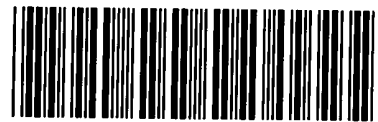


Registration number: 06752915

Ovo Gas Ltd

Annual Report and Financial Statements
for the Year Ended 31 December 2016

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Ovo Gas Ltd

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Ovo Gas Ltd
Company Information

Chairman	Stephen Murphy
Directors	Stephen Fitzpatrick Stephen Murphy Christopher Houghton Niall Wass Jonathan Owen
Company secretary	Vincent Casey
Registered office	1 Rivergate Temple Quay Bristol United Kingdom BS1 6ED
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

Strategic Report

The directors present their strategic report for the year ended 31 December 2016.

Fair review of the business

Ovo Gas Ltd holds the gas supply licence for the Ovo group of companies. Gas is procured on the wholesale markets and is sold, along with gas supply services, to other companies within the Ovo group of companies.

During the year the Company generated revenues of £12.2m (2015: £7.6m) with Ovo Energy Ltd, its parent company. The Company made a profit in the year of £217,000 (2015: £114,000), the net assets of the Company as at 31 December 2016 were £350,000 (2015: £133,000).

Given the simple nature of the Company's business and the fact that the Company is not managed separately from the other companies in the Ovo group, the directors are of the opinion that analysis using KPIs specific to the company is not necessary or appropriate. The Ovo group managements' review of the KPIs are detailed within the Ovo Group Ltd's financial statements. These financial statements are available upon request from the registered office shown in note 1.

The Company's future developments and commitment to employees are detailed within the Directors' Report.

Principal risks and uncertainties

Due to the nature of the Company's activities, all procurements of wholesale gas are sold to Ovo Energy Ltd. Management do not perceive that there are any principal risks or uncertainties within Ovo Gas Ltd financial statements, other than those disclosed in the accounts of Ovo Group Ltd.

Ovo group manages its cash resources to ensure it has sufficient funds to meet all expected demands as they fall due.

Approved by the Board on 27 September 2017 and signed on its behalf by:


.....
Stephen Fitzpatrick
Director

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Directors of the company

The directors of the company who was in office during the year and up to the date of signing the financial statements were as follows:

Stephen Fitzpatrick

Stephen Murphy - Chairman

Christopher Houghton

Niall Wass

Sarah Calcott (appointed 4 February 2016 and resigned 20 March 2017)

Jonathan Owen

Dividends

The directors do not propose a dividend for the current year (2015: no dividends proposed).

Financial instruments

The financial risk management objectives and policies of the Company and the assessment of the Company's exposure to market risk, credit risk, liquidity risk and capital risk management is discussed in note 10 of these financial statements.

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 isn't possible, the Company will try to find the employee another role within OVO and provide additional training (as necessary).

Employee involvement

The Company actively encourages employee involvement throughout the organisation. The company holds regular company wide briefings where the latest information is shared, including financial and economic factors that affect the performance of the company. Employee performance and development is reviewed on a quarterly basis and ensured it is in line with the overall company's objectives. The Company's employee forum and social committee is chaired by its employees for its employees. The group also introduced a new share scheme for employees in the prior year.

Future developments

The directors do not consider that Ovo Gas Ltd will be used for any other purpose than that set out in the Business Review up to the point of closure.

Research and development

The Company undertook no research or development during the year.

Ovo Gas Ltd
Directors' Report (continued)
For the Year Ended 31 December 2016 (continued)

Going concern

The financial statements have been prepared on a going concern basis for the year ended 31 December 2016.

The Company meets its day-to-day working capital requirements through the intercompany account with Ovo Energy Ltd.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore, continues to adopt the going concern basis in preparing its financial statements.

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 year and is currently in force.

Statement of Directors' Responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to:

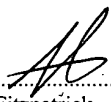
- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on 27 September 2017 and signed on its behalf by:


.....
Stephen Fitzpatrick
Director

Independent Auditors' Report to the members of Ovo Gas Ltd

Report on the financial statements

Our Opinion

In our opinion, Ovo Gas Ltd's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Income Statement for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law. In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matter on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of the directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Ovo Gas Ltd
Independent Auditors' Report to the members of Ovo Gas Ltd
for the Year Ended 31 December 2016 (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

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.

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or inconsistencies we consider the impact for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



John Maitland (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor

Bristol

28 September 2017

Ovo Gas Ltd
Income Statement
For the Year Ended 31 December 2016

Income Statement

	Note	2016 £ 000	2015 £ 000
Revenue	3	12,221	7,560
Cost of sales		<u>(11,865)</u>	<u>(7,341)</u>
Gross profit		356	219
Administrative expenses		<u>(139)</u>	<u>(105)</u>
Operating profit		<u>217</u>	<u>114</u>
Profit before tax		217	114
Taxation	6	<u>-</u>	<u>-</u>
Profit for the year		<u><u>217</u></u>	<u><u>114</u></u>


The above results were derived from continuing operations.

