Registration number: 06858121

Ovo Electricity Ltd

Annual Report and Financial Statements

for the Year Ended 31 December 2014

Ovo Electricity Ltd

Contents

Ovo Electricity Ltd

Company Information

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

Strategic Report

The directors present their strategic report for the year ended 31 December 2014.

Fair review of the business

Ovo Electricity Ltd holds the electricity supply licence for the Ovo group of companies. Electricity is procured on the wholesale markets and is sold to other companies within the Ovo group of companies. The results for the year and the financial position are shown in the following financial statements.

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 (previously Ovo Energy (Group) Ltd) financial statements. These financial statements are available upon request from the registered office shown in note 1.

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

Principal risks and uncertainties

Due to the nature of the Company's activities, all procurements of wholesale electricity are sold to Ovo Energy Ltd, management do not perceive that there are any principal risks or uncertainties within Ovo Electricity Ltd financial statements.

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

Approved by the Board on 24 September 2015 and signed on its behalf by:

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Stephen Fitzpatrick
Director

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2014.

Directors of the company

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

Stephen Fitzpatrick

The following directors were appointed after the year end:

Stephen Murphy - Chairman (appointed 28 January 2015)

Christopher Houghton (appointed 28 January 2015)

Dividends

The Directors do not propose a dividend for the year ended 31 December 2014 (2013: none proposed).

Financial instruments

The financial risk management objectives and policies of the Company and the assessment of the Company's exposure to market risk, commodity price risk, credit risk, liquidity risk and capital risk is discussed in note 13 of these financial statements.

Employment of disabled persons

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

Employee involvement

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

Future developments

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

Research and development

The Company undertook no research or development during the year.

Going concern
Whilst the Company has made losses in the year ended 31 December 2014, the financial statements have been prepared on a going concern basis.

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

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

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

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board on 24 September 2015 and signed on its behalf by:

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Stephen Fitzpatrick
Director

Independent Auditors' Report to the members of Ovo Electricity Ltd

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Ovo Electricity Ltd's financial statements comprise:

- the Statement of Financial Position as at 31 December 2014;
- the Income Statement for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Independent Auditors' Report to the members of Ovo Electricity Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of Directors' Responsibilities (set out on pages 4 and 5) , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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Paul Nott (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Bristol

30 September 2015

Income Statement

	Note		2014 £ 000		2013 £ 000
Revenue			73,949		71,501
Cost of sales			(74,280)		(70,194)
Gross (loss)/profit			(331)		1,307
Administrative expenses			(161)		(651)
EBITDA		1,334		596	
Unrealised gains/(losses) on derivatives		(1,826)		60	
Operating (loss)/profit			(492)		656
Finance income	4		-		1
(Loss)/profit before tax			(492)		657
Income tax expense			364		21
(Loss)/profit for the year			(128)		678

The above results were derived from continuing operations.

There is no other comprehensive income other than the loss for the year.

Statement of Financial Position

	Note	2014 £ 000	2013 £ 000
Assets			
Non-current assets			
Intangible assets	8	25	25
Deferred tax assets	7	385	21
		410	46
Current Assets			
Trade and other receivables	9	2,683	4,496
Derivative financial instruments		-	82
		2,683	4,578
Total assets		3,093	4,624
Current Liabilities			
Trade and other payables	10	-	(3,147)
Derivative financial instruments		(1,930)	(186)
		(1,930)	(3,333)
Total liabilities		(1,930)	(3,333)
Net assets		1,163	1,291
Equity			
Share capital	11	-	-
Retained earnings		1,163	1,291
Total equity		1,163	1,291

The financial statements on pages 12 to 24 were approved by the Board of Directors on 24 September 2015 and signed on its behalf by:

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Stephen Fitzpatrick

Director

Statement of Changes in Equity

	Retained earnings £ 000	Total £ 000
At 1 January 2013	613	613
Profit for the year	678	678
Total comprehensive income	678	678
At 31 December 2013	1,291	1,291

	Retained earnings £ 000	Total £ 000
At 1 January 2014	1,291	1,291
Loss for the year	(128)	(128)
Total comprehensive expense	(128)	(128)
At 31 December 2014	1,163	1,163

