Registration number: 08862063

OVO Group Ltd

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2018

OVO Group Ltd

Contents

OVO Group Ltd

Company Information

Chairman	Stephen Murphy
Directors	Stephen Murphy Stephen Fitzpatrick Daniel Sasaki Niall Wass Vincent Casey Adrian Letts Atsushi Suzuki
Company secretary	Vincent Casey
Registered office	1 Rivergate Temple Quay Bristol BS1 6ED
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

OVO Group Ltd

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Introduction

OVO grew out of the belief that there was a better way to sell energy. We started off with the ambition to make energy cheaper, greener and simpler; making it easy for everyone to play their part in addressing climate change. We committed to supporting more renewable power, to keeping our prices low through digitisation, and focused on building trust by delivering a great customer experience based on simplicity and transparency.

Nearly ten years on, we remain determined to create a world with clean, affordable energy for everyone. But in many ways, this is harder now than ever. The energy market is going through profound change with companies of all sizes struggling to adapt. Increased competition, digitisation, the explosion of data, and changing consumer demands are eroding traditional business models.

OVO has stayed true to its values, investing in technology that will transform the energy system, setting the business up for long-term success. We are now the largest UK independent energy company with over 1.5 million customers. Expanding into smart home services and new technologies including energy storage and electric vehicle charging, we have moved beyond energy retail.

At the start of 2019, we received a £217m investment from Mitsubishi Corporation for a 20% stake.
Our business model, long-term vision for the energy sector and culture align well with our new global partner. Their investment will help us expand into new markets across Europe and Asia Pacific, accelerate the development of our intelligent energy technologies company, Kaluza, and put us at the forefront of the global, tech-enabled transition to a zero-carbon energy system.

<u>OVO RETAIL</u>

Customer growth

Amidst major change and rapid consolidation in the energy market OVO has grown significantly. As other energy suppliers collapsed under challenging market conditions, OVO was entrusted by Ofgem to take on 525,000 new customers through the Supplier of Last Resort (SoLR) process.

In November 2018, Ofgem appointed OVO Energy to take over Spark Energy's 290,000 customer accounts. Through the purchase of the operating company in Selkirk we were able to continue to serve customers by the existing team with minimal disruption to service. We look forward to growing Spark Energy's market-leading network of partnerships in the lettings and other sectors.

Subsequent events since the end of the reporting period

In January 2019, Ofgem appointed OVO Energy to take over Economy Energy's 235,000 customer accounts. With over two thirds of Economy Energy's customer base on prepayment meters, OVO was well equipped to seamlessly transition them onto Boost, OVO's prepayment brand, tailored specifically for pay-as-you-go customers. Economy Energy prepayment customers now have access to Boost's innovative products such as PAYG+, the first top-up and account management app in the UK prepayment market, and Winter Wallet, which enables customers to better budget for their winter energy costs. The appointment to take over Economy Energy's customer base is disclosed in the post balance sheet event note.

We are proud that Ofgem put its faith in OVO to take on the customer accounts for two of the largest SoLR processes. We have worked hard to seamlessly transition these customers onto our own platforms whilst maintaining unrivalled customer service. At the same time we were awarded the 2019 uSwitch supplier of the year award, for the fourth time in five years.

Global Expansion

The global energy market is moving rapidly towards a new era of digitisation, and decentralised clean power generation will place more control in the hands of consumers. More specifically, energy retail markets are deregulating and becoming more competitive, creating enormous opportunities for OVO.

We have global ambitions and our business is built for global scalability. Our best-in-class energy retail know-how, technology portfolio and customer centric business model is exportable to international deregulating markets.

After undertaking market analysis we will be continuing our international expansion plans into Europe as well as Australia and Japan.

Smart Homes

At OVO we were quick to see the potential of smart energy services. We championed the smart meter rollout, with more than 50% of our customers having a smart meter.

Smart meters are a step on the path to an intelligent and sustainable energy network that will free us from our dependence on fossil fuels. They enable the adoption of game-changing technologies that will transform the way we live and consume energy. We will provide our customers with an effortless transition to smart homes, offering the installation, management and maintenance of smart energy solutions including electric vehicle charge points, smart boilers, smart thermostats and in-home batteries.

Working with the OVO Charitable Foundation

OVO Charitable Foundation was created in 2014 with the mission of supporting inspiring organisations with smart ideas to give young people across the world a better and brighter future. OVO Charitable Foundation develops projects in three programme areas: energy and the environment, youth poverty and education.

OVO Charitable Foundation is funded partly from customer donations, and partly from the OVO business: at the end of 2018, 75,000 customers donated to OVO Charitable Foundation each month.

<u>KALUZA</u>

Intelligent Energy Technology

We continued to invest in our proprietary intelligent flexibility platform Kaluza (formerly known as VCharge) which connects to a range of devices (electric vehicles, batteries, heaters) to bring flexibility to the energy system to help smooth peaks and troughs in energy pricing. This prevents customers overpaying at times of high demand while helping to balance the grid at a local and national level.

Dynamic charging and other integration technologies will be essential to support the energy market's expected transition from two-thirds fossil fuels in 2017 to two-thirds renewable energy by 2050. Recent analysis from Imperial College London indicates that the value of integrating energy devices, such as EV-to-grid chargers and dynamic batteries, could be up to £6.9bn per year in the UK alone. Considering the UK's share of electricity generation, globally this figure could be 76 times as much (or £525bn).

In early 2018 we launched three new technology products; a smart charger, the world's first widely available domestic vehicle-to-grid charger and a home energy storage system. At the start of 2019, we launched Kaluza, separating it out from OVO Retail. Kaluza is now an independent company providing software and hardware solutions as well as in-home installation services to a range of business customers.

Investments and Partnerships

In March 2019 Kaluza made a strategic investment in energy technology company Electron for a minority stake in the business. Electron will use the proceeds of Kaluza's investment to accelerate the development and deployment of its energy platforms and systems - namely its distributed flexibility marketplace. The deal is the first strategic investment for Kaluza, and builds on both companies' shared vision for a distributed, flexible and zero-carbon energy system where connected devices such as electric vehicles can support the grid.

The energy transition will require collaboration and partnerships across the industry. We have most recently agreed integration partnerships with leading manufacturers including Sonnen and Powervault in home energy storage and Dimplex, Daikin and Sunamp in electric heating. These partnerships create innovative customer value proposition as well as leverage existing routes to market - allowing more assets and customers to benefit from flexibility.

OVO GROUP

Group Strategy

OVO Group's strategy is to look beyond the traditional energy retail model and harness the technology that will unlock long term value for customers, and ultimately power human progress through clean affordable energy for everyone..

The customer is always in the room

We always ask ourselves what our customers value, and how technology can meet their needs and expectations. Our evolution into a greentech company is ultimately about building lasting and trusted relationships by providing an excellent user experience.

We are not chasing short-term returns. We want to build a better energy system and deliver the biggest changes in energy provision since the industrial revolution.

Sustainability

At OVO our purpose is to develop the products, services and technology to allow people to transition away from fossil fuels. We are helping customers manage their energy consumption and reduce their carbon footprints. In 2019 we will publish our first sustainability strategy, with ambitious aims and targets, including science-based carbon targets for OVO's own emissions (Scope 1 and Scope 2) and the electricity and gas we supply to our customers.

OVO is subject to the Streamlined Energy and Carbon Reporting Framework Regulations. While we are only required to include this information in our 2020 Annual Accounts, we have worked hard to measure OVO's first operational carbon footprint for 2018. We therefore include our energy consumption figures (see **Table 1**) and our greenhouse gas emissions relating to gas, electricity and transport (see **Table 2**) as well as an intensity ratio, and information relating to our energy efficiency action for 2018.

In 2018 (our base year) our Scope 1 and Scope 2 operational emissions were 1,733 tCO2e (Market-based) and 1,850 tCO2e (Location-based). The greatest contributor to our emissions is our fleet of engineering vehicles, followed by the electricity and gas used to power our buildings. Our intensity ratio (our Scope 1 and 2 emissions relative to revenue) is 1.7 tCO2e/£m (Market-based) and 1.8 tCO2e/£m (Location-based).

