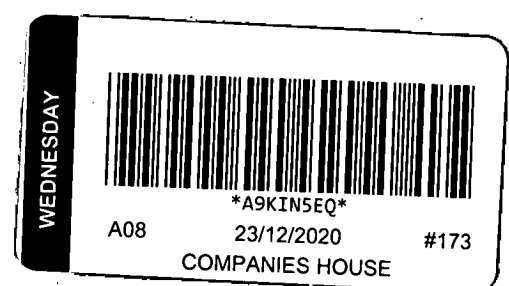


Registration number: 06752915

# OVO Gas Ltd

Annual Report and Financial Statements  
for the Year Ended 31 December 2019



## **OVO Gas Ltd**

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## **OVO Gas Ltd**

### **Company Information**

<b>Directors</b>	Stephen Fitzpatrick
	Niall Wass
	Stephen Murphy
	Vincent Casey
	Adrian Letts
<b>Company secretary</b>	Vincent Casey
<b>Registered office</b>	1 Rivergate Temple Quay Bristol BS1 6ED
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Bristol

## OVO Gas Ltd

### Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

#### **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.

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.

During the year the Company generated revenues of £155,115,000 (2018: £28,785,000) with OVO Energy Ltd, its parent company and £5,865,000 (2018: £454,000) with Spark Energy Limited. The Company made a profit in the year of £4,590,000 (2018: £847,000), the net assets of the Company as at 31 December 2019 were £6,101,000 (2018: £1,511,000).

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

#### **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 2019.

#### Our customers

OVO has a history of championing the interests of customers. We provide easy and intuitive solutions so that whether our customers are on the phone with our award winning call centre or using our app or our website, they know that we will go the extra mile and provide the necessary support.

We engage with our customers via multiple touchpoints as well as delivering support in the management of their energy and the resolution of issues via a number of channels.

We consistently and proactively communicate with all of our customers throughout their life cycle with the OVO brand in the channel of their choice. Operational communications and regular billing information are delivered by email or post on a monthly basis. All customers can access their OVO account via an app or desktop service at any point and are able to understand their usage and manage their account at any time they need. For those customers who wish to receive them, we deliver marketing communications about new products and services that our existing customers may be able to benefit from.

## OVO Gas Ltd

### Strategic Report for the Year Ended 31 December 2019 (continued)

As a business we spend significant time ensuring we understand our current and prospective customers, what they require from their energy provider and how we can improve the experience and products that we offer. Our product and marketing teams regularly research propositional development and brand messaging to ensure everything we create is done with the customer in mind. We consistently track NPS, Trustpilot and brand health and use the data gleaned to continuously build and improve our offering. Regular customer reports are produced for management and are regularly shared with Directors and the Board. Our Board also receives direct updates from each of OVO's customer facing businesses and monitors customer performance, NPS and feedback.

Brand marketing focuses on how OVO Energy and its unique proposition are able to support our customers' journey to Zero Carbon Living. The communications we provide 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.

Post year end, at the start of the Coronavirus lockdown, we quickly communicated with customers to let them know we're here to help those who needed us, and uploaded FAQs to our website to ensure our information was clear, concise and prompt. Our customers and wider charitable partners told us that some customers were worried about paying their bills during lockdown and so we responded by setting up the OVO Coronavirus Hardship Scheme, making £50 million available to support those who had been impacted and were worried about their ability to pay.

#### Our people

Without talented and committed employees, we could never deliver on our ambitions. Our people are the creators of our culture and act as our ambassadors. 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. We have already put in place strong foundations to help ensure everyone who joins OVO feels like they belong.

This includes:

- An Inclusion and Diversity team, which includes senior management, who champion different areas and ensure principles of inclusion and diversity are embedded across the business
- Making a public pledge to increase the number of women in traditionally underrepresented roles
- Normalising the conversation around, and increasing awareness of mental health in the workplace through the Time to Change pledge
- Tracking and reporting diversity data of both applicants and existing employees to identify challenge areas.

