

Registration number: 06752915

# OVO Gas Ltd

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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# **OVO Gas Ltd**

## **Contents**

	<b>Page(s)</b>
Company Information	1
Strategic Report	2 to 5
Directors' Report	6 to 8
Independent Auditors' Report	9 to 12
Profit and Loss Account	13
Balance Sheet	14
Statement of Changes in Equity	15
Notes to the Financial Statements	16 to 22

# **OVO Gas Ltd**

## **Company Information**

<b>Directors</b>	Vincent Casey Raman Bhatia
<b>Company secretary</b>	Vincent Casey
<b>Registered office</b>	1 Rivergate Temple Quay Bristol England United Kingdom BS1 6ED
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Temple Quay Bristol BS2 0FR

## OVO Gas Ltd

### Strategic Report for the Year Ended 31 December 2021

The Directors present their strategic report for the year ended 31 December 2021.

#### **Fair review of the business**

OVO Gas Ltd holds the gas supply licence for certain OVO group companies. Services associated with the supply of gas are sold by OVO Gas Ltd 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 management's 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 £114m (2020: £128m). The Company made a profit in the year of £3m (2020: profit of £3m) and the net assets of the Company as at 31 December 2021 were £12m (2020: net assets of £9m).

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

#### **Section 172 statement**

The Company's operations are integrated within the wider OVO group and therefore the strategic decisions made by the Directors are made in parallel with those of the OVO group board. The summary of stakeholder engagement discussed therefore applies to the wider OVO group and not just the Company.

Stakeholders are at the heart of our strategy and business model and our Board aims to uphold the highest standard of conduct while ensuring that all decisions are taken with consideration of the long term interests of stakeholders.

Plan Zero sets out our purpose to drive progress to zero carbon living, generate long term value for members and is core to our company culture. The need to transition from fossil fuels to renewable energy is the biggest, most pressing challenge facing humankind. 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 stakeholders**

##### *Our members*

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 people*

Without talented and committed employees, we could never deliver on our ambitions. We aspire to be the leading place to work for people who will change the world. When our people thrive, they 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.

## OVO Gas Ltd

### Strategic Report for the Year Ended 31 December 2021 (continued)

#### Section 172 statement (continued)

##### *Our planet*

OVO's impacts on the environment and our planet are central to OVO's business strategy to deliver Plan Zero. We recognise that our business operations have environmental impacts, including carbon emissions, air pollution, natural resource use, water consumption, and generation of waste. In 2021, we established a formal Environment Policy, applicable across the OVO Group, to codify our commitment to minimise the negative impacts of our business activities on the environment across our entire value chain. In addition, we commit to increasing the positive impact of our business on the planet, for example by developing products and services that help our customers to decarbonise home energy use. We have taken action to embed sustainable business practices across our OVO Retail business through the implementation of Plan Zero. For example, in 2021, we rolled out mandatory training on climate change to all our people to encourage them to consider Plan Zero in strategic and operational decision-making across all areas of our business. During 2021, we reported environmental performance periodically to OVO's Leadership Team and annually to the Board. In October 2021, we published key environmental, social and governance metrics for the first time in our Plan Zero 2020 progress report. During 2021, we reported environmental performance periodically to OVO's Leadership Team and annually to the Board. In October 2021, we published key environmental, social and governance metrics for the first time in our Plan Zero 2020 progress report.

##### *Governments and regulators*

Our Board members engage regularly with key stakeholders within the UK Government, devolved administrations, respective Parliaments and the regulator. Our activity is across a range of mediums including conferences, roundtables, and media to engage effectively with key regulatory, policy and political priorities. Our dedicated Policy and Public Affairs team actively manage our stakeholder plan and 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.

##### *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*

We build trusted relationships with our suppliers to enable us to provide the best quality products and services at optimum pricing for our customers, whilst mitigating data, social and environmental risks in our upward supply chain. In 2021, our Procurement team continued to implement a central procurement system and process across the OVO Retail business, to improve and standardise the way in which we assess and engage with our suppliers during on-boarding and contract renewal. We continued to implement our Supplier Code of Conduct for all new key suppliers as part of the standard procurement process. We also strengthened our sustainable procurement controls through the introduction of sustainability risk screening and assessments for new suppliers and contract renewals, and where applicable mandated that sustainability criteria was considered as part of any supplier selection.