Table 1: 2018 energy consumption figures

Area	Category	Sub-category	2018 consumption	Units
Gas and diesel	Stationary combustion	Natural gas	1,678,201	kWh
		Diesel (100% mineral diesel)	-	Litres
Refrigerants	Fugitive emissions	R410A	21	Kg
Transport	Fleet vehicle fuel combustion	Small sized van (Diesel)	220,781	Litres
		Small sized van (Petrol)	83,969	Litres
		Small sized van (Battery electric vehicle)	71,721	Miles
Electricity	Electricity	Purchased electricity	2,553,841	kWh
District heating and cooling	District heating and cooling	District heating and cooling	3,059	kWh

TABLE 2: Scope 1 and 2 greenhouse gas emissions figures

Area	Category	Sub-category	2018 CO2 Emissions	Unit
Scope 1 emissions	Stationary combustion	Natural gas	309	Tonnes CO2e
		Diesel (100% mineral diesel)	-	Tonnes CO2e
	Fugitive emissions	R410A	44	Tonnes CO2e
	Combustion of fuel for transport purposes	Small sized van (Diesel)	580	Tonnes CO2e
		Small sized van (Petrol)	185	Tonnes CO2e
		Small sized van (Battery electric vehicle)	6	Tonnes CO2e
	Total Scope 1		**1,123***	Tonnes CO2e
Scope 2 emissions	Electricity	Purchased electricity (Location-based)	725	Tonnes CO2e
		Purchased electricity (Market-based)	608	Tonnes CO2e
	District heating and cooling	District heating and cooling (Location-based)	2	Tonnes CO2e
		District heating and cooling (Market-based)	2	Tonnes CO2e
	Total Scope 2 emissions (Location-based)		**727***	Tonnes CO2e
	Total Scope 2 emissions (Market-based)		**610***	Tonnes CO2
Total Scope 1 and Scope 2 emissions	**Total Scope 1 and Scope 2 emissions (Location-based)**		**1,850***	Tonnes CO2
	Total Scope 1 and Scope 2 emissions (Market-based)		**1,733***	Tonnes CO2e
	Total Scope 1 and Scope 2 emissions intensity relative to revenue (tCO2e/£m) (Location-based)		**1.8***	Tonnes CO2e/£m
	Total Scope 1 and Scope 2 emissions intensity relative to revenue (tCO2e/£m) (Market-based)		**1.7***	Tonnes CO2e/£m
Revenue	**OVO Group Ltd revenue**		**1,042**	£m

*Data included in PwC's limited assurance engagement. See www.ovo.com/2018-pwc-assurance-report for more details.

Energy efficiency action

We are working with the Carbon Trust to calculate science-based targets for our greenhouse gas emissions and we will then develop a concerted programme of emission reduction initiatives. This year, we are aiming to link bonuses with our carbon performance to incentivise behaviour, and we are going to deliver training to all OVO employees around energy and carbon management.

(i) Fleet:
We are working on a fleet management plan for improving the fuel efficiency of the fleet. This includes assessing options such as automated telematics for route planning, and driver training and awareness raising. We are also aiming to increase the number of electric vehicles in our fleet.

(ii) Buildings:
We have recently completed energy audits on our buildings to identify energy efficiency and reduction opportunities. We will implement projects based on the findings and recommendations, and we are already taking steps such as investing in LED lighting at our Head Office in Bristol. We have committed to sourcing 100% of our electricity from renewable sources for all sites where OVO controls the energy bill.

(iii) Business travel:
We promote the use of audio, video and online meetings to cut emissions from business travel. We encourage employees to use public transport where business travel is unavoidable.

(iv) Our supply chain and our customers:
We are currently working with the Carbon Trust to perform a preliminary evaluation of the 15 categories of OVO's Scope 3 footprint, in order to understand our indirect emissions. Once we understand our impact, we will be looking to set science-based targets for our Scope 3 emissions and to implement initiatives to reduce emissions.

Reporting methodology

Our reporting approach is aligned with the GHG Reporting Protocol - Corporate Standard (https://ghgprotocol.org/corporate-standard). The Basis of Preparation document outlining the reporting methodology in detail can be found here: (http://www.ovo.com/2018-basis-of-preparation).

Assurance

PwC has conducted public limited assurance over our Scope 1 and Scope 2 carbon emissions data in accordance with ISAE 3000 (Revised). See PwC's assurance statement here: (http://www.ovo.com/2018-pwc-assurance-report)

Key Financial and Performance Indicators

The group's key financial and other performance indicators during the year were as follows:

	Unit	2018	2017
Customer numbers	No.	1,302,000	935,000
Cash	£'000	81,045	78,177
Annualised gross profit margin	%	9	17.5
PBT&NAC	£'000	(41,381)	16,287

*PBT&NAC is defined as (Loss)/Profit before Tax before Net Acquisition Costs, representing those costs resulting from growing OVO's customer base.

Reconciliation to Statutory Results	**2018**	**2017**
	£'000	**£'000**
PBT&NAC	**(41,381)**	**16,287**
Net Acquisition Costs	(12,516)	(10,213)
(Loss)/Profit Before Tax	**(53,897)**	**6,074**

The Group made a loss for the year ending 31 December 2018 and has net liabilities.

Principal risks and uncertainties
The principal risks and uncertainties impacting the Group relate to the wholesale price of gas and electricity and bad debt risk.

The Group manages commodity price risk by securing gas and electricity under forward contracts and by supplying the majority of customers on fixed price contracts. As a result of rapid and sustained customer growth, OVO signed a new trading and credit agreement with Shell plc in October 2018 to secure its future supply needs. The agreement gives the Group access to new products and improved working capital terms.

The Group mitigates bad debt risk by asking credit customers to pay by direct debit a month in advance of usage, which also ensures OVO has the purchasing power to offer more competitive tariffs. In addition, customers are awarded up to 5% OVO interest on credit balances. For non-redit customers, prepayment and smart meters are installed or a security deposit is taken to avoid bad debt risk. Where debt becomes overdue, a full Dunning cycle and debt collection process is run by the Collections team.

Approved by the Board on 31 May 2019 and signed on its behalf by:

....
Vincent Casey
Director

OVO Group Ltd

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2018.

Directors' of the group
The directors of the company who were in office during the year and up to the date of signing the financial statements were;

Stephen Murphy - Chairman

Stephen Fitzpatrick

Daniel Sasaki

Niall Wass

Vincent Casey (appointed 8 June 2018)

Jonathan Owen (resigned 25 January 2018)

Sophie Fitzpatrick (resigned 30 August 2018)

Christopher Houghton (resigned 30 November 2018)

The following directors were appointed after the year end:

Adrian Letts (appointed 7 January 2019)

Atsushi Suzuki (appointed 13 February 2019)

Dividends
The Directors do not propose a dividend for the year (2017: no dividends proposed).

Financial instruments
Financial risk management objectives and policies have been established making use of financial instruments for the purpose of managing the exposure of the company to price risk, credit risk, liquidity risk and cash flow risk is discussed in Note 28 of the financial statements.

Charitable donations
During the year the company made charitable donations of £665,000. Individual donations were:

	£
The OVO Charitable Foundation	665,000

Employment of disabled persons
One of the Group's core values is treating people fairly, giving equal opportunities to all employees and applicants. The Group 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 Group 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 is not possible, the Group will try to find the employee another role within OVO and provide additional training (as necessary).

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

Future developments
The Directors believe that the Company remains well positioned in the market place with a differentiated offer. For further information, visit our website: www.ovoenergy.com. See Strategic Report for the Company's future developments.

Research and development
The Company continues to develop its IT infrastructure, investing £1.8m in software development and licences for the year to 31 December 2018 (2017: £2.9m). The Company incurred costs of £1.2m (2017: £0.5m) engaging in research during the year.

Going concern
The Group made a loss for the year and has net liabilities as at 31 December 2018, but expects to make profits in the future.

The Group meets its day-to-day working capital requirements through cash reserves and the Shell facility. The arrangement enables OVO to purchase commodity in advance in the forward markets, providing a hedge against its commitments to customers. The Group's forecasts and projections, taking into account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. In addition, the Group's investment from Mitsubishi Corporation at the start of 2019 has provided significant liquidity to the Group. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group 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 last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of Directors' Responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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

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

Approved by the Board on 31 May 2019 and signed on its behalf by:

....
Vincent Casey
Director

OVO Group Ltd

Independent Auditor's Report to the Members of OVO Group Ltd

Report on the audit of the financial statements

Opinion

In our opinion, OVO Group Ltd's group financial statements and company financial statements (the "financial statements"):

• give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's loss and the group's and the company's 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, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2018; the Consolidated Income Statement, the Consolidated and Company Statements of Cash Flows and the Consolidated and Company Statements 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 group 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

ISAs (UK) require us to report to you when:

• the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 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 group and company and their 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 set out on page 9, 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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

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 received all the information and explanations we require for our audit; or

• adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or

• certain disclosures of directors' remuneration specified by law are not made; or

• the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

....
Katharine Finn (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP, Statutory Auditor

2 Glass Wharf
Bristol
BS2 0FR

31 May 2019

OVO Group Ltd

Consolidated Income Statement for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Revenue	4	1,042,048	833,575
Cost of sales		(948,384)	(687,972)
Gross profit		93,664	145,603
Administrative expenses		(164,008)	(137,969)
Other operating income	5	962	-
Other gains	6	17,868	-
Operating (loss)/profit	7	(51,514)	7,634
Finance income		174	8
Finance costs		(2,381)	(1,568)
Net finance cost	8	(2,207)	(1,560)
Share of loss of associates accounted for using the equity method		(176)	-
(Loss)/profit before tax		(53,897)	6,074
Income tax receipt/(expense)	12	11,074	(1,338)
(Loss)/profit for the year		(42,823)	4,736
(Loss)/profit attributable to:			
Owners of the parent		(42,549)	4,736
Non-controlling interests		(274)	-
(Loss)/profit for the year		(42,823)	4,736

The above results were derived from continuing operations.