Our quarterly employee survey gives employees at all levels the chance to share views with line managers, colleagues and leadership. In 2019, we had an average 82% response rate and management support was called out as a key strength.

We also engage regularly with our people through a number of employee forums, company wide town halls and smaller village halls. All of the data and learnings we receive is shared with the OVO Group Board, and our Chief People Officer attends OVO Group Board meetings in order to communicate and report on employee feedback.

#### Government and Regulators

OVO has dedicated teams who engage regularly with the UK Government and regulators to communicate our business strategy and support the development of policies, either directly or through our trade associations. Our CEO engages directly with policy makers and the regulator around OVO's strategic priorities and is kept informed of priority consultations and regulatory changes.

In 2019 we engaged on a number of strategically important issues to help inform and support the policy development on climate change, the decarbonisation of heat and transport and customer protection. Through this engagement, we aim to positively contribute to the global drive to tackle climate change and to support the UK Government's net-zero by 2050 targets. The OVO Group Board receives regular updates from representations from our Risk and Compliance Committee.

## OVO Gas Ltd

### Strategic Report for the Year Ended 31 December 2019 (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 builds sustainable communities around the world by increasing energy access and tackling youth homelessness. It also focuses on educating children on sustainability and climate change issues to inspire and empower them to take action.

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. Key achievements for the Foundation include:

- Turning 10 derelict properties into 30 safe and affordable homes and working with 100s of young homeless people to break the cycle of homelessness
- Providing funding to electrify 300+ schools and health clinics in rural Kenya to improve the lives of 100,000s of people and leapfrogging the grid to avoid polluting fossil fuels
- Investing £500,000 in local charities and spending 1,000s of volunteering hours to help create sustainable communities

OVO Charitable Foundation is funded partly from customer donations, and partly from the OVO business: at the end of 2019, 65,896 customers donated to OVO Foundation each month.

#### Suppliers

Building trusted partnerships with our suppliers is important in enabling us to provide the best products at the best prices for our customers.

In 2019, as a first step to engage suppliers on Plan Zero, OVO implemented a Supplier Code of Conduct setting out the standards, principles and values to which OVO expects its suppliers to adhere. OVO has asked all existing key suppliers to provide written confirmation that they will adhere with the Supplier Code of Conduct. Going forward, the Supplier Code of Conduct will be built into supplier contract templates, meaning that all new suppliers will be required to adhere with it.

In the future, OVO will be looking at ways to engage further with suppliers to promote sustainability and responsible business practices, 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.

#### Board and company engagement with our stakeholders during strategic moments

The OVO Group Board recognises that having robust governance structures in place is vital to decision-making. The OVO Group Board spends a lot of time listening to and understanding the views of its key stakeholders. When discussing matters at Board meetings these views form an integral part of its decision-making. The OVO Group Board is responsible for approving the company's strategic plan and evaluates proposed acquisitions in the context of that plan. The OVO Group Board, (which includes members from our external shareholders), discussed and approved the acquisition of SSE Energy Services. During the development of Plan Zero (Nov 2018 - May 2019) OVO engaged a vast number of stakeholders in a detailed materiality assessment.

## OVO Gas Ltd

### Strategic Report for the Year Ended 31 December 2019 (continued)

- We held 1-2-1 in-depth sessions with Directors, senior leaders and relevant stakeholders across OVO as well as held 12 group sessions. We also sent out a questionnaire to all Directors to ensure they fed into the development of the strategy that received a 100% response rate.
- We asked all of our employees to complete a survey, and received a 50% response rate.
- We sent out surveys to our customers to seek their feedback on our aims and objectives.
- Plan Zero was discussed and approved by the OVO Group Board, and our CEO was significantly involved in its development.

Since the launch of Plan Zero, we have committed to reporting quarterly to the OVO Group Board - with a summary of each Plan Zero SteerCo. The OVO Group Board is committed to building trusted partnerships with our suppliers, which are crucial to delivering many of our Plan Zero commitments. Through these partnerships, we deliver value and quality to our customers.

