

Registration number: SC318950

OVO (S) Metering Limited
(Formerly SSE Metering Limited)

Annual Report and Financial Statements

for the Year Ended 31 March 2020

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OVO (S) Metering Limited

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OVO (S) Metering Limited

Company Information

Directors.	Christopher Adams Adrian Letts Vincent Casey Raman Bhatia William Castell
Company secretary	Vincent Casey
Registered office	Grampian House 200 Dunkeld Road Perth Scotland PH1 3GH
Independent auditors	PricewaterhouseCoopers LLP 2 Glass Wharf Temple Quay Bristol BS2 0FR
Registered number	SC318950

The Company was previously known as SSE Metering Limited. On 16 January 2020 the Company changed its name to OVO (S) Metering Limited.

OVO (S) Metering Limited

Strategic Report for the Year Ended 31 March 2020

The Directors submit their report and audited financial statements of OVO (S) Metering Limited (formerly SSE Metering Limited) (the "Company") for the year ended 31 March 2020.

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them assess how the Directors have performed their duty to promote the success of the Company.

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of the Company during the year ended 31 March 2020, as well as those matters which are likely to affect its future development and performance.

1 Business review

The Company provides services to most electricity suppliers with customers in central southern England and the north of Scotland. During the year, it undertook meter reading operations and meter operator work in all parts of Great Britain. It supplies, installs and maintains domestic meters and carries out metering work in the commercial, industrial and generation sectors. It also offered data collection services to the domestic and SME sectors.

OVO (S) Metering Limited is supporting the Smart meter rollout for the SSE retail brand, providing Smart Meter Operatives services to OVO (S) Energy Services Limited. The delivery of Smart in a safe and effective manner is a key focus area of the business.

The profit and loss account for the year ended 31 March 2020 is set out on page 13. The loss for the year after taxation amounted to £39.3m (2019: profit of £5.6m). This reflects exceptional costs incurred in the year of £62.4m associated with the impairment of assets and certain restructuring costs. Further information on this is included in Note 4. The balance sheet at 31 March 2020 is set out on page 14 and indicates net assets of £41.1m (2019: net assets of £79.7m).

2 Key performance indicators

The Directors believe that the following indicators will provide shareholders with sufficient information to assess how effectively the company is performing.

	2020	2019
Revenue - £m	185.9	195.9
Gross profit - £m	26.7	19.8
Adjusted EBITDA* - £m	33.1	20.3
Net assets - £m	41.1	79.7

*Earnings before interest, taxation, depreciation, amortisation and exceptional expenses.

OVO (S) Metering Limited

Strategic Report for the Year Ended 31 March 2020

3 S172 Statement

As noted above, OVO (S) Metering Limited was previously part of the SSE Plc group of companies until 15 January 2020 when the Company was acquired by OVO Energy Limited, an indirect subsidiary of OVO Group Limited.

As a result, for the period 1 April 2019 through 15 January 2020, the reporting requirements under Section 172 of the UK Companies Act 2006 are satisfied through the disclosures made by SSE Plc in their Annual Report (available on Companies House website).

Following the acquisition of the Company by OVO Energy Limited, the requirements have been met by the OVO Group Limited Directors.

OVO Group Limited identifies their customers, people, the planet, the government and regulators, their suppliers and their communities as key stakeholders, who are at the heart of OVO Group Limited's strategy and business model. Engagement with these stakeholders allows an understanding of the evolving needs and informs strategic decision making.

In line with the requirements of the UK Companies Act 2006, we provide a high-level summary of how the Directors engaged with our stakeholders and had regard to their interests when setting strategy and taking decisions subsequent to acquiring the business.

Our customers

Communications to customers are designed to mobilise a community around our strategic objective, Plan Zero, to drive progress to zero carbon living and to support all of our customers in reducing their individual carbon footprint by 50% by 2030. The Directors receive direct updates from each customer facing business and regularly discusses customer performance, Net Promote Scores and feedback.

Governments and regulators

The Directors engage regularly with key stakeholders within the UK Government, devolved administrations and Ofgem. They also share platforms at conferences and roundtables, discussing and obtaining feedback on regulatory, policy and political priorities. OVO Group also have a dedicated Policy and Public Affairs team who regularly update the Directors on policy developments and coordinate a regular engagement programme.