There are no items of other comprehensive income within the current or prior year.

OVO Group Ltd

(Registration number: 08862063)
Consolidated and Company Statements of Financial Position as at 31 December 2018

	Note	Group 2018 £ 000	Group 2017 £ 000	Company 2018 £ 000	Company 2017 £ 000
Assets					
Non-current assets					
Property, plant and equipment	13	2,361	3,001	15	-
Intangible assets	14	105,291	83,324	178	-
Deferred tax assets	12	14,260	7,979	351	-
Investments	15	24	200	87,898	86,334
		121,936	94,504	88,442	86,334
Current assets					
Inventories	17	4,909	7,325	-	-
Trade and other receivables	18	96,196	68,973	69,951	56,233
Cash and cash equivalents	19	81,045	78,177	366	2,310
		182,150	154,475	70,317	58,543
Total assets		304,086	248,979	158,759	144,877
Current liabilities					
Trade and other payables	20	(204,067)	(141,946)	(47,978)	(33,060)
Loans and borrowings	22	-	(50)	-	-
Income tax liability		836	(138)	-	-
Deferred income		(110,050)	(71,682)	-	-
Provisions	26	(2,923)	(740)	-	-
		(316,204)	(214,556)	(47,978)	(33,060)
Non-current liabilities					
Loans and borrowings	22	(33,934)	(32,949)	-	-
Other non-current financial liabilities		-	(5,000)	-	-
		(33,934)	(37,949)	-	-
Total liabilities		(350,138)	(252,505)	(47,978)	(33,060)
Net (liabilities)/assets		(46,052)	(3,526)	110,781	111,817
Equity					
Share premium		28,988	28,710	30,941	30,663
Other reserves		1,975	1,887	79,946	79,744
(Accumulated losses)/Retained earnings		(76,672)	(34,123)	(106)	1,410
Equity attributable to owners of the parent		(45,709)	(3,526)	110,781	111,817
Non-controlling interests		(343)	-	-	-
Total equity		(46,052)	(3,526)	110,781	111,817

The notes on pages 20 to 64 form an integral part of these financial statements.

OVO Group Ltd

(Registration number: 08862063)
Consolidated and Company Statements of Financial Position as at 31 December 2018 (continued)

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a loss for the financial year of £1,516,000 (2017- profit of £492,000).

Approved by the Board on 31 May 2019 and signed on its behalf by:

....
Vincent Casey
Director

OVO Group Ltd

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2018

	Share premium £ 000	Other reserves £ 000	Accumulated losses £ 000	Total £ 000
At 1 January 2017	28,710	1,000	(38,859)	(9,149)
Profit for the year	-	-	4,736	4,736
Share based payment transactions	-	621	-	621
Movement in foreign currency translation reserve	-	266	-	266
At 31 December 2017	28,710	1,887	(34,123)	(3,526)

	Attributable to owners of the parent					
	Share premium £ 000	Other reserves £ 000	Accumulated losses £ 000	Total £ 000	Non-controlling interests £ 000	Total equity £ 000
At 1 January 2018	28,710	1,887	(34,123)	(3,526)	-	(3,526)
Loss for the year	-	-	(42,549)	(42,549)	(274)	(42,823)
Acquisition of non-controlling interest, increase in equity	-	-	-	-	(69)	(69)
New share capital subscribed	278	-	-	278	-	278
Share based payment transactions	-	202	-	202	-	202
Movement in foreign currency translation reserve	-	(114)	-	(114)	-	(114)
At 31 December 2018	28,988	1,975	(76,672)	(45,709)	(343)	(46,052)

OVO Group Ltd

Company Statement of Changes in Equity for the Year Ended 31 December 2018

	Share premium £ 000	Merger & other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	30,663	79,126	918	110,707
Profit for the year	-	-	492	492
Share based payment transactions	-	618	-	618
At 31 December 2017	30,663	79,744	1,410	111,817

	Share premium £ 000	Merger & Other reserves £ 000	Retained earnings/(Accumulated losses) £ 000	Total £ 000
At 1 January 2018	30,663	79,744	1,410	111,817
Loss for the year	-	-	(1,516)	(1,516)
New share capital subscribed	278	-	-	278
Share based payment transactions	-	202	-	202
At 31 December 2018	30,941	79,946	(106)	110,781

The notes on pages 20 to 64 form an integral part of these financial statements.

OVO Group Ltd

Consolidated Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Cash flows from operating activities			
(Loss)/profit for the year		(42,823)	4,736
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	7	9,836	10,798
Gain on bargain purchase	6	(17,262)	-
Profit on disposal of intangible assets	6	(606)	-
Foreign exchange gain	7	(92)	(3)
Finance income	8	(174)	(8)
Finance costs	8	2,381	1,568
Share based payment transactions	25	202	621
Share of loss of equity accounted investees	15	176	-
Income tax (receipt)/expense	12	(11,074)	1,338
		(59,436)	19,050
Working capital adjustments			
Decrease/(increase) in inventories	17	2,416	(2,623)
Increase in trade and other receivables	18	(25,066)	(10,702)
Increase in trade and other payables	20	53,261	40,411
Increase in provisions	26	2,183	189
Increase/(decrease) in deferred income		38,368	(3,268)
Net cash flows generated from operating activities		11,726	43,057
Cash flows from investing activities			
Interest received	8	174	8
Acquisitions of property plant and equipment	13	(715)	(1,628)
Acquisition of intangible assets	14	(1,788)	(2,867)
Proceeds from sale of intangible assets		1,602	-
Acquisition of subsidiary, net of cash acquired	16	(750)	(58,602)
Payment of deferred consideration		(5,000)	-
Net cash flows used in investing activities		(6,477)	(63,089)
Cash flows from financing activities			
Interest paid	8	(2,381)	(1,568)
Proceeds from bank borrowing draw downs		-	32,847
Net cash flows (used in)/generated from financing activities		(2,381)	31,279
Net increase in cash and cash equivalents		2,868	11,247
Cash and cash equivalents at 1 January		78,177	66,930
Cash and cash equivalents at 31 December		81,045	78,177

OVO Group Ltd

Company Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Cash flows from operating activities			
(Loss)/profit for the year		(1,516)	492
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	7	1	-
Foreign exchange (gain)/loss	7	(113)	58
Finance income	8	(4,059)	(2,109)
Finance costs	8	2,599	681
Share based payment transactions		278	-
Income tax expense/(receipt)	12	(352)	285
		(3,162)	(593)
Working capital adjustments			
Increase in trade and other receivables	18	(13,605)	(37,356)
Increase in trade and other payables	20	14,918	33,031
Net cash flow generated from operating activities		(1,849)	(4,918)
Cash flows from investing activities			
Interest received	8	4,059	2,109
Acquisitions of property plant and equipment	13	(16)	-
Acquisition of intangible assets	14	(178)	-
Acquisitions of subsidiaries	16	(1,361)	-
Net cash flows from investing activities		2,504	2,109
Cash flows from financing activities			
Interest paid	8	(2,599)	(681)
Net decrease in cash and cash equivalents		(1,944)	(3,490)
Cash and cash equivalents at 1 January		2,310	5,800
Cash and cash equivalents at 31 December		366	2,310

The notes on pages 20 to 64 form an integral part of these financial statements.

1 General information

The company is a private company limited by share capital, incorporated and domiciled in UK.

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

These financial statements were authorised for issue by the Board on 31 May 2019.

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 Group's 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 group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed at the end of this note.

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

Going concern
The Group has net liabilities and made a loss in the year ended 31 December 2018, but is expected to make profits in the future. Therefore, the financial statements have been prepared on a going concern basis. The Group meets its day-to-day working capital requirements through cash reserves and the Shell facility. The arrangement enables OVO to purchase commodity in advance in the forward markets, providing a hedge against its commitments to customers. The Shell commodity purchasing arrangement gives rise to a variable liability to Shell which is a combination of accounts payable and future purchase commitments secured on some the cash of OVO Energy Ltd. During the year, the Group renegotiated its existing arrangement with Shell and the term of the arrangement was extended.

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

At the start of 2019, the group received an investment from Mitsubishi Corporation for a 20% stake. This investment has been taken into considerationin the directors assessment of going concern.

2 Accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2018.

A subsidiary is an entity controlled by the Company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective
The following have been applied for the first time from 1 January 2018 and have had an effect on the financial statements:

IFRS 15 Revenue from Contracts with Customers
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective approach as a transition method for first-time application as of 1 January 2018. Prior year figures have not been restated following an assessment performed by management concluding the impact to be immaterial. The effect of adopting IFRS 15 is immaterial to the financial statements.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 retrospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39.

IFRS 9 includes new rules for classifying financial instruments, which basically envisage four valuation categories:
- Debt instruments measured at amortised cost
- Debt instruments measured at fair value through other comprehensive income, the changes in value of which are recognised with an effect on income (recycling) upon disposal
- Equity instruments measured at fair value through other comprehensive income, the changes in value of which remain in equity and are not recognised in profit or loss (no recycling) upon disposal
- Financial instruments measured at fair value through profit or loss

Financial receivables which were classified in the category 'Loans and receivables' pursuant to IAS 39 are now assigned to the category 'Financial assets measured at fair value through profit or loss' due to the first time application of IFRS 9, as the contractually agreed cash flows from these financial instruments do not solely consist of interest and principal on the outstanding capital amount.

