Registration number: 04094263

OVO (S) Electricity Limited

Annual Report and Financial Statements

for the Period from 1 April 2020 to 31 December 2020

OVO (S) Electricity Limited

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OVO (S) Electricity Limited

Company Information

Directors	Adrian Letts Vincent Casey William Castell David Walter
Company secretary	Vincent Casey
Registered office	1 Rivergate Temple Quay Bristol BS1 6ED
Independent auditors	PricewaterhouseCoopers LLP 2 Glass Wharf Temple Quay Bristol BS2 0FR
Registered number	04094263

OVO (S) Electricity Limited

Strategic Report for the Period from 1 April 2020 to 31 December 2020

The Directors present their report and audited financial statements of OVO (S) Electricity Limited (the "Company") for the period from 1 April 2020 to 31 December 2020.

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them assess how the Directors have performed their duty to promote the success of OVO (S) Electricity Limited.

The Business review sets out the main trends and factors underlying the development and performance of the Company during the period ended 31 December 2020, as well as those matters which are likely to affect its future development and performance.

1 Business review

The Company is a private company limited by shares. The principal activity of the Company is the supply of electricity to domestic customers in Great Britain. At 31 December 2020 the Company supplied electricity to 3.26 million household accounts (3.25 million at 31 March 2020).

The Company is a wholly owned subsidiary of OVO (S) Energy Services Limited. On 15 January 2020, OVO completed the transformational acquisition of SSE plc's GB domestic retail business (SSE Energy Services Group Limited, now trading as "OVO (S) Energy Services Limited") including OVO (S) Electricity Limited.

OVO's investment in scalable operating platforms, smart data capabilities and innovative technology combined with SSE's excellence at scale makes the two businesses a great fit. Combining the best of both our businesses will enable us to bring OVO's energy technology to millions more customers to provide a market leading customer experience.

The profit and loss account for the period from 1 April 2020 to 31 December 2020 is set out on page 16. The reporting period for the Company was shortened from 1 April to 31 March previously to 1 April to 31 December in the current period to align with the reporting period for OVO group of companies. Subsequent periods will end on the same day and month in future years. As a result, the amounts presented in the current period's financial statements are not entirely comparable.

The profit after taxation for the period from 1 April 2020 to 31 December 2020 amounted to £8.0m (Year ended 31 March 2020: loss of £310.5m). This reflects exceptional costs incurred in the period of £60.7m (Year ended 31 March 2020: £400.0m) associated with the integration of the Company with the wider OVO group, impairment of assets, recognition of an onerous contract and certain restructuring costs. The balance sheet at 31 December 2020 is set out on page 18 and indicates net liabilities of £432.4m (31 March 2020: £434.0m).

1 Business review (continued)

Integration with the OVO Group

OVO acquired SSE Energy Services Group Limited and its subsidiaries in early 2020 to combine its scale with OVO's digital capabilities and enable millions more customers to experience the latest technology to decarbonise their homes while delivering best value to customers.

Even before the completion of the acquisition, the SSE Energy Services Group had already begun its journey towards a more digitally-led, customer-centric organisation.

The Company will remove complexities and duplication by combining SSE Energy Services Group and OVO's home services, lettings business, metering, commercial efforts and support functions. It will continue to digitise legacy SSE processes and move the business onto a common set of systems to meet the demands of an increasingly digital consumer and a more agile workforce.

The principal strategy for the period focused on customer retention as we integrated SSE Energy Services into the OVO family.

Delivering the benefits of smart metering

The smart meter roll-out is more than just a regulatory obligation; it represents an opportunity to transform the relationship between customers, their energy supplier and the energy they consume.

Smart meters are a step on the path to an intelligent and sustainable energy network that will free us from our dependence on fossil fuels. They enable the adoption of game-changing technologies that will transform the way we live and consume energy. We will provide our customers with an effortless transition to smart homes, offering the installation, management and maintenance of smart energy solutions including electric vehicle charge points, smart boilers, smart thermostats and in-home batteries.

Momentum in SMART stalled slightly due to the coronavirus, despite continuing to install in all regions in line with regulations to take all reasonable steps to roll out smart meters to our customers.

Throughout 2021, OVO Group will continue to look to seize the opportunities presented by smart meters by harnessing smart data to engage and empower customers while also launching new, smart-enabled services and propositions.

COVID-19

Throughout the pandemic, our priority has been to ensure the safety of our people whilst continuing to support all of our customers, particularly those that are vulnerable. Our investment in technology and shared platforms has ensured a high level of connectivity which means we are able to move to remote operations with minimal disruption.

However, unfortunately COVID-19 has impacted our commercial performance in 9-month period ending 31 December 2020, due to some key sales channels within the business experiencing significant interruption as a result of the lockdown. The most notable of these is the impact on our ability to continue the roll-out of smart meters to customers.

1 Business review (continued)

COVID-19 (continued)

The coronavirus meant we had to navigate lockdown restrictions whilst seeking to optimise SMART installs and maintain service for customers to support them through the pandemic. The coronavirus pandemic has changed the way consumers engage with their energy providers and think about their homes. Many of our customers have permanently changed their behaviour and are increasingly going online and using digital tools to serve themselves. During the 9-month period ending 31 December 2020 we saw an increase in the number of our members engaging with us online through digital channels.

Many have also learnt that they can work from home and may be considering how to work more flexibly in the future. Their appreciation of a safe, low carbon home has never been greater.

The Company's plans to continue integrate with OVO's system capability and enhancing the operating model to support a larger customer base in the future.

Plan Zero

Plan Zero is our response to the climate crisis, based on a thorough assessment not only of our own carbon footprint but also the broader impacts of all our products and services. Our goal is to drive progress to zero carbon living. Plan Zero sets out how we will achieve this goal by 2030. The UK government has recognised the urgency of this situation. It has set out a greenhouse gas emissions target of net-zero by 2050, making it the world's first major economy to commit to real progress. But how we get there is up to us. At OVO, we want to move even faster to create a world without carbon. We are calling our new direction Plan Zero.

For full details, please visit https://ovo.com/planzero/

2 Principal risks and uncertainties

The Directors of the Company acknowledge that they have responsibility for the systems of internal control and risk management and for monitoring their effectiveness. The purposes of these systems are to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Company. No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the Directors have regard to what controls, in their judgement, are appropriate to the Company's businesses, to the materiality of the risks inherent in these businesses, and to the relative costs and benefits of implementing specific controls.

Control is maintained through an organisation structure with clearly defined responsibilities, authority levels and lines of reporting; the appointment of suitably qualified staff in specialised business areas; and continuing investment in high quality information systems. These controls are subject to periodic review as to their implementation and continued suitability.

The main risks which OVO (S) Electricity Limited could face are as follows:

2 Principal risks and uncertainties (continued)

- Competition impacting on volumes sold;
- Exposure to volatility in wholesale electricity prices;
- Payment default from trade debtors;
- Interest rates, inflation and liquidity;
- Economic and Government regulation and
- Weather conditions varying significantly from normal seasonal trends.

The Board reviews and agrees policies for addressing each of these risks. There is relatively little exposure to foreign currency risk as the United Kingdom is the Company's main area of operation. If wholesale power is contracted in foreign currency or indexed to foreign currency, it is policy to hedge all material purchases through the use of foreign currency swaps and forward rate contracts. There is always a risk of payment default from trade debtors and comprehensive credit vetting and effective payment terms are exercised for all significant customer accounts. Good payment discipline is achieved in the domestic market by use of direct debit budget schemes. There is also the risk of mechanical or process failure in the Company's operations. Any material failure in the Company's licensed operations in electricity supply is particularly significant. Operating risk is addressed through the Company's focus on seeking operational excellence and on maintaining the highest standards of safety and quality. The Company is exposed to economic regulation and government policy. There are management structures in place to mitigate, influence and respond to such developments, and to engage with the Industry Regulator, government ministers and officials, and other key bodies.