Our suppliers

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

The Directors recognise that having robust governance structures in place is vital to decision-making. The Directors spend time listening to and understanding the view of its key stakeholders. When discussing matters at Board meetings, these views form an integral part of decision-making.

All matters which under OVO's governance arrangements are reserved for decision by the Directors are presented at OVO Group Board meetings. Directors are briefed on any potential impacts and risks for the Group's customers, people, the planet, the government and regulators, their suppliers and their communities and how they are to be managed.

OVO (S) Metering Limited

Strategic Report for the Year Ended 31 March 2020

4 Streamlined Energy and Carbon Reporting Framework Regulations

Disclosures in relation to the Streamlined Energy and Carbon Reporting Framework Regulations are included in the Group financial statements of the Company's parent entity: OVO (S) Energy Services Limited.

5 Acquisition of the Company by OVO Energy Group

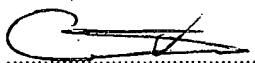
On 15 January 2020, OVO completed the transformational acquisition of SSE plc's GB domestic retail business (SSE Energy Services Group Limited, now trading as ("OVO (S) Energy Services Limited") including OVO (S) Metering Limited.

OVO's investment in scalable operating platforms, smart data capabilities and innovative technology combined with SSE's excellence at scale makes the two businesses a great fit. SSE won uSwitch's Large Supplier of the Year 2019 and recently came top of the Citizens Advice Bureau's energy supplier rankings. We are both committed to increasing access to sustainable energy. Combining the best of both our businesses will enable us to bring OVO's energy technology to millions more customers to provide a market leading customer experience.

6 Principal risks and uncertainties

The key risks and uncertainties for OVO (S) Metering Limited are set out in the Directors' Report on page 5.

Approved by the Board on 31 March 2021 and signed on its behalf by:



Vincent Casey
Director

OVO (S) Metering Limited

Directors' Report for the Year Ended 31 March 2020

The Directors present their report together with the audited financial statements for the year ended 31 March 2020.

Reporting requirements on the Company's business review and its key performance indicators can be found in the Strategic Report on page 2.

1. Change of company name

The Company was previously known as SSE Metering Limited. On 16 January 2020 the Company changed its name to OVO (S) Metering Limited.

2 Principal risks and uncertainties

The Directors acknowledge that they have responsibility for the Company's systems of internal control and risk management and for monitoring their effectiveness. The purposes of these systems are to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Company. No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the Directors have regard to what controls, in their judgement, are appropriate to the Company's business and to the relative costs and benefits of implementing specific controls.

Control is maintained through an organisational structure with clearly defined responsibilities, authority levels and lines of reporting; the appointment of suitably qualified staff in specialised business areas; and continuing investment in quality information systems. These methods of control are subject to periodic review as to their implementation and continued suitability.

The key risk for the OVO (S) Metering Limited business is ensuring that it meets its binding obligations for OFGEM's roll out of SMART Meters. Delivering SMART in a safe, cost-effective and customer centric way is one of OVO (S) Metering Limited's key strategic priorities going forward. The impact of COVID-19 and the softening sentiment for customers having engineers in their homes is the main contributor to this risk. The implications of missing these targets include potential fines, voluntary contributions and the financial impact of lost income.

OVO (S) Metering Limited

Directors' Report for the Year Ended 31 March 2020

3 Financial risk management

The Company's activities expose it to a variety of financial risks including credit risk and liquidity risk. Risk management is carried out by the Group Risk Management Committee, under policies approved by the Directors and the Group management team.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations.

The Company's principal financial assets are trade and other receivables. The amounts presented in the balance sheet are net of expected credit losses, and the carrying amount of financial assets represents the maximum exposure. The Company has no significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the Company 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.

4 Results and dividends

The loss for the financial year amounted to (£39.3m) (2019: profit of £5.6m).

The Directors do not recommend the payment of a dividend (2019: £nil).

5 Directors

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

Christopher Adams

Anthony Keeling (resigned 15 January 2021)

Stephen Forbes (resigned 15 January 2020)

Adrian Letts (appointed 16 January 2020)

Stephen Fitzpatrick (appointed 16 January 2020 and resigned 18 January 2021)

Vincent Casey (appointed 15 January 2020)

The following Directors were appointed after the year end:

Raman Bhatia (appointed 18 January 2021)

William Castell (appointed 18 January 2021)

In accordance with the Articles of Association of the Company the Directors are not required to retire by rotation.

