EB	
Auditor	Ernst and Young LLP 5 George Square G1 Building Glasgow G2 1DY	

SPARK ENERGY LIMITED

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SPARK ENERGY LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2018

The directors present the strategic report for the period ended 31 December 2018.

Review of the business
Up until 28 November 2018, the principal activity of the company was finance and management of the Spark group of companies. On 28 November 2018, the company and a number of its subsidiaries were acquired by Ovo Energy Limited. As part of this transaction the people and operations of Spark Energy Supply Limited, a former subsidiary of Spark Energy Limited, were transferred to Spark Energy Limited to ensure continuity of service for Spark Group utility customers. As a result these results reflect Spark Energy Limited carrying out utility operation from 28 November 2018 .

Company turnover for the period was £72.4m, generated from the following activities:

- £40.4m was generated between July 2017 and November 2018 in respect of management charges for administrative expenses incurred in providing services to the Group. This revenue stream saw an increase of 91% compared to the comparative 12 month period for 2017 (£21.2m), driven by the increase in customers from 221,878 in June 2017, to 286,342 at November 2018.
- £32m was generated in December 2018 from the delivery of energy and gas solutions to the private and social rented sectors, following the transfer of the operation of this activity to Spark Energy Limited from Spark Energy Supply Limited post the Ovo Group Acquisition.

The £14.6m loss for the period before tax was driven by £10.5m of one off items as a result of the administration of Spark Energy Supply Limited prior to the acquisition by the Ovo Group. The remaining £3.7m reflects the write down of the investment in Home Telecom following impairment review carried out post acquisition by Ovo Energy Limited.

Spark Energy Review

The principal activity of the group is the supply of essential utility services to consumers in the process of moving house or seeking a better deal in their current home. In April 2017 the company purchased Home Telecom, a telecoms provider, and is now able to offer services such as fixed line telephony, superfast broadband and satellite TV packages, in addition to the core services of gas and electricity supply. As a result, sales continue to grow across all sectors.

Sales in the Group grew across all sectors with customer supply numbers increasing by 31% to 467,000.

This strong growth and renewal of partnerships was driven through continuing to offer consumers lower prices and better service than incumbent providers coupled with 'live when you arrive' home mover convenience and a suite of add-on options that allow customers to tailor their package and to select tariffs and pricing that suits their lifestyle.

Customer satisfaction

We believe that an investment in our people is an investment in the experience we provide to our customers; and our in-house training academy plays a vital role in making sure our team members spend time learning about us, our customers, our culture and their role at Spark.

We've also invested heavily in digital service solutions because we know our customers want a variety of service options to complement their busy lives.

During the period, the company benchmarked performance using Ofgem's official statistics at each quarter end. Spark Energy received fewer complaints per 100,000 customers than each of the Big Six and the average of the independents.

This performance was measured and driven by our teams by using tools such as our independent real-time customer survey tool 'Customer Sure' as well as the introduction of an NPS calculation.

Extra support is provided to our most vulnerable customers whether through our partnership with Step Change for those experiencing difficulty paying, through our Warm Home Discount fund which delivers £140 of winter assistance to those who need it most or through the priority services offered to those in vulnerable situations.'

Investment in technology

Investing in technology is key to ensuring that we continue to serve our customers well while the businesses absorb the complexity of our industries, manage the relentless pace of change while simultaneously scaling up.

During the period Spark rolled out AI driven driven chatbot and launched Tili, it's digital home move assistant. Both innovations deliver automation and cost savings for the group while increasing accuracy and delivering efficiency.

Energy wholesale strategy

During the period, the Group utilised it's Wholesale Energy agreements with Macquarie and Shell to forecast and buy energy demand forward in order to smooth price volatility and to offer its customers fixed term contacts. Over the period, management delivered further operational efficiency which allows the business to compete with other sustainable competitors in the market.

Future developments

The Group's performance in the current period is expected to show further growth in customer numbers and earnings.