There are established procedures in place for regular budgeting and reporting of financial information. The Company's performance is reviewed by the OVO Group Board and the Group Executive Committee. Reports include variance analysis and projected forecasts of the period compared to approved budgets and non-financial performance indicators. There are Company policies in place covering a wide range of issues and risks such as financial authorisations, IT procedures, health, safety and environmental risks, crisis management, and a policy on ethical principles. The effectiveness of the Company's systems of internal control is monitored by the internal audit department which distributes reports and, where appropriate, action plans to senior managers, Directors and the external auditors.

3 Financial risk management

The Company's activities expose it to a variety of financial risks including commodity price risk, credit risk and liquidity risk. Risk management is carried out by the OVO Group Risk Management Committee, under policies approved by the Directors and the Group management team.

Commodity price risk
The Company manages commodity price risk by securing electricity under forward contracts and by supplying the majority of customers on fixed price contracts.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations.

The Company's principal financial assets are trade and other debtors. The amounts presented in the balance sheet are net of expected credit losses, and the carrying amount of financial assets represents the maximum exposure. The Company has no significant concentration of credit risk, with exposure spread over a large number of customers. The Company manages credit risk relating to trade debtors and accrued income by monitoring the ageing of outstanding balances regularly and, depending on the business units, assessing the creditworthiness of a new customer before trade commences.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Group management team uses short and long-term cash flow forecasts to manage liquidity risk. Forecasts are supplemented by sensitivity analysis which is used to assess funding adequacy for at least a 12 month period.

4 Key performance indicators

The Directors believe that the following key financial and other performance indicators will provide shareholders with sufficient information to assess how effectively the Company is performing.

	Unit	Period from 1 April 2020 to 31 December 2020	Year ended 31 March 2020
Electricity supplied to average household	kWh	2,446.0	3,509.0
Domestic electricity customers (as at period end)	millions	3.3	3.3
Gross profit	£m	215.9	273.3
Adjusted EBITDA*	£m	90.7	60.5
Net liabilities	£m	(432.4)	(434.0)

*Earnings before interest, taxation, depreciation, amortisation and exceptional expenses excluding fair value gains on derivatives.

5 S172 Statement

Stakeholders are at the heart of our strategy and business model. Engaging with them helps us to understand their evolving needs and informs our strategic decision-making. In light of our purpose and our strategy to create a world without carbon and create long term value for customers, our Directors take steps to understand the needs and priorities of each stakeholder group and do so via a number of mediums, including by direct engagement or via committees and forums. The relevance of each stakeholder may change depending on the matter at hand. In line with requirements of the UK Companies Act 2006, we provide a high-level summary of how our Directors engaged with our stakeholders and had regard to their interests when setting OVO's strategy and taking decisions concerning the business in 2020.

Stakeholders
In an increasingly complex, changing and competitive market environment, our Board recognises that the business will only grow, prosper and successfully deliver on the ambitions set out in Plan Zero if it understands, respects and responds to the views and needs of our key stakeholders.

Our people
Without talented and committed employees, we could never deliver on our ambitions. We aspire to create the UK's best place to work in order for our people to better serve our customers and partner with them on their journey to zero carbon living. Our quarterly employee survey gives employees at all levels the chance to share views with line managers, colleagues and leadership. Our Board also engages regularly with our people through a number of employee forums, company-wide town halls and smaller village halls. Our Chief People Officer attends OVO Group Board meetings regularly in order to communicate and make recommendations following employee feedback.

Our customers
OVO was founded with the ambition to make energy cheaper, greener and simpler and with the commitment to make every decision as if the customer was in the room. Our communications to customers are designed to mobilise a community around our Plan Zero objective to drive progress to zero carbon living and to support all of our customers in reducing their individual carbon footprint by 50% by 2030. Our Board receives direct updates from each of OVO's customer facing businesses and regularly discusses customer performance, Net Promoter Scores and feedback.

Our planet
The climate crisis is the greatest challenge we face and awareness of the environmental impact of human activity on the planet is growing. Key concerns include air pollution, climate change and the destruction of nature and biodiversity. We're seeing growing movements for change around the world, as well as a real desire for businesses to limit their impact on the planet and take bold action on climate. Since the launch of Plan Zero, we have committed to reporting quarterly to the OVO Group Board - with a summary of each Plan Zero Steering Committee meeting.

Governments and regulators
Our Board members engage regularly with key stakeholders within the UK Government, devolved administrations, respective Parliaments and Ofgem. They also share platforms at conferences and roundtables, discussing and obtaining feedback on regulatory, policy and political priorities. We also have a dedicated Policy and Public Affairs team who regularly update Board members on policy developments and coordinate a regular engagement programme to discuss issues such as Plan Zero, market design, consumer protection and the decarbonisation of heat.

5 S172 Statement (continued)

Our communities
The OVO Charitable Foundation ("OVO Foundation") was created in 2014 with the mission of ensuring all children and young people have equitable access to a sustainable future. OVO Foundation invests in projects that address a real and genuine need, can demonstrate measurable and meaningful impact, and provide a high return on investment. It is also committed to funding projects that have potential to bring about long-term systemic change and can be scaled wherever possible.

Our suppliers
Building trusted partnerships with our suppliers is important in enabling us to provide the best products at the best prices for our customers. Suppliers are engaged with Plan Zero by adhering to our Supplier Code of Conduct and we have plans to further engage suppliers by including sustainability assessments as part of the procurement process and ensuring sustainability criteria forms a minimum part of weighted assessment scoring when new suppliers are being selected.

6 Streamlined Energy and Carbon Reporting Framework Regulations

Disclosures in relation to the Streamlined Energy and Carbon Reporting Framework Regulations are included in the group financial statements of OVO Finance Ltd, which is the smallest group of undertakings for which group financial statement are drawn up and of which the Company is a member.

Conclusion and priorities
OVO (S) Electricity Limited delivered a solid performance in the 9 months to 31 December 2020. In 2021, the Company will continue its integration within the OVO Group which will see customers migrated to OVO Energy Ltd over time.

In its continuing activity of supply of electricity to the Great Britain domestic market, the Company remains focused on:

- reducing its operating costs;
- stabilising customer numbers; and
- delivering the benefits of smart metering for both customers and the business.

Approved by the Board on 27 September 2021 and signed on its behalf by:

....
William Castell
Director

OVO (S) Electricity Limited

Directors' Report for the Period from 1 April 2020 to 31 December 2020

The Directors present their report and the audited financial statements for the period from 1 April 2020 to 31 December 2020.

Reporting requirements on the Company's business review, its principal risks and uncertainties and its key performance indicators can be found in the Strategic Report on pages 2 to 8.

1 Principal activities

The Company's principal activity is the supply of electricity to domestic customers in Great Britain.

2 Results and dividends

The profit for the financial period from 1 April 2020 to 31 December 2020 amounted to £8.0m (Year ended 31 March 2020: loss of £310.5m).

The balance sheet at 31 December 2020 is set out on page 18 and indicates net liabilities of £432.4m (At 31 March 2020: £434.0m).

The Directors do not recommend the payment of a dividend (Year ended 31 March 2020: £nil).

3 Directors

The Directors of the Company who were in office during the period and up to the date of signing the financial statements were:

Stephen Fitzpatrick (resigned 18 January 2021)

Anthony Keeling (resigned 15 January 2021)

Adrian Letts

Vincent Casey

David Walter (appointed 24 November 2020)

The following director was appointed after the period end:

William Castell (appointed 18 January 2021)

In accordance with the Articles of Association of the Company the Directors are not required to retire by rotation.

4 Political and charitable donations

The Company did not make any political or charitable donations during the period from 1 April 2020 to 31 December 2020 (Year ended 31 March 2020: £nil).

5 Financial instruments

Financial risk management objectives and policies have been established making use of financial instruments for the purpose of managing the exposure of the Company to commodity price risk, credit risk, liquidity risk. Financial risk management objectives and policies are established and maintained at the OVO Group level. This is discussed in further details in the Strategic Report on page 2.

6 Employee policies

Employee engagement

We aspire to be the leading place to work for people who will change the world. In pursuit of this goal, we regularly engage with our people, and have regard for their interests in our decision making. Employee engagement is further discussed in the Strategic Report under the heading 'Stakeholders'.