6 Political and charitable donations

The Company did not make any political or charitable donations during the year (2019: £nil).

OVO (S) Metering Limited

Directors' Report for the Year Ended 31 March 2020

7 Post balance sheet events

COVID-19

Our investment in technology and shared platforms has ensured a high level of connectivity which means we are able to move to remote operations with minimal disruption.

However, unfortunately COVID-19 will impact our commercial performance in 2020, due to some key sales channels within the business experiencing significant interruption as a result of the lockdown. As noted above, COVID-19 has softened the sentiment for customers wanting to have engineers in their homes leading to fewer installs.

Other post balance sheet events

In May 2020, the OVO Group announced a phase of restructuring to align the existing OVO Retail business and the acquired SSE businesses operationally. With respect to Metering, this involved the creation of an OVO Group Metering division to oversee all metering activity across the OVO Retail Group. The new Group Metering division was largely created from personnel across OVO (S) Metering Limited and the OVO equivalent (OVO Field Force Limited) with some additional functions transferred in from OVO (S) Energy Services Limited.

At this time, no changes have been made to align employee contracts or assets.

As part of the restructure, a voluntary enhanced redundancy programme (VER) was initiated which has resulted in the exit of a number of staff from both the OVO and OVO (S) metering businesses, to right-size the operation and to operate across all OVO Retail brands.

In addition, through the same VER programme, OVO (S) Metering Limited is ceasing to undertake in-house meter reading activity and has moved to a third party arrangement. As a result circa 700 meter reading staff (a mix of permanent and contract resource) have left the business.

8 Directors' liabilities

Prior to acquisition by OVO Energy Ltd, the Directors had the benefit of an indemnity provision contained in SSE Plc's Articles of Association. In addition, the Directors had been granted a qualifying third-party indemnity provision which was in force until 14 January 2020. The Directors were also covered by SSE Plc's Directors' and Officers' liability insurance until 14 January 2020.

From 15 January 2020, on acquisition by OVO Energy, and to date, the Directors are covered by the OVO Group Directors' and Officers liability insurance.

9 Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

10 Appointment of PWC as auditors

In accordance with Section 489 of the Companies Act 2006, the Company confirmed that PricewaterhouseCoopers LLP has been appointed External Auditor for the OVO (S) Energy Services Limited Group for the year ending 31 March 2020, as approved by the Directors.

OVO (S) Metering Limited

Directors' Report for the Year Ended 31 March 2020

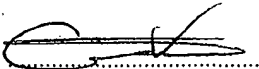
11 Going concern

The Directors have assessed that the Company will prepare its financial statements on a going concern basis. See note 1 to the financial statements for details.

12 Future developments

2020 has been a year of significant change for the Company, as detailed in the Strategic and Directors' Reports. The Directors believe that the Company remains well positioned in the market place for the future.

Approved by the Board on 31 March 2021 and signed on its behalf by:



Vincent Casey
Director

OVO (S) Metering Limited

Statement of Directors' Responsibilities

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

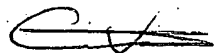
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' (FRS 101).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board on 31 March 2021 and signed on its behalf by:



Vincent Casey
Director

OVO (S) Metering Limited

Independent Auditor's Report to the Members of OVO (S) Metering Limited (formerly SSE Metering Limited)

Report on the audit of the financial statements

Opinion

In our opinion OVO (S) Metering Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2020; the profit and loss account and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

OVO (S) Metering Limited

Independent Auditor's Report to the Members of OVO (S) Metering Limited (formerly SSE Metering Limited)

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 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

OVO (S) Metering Limited

Independent Auditor's Report to the Members of OVO (S) Metering Limited (formerly SSE Metering Limited)

Responsibilities for the financial statements and the audit (continued)

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.

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.

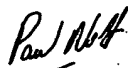
Other required reporting

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

We have no exceptions to report arising from this responsibility.