Other standards

None of the other standards, interpretations and amendments effective for the first time from 1 January 2018 have had a material effect on the financial statements.

2 Accounting policies (continued)

New standards, interpretations and amendments not yet effective
The following newly issued but not yet effective standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the company financial statements in future:

IFRS 16 Leases

In January 2016, the IASB published the accounting standard IFRS 16, "Leases," which replaces the previous standard IAS 17, "Leases," and IFRIC 4, "Determining Whether an Arrangement Contains a Lease". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The group plans to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The first-time application of the standard will lead to an increase in both property, plant and equipment (accounting for the rights of use) and financial liabilities (recognition of the corresponding lease liabilities) in the balance sheet, particularly taking into account the financial obligations arising from operating leases reported under Note 23. Taking into account existing accruals and deferrals, the net impact of the transition on the balance sheet is expected to be immaterial.

Revenue recognition

Recognition

The company earns revenue from the provision of services relating to Revenues are generated primarily from the sale of electricity and gas to customers. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Transaction price

In determining the transaction price, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(i) Variable consideration
If the consideration in a contract includes a variable amount, revenue is only recognised in an amount at which a significant reversal is improbable in the future.

(ii) Consideration payable to a customer
If the contract contains consideration payable to a customer, the consideration payable is accounted for as a reduction of the transaction price.

2 Accounting policies (continued)

Contract assets and receivables

A contract asset is the right to consideration in exchange for goods or services provided to the customer. If the Company provides goods or services to a customer before the customer pays consideration or before payment is due, a contract asset, accrued income, is recognised for the earned consideration that is conditional.

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to provide goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company provides goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities, deferred income, are recognised as revenue when the Company performs under the contract.

Net basis of measurement of contract balances

Contract asset and contract liability positions are determined for each contract on a net basis. This is because the rights and obligations within each contract are considered inter-dependent. Where two contracts are with the same or related entities, an assessment is made of whether contract assets and liabilities are inter-dependent and if so, contract balances are reported net.

Capitalisation of costs to obtain or fulfil a contract

The incremental costs of obtaining a contract are recognised as an asset if certain criteria are met. The Company incurs broker commissions for customers who have signed-up through broker sites. The Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense customer acquisition costs because the amortisation period of the asset that the Company otherwise would have used is one year or less.

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)

Foreign currency transactions and financial statements of foreign operations
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

The assets and liabilities of foreign operations are translated into sterling at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into sterling at rates approximating to the exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation of foreign operations are recognised in the foreign currency translation reserve.

Tax
The tax expense for the period comprises current tax 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.*

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 group 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 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.

Property, plant and equipment
Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Leasehold property	Period of the lease
Fixtures, fittings and office equipment	3 years straight line
IT hardware equipment	3 years straight line
Meter assets	10 years straight line

2 Accounting policies (continued)

Goodwill

Goodwill arises on business combinations and represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired. Where the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired entity is greater than the cost of acquisition, the excess is immediately recognised in the income statement.

Goodwill is recognised as an asset at cost and is tested at least annually for impairment. If an impairment is identified, the carrying value of the goodwill is written down immediatley through the income statement and is not subsequently reversed. At the date of disposal of a subsidiary, the carrying value of attributable goodwill is included in the calculation of profit and loss on disposal.

Intangible assets

a) Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation.

b) Computer software and licenses

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant attributable overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software and licences acquired in a business combination are recognised at fair value at the acquisition date.

Amortisation

Amortisation is provided on intangible assets, other than goodwill, so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	**Amortisation method and rate**
Other intangible assets	3 years straight line
IT software and internally developed software costs	3 years straight line
Trade names	10 years straight line
Contractual customer relationships	Over the expected life of the contract
Engineer network	10 years straight line

2 Accounting policies (continued)

Investments

Investments in subsidiaries are carried at cost, less any impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are amounts due from customers for merchandise 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 the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Under the provisions of the Utilities Act 2000, all electricity suppliers are required to procure a set percentage of their supplies from accredited renewable electricity generators. This obligation can be fulfilled by the purchase and surrender of Renewables Obligation Certificates (ROCs) originally issued to generators, or, by making payment to Ofgem who then recycle the payments to purchasers of ROCs. In addition to the regulatory requirements, the Group surrenders additional ROCs to demonstrate its environmental credentials transparently. The accounting policy distinguishes between the cost of the Group's obligations within the regulatory regime and the tactical disposition towards purchasing and holding ROCs. The cost obligation is recognised as it arises and is charged to the income statement for the year to which the charge relates as a reduction in gross margin. Gains or losses on disposal of ROCs are included in the income statement as and when they crystallize. The stock of ROCs carried forward is valued at the lower of cost and estimated net realisable value. Cost is based on the first-in first-out principle.

Smart meter inventory is stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

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)

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

2 Accounting policies (continued)

Share based payments
OVO Group Ltd operates a number of equity-settled, share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of OVO Group Ltd. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, OVO Group Ltd revises their estimates of the number of options that are expected to vest based on the non-market vesting conditions. They recognise the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, OVO Group Ltd issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by OVO Group Ltd of options over their equity instruments to the employees of subsidiary undertakings in the Group (such as to employees of OVO Energy Ltd) is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Employee benefits
The Company operates a flexible benefit scheme for qualifying employees whereby in addition to their salary, those employees are invited to select certain benefits with a value up to 4% of their base pay. All costs related to the scheme are expensed in the income statement in the year which services are rendered by employees. One of the available benefits is payment to a defined contribution pension plan. This is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts. The Company has enrolled in the automatic pension scheme since November 2013.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2 Accounting policies (continued)

Financial instruments

Initial recognition

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

The group recognises financial assets and financial liabilities in the statement of financial position when, and only when, the group becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the group commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-
· financial assets at amortised cost;
· financial assets at fair value through other comprehensive income (FVTOCI); or
· financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-
· financial liabilities at amortised cost; or
· financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-
· the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the group may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

2 Accounting policies (continued)

Financial assets at fair value through other comprehensive income (FVTOCI)
A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVPTL:-
· the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

Financial assets at fair value through the profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

2 Accounting policies (continued)

Derecognition

Financial assets

The group 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 group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the group is recognised as a separate asset or liability.

The group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When the group derecognises transferred financial assets in their entirety, but has continuing involvement in them then the entity should disclose for each type of continuing involvement at the reporting date:

(a) The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised.

(b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;

(c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined

(d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

2 Accounting policies (continued)

Financial liabilities

If the terms of a financial liabilities are modified, the group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the group recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Impairment of financial assets

Measurement of Expected Credit Losses

The group recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVPTL, namely:

- Financial assets that are debt instruments
- Accounts and other receivables
- Financial guarantee contracts issued; and
- Loan commitments issued.

The group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the group recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the group recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the group recognises the lifetime ECL.

The group measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

2 Accounting policies (continued)

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the group on terms that the group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

For trade receivables, the group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Accounting estimates and assumptions

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

The use of estimates and assumptions is principally limited to the determination of provisions for impairment, the valuation of financial instruments, unbillable supplies and deferred tax assets as explained in more detail below:-

Provisions for impairment

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

Revenue recognition - supplies that cannot be billed

Revenue for the supply of electricity and gas is recognised using customer tariff rates and industry settlement data (specific to the Company) net of estimated supplies that are not billable based on historical patterns. The industry settlement data is the estimated quantity the industry system operator deems the individual suppliers, including the Group, to have supplied. In assessing the level of supplies that will not be billed and therefore not recognised in revenue, the Directors have estimated the likely losses that arise from the reconciliation of industry settlement data to the estimated quantity of gas and electricity supplied to customers according to meter reading data.

Deferred tax assets

Deferred tax assets are only recognised when it is considered more likely than not that the Group will make future taxable profits against which the deferred tax asset can be utilised. Having assessed the level profits made by the Group since the year end and forecasts of revenue and costs for the coming years, the directors believe it is probable that the Group will generate sustainable profits and therefore a deferred tax asset has been recognised.

2 Accounting policies (continued)

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and the Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

3 Critical accounting judgements and key sources of estimation uncertainty

The key estimates and judgements made by the directors in the preparation of the financial statements are in respect of revenue recognition, impairment of trade receivables and recognition of deferred tax assets.

Revenue recognition - energy supplied but not yet measured
The quantities of the energy supplied to OVO customers but not measured and billed are calculated at the reporting date based on consumption statistics and selling price estimates. Determination of the unbilled proportion of sales revenues at the year-end is sensitive to the assumptions used to prepare these statistics and estimates.