Other stakeholder engagement

We have regard for our business relationships with suppliers, customers and other stakeholders, and take formal consideration of any stakeholders which are relevant to any major decisions taken by the Board throughout the period. Other stakeholder engagement is further discussed in the Strategic Report under the heading 'Stakeholders'.

Employment of disabled persons

One of the Company's core values is treating people fairly, giving equal opportunities to all employees and applicants. The Company ensures all employees get the same chances for training, development and career progression depending on their performance, including any disabled employees. If an employee becomes disabled whilst in employment, the Company will make every effort to give the employee suitable responsibilities with reasonable adjustments in their current role, in line with the Equality Act 2010. Where this is not possible, the Company will try to find the employee another role within OVO and provide additional training (as necessary).

7 Directors' liabilities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force.

8 Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

9 Going concern

The Company made a profit for the period ending 31 December 2020 and has net liabilities. The financial statements have been prepared on a going concern basis.

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the parent company OVO Group Ltd. The Directors have received confirmation that OVO Group Ltd intend to support the Company for at least one year after these financial statements were signed.

The wholesale energy market is currently experiencing extremely high and volatile prices. The Group manages commodity price risk by securing gas and electricity under forward contracts. Cash flow and liquidity risks are managed through a combination of short and long range forecasting tools.

In the event of a severe downside scenario, the Group had a range of mitigating factors under their direct control to protect the Group's earnings and liquidity. The Group also has a number of arrangements with its creditors which allow for extended payment terms through the seasonal cycle in order to manage working capital commitments.

The Directors have reasonable expectation that the Group has adequate liquidity and resources to continue operating for a period of at least 12 months from the date of approval of these financial statements.

10 Future developments

The Directors believe that the Company remains well positioned in the market place. Further information is included in the Strategic Report.

11 Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities 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 year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101').

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

11 Statement of Directors' Responsibilities (continued)

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 balance sheet of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board on 27 September 2021 and signed on its behalf by:

....
William Castell
Director

pwc

Independent auditors' report to the members of OVO (S) Electricity Limited

Report on the audit of the financial statements

Opinion

In our opinion, OVO (S) Electricity Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the period from 1 April 2020 to 31 December 2020;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the profit and loss account, the statement of comprehensive income and the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Ofgem licence conditions, the Coronavirus Job Retention Scheme and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to manipulate financial performance, and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management, in house legal counsel and the members of the Combined Risk and Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of Ofgem's website for details of any enforcement action or open investigations;
- Assessing the risk that amounts claimed under the Coronavirus Job Retention Scheme were inappropriate;
- Testing whether tax provisions reflect relevant tax legislation, including consideration of any uncertain tax positions;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries that met our predefined risk criteria, in particular journal entries posted with unusual account combinations; and
- Incorporating an element of unpredictability to our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

KE Finn

Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
27 September 2021

OVO (S) Electricity Limited

Profit and Loss Account for the Period from 1 April 2020 to 31 December 2020

	Note	Underlying Period from 1 April 2020 to 31 December 2020 £ m	Exceptional Period from 1 April 2020 to 31 December 2020* £ m	Total Period from 1 April 2020 to 31 December 2020 £ m	Underlying Year ended 31 March 2020 £ m	Exceptional Year ended 31 March 2020* £ m	Total Year ended 31 March 2020 £ m
Revenue	4	1,565.0	-	1,565.0	2,252.4	-	2,252.4
Cost of sales		(1,350.3)	1.2	(1,349.1)	(1,979.2)	-	(1,979.2)
Gross profit		214.7	1.2	215.9	273.2	-	273.2
Administrative expenses		(125.0)	(61.9)	(186.9)	(249.1)	(400.0)	(649.1)
Impairment of financial asset		(41.4)	-	(41.4)	(41.6)	-	(41.6)
Fair value gains on derivatives	24	22.7	-	22.7	35.5	-	35.5
Other operating income	5	3.7	-	3.7	-	-	-
Operating profit/(loss)	6	74.7	(60.7)	14.0	18.0	(400.0)	(382.0)
Interest receivable and similar income	8	0.3	-	0.3	-	-	-
Interest payable and similar expenses	9	(4.4)	-	(4.4)	(1.5)	-	(1.5)
Profit/(loss) before taxation		70.6	(60.7)	9.9	16.5	(400.0)	(383.5)
Income tax (charge)/credit	13	(13.4)	11.5	(1.9)	(3.0)	76.0	73.0
Profit/(loss) for the financial period		57.2	(49.2)	8.0	13.5	(324.0)	(310.5)

The above results were derived from continuing operations.

* Refer to Note 7 for details of exceptional items.

OVO (S) Electricity Limited

Statement of Comprehensive Income for the Period from 1 April 2020 to 31 December 2020

	Note	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Profit/(loss) for the financial period		8.0	(310.5)
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations	25	(7.9)	-
Deferred tax on defined benefit pension obligations	14	1.5	-
Total other comprehensive expense		(6.4)	-
Total comprehensive income/(expense) for the period		**1.6**	**(310.5)**

The notes on pages 20 to 57 form an integral part of these financial statements.

OVO (S) Electricity Limited

(Registration number: 04094263)
Balance Sheet as at 31 December 2020

	Note	31 December 2020 £ m	31 March 2020 £ m
Fixed assets			
Intangible assets	15	63.4	64.5
Right-of-use assets	16	15.5	25.1
		78.9	89.6
Current assets			
Stocks		8.2	0.2
Debtors:			
amounts falling due within one year	17	702.4	755.3
amounts falling due after one year	17	103.8	115.5
Cash at bank and in hand	18	-	2.9
Total current assets		814.4	873.9
Creditors: Amounts falling due within one year	19	(1,236.4)	(1,314.5)
Net current liabilities		(422.0)	(440.6)
Total assets less current liabilities		(343.1)	(351.0)
Creditors: Amounts falling due after more than one year	20	(20.6)	(21.1)
Provisions for liabilities	22	(68.7)	(61.9)
Net liabilities		(432.4)	(434.0)
Capital and reserves			
Called up share capital	23	-	-
Profit and loss account		(432.4)	(434.0)
Total shareholders' deficit		(432.4)	(434.0)

The financial statements on pages 16 to 57 were approved by the Board on 27 September 2021 and signed on its behalf by:

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William Castell
Director

OVO (S) Electricity Limited

Statement of Changes in Equity for the Period from 1 April 2020 to 31 December 2020

	Share capital £ m	Accumulated losses £ m	Total £ m
At 1 April 2019	-	(175.4)	(175.4)
Loss for the period	-	(310.5)	(310.5)
Transfer of pension asset from parent company (net of tax)	-	18.7	18.7
New share capital subscribed	31.4	-	31.4
Capital reduction	(31.4)	31.4	-
Credit in respect of employee share awards	-	1.8	1.8
At 31 March 2020	-	(434.0)	(434.0)

	Share capital £ m	Accumulated losses £ m	Total £ m
At 1 April 2020	-	(434.0)	(434.0)
Profit for the period	-	8.0	8.0
Other comprehensive expense	-	(6.4)	(6.4)
At 31 December 2020	-	(432.4)	(432.4)

The notes on pages 20 to 57 form an integral part of these financial statements.

1 General information

OVO (S) Electricity Limited ("the Company") is a private company limited by shares and incorporated, domiciled and registered in England and Wales. The registered number is 04094263 and the registered office is 1 Rivergate, Temple Quay, Bristol, BS1 6ED.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101") and the Companies Act 2006 as applicable to companies using FRS 101. These financial statements have been prepared under the historical cost convention, except for derivative financial instruments and defined benefit pension plan - plan assets that have been measured at fair value.

In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'), but has made amendments, where necessary, in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

OVO Finance Ltd is the smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member. The consolidated financial statements of OVO Finance Ltd which include the Company are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 1 Rivergate, Temple Quay, Bristol, England, BS1 6ED.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

• A cash flow statement and related notes;
• Comparative period reconciliations for tangible and intangible fixed assets;
• The effect of new, but not yet effective, IFRSs;
• Disclosures in respect of the compensation of key management personnel;
• Disclosures in respect of capital management; and
• Related party disclosures.