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

31 March 2021

OVO (S) Metering Limited

Profit and Loss Account for the Year Ended 31 March 2020

	Note	2020 £m	2019 £m
Revenue	3	185.9	195.9
Cost of sales		<u>(159.2)</u>	<u>(176.1)</u>
Gross profit		26.7	19.8
Administrative expenses		(12.0)	(13.2)
Exceptional administrative expenses	4	<u>(62.4)</u>	<u>-</u>
Operating (loss)/profit		(47.7)	6.6
Interest payable and similar expenses	6	<u>(1.8)</u>	<u>(0.2)</u>
(Loss)/profit before taxation		(49.5)	6.4
Income tax credit/(expense)	7	<u>10.2</u>	<u>(0.8)</u>
(Loss)/profit for the financial year		<u>(39.3)</u>	<u>5.6</u>

The above results were derived from continuing operations.

Total other comprehensive income

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


The notes on pages 16 to 32 form an integral part of these financial statements.

OVO (S) Metering Limited

(Registration number: SC318950)
Balance Sheet as at 31 March 2020

	Note	31 March 2020 £m	31 March 2019 £m
Fixed assets			
Intangible assets	9	-	60.4
Tangible assets	10	16.0	23.1
Right of use assets	11	21.0	-
		<u>37.0</u>	<u>83.5</u>
Current assets			
Debtors:			
amounts falling due within one year	12	17.7	20.9
amounts falling due after more than one year	13	25.3	-
Total current assets		<u>43.0</u>	<u>20.9</u>
Current liabilities			
Creditors: amounts falling due within one year	14	<u>(27.0)</u>	<u>(12.9)</u>
Net current assets		<u>16.0</u>	<u>8.0</u>
Total assets less current liabilities		<u>53.0</u>	<u>91.5</u>
Creditors: Amounts falling due after more than one year	15	(11.9)	(6.1)
Deferred tax liability	8	-	(5.7)
Net assets		<u>41.1</u>	<u>79.7</u>
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		<u>41.1</u>	<u>79.7</u>
Total shareholders' funds		<u>41.1</u>	<u>79.7</u>

The financial statements on pages 13 to 32 were approved by the Board of directors on 31 March 2021 and signed on its behalf by:


Vincent Casey
Director

OVO (S) Metering Limited

Statement of Changes in Equity for the Year Ended 31 March 2020

	Share capital £m	Profit and loss account £m	Total £m
At 1 April 2018	-	73.1	73.1
Profit for the year	-	5.6	5.6
Total comprehensive income	-	5.6	5.6
Credit in respect of employee share awards	-	1.0	1.0
At 31 March 2019	-	79.7	79.7

	Share capital £m	Profit and loss account £m	Total £m
At 1 April 2019	-	79.7	79.7
Loss for the year	-	(39.3)	(39.3)
Total comprehensive expense	-	(39.3)	(39.3)
Credit in respect of employee share awards	-	0.7	0.7
At 31 March 2020	-	41.1	41.1

The notes on pages 16 to 32 form an integral part of these financial statements.

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

1 Significant accounting policies

OVO (S) Metering Limited ("the Company") is a private company limited by shares and incorporated, domiciled and registered in the United Kingdom. The registered number is SC318950 and the registered office is Grampian House, 200 Dunkeld Road, Perth, Scotland, PH1 3GH.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101"). The principal accounting policies are summarised below and have been applied consistently, except for the adoption of IFRS 16. These financial statements have also been prepared under the historic cost convention.

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

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Comparative period reconciliations for tangible and intangible fixed assets;
- The effect of new, but not yet effective, IFRSs;
- Disclosures in respect of the compensation of key management personnel;
- Disclosures in respect of capital management; and
- Related party disclosures.

As the consolidated financial statements of OVO (S) Energy Services Limited include the equivalent disclosure, the Company has also taken advantage of the exemptions, under FRS 101, available in respect of the following disclosure:

- Certain disclosures required by IFRS 13 Fair value measurement and the disclosures required by IFRS 7 Financial instrument disclosures.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Pension disclosures and employee share based payments disclosures have not been included on the basis of materiality.

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

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

Going concern

The Company made a loss of £39.3m for the year ended 31 March 2020 and had closing net assets of £41.1m.

The financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future as a result of continued trading with OVO Group companies. The Directors have additionally received confirmation that OVO Group Limited intend to support the Company for at least 12 months from the date of approval of these financial statements.