There is no other comprehensive income other than the profit for the year (2015: nil).

Statement of Financial Position

	Note	2016 £ 000	2015 £ 000
Assets			
Current Assets			
Trade and other receivables	7	<u>350</u>	<u>133</u>
Total liabilities		<u>-</u>	<u>-</u>
Net assets		<u>350</u>	<u>133</u>
Equity			
Share capital	8	-	-
Retained earnings		<u>350</u>	<u>133</u>
Total equity		<u>350</u>	<u>133</u>

The financial statements on pages 7 to 16 were approved by the Board of Directors on 27 September 2017 and signed on its behalf by:



 Stephen Fitzpatrick
 Director

Ovo Gas Ltd
Statement of Changes in Equity
For the Year Ended 31 December 2016

Statement of Changes in Equity

	Retained earnings £ 000	Total £ 000
At 1 January 2015	19	19
Profit for the year	114	114
At 31 December 2015	<u>133</u>	<u>133</u>
	Retained earnings £ 000	Total £ 000
At 1 January 2016	133	133
Profit for the year	217	217
At 31 December 2016	<u>350</u>	<u>350</u>

Ovo Gas Ltd
Statement of Cash Flows
For the Year Ended 31 December 2016

Statement of Cash Flows

	Note	2016 £ 000	2015 £ 000
Cash flows from operating activities			
Profit for the year		217	114
Working capital adjustments:			
Increase in trade and other receivables	7	(217)	(114)
Net cash flow from operating activities		-	-
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

Notes to the Financial Statements

1 General information

The company is a private company limited by share capital incorporated and domiciled in United Kingdom.

The address of its registered office is:

1 Rivergate
Temple Quay
Bristol
BS1 6ED
United Kingdom

These financial statements were authorised for issue by the Board on 27 September 2017.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

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 disclosed in the Critical estimates and judgements section.

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.

Revenue recognition

Revenue arises from the supply of gas and related services to the immediate parent company, Ovo Energy Ltd, as these costs are incurred.

All revenue arose within the United Kingdom.

Tax

The tax expense for the period comprises current tax and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expenses 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 substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

2 Accounting policies (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Cash and cash equivalents

Cash and cash equivalents 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.

For the purpose of the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts repayable on demand.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Capital management

The Company's policy is to maintain a strong capital base to as to maintain market and creditor confidence and to sustain future development of the business. Due to the nature of the Company the capital management is monitored at a Group level, see the financial statements of Ovo Group Limited for details.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2016 have had a material effect on the financial statements.

Critical estimates and judgements

Given the simple nature of the company's operations, the directors do not consider there to be any key estimates or judgements.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2016 £ 000	2015 £ 000
Sale of gas	<u>12,221</u>	<u>7,560</u>

4 Staff costs

The company had no (2015: no) direct employees or salary cost in the year. There were six (2015: 3) Directors in the year. Directors' remuneration and salary is recognised in Ovo Group Ltd. The Directors of Ovo Gas Ltd's emoluments for the year ending 31 December 2016 for services to all group companies were £1,019,000 (2015: £806,000). The highest paid Director's emoluments totalled £341,000 (2015: £326,000). The amount attributable to the Company is negligible.

Some salary costs were recharged from Ovo Energy Ltd for time spent by its employees working for the Company. The recharged costs were £139,000 (31 December 2015: £105,000).

5 Auditors' remuneration

Fees for audit of £5,000 (2015: £5,000) and taxation services of £1,000 (2015: £1,000) are borne by Ovo Energy Ltd.

6 Taxation

At 31 December 2016 the Company has no (2015: no) liability to corporation tax due to the availability of tax losses from other companies in the group.

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2015 - higher than the standard rate of corporation tax in the UK) of 20% (2015 - 20.25%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit before tax	217	114
Corporation tax at standard rate	43	23
Losses surrendered to/(by) group companies	(43)	(23)
Total tax charge/(credit)	-	-

The main rate of UK corporation tax for the year to 31 March 2016 was 20%, remaining the same for the year to 31 March 2017

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%.

Ovo Gas Ltd
Notes to the Financial Statements
For the Year Ended 31 December 2016 (continued)

7 Trade and other receivables

	2016 £ 000	2015 £ 000
Receivables from related parties	350	133
	<u>350</u>	<u>133</u>

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in note 9 "Financial instruments".

The company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in note 10 "Financial risk management and impairment of financial assets".