Additional customer payment options metering technology and bespoke customer journeys will enable the directors to offer the customer experience and debt support which aim to reduce the impact of growth on working capital requirements and minimise bad debt levels.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group and the sector in general are:

- Volatility in the wholesale price of gas and electricity;

- Bad debt risk;

- Rates of growth of the customer base;

- Financial and operational strains caused by growth; and

- Legislation changes.

Up until 22 October 2018, the supply price volatility risk by securing gas and electricity under forward contracts through its agreement with Macquarie. From 1 December 2018, this risk is managed through Ovo group arrangements with Shell.

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

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

The impact of any new government legislation is assessed and regularly monitored at Board level.

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

Financial risks are managed in a large part through relationships with Ovo Group and trading deals.

For the reasons detailed in note 1.2 and as a result of written confirmation from the Ovo Group, the directors are satisfied that it remains appropriate to prepare the accounts on a going concern basis.

On behalf of the board

....

Hamish Osborn

Director

30/09/19

The directors present their annual report and financial statements for the period ended 31 December 2018.

The accounting period has been extended to 31 December 2018 to coincide with the year end of the new parent company, Ovo Energy Limited.

Principal activities

The principal activity of the company is the purchase of electricity and gas and onward sale to customers, as well as the management and financing of the Spark Group of Companies for which it derives an administration charge. The principal activity of the Group continues to be that of energy supply.

The costs of purchasing the power and gas from the market have been incurred in Spark Gas Shipping Ltd, a subsidiary company.

Directors

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

Chris Gauld	
Hamish Osborn	
Kevin Lyon	(Appointed 23 February 2018 and resigned 10 December 2018)
Vincent Casey	(Appointed 28 November 2018)
Adrian Letts	(Appointed 7 January 2019)
Stephen Fitzpatrick	(Appointed 28 November 2018)

Results and dividends

The results for the period are set out on page 10.

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

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Re-appointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the General Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

Statement of disclosure to auditor
The directors confirm that;

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

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

....
Hamish Osborn
Director
Date: ...30|09|19...

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2018

The directors are responsible for preparing the strategic report, 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 period. 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPARK ENERGY LIMITED

Opinion

We have audited the financial statements of Spark Energy Limited for the period ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet & the Statement of Changes in Equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Annie Graham (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

30 September 2019

SPARK ENERGY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2018

		Period ended 31 December 2018 £ 000	Year ended 30 June 2017 £ 000
Turnover	3	72,405	21,200
Cost of sales		(31,226)	(1,719)
Gross profit		41,179	19,481
Administrative expenses		(38,755)	(18,278)
Other operating income	3	15	4
Exceptional items	4	(10,499)	-
Operating (loss)/profit	5	(8,060)	1,207
Interest receivable and similar income	10	11	7
Interest payable and similar expenses	8	(2,887)	(1,222)
Impairment of investments	13	(3,654)	-
Loss before taxation		(14,590)	(8)
Tax on loss	11	(1,286)	(88)
Loss for the financial period		(15,876)	(96)

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

SPARK ENERGY LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £ 000	2018 £ 000	2017 £ 000	2017 £ 000
Fixed assets					
Intangible assets	12		89		-
Tangible assets	14		548		585
Investments	13		1,000		4,654
			1,637		5,239
Current assets					
Debtors	16	15,355		53,551	
Cash at bank and in hand		589		4,823	
		15,944		58,374	
Creditors: amounts falling due within one year	17	(28,222)		(49,163)	
Net current (liabilities)/assets			(12,278)		9,211
Total assets less current liabilities			(10,641)		14,450
Creditors: amounts falling due after more than one year	18		-		(9,163)
Provisions for liabilities	20		(2)		(54)
Net (liabilities)/assets			(10,643)		5,233
Capital and reserves					
Called up share capital	23		1		1
Share premium account			14,006		14,006
Profit and loss reserves			(24,650)		(8,774)
Total (deficit)/ surplus in shareholder funds			(10,643)		5,233

The financial statements were approved by the board of directors and authorised for issue on .... and are signed on its behalf by:

....