2 Accounting policies (continued)

As the consolidated financial statements of OVO Finance Ltd include the equivalent disclosure, the Company has also taken advantage of the exemptions, under FRS 101, available in respect of the following disclosures:

• Certain disclosures required by IFRS 13 Fair value measurement and the disclosures required by IFRS 7 Financial instruments disclosures; and
• The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 3.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is the Company's functional and the Company's presentation currency.

The financial statements are rounded to the nearest 0.1 million (£m) except where otherwise stated.

Going concern

The Company made a profit for the period ending 31 December 2020 and has net liabilities. The financial statements have been prepared on a going concern basis.

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the parent company OVO Group Ltd. The Directors have received confirmation that OVO Group Ltd intend to support the Company for at least one year after these financial statements were signed.

The wholesale energy market is currently experiencing extremely high and volatile prices. The Group manages commodity price risk by securing gas and electricity under forward contracts. Cash flow and liquidity risks are managed through a combination of short and long range forecasting tools.

In the event of a severe downside scenario, the Group had a range of mitigating factors under their direct control to protect the Group's earnings and liquidity. The Group also has a number of arrangements with its creditors which allow for extended payment terms through the seasonal cycle in order to manage working capital commitments.

The Directors have reasonable expectation that the Group has adequate liquidity and resources to continue operating for a period of at least 12 months from the date of approval of these financial statements.

2 Accounting policies (continued)

Changes in accounting policy

New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2020:

- Definition of Material - amendments to IAS 1 and IAS 8
- Definition of a Business - amendments to IFRS 3
- Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Change in reporting period

The reporting period for the Company was shortened from 1 April to 31 March previously to 1 April to 31 December in the current period to align with the reporting period for OVO group of companies. The financial statements have been prepared for the period from 1 April 2020 to 31 December 2020. Subsequent periods will end on the same day and month in future years. As a result, the amounts presented in the current period's financial statements are not entirely comparable.

Classification of items in the financial statements

The classification is not consistent with prior year as the current period classification has been amended to align with OVO group of companies. The Company did not reclassify the prior year amounts due to impracticality involved.

Revenue recognition

Recognition

The Company earns revenue on the supply of electricity, which comprises sales to domestic end-user customers based on actual electric consumption including an estimate of the value of electricity supplied to customers between the date of the last meter reading and the period end. Revenue is recognised "over time" consistent with the delivery of electricity to the customer, as we consider the receipt and consumption of the benefits of the electricity to be simultaneous.

Revenue is measured on the applicable customer tariff rate and after deduction of discounts for direct debits, paperless billing, or government schemes such as the "Warm Home Discount".

Installation and rental of smart meters

Installation and rental of smart meter revenue is earned from the provision of services relating to the supply, maintenance and installation of smart meters in the UK. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the Company expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

2 Accounting policies (continued)

Accrued income and receivables

Accrued income is the right to consideration in exchange for goods or services provided to the customer. If the Company provides goods or services to a customer before the customer pays consideration or before payment is due, accrued income is recognised for the earned consideration that is conditional. A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Deferred revenue

Deferred revenue is the obligation to provide goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company provides goods or services to the customer, deferred revenue is recognised when the payment is made or the payment is due (whichever is earlier). Deferred income is recognised as revenue when the Company performs under the contract.

Net basis of measurement of contract balances

Accrued income and deferred revenue positions are determined for each contract on a net basis. This is because the rights and obligations within each contract are considered inter-dependent. Where two contracts are with the same or related customers or entities, an assessment is made of whether accrued income and deferred revenue are inter-dependent and if so, accrued income and deferred revenue are reported net.

Capitalisation of costs to obtain or fulfil a contract

The incremental costs of obtaining a contract are recognised as an asset if certain criteria are met. The Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense customer acquisition or fulfilment costs because the amortisation period of the asset that the Company otherwise would have used is one year or less.

Exceptional items

Exceptional items are those charges or credits that are considered unusual by nature and/or scale and of such significance that separate disclosure is required for the financial statements to be properly understood. The trigger points for exceptional items will tend to be non-recurring.

Government grants

Grants from the government are recognised in the profit and loss account over the period in which the related costs are recognised and once the Company complies with all the attached conditions.

Finance income and costs policy

Interest receivable and interest payable is recognised in the profit and loss account as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Intangible assets

Development assets and software

Software assets include the costs of developing and installing products for use within the business. Cost includes capitalised interest where applicable. Software is amortised once the development of the software is complete and has been implemented. The useful life of the asset is assessed on the basis of the nature of the asset and an expected useful life is applied accordingly. The amortisation period is as follows:

Asset class	**Years**
Software and IT development costs	1 - 3 years

Impairment of non-financial assets

Intangible assets that have a indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

2 Accounting policies (continued)

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, although excluding tangible assets, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The Company recognises financial assets and financial liabilities in the balance sheet when, and only when, the Company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the Company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-
- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-
- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

At 31 December 2020, the Company had no assets measured at FVTOCI.

2 Accounting policies (continued)

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-
· the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the Company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through the profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

Derivative financial instruments
Within its regular course of business, the Company routinely enters into sale and purchase derivative contracts for electricity. Where the contract was entered into and continues to be held for the purpose of receipt or delivery in accordance with the Company's expected sale, purchase or usage requirements, the contracts are designated as "own use" contracts and are measured at cost. These contracts are not within the scope of IFRS 9.

Derivative commodity contracts which are not designated as own use contracts are accounted for as trading derivatives and are recognised in the balance sheet at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account.

Cash at bank and in hand
Cash at bank and in hand comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2 Accounting policies (continued)

Trade debtors

Trade debtors are amounts due from customers for the sale of electricity or other services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debtors.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade debtors and accrued income. Further detail on this model and application within these financial statements can be found within Note 3.

Stock

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the profit and loss account.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

2 Accounting policies (continued)

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the Company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the Company has the right to:

• Obtain substantially all the economic benefits from the use of the underlying asset, and;
• Direct the use of the underlying asset (e.g., direct how and for what purpose the asset is used).

Initial recognition and measurement

The Company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the Company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the Company measures the lease liability by:

(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in interest payable and similar expenses in the profit and loss account, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment. Adjustments are made to the carrying value of the right-of-use asset where the lease liability is re-measured in accordance with the above. Right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of assets.

2 Accounting policies (continued)

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The Company then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in the profit and loss account at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting the profit and loss account.

Short term and low value leases

The Company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The Company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the profit and loss account.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

2 Accounting policies (continued)

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Defined benefit pension obligation

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the profit and loss account.

Share based payments

The Company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3 *Critical accounting judgements and key sources of estimation uncertainty*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key areas involving estimates and judgements that has the most significant effect on the amounts recognised in the financial statements are explained below.

Revenue recognition - *energy supplied but not yet measured (estimation uncertainty)*
Revenue from energy supplied to customers includes an estimate of the value of electricity supplied to customers between the date of the latest meter reading and the financial period end.

This estimate comprises both billed revenue (trade debtors) and unbilled revenue (accrued income) and is calculated with reference to the tariffs and contractual rates applicable to customers against estimated customer consumption. Estimated customer consumption takes into account various factors including usage patterns, weather trends and notified aggregated volumes supplied to the customers from national settlements bodies.

A change in the assumptions underpinning the calculation would have an impact on the amount of revenue recognised in any given period. This estimate is subject to an internal validation process which compares calculated unbilled volumes to a theoretical real-time billing benchmark measure of unbilled volumes with reference to historical consumption patterns adjusted for seasonality/weather and aggregated metering data used in industry reconciliation processes. Unbilled revenue recognised in the balance sheet at 31 December 2020 was £322.9m (31 March 2020: £339.5m).