Impairment of trade receivables
Impairments against trade receivables are recognised where the loss is probable. The Directors have based their assessment of the level of impairment on collection rates experienced by the Group to date. The estimates and assumptions used to determine the level of provision will continue to be reviewed periodically and could lead to changes in the impairment provision methodology which would impact the income statement in future years.

Deferred tax assets
Deferred tax assets are only recognised when it is considered more likely than not that the Group will make future taxable profits against which the deferred tax asset can be utilised. Having assessed the level profits made by the Group since the year end and forecasts of revenue and costs for the coming years, the directors believe it is probable that the Group will generate sustainable profits and therefore a deferred tax asset has been recognised.

Business combinations
There is significant judgement on the fair value of a company's assets on acquisition. Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. Management bases its assumptions on the best data available. Management will continue to assess the fair value using the best available data until the measurement period ends.

4 Revenue

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

	2018 £ 000	2017 £ 000
Sale of gas and electricity	951,056	726,110
Installation of smart meters	68,504	84,915
Sale of home and emergency cover	15,955	13,123
Other revenue	6,533	9,427
	1,042,048	833,575

5 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2018 £ 000	2017 £ 000
Research and development expenditure credit	962	-

6 Other gains

The analysis of the group's other gains and losses for the year is as follows:

	2018 £ 000	2017 £ 000
Gain on disposal of intangible assets	606	-
Gain on bargain purchase	17,262	-
	17,868	-

7 Operating (loss)/profit

Arrived at after charging/(crediting)

	2018 £ 000	2017 £ 000
Depreciation expense	1,939	3,033
Amortisation expense	7,897	7,765
Impairment loss	-	173
Foreign exchange losses	(92)	(3)
Operating lease expense - property	2,868	2,038
Research and development expenditure credit	(962)	-
Gain on bargain purchase	(17,262)	-
Gain on disposal of intangible assets	(606)	-

8 Net finance income/(costs)

	2018 £ 000	2017 £ 000
Finance income		
Interest income on bank deposits	174	8
Finance costs		
External finance interest and charges	(2,381)	(1,568)
Net finance costs	(2,207)	(1,560)

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018 £ 000	2017 £ 000
Wages and salaries	61,832	50,760
Social security costs	5,753	4,562
Pension costs, defined contribution scheme	1,350	958
Share-based payment expenses	202	621
Other employee expense	334	473
	69,471	57,374

The aggregate payroll costs included in the Company accounts during the year was £2,292,000 (2017: £2,236,000) including pension costs of £43,000 (2017: £39,000).

The monthly average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2018 No.	2017 No.
Administration and support	1,050	323
Sales, marketing and distribution	1,060	940
	2,110	1,263

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018 £ 000	2017 £ 000
Remuneration	1,029	1,065
Contributions paid to pension scheme	16	17
	1,045	1,082

The highest paid director in the year received remuneration of £550,100 (2017 - £409,000) and contributions to the pension scheme of £8,000 (2017 - £9,000).

11 Auditors' remuneration

	2018 £ 000	2017 £ 000
Audit of the financial statements of subsidiaries of the company pursuant to legislation	179	164
Other fees to auditors		
Taxation compliance services	77	91
All other assurance services	10	-
	87	91

12 Taxation

Tax charged/(credited) in the income statement

	2018 £ 000	2017 £ 000
Current taxation		
Total tax charge	(11,074)	1,338

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of (2017 - 19.25%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
(Loss)/profit before tax	(53,897)	6,074
Corporation tax at standard rate	(10,240)	1,169
Decrease (increase) from effect of revenues exempt from taxation	(3,280)	-
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	1,362	606
Decrease (increase) from tax losses for which no deferred tax asset was recognised	60	-
Losses surrendered payable to group company	(195)	-
Increase (decrease) in UK current tax from adjustment for prior periods	(203)	-
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	151	53
UK Deferred tax expense (credit) relating to changes in tax rates or laws	1,271	(143)
Decrease from pre-acquisition of subsidiaries tax charge	-	(347)
Total tax (credit)/charge	(11,074)	1,338

The main rate of UK corporation tax for the year to 31 March 2017 was 19% and the rate for year to 31 March 2018 was 19%

At Budget 2016, the government announced a further reduction to the corporation tax main rate (for all profits except ring fenced profits) for the year starting 1 April 2020, setting the rate at 17%. The deferred tax balance has been presented in accordance with this rate.

12 Taxation (continued)

Deferred tax

Group

Deferred tax assets and liabilities

2018	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Accelerated tax depreciation	665	-	665
Tax losses carry-forwards	22,656	-	22,656
Revaluation of intangible assets	-	(9,073)	(9,073)
Pension benefit obligations	12	-	12
	23,333	(9,073)	14,260

2017	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Accelerated tax depreciation	841	-	841
Tax losses carry-forwards	12,498	-	12,498
Revaluation of intangible assets	-	(5,360)	(5,360)
Pension benefit obligations	-	-	-
	13,339	(5,360)	7,979

Deferred tax movement during the year:

	At 1 January 2018 £ 000	Recognised in income £ 000	Recognised on business combinations £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	841	(176)	-	665
Tax losses carry-forwards	12,498	10,158	-	22,656
Revaluation of intangible assets	(5,360)	693	(4,406)	(9,073)
Pension benefit obligations	-	12	-	12
Net tax assets/(liabilities)	7,979	10,687	(4,406)	14,260

Deferred tax movement during the prior year:

	At 1 January 2017 £ 000	Recognised in income £ 000	Recognised on business combinations £ 000	At 31 December 2017 £ 000
Accelerated tax depreciation	666	175	-	841
Tax losses carry-forwards	13,978	(1,480)	-	12,498
Revaluation of intangible assets	(514)	631	(5,477)	(5,360)
Pension benefit obligations	-	-	-	-
Net tax assets/(liabilities)	14,130	(674)	(5,477)	7,979

12 Taxation (continued)

Company
Deferred tax assets and liabilities

2018	Asset £ 000
Tax losses carry-forwards	350
Pension benefit obligations	1
	351

The company recognised no deferred tax assets or liabilities in 2017.

Deferred tax movement during the year:

	At 1 January 2018 £ 000	Recognised in income £ 000	At 31 December 2018 £ 000
Tax losses carry-forwards	-	350	350
Pension benefit obligations	-	1	1
Net tax assets/(liabilities)	-	351	351

13 Property, plant and equipment

Group

	Leasehold property £ 000	Fixtures and fittings £ 000	Office Equipment £ 000	Total £ 000
Cost or valuation				
At 1 January 2017	6,268	1,492	2,886	10,646
Acquired through business combinations	11	120	-	131
Additions	838	263	527	1,628
Disposals	-	(25)	-	(25)
At 31 December 2017	7,117	1,850	3,413	12,380
Additions	130	-	585	715
Acquired through business combinations	-	205	379	584
Disposals	(181)	(253)	(362)	(796)
At 31 December 2018	7,066	1,802	4,015	12,883
Accumulated depreciation				
At 1 January 2017	3,741	787	1,682	6,210
Charge for year	1,909	570	715	3,194
Eliminated on disposal	-	(25)	-	(25)
At 31 December 2017	5,650	1,332	2,397	9,379
Charge for the year	811	277	851	1,939
Eliminated on disposal	(181)	(253)	(362)	(796)
At 31 December 2018	6,280	1,356	2,886	10,522
Carrying amount				
At 31 December 2018	786	446	1,129	2,361
At 31 December 2017	1,467	518	1,016	3,001
At 31 December 2016	2,527	705	1,204	4,436

13 Property, plant and equipment (continued)

Company

	Office Equipment £ 000	Total £ 000
Cost or valuation		
At 1 January 2018	-	-
Additions	16	16
At 31 December 2018	16	16
Accumulated depreciation		
At 1 January 2018	-	-
Charge for the year	1	1
At 31 December 2018	1	1
Carrying amount		
At 31 December 2018	15	15
At 31 December 2017	-	-

14 Intangible assets

Group

	Goodwill £ 000	Contractual customer relationships £ 000	Other intangible assets £ 000	Total £ 000
Cost or valuation				
At 1 January 2017	7,448	-	20,882	28,330
Additions	-	-	2,867	2,867
Acquired through business combinations	37,266	19,800	12,400	69,466
At 31 December 2017	44,714	19,800	36,149	100,663
Additions	-	-	1,788	1,788
Acquired through business combinations	1,245	27,737	90	29,072
Disposals	-	-	(1,966)	(1,966)
At 31 December 2018	45,959	47,537	36,061	129,557
Accumulated amortisation				
At 1 January 2017	-	-	9,304	9,304
Amortisation charge	-	1,320	6,542	7,862
Impairment	-	-	173	173
At 31 December 2017	-	1,320	16,019	17,339
Amortisation charge	-	1,980	5,917	7,897
Amortisation eliminated on disposals	-	-	(970)	(970)
At 31 December 2018	-	3,300	20,966	24,266
Carrying amount				
At 31 December 2018	45,959	44,237	15,095	105,291
At 31 December 2017	44,714	18,480	20,130	83,324
At 31 December 2016	7,448	-	11,578	19,026

The amortisation charge of £7,897,000 (2017: £7,862,000) is recognised in administrative expenses.