Hamish Osborn
Director

Company Registration No. SC301188

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPARK ENERGY LIMITED

Opinion

We have audited the financial statements of Spark Energy Limited for the period ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet & the Statement of Changes in Equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Annie Graham (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

30 September 2019

SPARK ENERGY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2018

	Notes	Share capital £ 000	Share premium account £ 000	Profit and loss reserves £ 000	Total £ 000
Balance at 1 July 2016		1	12,557	(8,678)	3,880
Period ended 30 June 2017:					
Loss and total comprehensive income for the period		-	-	(96)	(96)
Premium on shares issued in the year	23	-	1,449	-	1,449
Balance at 30 June 2017		1	14,006	(8,774)	5,233
Period ended 31 December 2018:					
Loss and total comprehensive income for the period		-	-	(15,876)	(15,876)
Balance at 31 December 2018		1	14,006	(24,650)	(10,643)

1 Accounting policies

Company information
Spark Energy Limited is a private company limited by shares incorporated in Scotland. The registered office is Ettrick Riverside, Dunsdale Road, Selkirk, TD7 5EB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

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

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

The financial statements of the company are consolidated in the financial statements of Ovo Group Ltd. These consolidated financial statements are available from Ovo Group Ltd, 1 Rivergate, Temple Quay, Bristol, UK, BS1 6ED.

The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Ovo Group Ltd.

1.2 Going concern

The company made a loss before tax for the period of £14,590k (2017: £8k loss).

The acquisition by the Ovo Group on 28 November 2018 provides ready access to financial support for the foreseeable future. Based on current projections, the directors are satisfied that the company will be able to meet its liabilities as they fall due for the foreseeable future. Accordingly, the directors are satisfied that the accounts should be prepared on a going concern basis as the ultimate parent company has committed to provide financial support for the foreseeable future.

1 Accounting policies **(Continued)**

1.3 Reporting period

The accounting period has been extended to 31 December 2018 to coincide with the year end of the new parent company, Ovo Energy Limited. The current period is therefore 18 months, with the comparable period (and related notes) being 12 months and therefore not entirely comparable.

1.4 Turnover

Turnover comprises the sale value of electricity and gas supplied to customers during the period 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 period end. Other income consists of a management charge from group companies.

1.5 Intangible assets

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

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

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	Over 5 years
Computer equipment	Over 2 and 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Accounting policies **(Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

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

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

Company purchases of commodity qualify as own use under FRS 102.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

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

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies **(Continued)**

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

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

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

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

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

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

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

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

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

The share premium account represents amounts received in excess of the par value of shares issued. Transaction costs in respect of share issues are offset against share premium.

1 Accounting policies **(Continued)**

1.12 Taxation

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

Current tax

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

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.16 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 Accounting policies **(Continued)**

1.17 Exceptional items

Exceptional items comprise material and one-off costs that the directors consider as material to the statement of comprehensive income and that their separate disclosure is necessary for an appropriate understanding of the company's performance.

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Revenue recognition

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

Customer debtor provisioning

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

3 Turnover and other revenue

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

	2018	2017
	£ 000	£ 000
Turnover analysed by class of business		
Management charge	40,400	21,200
Supply of gas and electricity	32,005	-
	72,405	21,200

3 Turnover and other revenue **(Continued)**

	2018	2017
	£ 000	£ 000
Other income		
Grants received	15	-

	2018	2017
	£ 000	£ 000
Turnover analysed by geographical market		
United Kingdom	72,405	21,200

4 Exceptional costs/(income)

	2018	2017
	£ 000	£ 000
Impairment of intercompany claim	18,250	-
Impairment of Ofgem claim	5,999	-
One off supplier payments	473	-
Gain on disposal of hedging contracts	(14,223)	-
	10,499	-