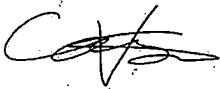
All matters which under OVO's governance arrangements are reserved for decision by the Directors are presented at OVO Group Board meetings. Directors are briefed on any potential impacts and risks for our customers, our people and other stakeholders including the community and environment and how they are to be managed.

#### Principal risks and uncertainties

Due to the nature of the Company's activities, all procurements of wholesale gas are sold to OVO Energy Ltd and Spark 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 financial statements of OVO Group Ltd.

OVO Group Ltd manages its cash resources to ensure it has sufficient funds to meet all expected demands as they fall due.

Approved by the Board on 21 December 2020 and signed on its behalf by:



Vincent Casey  
Director

## OVO Gas Ltd

### Directors' Report for the Year Ended 31 December 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019.

#### Directors' of the company

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

Stephen Fitzpatrick

Niall Wass

Stephen Murphy

Vincent Casey

Adrian Letts (appointed 7 January 2019)

#### Dividends

The directors do not propose a dividend for the current year (2018: no dividends proposed).

#### Principal activity

The principal activity of the company is holding 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.

#### Dividends

The directors do not propose a dividend for the year (2018: 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.

#### Stakeholder engagement

Details of the group's actions taken during the financial year with regards to stakeholder engagement, relationships with suppliers, customers and others, including the effect of principal decisions taken by the group during the financial year, can be found within the Section 172 Statement included in the Strategic Report.

#### 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.

Further information regarding employee engagement can be found within the Strategic Report.

#### 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.



## **OVO Gas Ltd**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Research and development**

The Company undertook no research or development during the year.

#### **Going concern**

The company has made a profit for the year ending 31 December 2019 and has net assets:

The financial statements have been prepared on a going concern basis as the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future as a result of continued trading with OVO group companies. The directors have additionally received confirmation that OVO Group Limited intend to support the company for at least one year after these financial statements were signed.

The ability of OVO Group Limited to provide this support has been considered within the OVO Group Limited financial statements, available on request from the registered office showing in note 1, where the OVO Group Limited directors concluded that the Group has sufficient liquidity to continue as a going concern.

#### **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 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.

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.

## **OVO Gas Ltd**

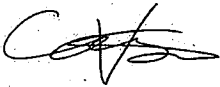
### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Directors' confirmations**

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.

The financial statements on pages 12 to 24 were approved by the Board of Directors on 21 December 2020 and signed on its behalf by:



Vincent Casey  
Director

## **OVO Gas Ltd**

### **Independent Auditors' Report to the Members of OVO Gas Ltd**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, OVO Gas Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Income Statement, the Statement of Cash Flows, the Statement of Changes in Equity for the year 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**

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

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

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

##### **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.

## OVO Gas Ltd

### Independent Auditors' Report to the Members of OVO Gas Ltd (continued)

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 year ended 31 December 2019 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 Director's Responsibilities in respect of the financial statements set out on page 7, 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.

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](http://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.

## OVO Gas Ltd

### Independent Auditors' Report to the Members of OVO Gas Ltd (continued)

#### 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 received 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 K M

.....  
Katharine Finn (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP,  
Chartered Accountants Statutory Auditors

Bristol

21 December 2020

## OVO Gas Ltd

### Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue	3	160,980	29,239
Cost of sales		<u>(156,290)</u>	<u>(28,255)</u>
Gross profit		4,690	984
Administrative expenses		<u>(100)</u>	<u>(137)</u>
Operating profit		<u>4,590</u>	<u>847</u>
Profit before tax		4,590	847
Income tax receipt/(expense)	6	<u>-</u>	<u>-</u>
Profit for the year		<u><u>4,590</u></u>	<u><u>847</u></u>

The above results were derived from continuing operations.

There is no other comprehensive income other than the profit for the year. (2018 - £Nil).