The ability of OVO Group Limited to provide this support has been considered within the OVO Group Limited financial statements, available on request from the registered office showing in note 1, where the OVO Group Limited Directors concluded that the Group has sufficient liquidity to continue as a going concern. This assessment has been updated as at 31 March 2021.

Under the base case, and the severe downside scenarios considered, the Group has sufficient liquidity to continue as a going concern and is compliant with all financial covenants throughout 2020 and 2021. Accordingly, the Directors have a reasonable expectation that the Group has adequate liquidity, and resources to continue operating for a period of at least 12 months from the date of approval of the financial statements, and therefore the financial statements have been prepared on a going concern basis.

Having considered these matters, the Directors do not believe there are any material uncertainties to disclose in relation to the Company's ability to continue as a going concern.

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

New standards, amendments and interpretations effective or adopted by the Company

The following have been applied for the first time from 1 April 2019 and have had an effect on the financial statements:

IFRS 16 Leases

The Company had to change its accounting policies as a result of adopting IFRS 16. The Company has adopted IFRS 16 Leases retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 7%.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The associated right-of-use assets for property leases were measured on a modified retrospective basis as if the new rules had always been applied.

No leases were held by the Company as at 31 March 2019 with all property and vehicle leases being held by SSE Plc. On 15 January 2020, SSE Plc novated all leases relating to the Company as part of the transaction with OVO Energy Limited. As part of the adoption of IFRS 16 the Company has identified several novated leases as commencing on or before 1 April 2019. These are included in the reconciliation below:

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

Measurement of lease liabilities	£m
Operating lease commitments disclosed as at 31 March 2019	-
Discounted using the lessee's incremental borrowing rate	-
(Less): Short-term leases not recognised as a liability	-
Add/(less): contracts reassessed as lease contracts	(2.4)
Add/(less): adjustments as a result of a different treatment of extension and termination options	-
Lease liability recognised as at 1 April 2019	(2.4)
Of which are:	
Current lease liabilities	(0.6)
Non-current lease liabilities	(1.8)
Adjustments recognised in the balance sheet on 1 April 2019	£m
Right-of-use assets increase by	2.4
Lease liabilities	(2.4)

Revenue

The Company earns revenue from the provision of services relating to meter reading and meter operator services, in addition to the supply, installation and maintenance of meters in the UK.

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 15 are applied to revenue 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

The three main sources of revenue recognised by OVO (S) Metering Limited are:

- Installation and other meter operator services revenue - This is an internal and external source of revenue and is recognised as one off (point in time) income, once a meter has been installed or other meter operator service is performed, on behalf of other OVO (S) Group companies or for third party customers.
- Rental revenue - This is an internal and external source of revenue. All meters on OVO (S) Metering Meter Asset Provider (MAP) are charged at a daily rental rate to the third party or other OVO (S) Group companies. Revenue is recognised over time, over the period of the rental contract.
- Meter reading revenue - This is internal revenue charged to other OVO (S) Group companies. It is calculated as an annualised charge per meter, recognised over time over the period to which it relates and covers the cost of OVO (S) Metering Limited reading the meter for the period.

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

Exceptional items

Exceptional items are those charges or credits that are considered unusual by nature and/or scale and of such significance that separate disclosure is required for the financial statements to be properly understood. The trigger points for exceptional items will tend to be non-recurring.

Tax

The credit for taxation is based on the loss for the year and takes into account deferred taxation.

Current tax, including UK Corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date.

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 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 differences can be utilised.

Tangible fixed assets

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairments. Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment, and depreciated accordingly.

Asset type	Years
Meter assets, vehicles and miscellaneous equipment	straight line 4 to 10 years

Intangible fixed assets

Development assets and software

Software assets include the costs of developing and installing products for use within the business. Software is amortised once the development of the software is complete and has been implemented. The useful life of the asset is assessed on the basis of the nature of the asset and an expected useful life is applied accordingly. The amortisation period is as follows:

Asset type	Years
Software	4 to 17 years

Trade debtors

Trade debtors 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 fixed assets.

Trade debtors 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 debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors.