## OVO Gas Ltd

### Strategic Report for the Year Ended 31 December 2021 (continued)

#### Section 172 statement (continued)

##### *Embedding Section 172 in Board decision-making*

Having met the threshold requirements to report against Section 172 of the UK's Companies Act 2006, a number of steps have been taken to ensure we are embedding the duties in Board decision-making. Our Chairman sets the agenda for each Board meeting and has taken steps to ensure that we are meeting the requirements and carefully considering our stakeholders through a combination of the following:

- Strategically significant topics are reviewed through the newly established Risk and Audit Committees e.g. regular consideration of regulatory and political risks are provided via this forum and feedback from priority government and regulatory stakeholders is shared.
- Board papers ensure that stakeholder considerations are considered where relevant.
- Formal consideration of any stakeholders which are relevant to any major decisions taken by the Board throughout the year.
- Direct engagement by the Chairman and members of the Board with appropriate stakeholders via a mix of bilateral meetings, committees, forums and conferences on key strategic decisions for the Group.
- Regularly scheduled Board presentations and reports on issues such as: customer engagement, risk register reports, health & safety reports, investment updates, and developments related to our people and culture.
- The Directors also fulfil their Section 172 duties partly through the delegation of day-to-day decision making to the employees of the Group and regularly receive and consider feedback on stakeholders' views from dedicated teams within Corporate Affairs.

##### *Case Study: Responding to the energy crisis*

Over the past year wholesale energy prices have increased to record highs and the energy market has faced its biggest challenge as demand for energy surged against increasing costs. This was due in part because of the recovery from COVID-19, but also a cold winter in Asia resulting in low levels of storage in Europe, as well as geopolitical risks. The result was 27 energy suppliers ceased trading in 2021.

OVO was in a strong position to manage market volatility due to being well-hedged with sufficient capital to support its customers throughout winter and beyond. Our priority was to reassure our customers that we're here for them and will continue to provide the service we're known for, all while engaging with external stakeholders to tackle the industry challenge.

Towards the end of 2021 the End Fuel Poverty Coalition reported that more than one in four UK households will be in fuel poverty once the April 2022 price cap comes into effect. Throughout the crisis, our leadership team at OVO regularly met with the UK Government, Ofgem and our charity partners to help manage the immediate issues and create solutions that work in the long term.

To help our customers receive the answers they need immediately, we created a comprehensive guide and FAQ section on our websites. We also launched our Payment Support Product, the industry's first Open Banking digital tool, enabling members looking for support to quickly access a detailed, accurate picture of their affordability and help find a solution tailored personally to suit their current circumstances. The launch has already seen an 80% completion rate for customers taking advantage of a payment plan.

We hosted a roundtable with consumer groups and charities to discuss ways to support households through the energy crisis. One of the outcomes of the roundtable was OVO agreeing to provide a package of support to StepChange worth £2 million. The package included setting up a dedicated team of advisors to be seconded to StepChange from OVO, and the licensing of our Payment Support platform to help support the charity's aspiration to digitise and improve affordability processes and maximise efficiency. While we already work closely with StepChange, we know that helping direct our customers to their services and providing the donation is vital. It's critical we provide more support to the charities helping people get the advice they need.

## OVO Gas Ltd

### Strategic Report for the Year Ended 31 December 2021 (continued)

#### Section 172 statement (continued)

Over the past year we've continually pushed for environmental levies and social costs to be taken off energy bills and placed into general taxation, delivering an immediate reduction to help solve the inequality of the poorest and richest households paying the same amount. We also engaged with the UK Government on the design and implementation of the £400 rebate for customers announced by the Chancellor. Given the scale of gas price increases, we recommended intervention will need to be targeted at those who most need it, providing direct support until prices eventually come down. Our focus as an industry should be on supporting the most vulnerable during the energy crisis.

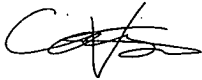
As a business we continue to engage with parliamentarians, charities, Ofgem and the wider industry to ensure we have a long term plan in place for the retail energy market. The industry needs to be prepared for extreme volatility to become commonplace and focus on accelerating the transition towards a cleaner, greener and more sustainable energy system for the UK.