5 Operating (loss)/profit

	2018	2017
Operating (loss)/profit for the period is stated after charging/(crediting):	£ 000	£ 000
Government grants	(15)	-
Depreciation of owned tangible fixed assets	628	298
Amortisation of intangible assets	-	3
Operating lease charges	645	367

6 Auditor's remuneration

	2018	2017
Fees payable to the company's auditor and associates:	£ 000	£ 000
For audit services		
Audit of the financial statements of the company	155	80

7 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	2018 Number	2017 Number
Finance & Management	54	24
Sales & Marketing	40	34
Operations	340	316
	434	374

Their aggregate remuneration comprised:

	2018 £ 000	2017 £ 000
Wages and salaries	15,763	8,693
Social security costs	1,537	844
Pension costs	559	307
	17,859	9,844

The prior period comparative have been restated to exclude agency costs as this is consistent with current period treatment.

8 Interest payable and similar expenses

	2018 £ 000	2017 £ 000
Other finance costs:		
Other interest	2,887	1,222

9 Directors' remuneration

	2018 £ 000	2017 £ 000
Remuneration for qualifying services	849	731
Company pension contributions to defined contribution schemes	62	32
	911	763

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2017 - 2).

9 Directors' remuneration (Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018 £ 000	2017 £ 000
Remuneration for qualifying services	406	387
Company pension contributions to defined contribution schemes	32	17

10 Interest receivable and similar income

	2018 £ 000	2017 £ 000
Interest income		
Interest on bank deposits	11	7

11 Taxation

	2018 £ 000	2017 £ 000
Current tax		
UK corporation tax on profits for the current period	1,440	115
Adjustments in respect of prior periods	(102)	(11)
Total current tax	1,338	104
Deferred tax		
Origination and reversal of timing differences	(52)	(16)
Total tax charge	1,286	88

11 Taxation (Continued)

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

	2018 £ 000	2017 £ 000
Loss before taxation	(14,590)	(8)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	(2,772)	(2)
Tax effect of expenses that are not deductible in determining taxable profit	4,167	103
Effect of change in corporation tax rate	6	(8)
Group relief	(13)	(12)
Fixed asset differences	-	10
Adjustments to tax charge in respect of previous periods	(102)	(10)
Deferred tax not recognised	-	7
Taxation charge for the period	1,286	88

12 Intangible fixed assets

	Computer software £ 000
Cost	
At 1 July 2017	33
Additions - separately acquired	89
At 31 December 2018	122
Amortisation and impairment	
At 1 July 2017 and 31 December 2018	33
Carrying amount	
At 31 December 2018	89
At 30 June 2017	-

13 Investments

	Notes	2018 £ 000	2017 £ 000
Investments in subsidiaries	15	1,000	4,654

Home Telecom investment was impaired following review carried out post acquisition by Ovo Energy Limited.

13 Investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings £ 000
Cost or valuation	
At 1 July 2017 & 31 December 2018	4,654
Impairment	
At 1 July 2017	-
Impairment losses	3,654
At 31 December 2018	3,654
Carrying amount	
At 31 December 2018	1,000
At 30 June 2017	4,654

14 Tangible fixed assets

	Fixtures, fittings & equipment £ 000	Computer equipment £ 000	Total £ 000
Cost			
At 1 July 2017	530	1,037	1,567
Additions	86	506	592
At 31 December 2018	616	1,543	2,159
Depreciation and impairment			
At 1 July 2017	273	710	983
Depreciation charged in the period	147	481	628
At 31 December 2018	420	1,191	1,611
Carrying amount			
At 31 December 2018	196	352	548
At 30 June 2017	257	327	584