Impairment of trade debtors (estimation uncertainty)
Impairments against trade debtors are recognised where the loss is expected.The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade debtors and accrued income.The impairment is calculated by splitting the portfolio into segments and the Directors have based their assessment of the level of impairment on collection rates experienced within each segment to date.The estimates and assumptions used to determine the level of provision will continue to be reviewed periodically and could lead to changes in the impairment provision methodology which would impact the profit and loss account in future years.

The assumption that future performance of customer debt settlement will be reflective of past performance is the most significant assumption within the expected credit loss provisioning model. To address this risk, the Company reviews the provision rates for each segment on a regular basis to ensure they are based on the most up to date assumptions and use forward looking information. Provision for impairment of trade debtors and accrued income recognised on the Balance sheet at 31 December 2020 was £95.9m (31 March 2020: £67.4m). Provision has increased as a % of trade debtors and accrued income at 31 December 2020 due to additional provision recognised as a result of the impact of Covid-19.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Derivative financial instruments (accounting judgement)

Within its regular course of business, the Company routinely enters into sale and purchase derivative contracts for electricity. Where the contract was entered into and continues to be held for the purpose of receipt or delivery in accordance with the Company's expected sale, purchase or usage requirements, the contracts are designated as "own use"contracts and are measured at cost.These contracts are not within the scope of IFRS 9. The percentage of contracts that are deemed to meet own-use criteria is considered to be an area of accounting judgement that significantly impacts the level of unrealised gains and losses on derivatives that are recognised in the financial statements.

Deferred tax assets (accounting judgement and uncertainty)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered, i.e., that future taxable amounts (e.g. taxable profits) will be available to utilise those temporary differences and losses. The carrying amount of the deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. The recoverability of deferred tax assets relating to losses is based on forecasts of future taxable profits which are, by their nature, uncertain.

The Company prepares medium-term forecasts based on Board-approved budgets. These are used to support judgements made in the preparation of the Company's financial statements including the recognition of deferred tax assets.

Having assessed the level profits made by the Company since the period end and forecasts of revenue and costs for the coming years, the Directors believe it is probable that the Company will generate sustainable profits and therefore a deferred tax asset has been recognised. Deferred tax assets in respect of tax losses are expected to reverse over the next 6 to 8 years.

The Company remains exposed to the risk of changes in law that impact the Company's ability to carry forward and utilise tax attributes recognised as deferred tax assets.

4 Revenue

The analysis of the Company's turnover for the period from continuing operations is as follows:

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Sale of electricity	1,507.8	2,196.1
Installation of smart meters	57.2	56.3
	1,565.0	2,252.4

All the revenue reported in the period is sold within the UK.

5 Other operating income

The analysis of the Company's other operating income for the period is as follows:

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Government grants	3.7	-

Government grants relate to grants in respect of furloughed employees under the Coronavirus Job Retention Scheme. During the period, the Company received government grants under the Coronavirus Job Retention Scheme, a scheme introduced by the UK government to support organisations during the COVID-19 pandemic. The scheme offers grants to cover a proportion of the salaries of furloughed staff.

The grants were recognised as other operating income to the extent that management considers the grants will be received.

6 Operating profit/(loss)

Arrived at after charging

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Depreciation expense - tangible assets	-	2.0
Depreciation expense - right-of-use assets	2.8	3.7
Right-of-use asset impairment*	8.5	-
Amortisation expense - intangible assets	13.2	36.8
Impairment of financial asset	41.4	41.6

*Refer to Note 7 for details of right-of-use asset impairment.

7 Exceptional items

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Restructuring costs	21.6	7.3
Onerous contract and lease costs	21.8	60.9
Integration costs	8.8	-
Right-of-use asset impairment	8.5	-
Impairment on fixed assets	-	331.8
Exceptional included within operating profit/(loss)	60.7	400.0
Exceptional included within profit/(loss) before tax	60.7	400.0
Net taxation on exceptional items	11.5	76.0

Restructuring costs
Following OVO acquisition, the OVO Group has initiated an integration programme which has resulted in the redundancy of a number of employees in the Company. The restructuring plan was announced to the employees in May 2020. The restructuring is expected to be completed by 2021.

Integration costs
This primarily relates to costs incurred for consultancy on the integration of the Company into the OVO Group following OVO acquisition.

Right-of-use asset impairment
In May 2020, OVO announced the closure of several offices alongside its redundancy programme. Certain right-of-use assets in the Company were impaired as a result of office closures.

7 Exceptional items (continued)

Onerous contract costs
As part of the acquisition by OVO, the Company entered into a Master Services Agreement (MSA) with SSE Telecommunications Limited in connection with the supply of telephony services. At the time of the acquisition, the agreement was deemed an unfavourable contract as the Company considered the costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it. It is management's intention to terminate the MSA at the earliest possible period. The costs will be incurred during the lifespan of the contract.

Onerous lease costs
The property leases for the closed offices have not terminated and the Company continues to incur business rates and service charges relating to the property leases. A provision has been recognised for the unavoidable costs under the leases.

Impairment on fixed assets
In the year ended 31 March 2020, an exercise was undertaken to review the fair value of the Company's tangible and intangible assets following OVO's acquisition. It was assessed that the UELs for system assets will ultimately be retired and replaced with OVO systems and as a result, the Company recognised an impairment charge of £331.8m.

Adjusted EBITDA
Management reported adjusted EBITDA in the annual report as management considers it provides additional useful information on business performance and underlying trends. It is also the primary measure management use to monitor performance internally and is also reported to our lenders as part of covenants reporting. Adjusted EBITDA is a non-GAAP measure and is not defined by IFRS. The presentation of APMs is a judgment and policy choice made by management and therefore, not comparable.

Adjusted EBITDA is defined as operating profit/(loss), after adjusting for depreciation and amortisation and items that are deemed unusual in nature and of significance excluding fair value gains on derivatives.

A reconciliation of the adjusted performance measure to operating profit/(loss) is shown below.

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Operating profit/(loss)	14.0	(382.0)
Exceptional items	60.7	400.0
Depreciation and impairment of property, plant and equipment and right-of-use assets	2.8	5.7
Amortisation and impairment of intangible assets	13.2	36.8
Adjusted EBITDA	90.7	60.5

8 Interest receivable and similar income

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Interest on net defined benefit assets	0.3	-

9 Interest payable and similar expenses

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Interest on bank overdrafts and borrowings	0.4	-
Interest paid to group undertakings	-	1.8
Unwinding of discount on provisions	2.4	0.4
Interest expense on leases	1.6	1.3
Interest capitalised	-	(2.0)
	4.4	1.5

10 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Wages and salaries	90.1	128.1
Social security costs	7.3	11.6
Pension costs, defined contribution scheme	5.0	15.3
Pension costs, defined benefit scheme	8.1	2.5
Share-based payment expenses	-	1.7
Redundancy costs	21.6	7.3
	132.1	166.5

10 Staff costs (continued)

The monthly average number of persons employed by the Company (including Directors) during the period, analysed by category was as follows:

Employee numbers

	Period from 1 April 2020 to 31 December 2020 No.	Year ended 31 March 2020 No.
Administration and support	4,054	4,488

11 Directors' remuneration

The Directors' remuneration for the period was as follows:

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Remuneration	0.4	0.9

In respect of the highest paid director:

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Remuneration	0.3	0.4

11 Directors' remuneration (continued)

The above value for the period from 1 April 2020 to 31 December 2020 was for 2 Directors, who were remunerated directly by the Company. The remaining Directors were remunerated via OVO Group Ltd and OVO Energy Ltd. The Directors' compensation paid by OVO Group Ltd and OVO Energy Ltd is not recharged to the entity. These Directors are additionally Directors of a number of parent entities and fellow subsidiaries, and it is not possible to make a reasonable apportionment of their compensation in respect of each of the parent entities and subsidiaries. Accordingly, the total compensation of the Directors is included in the aggregate of Directors' remuneration disclosed in the financial statements of OVO Energy Ltd and the consolidated financial statements of OVO Group Ltd.

