

Registration number: 06752915

# OVO Gas Ltd

Annual Report and Financial Statements  
for the Year Ended 31 December 2020



# **OVO Gas Ltd**

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## **OVO Gas Ltd**

### **Company Information**

**Directors** Vincent Casey

Adrian Lettis

Raman Bhatia

Ben Blake

William Castell

**Company secretary** Vincent Casey

**Registered office**

1 Rivergate

Temple Quay

Bristol

United Kingdom

BS1 6ED

**Independent auditors** PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

2 Glass Wharf

Temple Quay

Bristol

BS2 0FR

## OVO Gas Ltd

### Strategic Report for the Year Ended 31 December 2020

The Directors present their strategic report for the year ended 31 December 2020.

#### **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 £128m (2019: £161m). The Company made a profit in the year of £3m (2019: £5m), the net assets of the Company as at 31 December 2020 were £9m (2019: £6m).

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

#### **Section 172 statement**

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

#### *Stakeholders*

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

#### *Our people*

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

#### *Our customers*

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

#### *Our planet*

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

## OVO Gas Ltd

### Strategic Report for the Year Ended 31 December 2020 (continued)

#### *Governments and regulators*

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

#### *Our communities*

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

#### *Our suppliers*

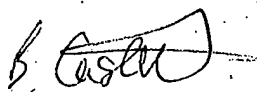
Building trusted partnerships with our suppliers is important in enabling us to provide the best products at the best prices for our customers. Suppliers are engaged with Plan Zero by adhering to our Supplier Code of Conduct and we have plans to further engage suppliers by including sustainability assessments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

#### **Principal risks and uncertainties**

Due to the nature of the Company's activities, all procurements of wholesale 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. The consolidated financial statements of OVO Group Ltd are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from its registered office 1 Rivergate, Temple Quay, Bristol, England, BS1 6ED.

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 10 September 2021 and signed on its behalf by:



William Castell  
Director

## **OVO Gas Ltd**

### **Directors' Report for the Year Ended 31 December 2020**

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

#### **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)

Niall Wass (resigned 12 January 2021)

Stephen Murphy (resigned 18 January 2021)

Vincent Casey

Adrian Letts

The following directors were appointed after the year end:

Raman Bhatia (appointed 18 January 2021)

Ben Blake (appointed 18 January 2021)

William Castell (appointed 18 January 2021)

#### **Principal activities**

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 ended 31 December 2020 (2019: no dividends proposed).

#### **Financial instruments**

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 Combined Risk and Audit Committee, under policies approved by the Directors and the OVO Group management team.

#### **Employee engagement**

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

#### **Other stakeholder engagement**

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

#### **Employment of disabled persons**

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

## **OVO Gas Ltd**

### **Directors' Report for the Year Ended 31 December 2020 (continued)**

#### **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 up to the point of closure.

#### **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 2020 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 Ltd intend to support the Company for at least one year after these financial statements were signed.

The ability of OVO Group Ltd to provide this support has been considered within the OVO Group Ltd financial statements, available on request from the registered office showing in note 1, where the OVO Group Ltd 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.

#### **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 2020 (continued)

#### Statement of Directors' responsibilities

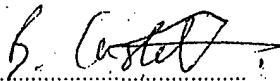
The Directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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 10 September 2021 and signed on its behalf by:



William Castell  
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 2020 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 2020; 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.

### Conclusions relating to going concern

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

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

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

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

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does

not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

### **Strategic report and Directors' report**

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

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

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditors' responsibilities for the audit of the financial statements**

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

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

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

- Discussions with management, in house legal counsel and the members of the Combined Risk and Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of Ofgem's website for details of any enforcement action or open investigations;
- Testing whether tax provisions reflect relevant tax legislation, including consideration of any uncertain tax positions; and
- Identifying and 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.

We have no exceptions to report arising from this responsibility.

**KE Finn**

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

## OVO Gas Ltd

### Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £ m	2019 £ m
Turnover	3	128	161
Cost of sales		<u>(125)</u>	<u>(156)</u>
Operating profit		3	5
Interest receivable and similar income	4	<u>1</u>	<u>-</u>
Profit before tax		4	5
Tax on profit	7	<u>(1)</u>	<u>-</u>
Profit for the financial year		<u><u>3</u></u>	<u><u>5</u></u>

The above results were derived from continuing operations.

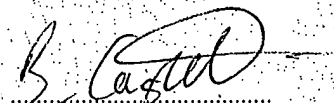
The Company had no other comprehensive income in the current or prior financial years.