Statement of Cash Flows

	Note	2014 £ 000	2013 £ 000
Cash flows from operating activities			
(Loss)/profit for the year		(128)	678
Adjustments to cash flows from non-cash items			
Financial instrument net gains/ (losses) through profit and loss		1,826	(60)
Finance income	4	-	(1)
Taxation	7	(364)	(21)
		1,334	596
Working capital adjustments			
Decrease/(increase) in trade and other receivables	9	1,813	(178)
Decrease in trade and other payables		(3,147)	(419)
Net cash flow used in operating activities		-	(1)
Cash flows from investing activities			
Interest received	4	-	1
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-
		-	-

The notes on pages 12 to 24 form an integral part of these financial statements.

Notes to the Financial Statements

1 General information

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

The address of its registered office is:
1 Rivergate
Temple Quay
Bristol
United Kingdom
BS1 6ED

These financial statements were authorised for issue by the Board on 24 September 2015.

2 Accounting policies

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

Basis of preparation
The Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

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

Revenue recognition
Revenue arises from the supply of electricity and related services as a result of a recharge to the immediate parent entity, Ovo Energy Limited, as these costs are incurred.

All revenue arose within the United Kingdom.

Finance income and costs policy
Financing expense comprises interest payable on loans and is recognised in profit or loss using the effective interest method. Financing income comprises interest receivable on funds invested and on loans to group undertakings.

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

2 Accounting policies (continued)

Tax

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

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

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

Intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Industry accreditation has an indefinite life, is not subject to amortisation and is tested for impairment at each balance sheet date.

Trade receivables

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

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

Trade payables

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

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

2 Accounting policies (continued)

Derivatives and hedging

The Company uses commodity purchase contracts to hedge its exposures to fluctuations in gas and electricity commodity prices. When commodity purchase contracts have been entered into as part of the Company's normal business activity, the Company classifies them as 'own use' contracts and outside the scope of IAS 39. This is achieved when:

- A physical delivery takes place under all such contracts;
- The volumes purchased or sold under the contracts corresponds to the Company's operating requirements; and
- The contracts are not considered as written options as defined by the standard.

Commodity purchase contracts not qualifying as 'own use' which also meet the definition of a derivative are within the scope of IAS 39 as derivative financial instruments. This includes both financial and non-financial contracts.

Derivatives and other financial instruments are measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivatives and other financial instruments are recognised in the income statement as they arise.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2014 have had a material effect on the financial statements.

None of the standards, interpretations and amendments which are effective for periods beginning after 1 January 2014 and which have not been adopted early, are expected to have a material effect on the financial statements.

Critical estimates and judgements

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

3 Revenue

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

	2014 £ 000	2013 £ 000
Sale of electricity	73,949	71,501

4 Finance income and costs

	2014 £ 000	2013 £ 000
Finance income		
Interest income on bank deposits	-	1

5 Staff costs

The company had no direct employees or salary cost in the year. There was one Director in the year. Director's remuneration and salary is recognised in Ovo Energy Ltd up to September 2014 and in Ovo Group Ltd (previously Ovo Energy (Group) Ltd) from October 2014 to December 2014. The Director's emoluments for the year ending 31 December 2014 were £124,000 (2013: £121,000).

Some salary costs were recharged from Ovo Energy Ltd for time spent by its employees working for the Company. The recharged costs were £161,000 (31 December 2013: £643,000).

6 Auditors' remuneration

Fees for audit of £5,000 (2013: £5,000) and taxation compliance services of £1,000 (2013: £1,000) are borne by Ovo Energy Ltd.

7 Income tax

Tax charged/(credited) in the income statement

	2014 £ 000	2013 £ 000
Deferred taxation		
Arising from origination and reversal of temporary differences	(364)	(21)

The tax on (loss)/profit before tax for the year is higher than the standard rate of corporation tax in the UK (2013 - higher than the standard rate of corporation tax in the UK) of 21.5% (2013 - 23.5%).