At each reporting period end date, an annual impairment test is undertaken. This test compares the carrying value of the non-financial assets of the cash-generating unit (CGU) to their recoverable amount. Where the recoverable amount is less than the carrying value, an impairment occurs.

At the balance sheet date, the non-financial assets of the Group were tested for impairment. This testing did not identify any instances where the recoverable amount was in excess of the carrying value and therefore no impairment charge has been recorded.

The recoverable amount for the CGU has been determined based on a value in use calculation. These calculations use cash flow projections, covering a five-year period, obtained from financial forecasting approved by the Board. The discount rate used is 8%.

14 Intangible assets (continued)

Company

	Trademarks £ 000	Total £ 000
Cost or valuation		
At 1 January 2018	-	-
Additions	178	178
At 31 December 2018	178	178
Carrying amount		
At 31 December 2018	178	178
At 31 December 2017	-	-

15 Investments

Group subsidiaries

Details of the group subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2018	2017
OVO Energy Ltd*	Sale of electricity and gas to customers in the UK	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	100%	100%
OVO Electricity Ltd	Procurement and sale of UK electricity from the wholesale markets and renewable sources	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	100%	100%
OVO Gas Ltd	Supply of gas and UK related services	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	100%	100%
ONI Energy Ltd*	Dormant	Murray House, Murray Street, Belfast, Northern Ireland, BT1 6DN, UK	100%	100%
ONI Electricity Ltd	Dormant	Murray House, Murray Street, Belfast, Northern Ireland, BT1 6DN, UK	100%	100%
ONI Gas Ltd	Dormant	Murray House, Murray Street, Belfast, Northern Ireland, BT1 6DN, UK	100%	100%
Intelligent Energy Technology Services Ltd (previously In Home Technology Ltd)*	Smart meter installation business	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	100%	100%
Intelligent Energy Technology Ltd (previously OVO Technology Ltd)*	Product development and provision of trading services	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	100%	100%

15 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2018	2017
VCharge Inc	Development and provision of demand side grid balancing services	USA	100%	100%
VCharge UK Ltd	Development and provision of demand side grid balancing services	1 Masterton Park, South Castle Drive, Dunfermline, Scotland, KY11 8NX, UK	100%	100%
Lilibet Holdings Ltd*	Holding company	1 Rivergate Temple Quay, Bristol, England, BS1 6ED, UK	100%	100%
Lilibet Finance Ltd	Holding company	1 Rivergate Temple Quay, Bristol, England, BS1 6ED, UK	100%	100%
CLCB Holdings Ltd	Holding company	1 Masterton Park, South Castle Drive, Dunfermline, Fife, KY11 8NX, UK	100%	100%
Corgi Homeplan Ltd	Provider of boiler and home care cover	1 Masterton Park, South Castle Drive, Dunfermline, Fife, KY11 8NX, UK	100%	100%
Corgi Homeheat Ltd	Installation of boilers	1 Masterton Park, South Castle Drive, Dunfermline, Fife, KY11 8NX, UK	100%	100%
Hybrid Energy Solutions Ltd	Electric Vehicle charge point installers	Unit 1b Silver House Adelphi Way, Ireland Industrial Estate, Staveley, Chesterfield, Derbyshire, England, S43 3LJ, UK	67%	51%
ETP Assets 1 Ltd	Dormant	140 -142 Kensington Church Street, London, England, W8 4BN UK	100%	0%
Lumo Online Ltd	Dormant	140-142 Kensington Church Street, London, England, W8 4BN UK	100%	100%
Spark Energy Ltd	Sale of electricity and gas to customers in the UK	Ettrick Riverside, Dunsdale Road, Selkirk, United Kingdom, TD7 5EB UK	100%	0%
Spark Gas Shipping Ltd	Supply of gas and related services	1 Rivergate, Temple Quay, Bristol, England, BS1 6ED UK	100%	0%

15 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2018	2017
Spark Energy Finance Plc	Finance	Ettrick Riverside, Dunsdale Road, Selkirk, Scotland, TD7 5EB UK	100%	0%
Home Telecom Ltd	Telecom services	1 Rivergate, Temple Quay, Bristol, England, BS1 6ED UK	100%	0%
4hundred GmbH*	Sale of electricity and gas to customers in Germany	Ernst-Heimeran-Weg 10, 82319 Starnberg Germany	58.1%	0%
OVO Energy Pty Ltd*	Sale of electricity and gas to customers in Australia	19/181 William Street Melbourne VIC 3000 Australia	100%	0%
OVO Energy France SAS*	Sale of electricity and gas to customers in France	231 rue Saint-Honore 75001 Paris France	100%	0%
Spark Generation Ltd	Dormant	Ettrick Riverside, Dunsdale Road, Selkirk Scotland	100%	0%

* indicates direct investment of the company

Group associates

Details of the group associates as at 31 December 2018 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held by the group 2018	2017
Indra Renewable Technologies Limited	Engineering design activities for industrial process and production	140 - 142 Kensington Church Street, London, England, W8 4BN UK	24.9%	24.9%

Aggregate financial information for the non-material associates

Please find below aggregate financial information for each associate material to the group:

15 Investments (continued)

	31 December 2018 £ 000
Group share of profit or loss from continuing operations	(176)
Aggregate carrying amount of the interest in this associate	24

15 Investments (continued)

Summary of the company investments

	31 December 2018 £ 000	31 December 2017 £ 000
Investments in subsidiaries	87,898	86,334

Subsidiaries	**£ 000**
Cost	
At 1 January 2017	85,716
Additions	618
At 31 December 2017	86,334
Additions	1,564
At 31 December 2018	87,898

16 Acquisition of subsidiary

On 28 November 2018, the group acquired 100% of the issued share capital of Spark Energy Ltd through Ofgem's Supplier of Last Resort process. The principal activity of Spark Energy Ltd and its subsidiaries is the supply of gas and electricity . Spark Energy Ltd was acquired to grow the Group's domestic energy customer base.

There is significant judgement of the fair value of the acquired group's net assets, and the best available data has therfore been used. These amounts will remain provisional until the measurement period ends, at the earlier of when the group receives the full information requird or 27 November 2019 in accordance with IFRS 3.

The provisional amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	31 December 2018 £ 000
Assets and liabilities acquired (provisional)	
Financial assets	22,748
Property, plant and equipment	584
Identifiable intangible assets	27,680
Financial liabilities	(33,750)
Total identifiable assets	17,262

The total consideration transferred was £1.

This business combination resulted in a bargain purchase transaction because the provisional fair value of assets acquired and liabilities assumed exceed the total of the fair value of consideration paid by £17.3m.

Provisional intangible assets of £27,680,000 were recognised on acquisition of Spark Energy Ltd and its subsidiaries. This was for the recognition of existing relationships with 290,000 customer accounts.

Provisional financial assets recognised on acquisition contains an expected amount claimed to Ofgem under the Last Resort Supply Payment scheme.

16 Acquisition of subsidiary (continued)

During the coure of 2018, the group acquired 58% of the issued share capital of 4hundred GmbH, obtaining control. The principal activity of 4hundred GmbH is domestic supply of electricity and gas within Germany. 4hundred GmbH was acquired to expand the Group's supply of domestic electricity and gas into Germany.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	31 December 2018 £ 000
Assets and liabilities acquired	
Identifiable intangible assets	57
Goodwill	1,304
Total consideration	1,361
Satisfied by:	
Cash	1,361
Cash flow analysis:	
Cash consideration	1,361

Identifiable intangible assets of £57,000 were recognised on acquisition of 4hundred GmbH. This was for the recognition of existing customer relationships.

Reassessment of the fair value of the group's acquisitions in the prior year

The fair value of the group's acquisition of CLCB Holdings Ltd and Hybrid Energy Solutions Ltd in 2017 have been reassessed in 2018 with no changes.

17 Inventories

	Group		Company	
	31 December 2018 £ 000	31 December 2017 £ 000	31 December 2018 £ 000	31 December 2017 £ 000
Finished goods and goods for resale	4,909	7,325	-	-

The cost of ROC's recognised as an expense in the year amounted to £76,422,000 (2017 - £50,063,000). This is included within cost of sales.

18 Trade and other receivables

	Group		Company	
	31 December 2018 £ 000	31 December 2017 £ 000	31 December 2018 £ 000	31 December 2017 £ 000
Trade receivables and accrued income	104,786	92,410	-	-
Provision for impairment of trade receivables and accrued income	(52,923)	(40,286)	-	-
Net trade receivables	51,863	52,124	-	-
Receivables from related parties	1,708	167	69,535	56,003
Prepayments	11,362	4,833	74	74
Other receivables	31,263	11,849	342	156
	96,196	68,973	69,951	56,233

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

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

The Shell commodity purchasing arrangement gives rise to a variable liability to Shell which is a combination of accounts payable and future purchase commitments secured on the cash and debtors of OVO Energy Ltd. As at the year end there was no oustanding liability on the extended credit facility.