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

Trade creditors

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

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset, and;
- Direct the use of the underlying asset (eg direct how and for what purpose the asset is used)

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the company measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are [presented separately as non-operating /included in finance cost] in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

- (a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

Share based payments

The company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and 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.

Defined benefit pension obligation

Payments made by the Company to multi-employer pension plans are accounted for as contributions to a defined contribution scheme.

2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key areas involving estimates and judgements that has the most significant effect on the amounts recognised in the financial statements are explained below.

Deferred tax assets

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered, i.e. that future taxable amounts (e.g. taxable profits) will be available to utilise those temporary differences and losses. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. The recoverability of deferred tax assets relating to losses is based on forecasts of future taxable profits which are, by their nature, uncertain.

The Company prepares medium-term forecasts based on Board-approved budgets. These are used to support judgements made in the preparation of the Company's financial statements including the recognition of deferred tax assets.

Having assessed the level of profits made by the Company since the year end and forecasts of revenue and costs for the coming years, the Directors believe it is probable that the Company will generate sustainable profits and therefore a deferred tax asset has been recognised.

The Company remains exposed to the risk of changes in law that impact the Company's ability to carry forward and utilise tax attributes recognised as deferred tax assets.

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

3 Revenue

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

	2020 £m	2019 £m
Installation and other meter operator services revenue	142.5	148.0
Meter reading	26.7	29.8
Rental revenue	16.7	18.1
	<u>185.9</u>	<u>195.9</u>

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2020 £m	2019 £m
Depreciation of right of use assets	5.8	-
Depreciation of tangible fixed assets	8.4	9.3
Amortisation of intangible fixed assets	4.2	4.4
Intercompany recharge from SSE Group - vehicles	9.5	10.3

The audit fee in the year and the previous year was borne by the Parent Company. £40,000 of this was in relation to the audit of OVO (S) Metering Limited (2019: £8,200)

Exceptional administrative expenses

A total exceptional charge of £62.4m (2019: £nil) was recognised in the current year. Following the acquisition of the business by OVO, an exercise was undertaken to review the fair value of the tangible and intangible assets. We have reassessed UELs for system assets that will ultimately be retired and replaced with OVO systems and as a result we recognised an impairment charge of £56.2m. In addition, £6.2m exceptional costs were recognised in relation to the costs that were incurred due to the restructuring of the company.

5 Staff costs and numbers

The aggregate payroll costs were as follows:

	2020 £m	2019 £m
Wages and salaries	80.5	91.7
Social security costs	7.9	8.7
Pension costs - defined contribution schemes	8.4	9.2
Pension costs - defined benefit schemes	1.6	1.9
Share based payments	0.7	1.0
Less charged as capital expenditure	-	(0.1)
	<u>99.1</u>	<u>112.4</u>

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

The majority of the company's employees are members of defined contribution pension arrangements. Certain employees are members of a multi-employer defined benefit Electricity Supply Pension Scheme (ESPS). The Company's contribution to this scheme have been treated as contributions to a defined contribution scheme in these financial statements. Further information in relation to the defined benefit pension scheme is included in the financial statements of the Company's parent - OVO (S) Energy Services Limited.

	2020	2019
	No.	No.
Employee numbers		
Numbers employed at 31 March	2,283	2,760

	2020	2019
	No.	No.
Monthly average number of people employed by the Company during the year split by activity:		
Commercial Metering Services	213	205
Meter Reading	449	472
Support	12	10
Operations - Smart	1,499	1,873
Operations - Heritage	265	331
Total	2,438	2,891

Directors' remuneration

The directors were paid by another group company until 15 January 2020. From 16 January 2020 the directors are paid by OVO Energy Limited. It is not possible to apportion their emoluments between group companies. No amounts are recharged to the company. The total emoluments are shown in the financial statements of OVO (S) Energy Services Limited.