Retirement benefits were accruing to 1 of the Directors remunerated directly by the Company (Year ended 31 March 2020: none). The total company contributions to defined contribution pension schemes for the highest paid Director remunerated directly by the Company is £nil (Year ended 31 March 2020: £nil).

The above value for the year ended 31 March 2020 was for 3 directors, who were remunerated via another SSE group company until 15 January 2020. From 16 January 2020 the Directors are paid by OVO Energy Ltd which makes no recharge to the entity. It is not possible to apportion their emoluments between group companies. The Directors are additionally directors of a number of parent companies and fellow subsidiaries, and it is not possible to make a reasonable apportionment of their compensation in respect of each of the companies. Accordingly, the total compensation of the Directors are included in the aggregate of key management personnel compensation disclosed in the consolidated financial statements of OVO Group Ltd.

12 Auditors' remuneration

The audit fee in relation to the audit of OVO (S) Electricity Limited in the period from 1 April 2020 to 31 December 2020 was £130,000 (Year ended 31 March 2020: £180,000). In the period ended 31 December 2020, the audit fee was borne by OVO Energy Ltd (Year ended 31 March 2020: the parent company).

OVO Finance Ltd, in which the Company is consolidated, are required to disclose the fees for non-audit services on a consolidated basis and therefore, the Company has taken advantage of the exemption not to disclose amounts paid for non-audit services.

13 Income tax charge/(credit)

Tax charged/(credited) in the profit and loss account

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Current taxation		
UK corporation tax	(1.6)	(5.2)
UK corporation tax adjustment to prior periods	0.1	1.0
	(1.5)	(4.2)

13 Income tax charge/(credit) (continued)

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Deferred taxation		
Arising from origination and reversal of temporary differences	3.5	(65.5)
Adjustment in respect of prior periods	(0.1)	-
Arising from changes in tax rates and laws	-	(3.3)
Total deferred taxation	3.4	(68.8)
Tax charged/(credited) in the profit and loss account	1.9	(73.0)

The tax on profit/(loss) before tax for the period from 1 April 2020 to 31 December 2020 is the same as the standard rate of corporation tax in the UK (Year ended 31 March 2020 - lower than the standard rate of corporation tax in the UK) of 19% (Year ended 31 March 2020 - 19%).

The differences are reconciled below:

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Profit/(loss) before tax	9.9	(383.5)
Corporation tax at standard rate of 19% (Year ended 31 March 2020: 19%)	1.9	(72.9)
Increase from effect of expenses not deductible in determining taxable profit	-	0.3
Decrease from transfer pricing adjustments	-	(0.2)
Increase from effect of exercise of employee share options	-	(0.1)
Increase from effect of losses carried back	-	2.2
Increase in current tax from adjustment for prior periods	-	1.0
Deferred tax credit relating to changes in tax rates or laws	-	(3.3)
Total tax charge/(credit)	1.9	(73.0)

14 Deferred tax

Deferred tax assets and liabilities

At 31 December 2020	Asset £ m	Liability £ m	Net deferred tax £ m
Accelerated tax depreciation	20.8	-	20.8
Provisions	0.6	-	0.6
Derivatives	-	(2.0)	(2.0)
Other items	-	-	-
Tax losses carry-forwards	73.9	-	73.9
Pension benefit obligations	-	(2.4)	(2.4)
	95.3	(4.4)	90.9

At 31 March 2020	Asset £ m	Liability £ m	Net deferred tax £ m
Accelerated tax depreciation	19.4	-	19.4
Provisions	0.9	-	0.9
Derivatives	2.3	-	2.3
Other items	-	-	-
Tax losses carry-forwards	74.1	-	74.1
Pension benefit obligations	-	(3.9)	(3.9)
	96.7	(3.9)	92.8

14 Deferred tax (continued)

Deferred tax movement during the current period:

	At 1 April 2020 £ m	Recognised in profit and loss account £ m	Recognised in other comprehensive income £ m	At 31 December 2020 £ m
Accelerated tax depreciation	19.4	1.4	-	20.8
Provisions	0.9	(0.3)	-	0.6
Derivatives	2.3	(4.3)	-	(2.0)
Other items	-	-	-	-
Tax losses carry-forwards	74.1	(0.2)	-	73.9
Pension benefit obligations	(3.9)	-	1.5	(2.4)
Net tax assets/(liabilities)	92.8	(3.4)	1.5	90.9

Deferred tax movement during the prior year:

	At 1 April 2019 £ m	Recognised in profit and loss account £ m	Recognised in equity £ m	At 31 March 2020 £ m
Accelerated tax depreciation	16.6	2.7	0.1	19.4
Provisions	3.2	(2.3)	-	0.9
Derivatives	8.2	(5.9)	-	2.3
Other items	0.3	(0.3)	-	-
Tax losses carry-forwards	-	74.1	-	74.1
Pension benefit obligations	-	0.5	(4.4)	(3.9)
Net tax assets/(liabilities)	28.3	68.8	(4.3)	92.8

Deferred tax assets have been recognised in respect of carried forward losses on the basis that there will be future profits available against which to offset them. There are no time limits on the recovery of such losses.

Refer to Note 3, critical accounting judgements, for further discussion on the basis for recognition of deferred tax assets.

A change to the main UK corporation tax rate announced in the Budget on 11 March 2020 was substantively enacted on 17 March 2020 by a Budget resolution. The rate effective from 1 April 2020 now remains at 19% rather than the previously enacted reduction to 17%. Deferred tax balances were remeasured to 19% from the previous rate of 17% in the year ended 31 March 2020.

In the Spring Budget 2021, the UK Government announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The net deferred tax asset has been calculated at 19% as this rate has been substantively enacted at the balance sheet date. Had the 25% rate been substantively enacted on or before 31 December 2020 it would have had the effect of increasing the net deferred tax asset by £28.7m.

15 Intangible assets

	Software and IT development costs £ m	Total £ m
Cost or valuation		
At 1 April 2020	517.4	517.4
Additions	12.1	12.1
At 31 December 2020	529.5	529.5
Accumulated amortisation		
At 1 April 2020	452.9	452.9
Amortisation charge	13.2	13.2
At 31 December 2020	466.1	466.1
Carrying amount		
At 31 December 2020	63.4	63.4
At 31 March 2020	64.5	64.5

Amortisation charge of £13.2m (Year ended 31 March 2020: £36.8m) is recognised in administrative expenses.

Included within the carrying amount of the Software and IT development costs of £63.4m (Year ended 31 March 2020: £64.5m) are intangible assets under construction of £22.6m (Year ended 31 March 2020: £14.4m), which are not subject to amortisation.

16 Right-of-use assets

	Vehicles £ m	Property £ m	Total £ m
Cost or valuation			
At 1 April 2019	-	17.4	17.4
Additions	0.5	14.5	15.0
At 31 March 2020	0.5	31.9	32.4
At 1 April 2020	0.5	31.9	32.4
Modification	(0.2)	1.9	1.7
At 31 December 2020	0.3	33.8	34.1
Accumulated depreciation			
At 1 April 2019	-	3.5	3.5
Charge for year	0.1	3.7	3.8
At 31 March 2020	0.1	7.2	7.3
At 1 April 2020	0.1	7.2	7.3
Charge for the period	-	2.8	2.8
Impairment	-	8.5	8.5
At 31 December 2020	0.1	18.5	18.6
Carrying amount			
At 31 December 2020	0.2	15.3	15.5
At 31 March 2020	0.4	24.7	25.1

17 Debtors

	31 December 2020 £ m	31 March 2020 £ m
Amounts falling due within one year:		
Trade debtors	284.6	337.7
Accrued income	322.9	339.5
Provision for impairment of trade debtors and accrued income	(95.9)	(67.4)
Net trade debtors and accrued income	511.6	609.8
Amounts owed by group undertakings	30.3	1.8
Prepayments	16.8	0.9
Other debtors	123.0	111.4
Corporation tax debtor	2.5	2.6
Corporation tax - group relief receivable	6.7	5.1
Derivative financial assets (see note 24)	11.5	23.7
	702.4	755.3
Amounts falling due after more than one year:		
Deferred tax asset (see note 14)	90.9	92.8
Defined benefit pension asset (see note 25)	12.9	22.7
	103.8	115.5

Provision for impairment of trade debtors and accrued income has increased as a % of trade debtors and accrued income at 31 December 2020 due to additional provision recognised as a result of the impact of Covid-19.