8 Share capital

Allotted, called up and fully paid shares

	No.	2016 £	No.	2015 £
Ordinary share capital of £0.01 each	10,000	100	10,000	100

9 Financial instruments

**Financial assets
Loans and receivables**

	2016 £ 000	Carrying value 2015 £ 000	2016 £ 000	Fair value 2015 £ 000
Cash and cash equivalents	-	-	-	-
Receivables from related parties	350	133	350	133
	<u>350</u>	<u>133</u>	<u>350</u>	<u>133</u>

Valuation methods and assumptions

The fair value of receivables is based on the expectation of recovery of balances. The carrying value of all trade and other receivables are denominated in UK Pound Sterling. The receivable in the current and prior year reside with related parties within the Ovo group, there have been no historic defaults and the balance is not past due or impaired.

10 Financial risk management and impairment of financial assets

The Company's activities expose it to a variety of financial risks: market risk (predominantly from commodity price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of commodity price markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Risk management committee, under policies approved by the Board.

10 Financial risk management and impairment of financial assets (continued)

Market Risk

Commodity Risk

Commodity risk is managed by the Ovo group of companies by entering into forward contracts for a variety of periods. Energy procurement contracts are entered into and continue to be held for the purpose of the receipt of a non-financial item which is in accordance with the Group's expected purchase and sale requirements and are therefore out of scope of IAS 39. Energy contracts that are not financial instruments under IAS 39 are accounted for as executory contracts and changes in fair value do not immediately impact profit or equity, and as such, are not exposed to commodity price risk as defined by IFRS 7. So whilst the risk associated with energy procurement contracts outside the scope of IAS 39 is monitored for internal risk management purposes, only those energy contracts within the scope of IAS 39 are within the scope of the IFRS 7 disclosure requirements.

The Company has no exposure to commodity risk as it passes price risk on to Ovo Energy Ltd by recharging all gas sold at a fixed margin.

Credit risk and impairment

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and from security deposits and prepayments to suppliers and distributors.

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £350,000 (31 December 2015: £133,000) being the total of the carrying amount of financial assets, excluding equity investments, which include trade receivables and accrued income, derivative financial assets and cash. All the receivables are with related parties in the UK.

Analysis of items past due or impaired

Loans and receivables

	Carrying value of items neither past due nor impaired £ 000	Carrying value of items past due but not impaired £ 000	Carrying value of items past due and/or impaired £ 000	Pre impairment value £ 000	Impairment recognised to date £ 000
2016					
Receivables from related parties	350	-	-	-	-

	Carrying value of items neither past due nor impaired £ 000	Carrying value of items past due but not impaired £ 000	Carrying value of items past due and/or impaired £ 000	Pre impairment value £ 000	Impairment recognised to date £ 000
2015					
Receivables from related parties	133	-	-	-	-

The credit quality of financial assets that are neither due or impaired can be assessed by reference to historical information about counterparty default rates. Financial assets relate to intercompany receivables from related parties with no defaults in the past. No financial assets are past due but not impaired.

10 Financial risk management and impairment of financial assets (continued)

Liquidity risk

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

Liquidity risk is managed by Ovo group companies as it has no liquid resources of its own. As such no sensitivity analysis is disclosed within the Company financial statements. Refer to Note 12 for information regarding the parent entity financial statements.

The Ovo 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.

Capital risk management

Capital components

Capital risk is managed to ensure the Ovo group continues as a going concern and grows in a sustainable manner. The Company and Ovo group have no borrowings from third parties, should debt be introduced into the capital structure in the future then gearing would be managed and monitored.

11 Related party transactions

Key management personnel

The company had no (2015: no) direct employees or salary cost in the year. Directors' remuneration and salary is recognised in Ovo Group Ltd. The Company Directors are considered to be the only key management personnel, their emoluments are disclosed in Note 4.

Summary of transactions with parent

During the year the Company traded with Ovo Energy Ltd (parent) and made purchases of gas of £11,865,000 (2015 - £7,341,000) and made sales of gas totalling £12,221,000 (2015 - £7,560,000). The Company also received management services from Ovo Energy Ltd of £139,000 (2015 - £105,000). As at 31 December 2016 the total amount owed by Ovo Energy Ltd was £350,000 (2015 - £131,000).

12 Parent and ultimate parent undertaking

The smallest consolidated statements that incorporate Ovo Gas Ltd are those of Ovo Group Ltd, which are available upon request from the registered office shown in Note 1.

The largest consolidated statement that incorporate Ovo Gas Ltd are those of Imagination Industries Limited, which are available on request from the registered office shown in Note 1.

The company's immediate parent is Ovo Energy Ltd.

The ultimate parent is Imagination Industries Ltd. These financial statements are available upon request from the registered office shown in note 1.

The ultimate controlling party is Stephen Fitzpatrick.