19 Cash and cash equivalents

	Group		Company	
	31 December 2018 £ 000	31 December 2017 £ 000	31 December 2018 £ 000	31 December 2017 £ 000
Cash at bank	81,045	78,177	366	2,310

20 Trade and other payables

	Group		Company	
	31 December 2018 £ 000	31 December 2017 £ 000	31 December 2018 £ 000	31 December 2017 £ 000
Trade payables	5,159	57,007	-	11
Accrued expenses	192,226	81,227	132	306
Amounts due to related parties	1,678	1,282	47,765	32,661
Social security and other taxes	1,513	1,242	(12)	37
Other payables	3,491	1,188	93	45
	204,067	141,946	47,978	33,060

The group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk review note.

21 Share capital and reserves

Allotted, called up and fully paid shares

	31 December 2018		31 December 2017	
	No.	£	No.	£
A Ordinary of £0.00001 each	11,549,110	115	11,549,110	115
B Ordinary of £0.00001 each	84,076	1	84,808	1
C Ordinary of £0.00001 each	86,457	1	82,756	1
D1 Ordinary of £0.00001 each	732,597	7	732,597	7
D2 Ordinary of £0.00001 each	131,022	1	131,022	1
D3 Ordinary of £0.00001 each	259,656	3	259,656	3
D4 Ordinary of £0.00001 each	149,854	1	149,854	1
D5 Ordinary of £0.00001 each	572,241	6	572,241	6
E1 Ordinary of £0.00001 each	605,445	6	119,307	1
Preferred Shares of £0.00001 each	2,424,771	24	2,424,771	24
Deferred Shares of £0.00001 each	499,940	5	447,689	4
	17,095,169	171	16,553,811	166

The B,C, D and E shares have been issued as part of Employee Share Schemes as discussed in Note 23.

Nature and purpose of reserves

Share-based payments
The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 25 for further details of these plans.

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

22 Loans and borrowings

	Group		Company	
	31 December 2018 £ 000	31 December 2017 £ 000	31 December 2018 £ 000	31 December 2017 £ 000
Non-current loans and borrowings				
Bank borrowings	33,934	32,949	-	-

	Group		Company	
	31 December 2018 £ 000	31 December 2017 £ 000	31 December 2018 £ 000	31 December 2017 £ 000
Current loans and borrowings				
Bank borrowings	-	50	-	-

22 Loans and borrowings (continued)

Group

Bank borrowings
The loan by Lilibet Finance Ltd with HSBC and Investec taken in 2017 is denominated in GBP with a nominal interest rate of 5.65%, and with the final instalment due on 28 February 2023. The carrying amount at year end is £31,934,000 (2017 - £32,949,000).

Upon acquisition of Spark Energy group of companies the Group took on the Bond issued to Spark Energy Finance Ltd in 2015 is denominated in GBP with a nominal interest rate of 9%, and with the final instalment due on 1 September 2022. The carrying amount at year end is £2,000,000 (2017 - £Nil).

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The group's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment note.

23 Obligations under leases and hire purchase contracts

Group

Operating leases
The Group leases a number of office premises, in Bristol, Dunfermline, Selkirk and London under non-cancellable operating lease agreements. The lease terms are between 2 and 6 years. Lease rentals are included in the income statement.

The total aggregate future value of minimum lease payments is as follows:

	31 December 2018 £ 000	31 December 2017 £ 000
Within one year	4,119	2,348
In two to five years	17,551	7,443
In over five years	630	-
	22,300	9,791

The amount of non-cancellable operating lease payments recognised as an expense during the year was £2,868,000 (2017 - £2,021,195)

24 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £1,350,000 (2017 - £958,000).

25 Share-based payments

Ovo Group Ltd Share Scheme

Scheme details and movements

In July 2014, OVO Group Ltd established a new employee share plan. Under the terms of the scheme, OVO Group Ltd awarded its own employees and employees of other group companies class B, C, D and E ordinary shares in OVO Group Ltd.

B shares ('Employee Shareholder Scheme') are free shares awarded to employees in line with the UK government's employee shareholder status rules. They have a three year vesting period.

Employees are given the option to purchase C shares from their bonus. They have a one year vesting period.

D shares are also awarded as part of the LTIP scheme.They have a vesting period based on performance conditions.

E shares are also awarded as part of the LTIP scheme. They have a vesting period based on performance conditions.

The scheme is equity settled and a fair value liability was calculated on grant date. The expense is charged to the income statement on a straight line basis over the expected vesting period of the awards.

25 Share-based payments (continued)

Analysis of charge to the consolidated income statement

£000	2018	2017
'B' Shares	184	186
'C' Shares	-	-
'D' Shares	-	435
'E' Shares	18	-
	202	621

Reconciliation of movements in awards

Thousands of shares	'B' Shares	'C' Shares	'D' Shares	'E' Shares
As at 1 January 2018	85	83	1,845	119
Issued March 2018	-	-	-	-
Issued June 2018	-	4	-	267
Issued December 2018	-	3	-	288
Cancelled	-	(3)	-	(104)
Issued at 31 December 2018	85	87	1,845	570
Weighted average vesting period (months)	1	8	-	24

Thousands of shares	'B' Shares	'C' Shares	'D' Shares	'E' Shares
As at 1 January 2017	91	76	1,556	-
Issued June 2017	10	5	298	-
Issued September 2017	17	5	-	100
Issued December 2017	5	-	-	19
Cancelled	(38)	(3)	(9)	
Issued at 31 December 2017	85	83	1,845	119
Weighted average vesting period (months)	26	10	-	33

25 Share-based payments (continued)

Pricing

For the purpose of valuing the awards, to calculate the share-based payment charge all shares issued were valued based on an observable market multiples of competitors, discounted cash flow and where available transaction data.

'B' Shares
Upon issuance, the 'B' Shares awarded in June 2017 were valued at £12.10 per share, September 2017 shares were valued at £15.30 per share and December 2017 shares were valued at £15.30 per share.

'C' Shares
Upon issuance, the 'C' Shares awarded in June 2017 were valued at £17.00 per share and September 2017 shares were valued at £17.00 per share. The 'C' Shares awarded in 2018 were all valued at £17.00 per share.

'D' Shares
Upon issuance, the 'D' Shares awarded in June 2017 were valued at £0.31 per share and September 2017 shares were valued at £0.31 per share. There were no 'D' Shares awarded in 2018.

'E' Shares
Upon issuance, the 'E' Shares awarded in 2017 had no fair value. The 'E' Shares awarded in 2018 were valued at £0.20 per share.

26 Provisions

Group

	Facility agreement exit fee provision £ 000	Dilapidation provisions £ 000	Total £ 000
At 1 January 2018	-	740	740
Additional provisions	2,000	-	2,000
Increase in existing provisions	-	183	183
At 31 December 2018	2,000	923	2,923
Current liabilities	2,000	923	2,923

Dilapidation provision

The Group is required to restore the leased premises of its offices to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

Facility agreement exit fee provision

Upon the occurence of an exit event for a fully repaid facility agreement, the group is required to make an exit fee payment based on the enterprise value of the group at the date of the event. The recognised provision reflects the director's best estimates of the fair value of this fee at 31 December 2018.

27 Contingent liabilities

Group

In February 2018, Ofgem launched an investigation into OVO's estimation of customers' energy usage during winter 2016-17 and the general accuracy of its annual consumption figures in customers' annual statements. OVO has been fully cooperating with Ofgem in its investigation and it is anticipated that the investigation will be closed in 2019. OVO does not anticipate this investigation impacting its ability to supply energy or grow its customer base in any way.

28 Financial instruments

Group

Financial assets
Loans and receivables

	Carrying value		Fair value	
	31 December 2018 £ 000	31 December 2017 £ 000	31 December 2018 £ 000	31 December 2017 £ 000
Cash and cash equivalents	81,101	78,177	81,101	78,177
Trade and other receivables	97,136	68,973	97,136	68,973
	178,237	147,150	178,237	147,150

Valuation methods and assumptions

Loans and receivables:
The fair value of loans and receivable is based on the expectation of recovery of balances. The individually impaired receivables mainly relate to customers from whom it is unlikely that full payment will ever be received.

28 Financial instruments (continued)

Financial liabilities

Financial liabilities at amortised cost

	Carrying value		Fair value	
	31 December 2018 £ 000	31 December 2017 £ 000	31 December 2018 £ 000	31 December 2017 £ 000
Trade and other payables	204,067	141,946	204,067	141,946
Borrowings	33,934	32,999	33,934	32,999
	238,001	174,945	238,001	174,945

Valuation methods and assumptions

Financial liabilities at amortised cost
The fair value of the trade and other payables and borrowings 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 the short maturities, the fair value of the trade and other payables approximates to their book value.

Company

Financial assets
Loans and receivables

	Carrying value		Fair value	
	31 December 2018 £ 000	31 December 2017 £ 000	31 December 2018 £ 000	31 December 2017 £ 000
Cash and cash equivalents	366	2,310	366	2,310
Trade and other receivables	71,951	56,233	71,951	56,233
	72,317	58,543	72,317	58,543

Valuation methods and assumptions

Loans and receivables:
The fair value of loans and receivable is based on the expectation of recovery of balances. There have been no historic defaults over the other receivables balance, therefore the full balance is expected to be received.