#### Principal risks and uncertainties

Due to the nature of the Company's activities, services associated with the supply of gas are sold to OVO group companies. 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 23 June 2022 and signed on its behalf by:



.....  
Vincent Casey  
Director

## **OVO Gas Ltd**

### **Directors' Report for the Year Ended 31 December 2021**

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

#### **Directors of the Company**

The Directors who held office during the year and up to the date of signing the financial statements, were as follows:

Stephen Fitzpatrick (resigned 18 January 2021)

Stephen Murphy (resigned 18 January 2021)

Niall Wass (resigned 12 January 2021)

Vincent Casey

Adrian Letts (resigned 1 March 2022)

Raman Bhatia (appointed 18 January 2021)

Ben Blake (appointed 18 January 2021 and resigned 30 November 2021)

William Castell (appointed 18 January 2021 and resigned 10 January 2022)

#### **Dividends**

The Directors do not propose a dividend for the year ended 31 December 2021 (2020: no dividends proposed).

#### **Financial instruments**

Predominantly all the risks associated with financial instruments sits with other companies in the OVO group. The Company is exposed to credit risk on intercompany balances with other OVO group companies and is also dependent on other group companies to provide liquidity.

#### **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 year. Other stakeholder engagement is further discussed in the Strategic Report under the heading 'Stakeholders'.

#### **Future developments**

The Directors do not consider that OVO Gas Ltd will be used for any other purpose than that set out in the Fair review of the business in the Strategic Report.

#### **Research and development**

The Company undertook no research or development during the year.

## **OVO Gas Ltd**

### **Directors' Report for the Year Ended 31 December 2021 (continued)**

#### **Going concern**

The Company made a profit for the year ended 31 December 2021 and has net assets. The financial statements have been prepared on a going concern basis.

The Company relies on the continued financial support of the parent company OVO Group Ltd and the continued trading with other companies within the same Group. The Directors have received confirmation that OVO Group Ltd intends to support the Company for at least one year after these financial statements were signed.

The Group has sufficient liquidity over the full going concern period under both its base case and stress-tested forecast. However, as a result of the key uncertainties including short term volatility in wholesale commodity prices, the impact of the UK cost of living crisis and the UK regulatory environment, the Group is forecasting that it will breach certain of its financial covenants within the next 12 months. Breach of these covenants would allow counterparties, if they so decide, to request additional collateral. The counterparty may terminate the contract if appropriate additional collateral is not provided, if requested, within a timely manner. If this were to happen, the Group may not be able to secure an alternative counterparty to facilitate continued trading on a sustainable basis.

The Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements on the basis of the continued financial support of the parent company. However, the Directors have also concluded that the circumstances surrounding the Group represent a material uncertainty that may cast significant doubt on the Group's and therefore, the Company's ability to continue as a going concern.

The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern should the assumptions referred to above prove not to be correct.

#### **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.

#### **Disclosure of information to the auditors**

Each Director has taken steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

## OVO Gas Ltd

### Directors' Report for the Year Ended 31 December 2021 (continued)

#### Statement of Directors' responsibilities

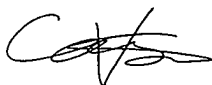
The Directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have 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.

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

Approved by the Board on 23 June 2022 and signed on its behalf by:



Vincent Casey  
Director



# 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 2021 and of its profit for the year then ended;
- 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 2021; the profit and loss account and 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.

### Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The company relies on the continued financial support of the parent company OVO Group Ltd and the continued trading with other companies within the same group. The group is exposed to short term volatility in wholesale commodity prices and credit losses caused by the UK cost of living crisis and are limited by the UK regulatory environment in the way they can react to such matters. The group is forecasting to breach financial covenants with trading creditors under the base case and the downside case scenarios which could allow the counterparties to terminate such arrangements or request additional collateral. If this were to happen, the group may not be able to secure an alternative counterparty to facilitate continued trading on a sustainable basis. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as

## **OVO Gas Ltd**

### **Independent Auditor's Report to the Members of OVO Gas Ltd (continued)**

a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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.