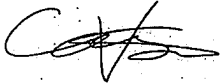
**OVO Gas Ltd**

**(Registration number: 06752915)**

**Statement of Financial Position as at 31 December 2019**

	Note	31 December 2019 £ 000	31 December 2018 £ 000
<b>Current assets</b>			
Trade and other receivables	7	<u>6,101</u>	<u>1,511</u>
<b>Total assets</b>		<u><u>6,101</u></u>	<u><u>1,511</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	8		
Retained earnings		<u>6,101</u>	<u>1,511</u>
<b>Total equity</b>		<u><u>6,101</u></u>	<u><u>1,511</u></u>

The financial statements on pages 12 to 24 were approved by the Board on 21 December 2020 and signed on its behalf by:

  
.....  
Vincent Casey  
Director

## OVO Gas Ltd

### Statement of Changes in Equity for the Year Ended 31 December 2019

	Retained earnings £ 000	Total £ 000
At 1 January 2018	664	664
Profit for the year	847	847
At 31 December 2018	<u>1,511</u>	<u>1,511</u>
	Retained earnings £ 000	Total £ 000
At 1 January 2019	1,511	1,511
Profit for the year	4,590	4,590
At 31 December 2019	<u>6,101</u>	<u>6,101</u>

The notes on pages 16 to 24 form an integral part of these financial statements.



# **OVO Gas Ltd**

## **Statement of Cash Flows for the Year Ended 31 December 2019**

	Note	2019 £ 000	2018 £ 000
<b>Cash flows from operating activities</b>			
Profit for the year		4,590	847
Working capital adjustments			
Increase in trade and other receivables	7	<u>(4,590)</u>	<u>(847)</u>
Net cash flow from operating activities		-	-
Cash and cash equivalents at 1 January		<u>-</u>	<u>-</u>
Cash and cash equivalents at 31 December		<u><u>-</u></u>	<u><u>-</u></u>

## **OVO Gas Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1 General information**

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

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 21 December 2020.

#### **2 Accounting policies**

##### **Statement of compliance**

The company financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

##### **Summary of significant accounting policies**

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 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, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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 the 'Critical accounting estimates and judgements' section at the end of this note.

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.

##### **Going concern**

## OVO Gas Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 2 Accounting policies (continued)

The company has made a profit for the year ending 31 December 2019 and has net assets.

The financial statements have been prepared on a going concern basis as the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future as a result of continued trading with OVO group companies. The directors have additionally received confirmation that OVO Group Limited intend to support the company for at least one year after these financial statements were signed.

The ability of OVO Group Limited to provide this support has been considered within the OVO Group Limited financial statements, available on request from the registered office showing in note 1, where the OVO Group Limited directors concluded that the Group has sufficient liquidity to continue as a going concern.

#### Changes in accounting policy

##### *New standards, interpretations and amendments effective*

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- Leases - IFRS 16
- Prepayment Features with Negative Compensation - Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

None of these other standards, interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

##### *New standards, interpretations and amendments not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### Revenue recognition

The Company's main performance obligation is for the supply of gas to OVO group companies, as the holder of the group's domestic gas supply licence.

The performance obligations relating to the supply of gas are satisfied over time as the end-use customers of the OVO group companies simultaneously receive and consume the benefits of the supply of gas.

Revenue is therefore recognised when charging other OVO group companies for the amount of costs incurred associated with the supply of gas for which the OVO group companies have a right to invoice end-use customers based on the volume of units supplied during any given period throughout the year.

#### 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 enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

## **OVO Gas Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **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 tax 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 temporary differences can be utilised.

## **OVO Gas Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Trade receivables**

The Company trades solely with OVO group companies and as such all trade receivables balances are with related parties.

Trade receivables do not carry any interest and are held at transaction price less an appropriate impairment recognised where the loss is probable. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets.

All intercompany loans are repayable/receivable on demand. As such the company's trade receivable balances are classified as current.

##### **Financial instruments**

###### **Initial recognition**

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The company recognises financial assets and financial liabilities in the statement of financial position 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:-

## OVO Gas Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 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 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.

##### Accounting estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of certain financial assets, liabilities, income and expenses.

##### 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:

	2019 £ 000	2018 £ 000
Sale of gas	160,980	29,239

#### 4 Staff costs

The Directors' remuneration and salary costs for 2019 is recognised in OVO Group Limited.