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	Indirect
Home Telecom Ltd	England	Telecom services	Ordinary	100.00	
Spark Energy Finance Plc	Scotland	Finance	Ordinary	100.00	
Spark Energy Supply Ltd	England	In administration	Ordinary	100.00	
Spark Gas Shipping Ltd	England	Distribution of gaseous fuels	Ordinary	100.00	

16 Debtors

Amounts falling due within one year:	2018 £ 000	2017 £ 000
Trade debtors	10,531	-
Amounts owed by group undertakings	3,252	52,319
Other debtors	1,079	501
Prepayments and accrued income	493	278
	15,355	53,098

Amounts falling due after more than one year:	2018 £ 000	2017 £ 000
Prepayments and accrued income	-	453

	2018 £ 000	2017 £ 000
Total debtors	15,355	53,551

17 Creditors: amounts falling due within one year

	Notes	2018 £ 000	2017 £ 000
Other borrowings	19	-	503
Trade creditors		2,001	1,567
Amounts owed to group undertakings		16,537	45,643
Corporation tax		1,440	167
Other taxation and social security		489	332
Other creditors		6,493	230
Accruals and deferred income		1,262	721
		28,222	49,163

18 Creditors: amounts falling due after more than one year

	Notes	2018 £ 000	2017 £ 000
Other borrowings	19	-	9,163

The Company entered a 5-year loan agreement in April 2017. The loan was for £9 million at an interest rate of 10.3% and is repayable in April 2022. This finance and associated interest was repaid plus interest during October 2018 as a result of the termination of the agreement with MacQuarrie. This loan was unsecured,

19 Loans and overdrafts

	2018 £ 000	2017 £ 000
Other loans	-	9,666
Included in current liabilities	-	503
Wholly repayable within 5 years	-	9,163

20 Provisions for liabilities

	Notes	2018 £ 000	2017 £ 000
Deferred tax liabilities	21	2	54

21 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Balances:	Liabilities 2018 £ 000	Liabilities 2017 £ 000
Accelerated capital allowances	2	54

Movements in the period:	2018 £ 000
Liability at 1 July 2017	54
Credit to profit or loss	(52)
Liability at 31 December 2018	2

21 Deferred taxation **(Continued)**

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

22 Retirement benefit schemes

	2018	2017
Defined contribution schemes	**£ 000**	**£ 000**
Charge to profit or loss in respect of defined contribution schemes	559	307

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

23 Share capital

	2018	2017
	£ 000	**£ 000**
Ordinary share capital		
Issued and fully paid		
13,050,000 Ordinary Shares of 0.0001p each	1	1
	1	1

24 Reserves

Share Capital
This represents the nominal value of shares that have been issued.

Share Premium
This represents any premiums received on issues of share capital. Any transaction costs associated with the issues of shares are deducted from share premium.

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

25 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	£ 000	£ 000
Within one year	265,203	212,000
Between two and five years	660,905	650,000
In over five years	-	233,000
	926,108	1,095,000

26 Related party relationships and transactions

Transactions with related parties

Key Management personnel

Key management are deemed to be the Executive and Non-Executive Directors and the Leadership Team of the group as together they have the authority and responsibility for controlling group activities.

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018	2017
	£ 000	£ 000
Wages & salaries	2,112	1,473
Pension	108	58
Aggregate compensation	2,220	1,531

The company has taken advantage of the exemption available in FRS 102 Section 33 paragraph 33.1A from the requirement to disclose related party transactions with wholly owned group companies.

27 Controlling party

The company's immediate parent is Ovo Energy Ltd. The smallest consolidated statements that incorporate Spark Energy Limited are those of Ovo Group Ltd, which are available upon request from the registered office - 1 Rivergate, Temple quay, Bristol, UK, BS1 6ED.

The ultimate parent is Imagination Industries Limited. The largest consolidated statements that incorporate Spark Energy Limited are those of Imagination Industries Limited, which are available upon request from the registered office - 140-142 Kensington Church Street, London, England, W8 4BN

The ultimate controlling party is Stephen Fitzpatrick.