28 Financial instruments (continued)

Financial liabilities

Financial liabilities at amortised cost

	Carrying value		Fair value	
	31 December 2018 £ 000	31 December 2017 £ 000	31 December 2018 £ 000	31 December 2017 £ 000
Trade and other payables	47,978	33,060	47,978	33,060
Borrowings	-	-	-	-
	47,978	33,060	47,978	33,060

Valuation methods and assumptions

Financial liabilities at amortised cost
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.

29 Financial risk management and impairment of financial assets

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

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

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

The allowance account for trade receivables is used to record impairment losses unless the Group has no reasonable expectation of recovery; at that point the amounts considered irrecoverable are written off against the trade receivables directly. The Group provides for impairment losses based on expected credit losses. For trade receivables and contract assets, the Group applies the IFRS 9 simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience. Trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Generally trade receivables are written off if final billed, past due for more than three months and are not subject to enforcement activity.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for both trade receivables and contract assets:

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

Past due and impaired financial assets

Allowances for impairment by credit losses

2018	**Loans and receivables £ 000**
At start of year	40,286
Additional impairment for credit losses	12,637
At end of year	52,923

2017	**Loans and receivables £ 000**
At start of year	24,397
Additional impairment for credit losses	15,889
At end of year	40,286

Analysis of items past due or impaired
Loans and receivables

2018	**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**
Loans and receivables	35,212	17,542	52,923	105,677	52,923

2017	**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**
Loans and receivables	18,519	20,901	40,286	7,953	40,286

The credit quality of financial assets that are neither due or impaired can be assessed by reference to historical information about counterparty default rates. The individually impaired receivables mainly relate to customers from whom it is unlikely that full payment will be received.

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

Market risk
Commodity price risk

Commodity risk is the exposure that the Group has to price movements in the wholesale gas and electricity markets. 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 Group 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 Group's exposure to commodity risk is managed through the use of derivative financial instruments. The Group 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 £nil (2017: £nil).

The 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 Group's expected purchase and sale requirements and are therefore out of scope of IFRS 9. Energy contracts that are not financial instruments under IFRS 9 are accounted for as executory contracts and changes in fair value do not immediately impact profit or equity, and as such, are not exposed to commodity price risk as defined by IFRS 7. So whilst the risk associated with energy procurement contracts outside the scope of IFRS 9 is monitored for internal risk management purposes, only those energy contracts within the scope of IFRS 9 are within the scope of the IFRS 7 disclosure requirements.

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

The 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.

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

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

Maturity analysis

2018	Within 1 year £ 000	After 1 year £ 000	Total £ 000
Trade and other payables	204,067	-	204,067
Bank borrowings	-	33,934	33,934
	204,067	33,934	238,001

2017	Within 1 year £ 000	After 1 year £ 000	Total £ 000
Trade and other payables	141,946	-	141,946
Bank borrowings	50	32,949	32,999
	141,996	32,949	174,945

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

Capital risk management

Capital management
Capital risk is managed to ensure the Group continues as a going concern and grows in a sustainable manner.
The Group maintains a consolidated financial model to monitor the development of the Group's capital structure, which has the ability to model various scenarios and sensitivities. Key outputs from this model are regularly presented to the board.

30 Related party transactions

Key management personnel
Key management includes directors and members of the Group management team. The compensation paid or payable to key management for employee services to the Group's subsidiaries is shown below.

Key management compensation

	31 December 2018 £ 000	31 December 2017 £ 000
Salaries and other short term employee benefits	1,872	1,286

Summary of transactions with key management

Stephen Fitzpatrick directly controls 3% of the voting shares of the Company, he also owns 100% of the share capital of Imagination Industries Ltd, which owns a further 80% of the Company's shares.

Summary of transactions with parent entities

Company

During the year, the Company provided loan funds to Imagination Industries Limited of £148,000 (2017: nil) The loan incurred no interest charge on the capital balance As at 31 December 2017, Imagination Industries Limited owed the Company £148,000 (2017: nil).

During the year, the Company incurred £100k of costs payable to Mayfair Equity Partners LLP (2017: £100k).

Summary of transactions with associates

Company

During the year, the Company provided loan funds to Indra Renewable Technologies Limited of £1,550,000 (2017: nil). The loan incurred no interest charge on the capital balance. As at 31 December 2018, the total balance outstanding was £1,550,000 (2017: nil).

30 Related party transactions (continued)

Summary of transactions with subsidiaries

Company

During the year, Intelligent Energy Technology Services Ltd (Previously In Home Technology Ltd) provided loan funds to the Company of £12,653,000 (2017: £13,145,000). The loan incurred an interest charge on the capital balance in the current year of 7% (2017: 7%); the total interest paid in the current year was £1,337,000 (2017: £1,337,000). As at 31 December 2018, the Company owed £47,734,000 to Intelligent Energy Technology Services Ltd (2017: £32,482,000).

During the year, the Company charged management charges to Intelligent Energy Technology Services Ltd (Previously In Home Technology Ltd) for the provision of Management personnel of £106,000 (2017: nil). The costs are included in the balance outstanding above.

During the year, OVO Energy Ltd repaid loan funds to the Company of £7,591,000 (2017: provided loans of £1,819,000). The loan incurred an interest charge on the capital balance of 7% (2017: 7%); the total interest received in the year was £1,190,000 (2017: £1,218,000). As at 31 December 2018, the total balance outstanding was £13,019,000 (2017: £19,587,000).

During the year, the Company charged management charges to OVO Energy Ltd for the provision of Management personnel of £1,339,000 (2017: £2,019,000). The costs are included in the balance outstanding above.

During the year, the Company provided loan funds to Corgi Homeplan Ltd of £1,300,000 (2017: £1,175,000). The loan incurred an interest charge on the capital balance of 7% (2017: 7%); the total interest received in the year was £90,000 (2017: £33,000). As at 31 December 2018, the total balance outstanding was £2,597,000 (2017: £1,207,000).

During the year, the Company provided nil loan funds to Lilibet Holdings Ltd (2017: £27,800,000). The loan incurred an interest charge on the capital balance of 7% (2017: 7%); the total interest received in the year was £1,946,000 (2017: £1,297,000). As at 31 December 2018, the total balance outstanding was £31,043,000 (2017: £29,097,000).

During the year, the Company provided loan funds to Intelligent Energy Technology (Previously OVO Technology Ltd) of £9,061,000 (2017: £3,796,000). The loan incurred an interest charge on the capital balance of 7% (2017: 7%); the total interest received in the year was £604,000 (2017: £182,000). As at 31 December 2018, the total balance outstanding was £13,850,000 (2017: £3,798,000).

During the year, the Company charged management charges to Intelligent Energy Technology (Previously OVO Technology Ltd) for the provision of Management personnel of £34,000 (2017: nil). The costs are included in the balance outstanding above.

During the year, the Company provided loan funds to V Charge Inc. of £1,614,000 (2017: £676,000). The loan incurred an interest charge on the capital balance of 7% (2017: 7%); the total interest received in the year was £124,000 (2017: £41,000). As at 31 December 2018, the total balance outstanding was £2,760,000 (2017: £930,000).

During the year, the Company provided loan funds to V Charge UK Ltd. of £195,000 (2017: £785,000). The loan incurred an interest charge on the capital balance of 7% (2017: 7%); the total interest received in the year was £88,000 (2017: £41,000). As at 31 December 2018, the total balance outstanding was £1,319,000 (2017: £1,027,000).

31 Parent and ultimate parent undertaking

The ultimate parent is Imagination Industries Ltd.

The most senior parent entity producing publicly available financial statements is Imagination Industries Ltd. These financial statements are available upon request from the registered office shown in note 1.

The ultimate controlling party is Stephen Fitzpatrick.

32 Exemption of subsidiaries' requirement from preparing individual financial statements

OVO Group Ltd has guaranteed the liabilities of the following dormant subsidiaries in order that they qualify for the exemption from preparing individual financial statements under Section 394A of the Companies Act 2006 in respect of the year ended 31 December 2018:

- ONI Energy Ltd (company number: NI604034)
- ONI Electricity Ltd (company number: NI604035)
- ONI Gas Ltd (company number: NI604036)
- ETP Assets 1 Ltd (company number: 11303990)
- Lumo Online Ltd (company number: 10732817)

33 Non adjusting events after the financial year

On 14 January 2019, OVO Energy Ltd acquired 235,000 customers from Economy Energy Ltd through the Supplier of Last Resort mechanism. The financial effects of this transaction have not been recognised at 31 December 2018.

In February 2019, the Group received a £217m investment from Mitsubishi Corporation for a 20% stake. Our business model, long-term vision for the energy sector and culture align well with our new global partner. Their investment will help us expand into new markets across Europe and Asia Pacific, accelerate the development of our intelligent energy technologies company, Kaluza, and put us at the forefront of the global, tech-enabled transition to a zero-carbon energy system.