The Director's compensation is paid by OVO Group Limited, which makes no recharge to the entity. The Directors are additionally Directors of the parent entity and a number of fellow subsidiaries, and it is not possible to make a reasonable apportionment of their compensation in respect of each of the subsidiaries. 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 Limited.

#### 5 Auditors' remuneration

Fees for audit £6,000 (2018: £5,000) and taxation services £1,000 (2018: £1,000) are borne by OVO Group Ltd.

## OVO Gas Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 6 Income tax receipt / (expense)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	4,590	847
Corporation tax at standard rate	872	161
Group loss relief received without payment	(872)	(161)
Total tax charge	-	-

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. The 2016 Finance Act introduced a UK corporation tax rate of 17% from 1 April 2020.

However, the budget which took place on 11 March 2020 confirmed the rate of corporation tax will remain at 19% from 1 April 2020, cancelling the enacted rate reduction to 17%. The rate reduction reversal was substantively enacted on 17 March 2020 by way of a special resolution and therefore has not been reflected in these financial statements.

#### 7 Trade and other receivables

	31 December 2019 £ 000	31 December 2018 £ 000
Receivables from related parties	6,101	1,511

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 and reserves

##### Allotted, called up and fully paid shares

	No.	31 December 2019 £	No.	31 December 2018 £
Ordinary share capital of £0.01 each	10,000	100.00	10,000	100.00

## OVO Gas Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 8 Share capital and reserves (continued)

##### Nature and purpose of reserves

All other reserves are as stated in the statement of changes in equity.

#### 9 Financial instruments

##### Financial assets

##### Loans and receivables

	Carrying value		Fair value	
	31 December 2019 £ 000	31 December 2018 £ 000	31 December 2019 £ 000	31 December 2018 £ 000
Trade and other receivables	6,101	1,511	6,101	1,511

##### *Valuation methods and assumptions*

##### Loans and receivables:

The fair value of loans and receivable 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.

The Company manages commodity risk 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 Company's expected purchase and sale requirements and are therefore out of scope of IFRS 9. Energy contracts that are not financial instruments under IFRS 9 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 IFRS 9 is monitored for internal risk management purposes, only those energy contracts within the scope of IFRS 9 are within the scope of IFRS 7 disclosure requirements.

##### Credit risk and impairment



## **OVO Gas Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

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 £6,101,000 (31 December 2018: £1,511,000) 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.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. OVO Gas Ltd holds the gas supply licence for the OVO group of companies and trades solely with other OVO group companies. The liquidity risk for OVO Gas Ltd is therefore linked to the liquidity risks of the wider group.

The biggest threat to the OVO group companies' liquidity, and indirectly to OVO Gas Ltd, would arise from unusually cold weather or other factors causing customer volumes to be much higher than anticipated. This could place a strain on the OVO group's working capital, as payments due to supplier invoices could become due before customer collection levels could be adjusted.

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.

Liquidity risk is managed by OVO group companies as the Company 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.

#### **Capital risk management**

##### **Capital management**

The group's objective when managing capital are to ensure the group continues as a going concern; and grows in a sustainable manner.

The company and 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**

##### **Summary of transactions with related parties**

During the year the Company traded with OVO Energy Ltd (parent) and made sales of gas to them totalling £155,115,000 (2018: £28,785,000). As at 31 December 2019, the total balance due from OVO Energy Ltd was £5,917,000 (2018: £1,498,000).

During the year the Company also traded with Spark Energy Limited and made sales of gas to them totalling £5,865,000 (2018: £454,000). As at December 2019, the total balance due from Spark Energy Limited was £184,000 (2018: £13,000).

All intercompany loans are repayable/receivable on demand.

## **OVO Gas Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **12 Parent and ultimate parent undertaking**

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

The largest consolidated statements that incorporate OVO Gas Ltd are those of Imagination Industries Ltd, which are available upon 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 showing in note 1.

The ultimate controlling party is Stephen Fitzpatrick.