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 year ended 31 December 2021 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

## OVO Gas Ltd

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

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 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 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 posting of inappropriate journal entries to manipulate financial performance. Audit procedures performed by the engagement team included:

- Discussions with management, in house legal counsel and the members of the 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, and
- Identifying and where applicable testing journal entries that met our predefined risk criteria, in particular journal entries posted with unusual account combinations

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](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.

## 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.

## **OVO Gas Ltd**

### **Independent Auditor's Report to the Members of OVO Gas Ltd (continued)**

We have no exceptions to report arising from this responsibility.

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Katharine Finn (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol  
23 June 2022

## OVO Gas Ltd

### Profit and Loss Account for the Year Ended 31 December 2021

	Note	2021 £ m	2020 £ m
Turnover	3	114	128
Cost of sales		<u>(111)</u>	<u>(125)</u>
<b>Operating profit</b>		3	3
Interest receivable and similar income	4	<u>1</u>	<u>1</u>
<b>Profit before tax</b>		4	4
Tax on profit	7	<u>(1)</u>	<u>(1)</u>
<b>Profit for the financial year</b>		<u><u>3</u></u>	<u><u>3</u></u>

The above results were derived from continuing operations.

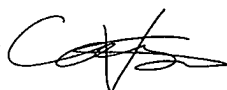
The Company had no other comprehensive income in the current or prior financial years.

# OVO Gas Ltd

(Registration number: 06752915)  
Balance Sheet as at 31 December 2021

	Note	31 December 2021 £ m	31 December 2020 £ m
<b>Current assets</b>			
Debtors	8	14	10
Creditors: Amounts falling due within one year	9	<u>(2)</u>	<u>(1)</u>
<b>Net assets</b>		<u>12</u>	<u>9</u>
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Profit and loss account		<u>12</u>	<u>9</u>
<b>Total shareholders' funds</b>		<u>12</u>	<u>9</u>

The financial statements on pages 13 to 22 were approved by the Board on 23 June 2022 and signed on its behalf by:



Vincent Casey  
Director

# **OVO Gas Ltd**

## **Statement of Changes in Equity for the Year Ended 31 December 2021**

	<b>Profit and loss - account £ m</b>	<b>Total £ m</b>
At 1 January 2020	6	6
Profit for the year	<u>3</u>	<u>3</u>
Total comprehensive income	<u>3</u>	<u>3</u>
At 31 December 2020	<u>9</u>	<u>9</u>
	<b>Profit and loss - account £ m</b>	<b>Total £ m</b>
At 1 January 2021	9	9
Profit for the year	<u>3</u>	<u>3</u>
Total comprehensive income	<u>3</u>	<u>3</u>
At 31 December 2021	<u>12</u>	<u>12</u>

## **OVO Gas Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **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  
England  
United Kingdom  
BS1 6ED

These financial statements were authorised for issue by the Board on 23 June 2022.

#### **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**

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 as applicable to companies using FRS 101.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

On 31 December 2020, EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. In preparing these financial statements in accordance with FRS 101, the Company Financial Statements transitioned to UK-adopted international accounting standards (as described above) on 1 January 2021. There is no impact on recognition, measurement or disclosure in the period reported as a result of this change. The financial statements have been prepared under the historical cost convention.

The smallest consolidated statements that incorporate the Company are those of OVO Finance Ltd. The consolidated financial statements of OVO Finance Ltd 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, UK.

## OVO Gas Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### Basis of preparation (continued)

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;
- 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.

As the consolidated financial statements of OVO Finance Ltd include the equivalent disclosures, 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.
- 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 FRS 101 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. Given the simple nature of the Company's operations, the Directors do not consider there to be any key estimates or judgements.

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

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

## OVO Gas Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### Going concern

The Company made a profit for the year ended 31 December 2021 and has net assets. The financial statements have been prepared on a going concern basis.

The Company relies on the continued financial support of the parent company OVO Group Ltd and the continued trading with other companies within the same Group. The Directors have received confirmation that OVO Group Ltd intends to support the Company for at least one year after these financial statements were signed.

The Group has sufficient liquidity over the full going concern period under both its base case and stress-tested forecast. However, as a result of the key uncertainties including short term volatility in wholesale commodity prices, the impact of the UK cost of living crisis and the UK regulatory environment, the Group is forecasting that it will breach certain of its financial covenants within the next 12 months. Breach of these covenants would allow counterparties, if they so decide, to request additional collateral. The counterparty may terminate the contract if appropriate additional collateral is not provided, if requested, within a timely manner. If this were to happen, the Group may not be able to secure an alternative counterparty to facilitate continued trading on a sustainable basis.

The Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements on the basis of the continued financial support of the parent company. However, the Directors have also concluded that the circumstances surrounding the Group represent a material uncertainty that may cast significant doubt on the Group's and therefore, the Company's ability to continue as a going concern.

The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern should the assumptions referred to above prove not to be correct.

##### 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 January 2021:

- Covid-19-Related Rent Concessions - amendments to IFRS 16, and
- Interest Rate Benchmark Reform - Phase 2 - amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

##### Revenue recognition

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

The performance obligations relating to the services associated with 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 gas.

Revenue is therefore recognised when charging other OVO group companies for the amount of costs incurred associated with services 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.

## OVO Gas Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### Interest income and expense

Interest income and expense is recognised in profit or loss as it accrues, using the effective interest method.

##### 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.

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 affects 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.

##### Trade debtors

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

Trade debtors 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 debtors and accrued income.

Amounts owed by group undertakings are repayable or receivable on demand. As such the Company's trade debtors balances are classified as current.

##### 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.

## OVO Gas Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### Financial instruments

The Company's financial assets comprise trade debtors only. The Company does not have any financial liabilities.

The Company recognises financial assets 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. Subsequent to initial measurement, financial assets comprising trade debtors are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in interest income using the effective interest rate method.

The Company derecognises a financial asset when;

- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company applies the simplified approach, which requires expected lifetime losses to be recognised from the initial recognition of the debtors.

#### 3 Turnover

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

	2021	2020
	£ m	£ m
Sale of services associated with the supply of gas in the UK	114	128

#### 4 Interest receivable and similar income

	2021	2020
	£ m	£ m
Interest on amounts owed by group undertakings	1	1

#### 5 Staff costs

No staff are directly employed by the Company (2020: none) and no staff costs are recharged to the Company (2020: £nil).

The Directors' remuneration and salary costs for the year are recognised in OVO Energy Ltd (2020: OVO Group Ltd and OVO Energy Ltd).

The Directors' compensation is paid by OVO Energy Ltd (2020: OVO Group Ltd and OVO Energy Ltd), which make no recharge to the entity. The 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 companies 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 (2020: financial statements of OVO Energy Ltd).

# OVO Gas Ltd

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 6 Auditors' remuneration

Fees for audit £5,000 (2020: £5,000) are borne by OVO Energy Ltd (2020: OVO Energy Ltd).

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.

### 7 Tax on profit

Tax charged in profit or loss:

	2021 £ m	2020 £ m
Current tax	1	1
Total current income tax	1	1
Tax charge in the profit and loss account	1	1

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2020 - the same as the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £ m	2020 £ m
Profit before tax	4	4
Corporation tax at standard rate	1	1
Total tax charge	1	1

The tax rate for the current year is the same as the prior year.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021, but has no impact on these financial statements as the Company has no deferred tax.

### 8 Debtors

	31 December 2021 £ m	31 December 2020 £ m
Amounts owed by group undertakings	14	10

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is incurred at 8.55% on interest bearing balances unless otherwise disclosed. Unpaid interest is capitalised and compounded every 6 months.

## OVO Gas Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 9 Creditors: Amounts falling due within one year

	31 December 2021 £ m	31 December 2020 £ m
Corporation tax payable	<u>2</u>	<u>1</u>

#### 10 Called up share capital

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

	31 December 2021		31 December 2020	
	No.	£	No.	£
Ordinary share capital of £0.01 each	<u>10,000</u>	<u>100.00</u>	<u>10,000</u>	<u>100.00</u>

##### Rights, preferences and restrictions

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

#### 11 Reserves

The balance classified as share capital includes the total net proceeds on issue of the Company's equity share capital, comprising £0.01 ordinary shares.

#### 12 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.

#### 13 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 its registered office 9 Pembridge Road Notting Hill London W11 3JY.

The Company's immediate parent is OVO Energy Ltd.

The ultimate parent is Imagination Industries Ltd.

The ultimate controlling party is Stephen Fitzpatrick.