The differences are reconciled below:

	2014 £ 000	2013 £ 000
(Loss)/profit before tax	(492)	657
Corporation tax at standard rate	(106)	154
Group loss relief received without payment	(287)	(140)
Deferred tax expense (credit) relating to changes in tax rates or laws	29	-
Prior year adjustment	-	(35)
Total tax credit	(364)	(21)

The main rate of UK corporation tax for the year to 31 March 2014 was 23%, reducing to 21% for the year to 31 March 2015.

In addition to the changes in rates of Corporation tax disclosed above, further changes to the UK Corporation tax rates were announced in the March 2013 Budget. These changes have reduced the main rate of corporation tax to 20% from 1 April 2015 and were enacted as part of Finance Act 2013. The relevant deferred tax balances have been remeasured accordingly.

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at thebalance sheet date their effects are not included in these financial statements. The overall effect of these changes, if they had applied to the deferred tax balance at the balance sheet date, would be nil.

7 Income tax (continued)

Deferred tax

Deferred tax asset

2014	**Asset £ 000**
Accelerated tax depreciation	1
Derivatives	384
	385

2013	**Asset £ 000**
Accelerated tax depreciation	1
Derivatives	20
	21

Deferred tax movement during the year:

	At 1 January 2014 £ 000	**Recognised in income £ 000**	**At 31 December 2014 £ 000**
Accelerated tax depreciation	1	-	1
Derivatives	20	364	384
Net tax assets/(liabilities)	21	364	385

Deferred tax movement during the prior year:

	At 1 January 2013 £ 000	**Recognised in income £ 000**	**At 31 December 2013 £ 000**
Accelerated tax depreciation	-	1	1
Derivatives	-	20	20
Net tax assets/(liabilities)	-	21	21

The deferred tax assets are deemed to be wholly receivable within 1 year, this is due to the derivatives winding out in the year ended 31 December 2015 due to the nature of the derivative contract.

8 Intangible assets

	Industry accreditation £ 000	Total £ 000
Cost or valuation		
At 1 January 2013	25	25
At 31 December 2013	25	25
At 31 December 2014	25	25
Carrying amount		
At 31 December 2014	25	25
At 31 December 2013	25	25

There was no indication of impairment of industry accreditation during the year. The carrying amounts of industry accreditation was reviewed at the reporting date and management determined that there were no indicators of impairment. The annual test for impairment was undertaken using discounted cash flow forecasts.

Industry accreditation is regarded by management to have an indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company and circumstances continue to support the assessment that the useful life is indefinite. Industry accreditation is required for the Company to operate in the electricity industry.

9 Trade and other receivables

	2014 £ 000	2013 £ 000
Receivables from related parties	2,683	3,340
Other receivables	-	1,156
	2,683	4,496

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in note 12 "Financial instruments".

The company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in note 13 "Financial risk management and impairment of financial assets".

10 Trade and other payables

	2014 £ 000	2013 £ 000
Accrued expenses	-	3,147

The fair value of the trade and other payables classified as financial instruments are disclosed in note 12 "Financial instruments".

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 13 "Financial risk management and impairment of financial assets".

11 Share capital

Allotted, called up and fully paid shares

	2014 No.	2014 £	2013 No.	2013 £
Ordinary share capital of £0.01 each	10,000	100	10,000	100

12 Financial instruments

Financial assets
Financial assets at fair value through profit or loss

Derivative held for trade

	Carrying value		Fair value	
	2014 £ 000	2013 £ 000	2014 £ 000	2013 £ 000
Power commodity	-	82	-	82

Valuation methods and assumptions

The fair value of power commodity financial instruments (level 2) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data (such as forward commodity curves) where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

12 Financial instruments (continued)

Loans and receivables

	Carrying value		Fair value	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Cash and cash equivalents	-	-	-	-
Receivables from related parties	2,683	3,340	2,683	3,340
	2,683	3,340	2,683	3,340

Valuation methods and assumptions

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

Financial liabilities

Derivative financial liabilities at fair value through profit and loss held for trading

	Carrying value		Fair value	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Power commodity	(1,930)	(186)	(1,930)	(186)

Valuation methods and assumptions

The fair value of power commodity financial instruments (level 2) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data (such as forward commodity curves) where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Financial liabilities at amortised cost

	Carrying value		Fair value	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Trade and other payables	-	(3,147)	-	(3,147)

Valuation methods and assumptions

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material. Due to their short maturities, the fair value of the trade and other payables approximates to their book value.