18 Cash at bank and in hand

	31 December 2020 £ m	31 March 2020 £ m
Cash at bank and in hand	-	2.9

19 Creditors: amounts falling due within one year

	31 December 2020 £ m	31 March 2020 £ m
Trade creditors	39.4	20.6
Accrued expenses	91.1	171.1
Amounts due to group undertakings	725.7	736.7
Social security and other taxes	2.6	-
Current lease liabilities (see note 21)	5.1	4.7
Other creditors	33.0	9.0
Derivative financial liabilities (see note 24)	-	36.1
Deferred income	339.5	336.3
	1,236.4	1,314.5

20 Creditors: amounts falling due after more than one year

	31 December 2020 £ m	31 March 2020 £ m
Non-current lease liabilities (see note 21)	19.4	21.1
Derivative financial liabilities (see note 24)	1.2	-
	20.6	21.1

All derivative financial liabilities held as at 31 December 2020 have a maturity date of March 2022 and therefore, are classified as creditors: amounts falling due after more than one year.

21 Leases

Leases included in creditors

	31 December 2020 £ m	31 March 2020 £ m
Current lease liabilities	5.1	4.7
Non-current lease liabilities	19.4	21.1

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:.

	31 December 2020 £ m	31 March 2020 £ m
Less than one year	6.2	6.3
Between one and five years	12.9	16.3
Over 5 years	10.2	11.6
Total lease liabilities (undiscounted)	29.3	34.2

The Company leases property and motor vehicles. The balance sheet amounts relating to leases are shown within Note 16 Right-of-use assets.

The current period interest expense on lease liabilities (included in interest payable and similar expenses) was £1.6m (Year ended 31 March 2020: £1.3m).

Total cash outflows for leases for the period from 1 April 2020 to 31 December 2020 was £4.7m (Year ended 31 March 2020: £4.8m).

22 Provisions for liabilities

	Onerous contracts and leases provisions £ m	Restructuring provision £ m	Other provisions £ m	Total £ m
At 1 April 2020	56.5	-	5.4	61.9
Additional provisions	21.8	21.4	0.2	43.4
Utilised during the period	(16.5)	(17.1)	(5.4)	(39.0)
Increase due to passage of time or unwinding of discount	2.4	-	-	2.4
At 31 December 2020	64.2	4.3	0.2	68.7
Non-current liabilities	44.0	-	-	44.0
Current liabilities	20.2	4.3	0.2	24.7

Onerous contracts
As part of the acquisition by OVO, the Company entered into a Master Services Agreement (MSA) with SSE Telecommunications Limited in connection with the supply of telephony services. At the time of the acquisition, the agreement was deemed an unfavourable contract as the Company considered the costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it. It is management's intention to terminate the MSA at the earliest possible period. The costs will be incurred during the lifespan of the contract.

Onerous leases
The property leases for the closed offices have not terminated and the Company continues to incur business rates and service charges relating to the property leases. A provision has been recognised for the unavoidable costs under the leases. The costs will be incurred over the term of the leases.

Restructuring provision
Following OVO acquisition, the OVO Group has initiated an integration programme which has resulted in the redundancy of a number of employees in the Company. The restructuring plan was announced to the employees in May 2020. The restructuring is expected to be completed by 2021.

Other provisions
Other provisions relate to specific obligations in relation to industry mutualisation.

23 Share capital

Allotted, called up and fully paid shares

	31 December 2020 No.	31 December 2020 £	31 March 2020 No.	31 March 2020 £
1 ordinary share of £1.00 each	1	1	1	1

Rights, preferences and restrictions
The share has attached to it full voting, dividend and capital distribution (including on a winding up rights); it does not confer any rights on redemption.

24 Derivatives and financial instruments

Summary fair values
The fair values of the primary financial assets and liabilities together with their carrying values are as follows:

	31 December 2020 Carrying value £ m	31 December 2020 Fair value £ m	31 March 2020 Carrying value £ m	31 March 2020 Fair value £ m
Financial assets				
Derivative financial assets	11.5	11.5	23.7	23.7
Trade and other debtors	662.6	662.6	722.9	722.9
Cash at bank and in hand	-	-	2.9	2.9
Financial liabilities				
Trade and other creditors	(1,228.7)	(1,228.7)	(1,102.7)	(1,102.7)
Derivative financial liabilities (Current)	-	-	(36.1)	(36.1)
Derivative financial liabilities (Non-current)	(1.2)	(1.2)	-	-
Lease liabilities (current)	(5.1)	(5.1)	(4.7)	(4.7)
Lease liabilities (non-current)	(19.4)	(19.4)	(21.1)	(21.1)

24 Derivatives and financial instruments (continued)

Valuation methods and assumptions

Financial assets and liabilities through profit or loss

All derivatives are classified as Level 2 within the fair value hierarchy. The fair value measurements are those derived from inputs, other than quoted prices, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Fair values have been determined with reference to closing market prices.

Financial assets at amortised cost

The fair value of financial assets is based on the expectation of recovery of balances. Impaired receivables mainly relate to customers from whom it is unlikely that full payment will ever be received. The primary inputs used to impair the receivable balances are not based on observable market data.

Financial liabilities at amortised cost

The fair value of trade and other creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material. Due to the short maturities, the fair value of the trade and other payables approximates to their book value. The inputs used to determine the liability are not based on observable market data.

The fair value of lease liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Recognised in profit and loss account

The amount of derivative re-measurement that has been recognised through the profit and loss is as follows:

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Opening value of derivative financial liabilities	(12.4)	(47.9)
Movement recognised through profit and loss	22.7	35.5
Closing value of derivative financial liabilities (net of derivative assets)	10.3	(12.4)

25 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period from 1 April 2020 to 31 December 2020 represents contributions payable by the Company to the scheme and amounted to £5.0m (Year ended 31 March 2020: £15.3m).

25 Pension and other schemes (continued)

Defined benefit pension schemes

Introduction

The Company sponsors a funded defined benefit pension plan for qualifying UK employees - the OVO Energy Group of the ESPS. The scheme was established on 14 January 2020 following the acquisition of the Company by the OVO group in order to provide retirement benefits for eligible company employees.

The scheme is sectionalised with separate sections for former members of the Southern Electricity Group of the ESPS and former members of the Scottish Hydro-Electric Pension Scheme. The assets in each section are ring-fenced to provide benefits solely for the members of that section.

The scheme is administered by an independent trustee, which is legally separate from the Company. The trustee is required by law to act in the interest of all relevant beneficiaries, and is responsible for the investment policy for the assets and day-to-day administration of the benefits. Under the scheme, employees are entitled to annual pensions, and in some cases also lump sum benefits, on retirement at age 60 or 63 calculated with reference to pensionable service and final pensionable salary. Benefits are also payable on death and following other events such as withdrawing from active service. No other post-retirement benefits are provided to these employees.

Profile of the scheme

The Defined Benefit Obligation (DBO) includes benefits for current employees, former employees and current pensioners. The vast majority of the DBO is attributable to current employees.

The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the scheme as a whole, the duration is approximately 23 years.

25 Pension and other schemes (continued)

Funding requirements
UK legislation requires that pension schemes are funded prudently. The first funding valuation of the scheme since inception on 14 January 2020 has an effective date of 31 March 2020. The Company and the trustees are using this funding valuation to review the funding arrangements for the scheme.

The Company and the members are paying contributions to meet the expected cost of the benefits being built up by the members. These contributions are being reviewed as part of the funding valuation at 31 March 2020.

Risks associated with the scheme

The scheme exposes the Company to some risks, the most significant of which are:

Asset volatility
The DBO is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit.

The scheme holds approximately a third of its assets in equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the scheme's long-term objectives.