# OVO Gas Ltd

(Registration number: 06752915)  
Balance Sheet as at 31 December 2020

	Note	31 December 2020 £ m	31 December 2019 £ m
<b>Current assets</b>			
Debtors	8	10	6
Creditors: Amounts falling due within one year	9	(1)	-
<b>Net assets</b>		<u>9</u>	<u>6</u>
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Profit and loss account		<u>9</u>	<u>6</u>
<b>Total shareholders' funds</b>		<u>9</u>	<u>6</u>

The financial statements on pages 10 to 19 were approved by the Board on 10 September 2021 and signed on its behalf by:

  
.....  
William Castell  
Director

# **OVO Gas Ltd**

## **Statement of Changes in Equity for the Year Ended 31 December 2020**

	<b>Retained earnings £ m</b>	<b>Total £ m</b>
At 1 January 2020	6	6
Profit for the year	3	3
Total comprehensive income	3	3
At 31 December 2020	9	9
	<b>Retained earnings £ m</b>	<b>Total £ m</b>
At 1 January 2019	1	1
Profit for the year	5	5
Total comprehensive income	5	5
At 31 December 2019	6	6

The notes on pages 13 to 19 form an integral part of these financial statements.

## **OVO Gas Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2020**

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

These financial statements were authorised for issue by the Board on 10 September 2021.

#### **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 were 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. The Company transitioned from EU-adopted IFRS to FRS 101 for all periods presented. There were no material amendments on the adoption of FRS 101.

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

The financial statements have been prepared under the historical cost convention.

The Company's parent undertaking, OVO Group Ltd, includes the Company in its consolidated financial statements. The consolidated financial statements of OVO Group 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.

## OVO Gas Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 2 Accounting policies (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 Group Ltd include the equivalent disclosure, the Company has also taken advantage of the exemptions, under FRS 101, available in respect of the following disclosure:

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. 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 entity operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is the Company's functional and the Company's presentation currency.

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

#### Going concern

The Company has made a profit for the year ending 31 December 2020 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 Ltd intend to support the Company for at least one year after these financial statements were signed.

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



## **OVO Gas Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

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

##### **Changes in accounting policy**

##### **New and amended standards adopted by the Company**

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

Definition of Material - amendments to IAS 1 and IAS 8

Definition of a Business - amendments to IFRS 3

Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39 and IFRS 7

Revised Conceptual Framework for Financial Reporting

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

##### **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 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.

##### **Finance income and costs policy**

Interest receivable 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 taxations 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 2020 (continued)

#### 2 Accounting policies (continued)

##### Trade debtors

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

Trade debtors 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 debtors and accrued income.

All intercompany loans are repayable/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.

##### 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.

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 initial recognition of the debtors.

#### 3 Turnover

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

	2020 £ m	2019 £ m
Sale of gas	<u>128</u>	<u>161</u>

#### 4 Interest receivable and similar income

	2020 £ m	2019 £ m
Interest on intercompany borrowings	<u>1</u>	<u>-</u>

## OVO Gas Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 5 Staff costs

No staff are directly employed by the Company (2019: none) and no staff costs are recharged to the Company (2019: £nil).

The Directors' remuneration and salary costs for the year are recognised in OVO Group Ltd and OVO Energy Ltd (2019: OVO Group Ltd).

The Directors' compensation is paid by OVO Group Ltd and OVO Energy Ltd (2019: OVO Group 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 (2019: consolidated financial statements of OVO Group Ltd).

#### 6 Auditors' remuneration

Fees for audit £5,000 (2019: £6,000) are borne by OVO Energy Ltd (2019: OVO Group 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 the profit and loss account

	2020 £ m	2019 £ m
<b>Current taxation</b>		
UK corporation tax	1	-

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ m	2019 £ m
Profit before tax	4	5
Corporation tax at standard rate	1	1
Group loss relief received without payment	-	(1)
Total tax charge	1	-

## OVO Gas Ltd

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 7 Tax on profit (continued)

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

In the Spring Budget 2021, the UK Government announced that the UK corporation tax rate will increase to 25% from 1 April 2023.

#### 8 Debtors

	31 December 2020 £ m	31 December 2019 £ m
Receivables from related parties	<u>10</u>	<u>6</u>

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

	31 December 2020 £ m	31 December 2019 £ m
Corporation tax payable	<u>1</u>	<u>-</u>

#### 10 Share capital

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

	31 December 2020		31 December 2019	
	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.

## **OVO Gas Ltd**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **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 140-142 Kensington Church Street, London, England, W8 4BN.

The Company's immediate parent is OVO Energy Ltd.

The ultimate parent is Imagination Industries Ltd.

The most senior parent entity producing publicly available financial statements is Imagination Industries Ltd.

The ultimate controlling party is Stephen Fitzpatrick.