13 Financial risk management and impairment of financial assets

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

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

Credit risk and impairment

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

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £2,683,000 (31 December 2013: £3,422,000) being the total of the carrying amount of financial assets, excluding equity investments, which include trade receivables and accrued income, derivative financial assets and cash. All the receivables are with parties in the UK.

The allowance account for trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly. There were no transactions written off in the year. The Company provides for impairment losses based on estimated irrecoverable amounts determined by reference to specific circumstances and the experience of management of debtor default in the energy industry.

Analysis of items past due or impaired

Loans and receivables

2014	Carrying value of items neither past due nor impaired £ 000	Carrying value of items past due but not impaired £ 000	Carrying value of items past due and/or impaired £ 000	Pre impairment value £ 000	Impairment recognised to date £ 000
Receivable from related parties	2,683	-	-	-	-

2013	Carrying value of items neither past due nor impaired £ 000	Carrying value of items past due but not impaired £ 000	Carrying value of items past due and/or impaired £ 000	Pre impairment value £ 000	Impairment recognised to date £ 000
Receivable from related parties	3,422	-	-	-	-

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

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

Market risk
Commodity risk is the exposure that the company has to price movements in the wholesale electricity markets.

Commodity price risk

The risk is primarily that market prices for commodities will fluctuate between the time that tariffs are set and the time at which the corresponding procurement cost is fixed; this may result in lower than expected margins or unprofitable sales. The Company is also exposed to volumetric risk in the form of uncertain consumption profiles arising from a range of factors which include weather, economic climate and changes in energy consumption patterns.

The Company's exposure to commodity risk is managed through the use of derivative financial instruments. The Company does not use derivatives and other financial instruments for speculative purposes.

Derivatives are measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivatives and other financial instruments are recognised in the income statement as they arise. Unrealised net losses on open contracts at the year-end were (£1,930,000) (31 December 2013: (£104,000)).

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

Sensitivity analysis

The Company expects to have no net exposure to commodity risk as it will pass price risk onto Ovo Energy Limited by recharging all electricity sold at a fixed margin.

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

Liquidity risk is managed by Ovo group companies as the Company has no liquid resources of its own. As such no sensitivity analysis is disclosed within the Company financial statements. Refer to Note 15 for information regarding the parent entity financial statements.

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

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

Maturity analysis

2014	**Within 1 year £ 000**	**Total £ 000**
Trade and other payables	-	-
	-	-

2013	**Within 1 year £ 000**	**Total £ 000**
Trade and other payables	3,147	3,147
	3,147	3,147

Capital risk management

Capital components

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

14 Related party transactions

Key management personnel

The company had no direct employees or salary cost in the year. There was one Director in the year. Director's remuneration and salary is recognised in Ovo Energy Ltd up to September 2014 and in Ovo Group Ltd (previously Ovo Energy (Group) Ltd) from October 2014 to December 2014. The Director's emoluments for the year ending 31 December 2014 was £124,000 (2013: £121,000).

Summary of transactions with parent

During the year the company made sales of electricity to Ovo Energy Ltd (immediate parent entity) of £73,749,000 (2013: £71,501,000). As at 31 December 2014, the balance due from Ovo Energy Ltd was £2,683,000 (2013: £3,340,00). During the year the company incurred administration expenditure of £161,000 (2013: £553,000) from Ovo Energy Ltd and £nil (2013: £91,000) from other related parties. There are no balances due to Ovo Energy Ltd or other related parties as at the 31 December 2014 (2013: £nil).

Related party transactions between group companies are unsecured amounts, repayable on demand and will be settled in cash on a net basis.

15 Parent and ultimate parent undertaking

The company's immediate parent is Ovo Energy Ltd.

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

The ultimate controlling party is Stephen Fitzpatrick.