Changes in bond yields
A decrease in corporate bond yields will increase the value placed on the scheme's DBO for accounting purposes, although this will be partially offset by an increase in the value of the scheme's bond holdings.

Inflation risk
The majority of the scheme's DBO is linked to inflation, and higher inflation leads to a higher DBO (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation).

Most of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy
The majority of the scheme's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the DBO.

Risk management
The Company and trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the scheme. By investing in assets such as leveraged index-linked gilts, which perform in line with the liabilities of the scheme, the scheme is protected against inflation being higher than expected. The trustees insure certain benefits which are payable on death before retirement.

Reporting at 31 December 2020
The preliminary results of the latest funding valuation at 31 March 2020 have been adjusted to the new balance sheet date, taking account of any material experience over the period since 31 March 2020, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation, and the related current service cost, were measured using the projected unit credit method.

The principal assumptions used to calculate the liabilities under IAS 19 are as follows:

25 Pension and other schemes (continued)

Main financial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the balance sheet date are as follows:

	31 December 2020 %	31 March 2020 %
Discount rate	1.40	2.40
RPI inflation	2.80	2.40
CPI inflation	2.40	1.80
Rate of general long-term increase in salaries	2.90	2.30
Pension increases in payment		
RPI max 5% p.a.	2.70	2.40
RPI max 3% p.a.	2.20	2.00

The financial assumptions reflect the nature and term of the scheme's liabilities.

Main demographic assumptions

	31 December 2020	31 March 2020
Mortality base table adopted	SAPS S3 Tables "All" for males and "Middle" for females Scaled by 105% for the SSE Section and by 109% for SSE Hydro Section	SAPS S3 Tables "All" for males and "Middle" for females Scaled by 105% for the SSE Section and by 109% for SSE Hydro Section
Mortality future improvements adopted	CMI 2019 projections model with Sk parameter of 7.0 and A parameter of 0.25, and long-term improvement rate of 1.25% p.a.	CMI 2019 projections model with Sk parameter of 7.0 and A parameter of 0.25, and long-term improvement rate of 1.25% p.a.
Life expectancy for male currently aged 65	21.7	21.7
Life expectancy for female currently aged 65	23.4	23.4
Life expectancy at 65 for male currently aged 45	23.0	23.0
Life expectancy at 65 for female currently aged 45	24.9	24.9

25 Pension and other schemes (continued)

GMP equalisation	Cost of equalising benefits for differences in GMPs between males and females taken to be around 0.2% of liabilities	Cost of equalising benefits for differences in GMPs between males and females taken to be around 0.2% of liabilities
Cash commutation	Allowance made for members to take maximum permitted lump sum at retirement by commuting pension based on current commutation terms	Allowance made for members to take maximum permitted lump sum at retirement by commuting pension based on current commutation terms

Scheme assets

Changes in the fair value of scheme assets are as follows:

	31 December 2020 £ m	31 March 2020 £ m
Fair value at start of period	78.2	-
Interest income on scheme assets	1.3	-
Remeasurement gains on scheme assets	15.7	-
Contributions by the employer	5.9	0.8
Net benefits paid out	(2.9)	-
Net increase in assets from bulk transfers	9.7	77.4
Fair value at end of period	107.9	78.2

Actual return on scheme's assets

	31 December 2020 £ m	31 March 2020 £ m
Interest income on scheme assets	1.3	-
Remeasurement gains on scheme assets	15.7	-
Actual return on scheme assets	17.0	-

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company.

25 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	31 December 2020 £ m	31 March 2020 £ m
Equities	34.8	-
Index-linked gilts	35.3	-
Corporate bonds	37.0	-
Cash/net current assets	0.8	78.2
Total market value of assets	107.9	78.2

Reconciliation of funded status to balance sheet

	31 December 2020 £ m	31 March 2020 £ m
Fair value of scheme assets	107.9	78.2
Present value of funded Defined Benefit Obligation	(95.0)	(55.5)
Funded status	12.9	22.7
Asset recognised in the balance sheet	12.9	22.7

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	31 December 2020 £ m	31 March 2020 £ m
Present value at start of period	(55.5)	-
Current service cost	(4.5)	(1.2)
Past service cost (including curtailments)	(3.6)	-
Actuarial (gains)/losses arising from changes in financial assumptions	(26.4)	0.2
Interest expense on Defined Benefit Obligation	(1.0)	-
Net benefits paid out	2.9	-
Net increase in liabilities from bulk transfers	(6.9)	(54.5)
Present value at end of period	(95.0)	(55.5)
Analysed as:		
Present value of scheme liabilities arising from wholly or partly funded schemes	(95.0)	(55.5)

25 Pension and other schemes (continued)

Amounts recognised in the profit and loss account

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Amounts recognised in operating profit/(loss)		
Current service cost	4.5	1.2
Past service cost (including curtailments)	3.6	-
Recognised in arriving at operating profit/(loss)	8.1	1.2
Amounts recognised in interest receivable and similar income		
Interest on net defined benefit assets	(0.3)	-
Total recognised in the profit and loss account	7.8	1.2

Amounts taken to the Statement of Comprehensive Income

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Return on scheme assets in excess of that recognised in net interest	(15.7)	-
Actuarial losses due to changes in financial assumptions	26.4	-
Actuarial gains due to bulk transfers	(2.8)	-
Amounts recognised in the Statement of Comprehensive Income	7.9	-

Amounts recognised in equity

	Period from 1 April 2020 to 31 December 2020 £ m	Year ended 31 March 2020 £ m
Bulk transfer from parent company	-	(23.1)
Amounts recognised in equity	-	(23.1)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

25 Pension and other schemes (continued)

		31 December 2020			31 March 2020	
Adjustment to discount rate	**+ 0.25%**	**0.0%**	**- 0.25%**	**+ 0.25%**	**0.0%**	**- 0.25%**
	£ m	**£ m**	**£ m**	**£ m**	**£ m**	**£ m**
Present value of total obligation	-	-	5.4	(3.0)	-	3.2

		31 December 2020			31 March 2020	
Adjustment to rate of inflation	**+ 0.25%**	**0.0%**	**- 0.25%**	**+ 0.25%**	**0.0%**	**- 0.25%**
	£ m	**£ m**	**£ m**	**£ m**	**£ m**	**£ m**
Present value of total obligation	5.3	-	-	3.0	-	(3.1)

		31 December 2020			31 March 2020	
Adjustment to rate of salary growth	**+ 0.1%**	**0.0%**	**- 0.1%**	**+ 0.25%**	**0.0%**	**- 0.25%**
	£ m	**£ m**	**£ m**	**£ m**	**£ m**	**£ m**
Present value of total obligation	-	-	-	1.3	-	(1.3)

		31 December 2020			31 March 2020	
Adjustment to mortality age rating assumption	**+ 1 Year**	**None**	**- 1 Year**	**+ 1 Year**	**None**	**- 1 Year**
	£ m	**£ m**	**£ m**	**£ m**	**£ m**	**£ m**
Present value of total obligation	3.5	-	-	-	-	-

26 Contingent liabilities

The UK Government has set out a requirement for energy suppliers to take all reasonable steps to roll out smart meters to all of their domestic customers by 31 December 2021 (previously 30 June 2021). Failure to achieve the annual installation targets will be a breach of a supplier's licence which could subject OVO to financial penalties imposed by Ofgem. OVO continues to install smart meters in all regions in line with regulations and has not recognised any contingent liability in regards to non-compliance with this requirement.

27 Related party transactions

In accordance with the exemption available under FRS 101, transactions with other wholly owned undertakings within OVO Group Ltd group have not been disclosed within these financial statements.

28 Parent and ultimate parent undertaking

The Company's immediate parent is OVO (S) Energy Services Limited.

The ultimate parent is Imagination Industries Ltd which is the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. These financial statements are available upon request from the registered office at 140-142 Kensington Church Street, London, England, W8 4BN.

The smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is OVO Finance Ltd, which are available upon request from the registered office shown in Note 1.

The ultimate controlling party is Stephen Fitzpatrick.