6 Interest payable and similar expenses

	2020	2019
	£m	£m
Interest paid to group undertakings	-	0.2
Interest on lease liabilities	1.8	-
	<u>1.8</u>	<u>0.2</u>

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

7 Income tax (credit)/expense

Tax (credited)/charged in the profit and loss account

	2020 £m	2019 £m
Current taxation		
Total current tax charge	3.4	1.4
UK corporation tax adjustment to prior periods	<u>(1.5)</u>	<u>(0.1)</u>
	<u>1.9</u>	<u>1.3</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(12.8)	(0.5)
Arising from changes in tax rates and laws	<u>0.7</u>	<u>-</u>
Total deferred taxation	<u>(12.1)</u>	<u>(0.5)</u>
Total income tax (credit)/charge in the profit and loss account	<u>(10.2)</u>	<u>0.8</u>

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

The differences are reconciled below:

	2020 £m	2019 £m
(Loss)/profit before tax	<u>(49.5)</u>	<u>6.4</u>
Corporation tax at standard rate of 19% (2019: 19%)	(9.4)	1.2
Corporation tax adjustment in respect of previous periods	(1.5)	(0.1)
Expenses not deductible for tax purposes	0.2	0.1
Transfer pricing adjustment	(0.1)	(0.4)
Deferred tax expense relating to changes in tax rates or laws	0.7	-
Share based payments	<u>(0.1)</u>	<u>-</u>
Total tax (credit)/charge	<u>(10.2)</u>	<u>0.8</u>

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

However, the Spring Budget 2021 announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The net deferred tax asset has been calculated at 19% as this rate has been substantively enacted at the Balance Sheet date. Had the 25% rate been substantively enacted on or before 31 March 2020 it would have had the effect of increasing the net deferred tax asset by £2m.

Refer to Note 2, critical accounting judgements, for further discussion on the basis for recognition of deferred tax assets.

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

8 Deferred tax

Deferred tax assets and liabilities

	Asset £m
2020	
Fixed assets timing differences	<u>6.4</u>
2019	
Fixed assets timing differences	<u>(5.7)</u>

Deferred tax movement during the year:

	At 1 April 2019 £m	Recognised in income £m	At 31 March 2020 £m
Fixed assets timing differences	<u>(5.7)</u>	<u>12.1</u>	<u>6.4</u>

Deferred tax movement during the prior year:

	At 1 April 2018 £m	Recognised in income £m	At 31 March 2019 £m
Fixed assets timing differences	<u>(6.2)</u>	<u>0.5</u>	<u>(5.7)</u>

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

9 Intangible assets

	Software £m	Total £m
Cost or valuation		
At 1 April 2019	81.8	81.8
At 31 March 2020	81.8	81.8
Accumulated amortisation and impairment		
At 1 April 2019	21.4	21.4
Amortisation charge	4.2	4.2
Impairment	56.2	56.2
At 31 March 2020	81.8	81.8
Carrying amount		
At 31 March 2020	-	-
At 31 March 2019	60.4	60.4

In the current year the Company conducted a review of intangible assets resulting in an impairment charge of £56.2m in the year (see note 4).

10 Tangible assets

	Assets under the course of construction (AUC) £m	Meter assets, vehicles and miscellaneous equipment £m	Total £m
Cost or valuation			
At 1 April 2019	-	140.9	140.9
Additions	1.3	-	1.3
Transfers	(1.2)	1.2	-
At 31 March 2020	0.1	142.1	142.2
Accumulated depreciation			
At 1 April 2019	-	117.8	117.8
Charge for the year	-	8.4	8.4
At 31 March 2020	-	126.2	126.2
Carrying amount			
At 31 March 2020	0.1	15.9	16.0
At 31 March 2019	-	23.1	23.1

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

11 Right of use assets

	Property £m	Vehicle Leases £m	Total £m
Cost or valuation			
At 1 April 2019 - Implementation of IFRS 16	2.4	-	2.4
Additions	1.2	23.2	24.4
At 31 March 2020	3.6	23.2	26.8
Accumulated depreciation			
Charge for the year	0.6	5.2	5.8
At 31 March 2020	0.6	5.2	5.8
Carrying amount			
At 31 March 2020	3.0	18.0	21.0

12 Debtors: amounts falling due within one year

	31 March 2020 £m	31 March 2019 £m
Amounts due within one year:		
Trade debtors	3.2	2.2
Unbilled revenue	8.8	5.1
Amounts owed by group undertakings	-	13.4
Prepayments	0.2	0.1
Corporation tax debtor	2.1	-
Other debtors	3.4	0.1
	<u>17.7</u>	<u>20.9</u>

13 Debtors: amounts falling due after one year

	31 March 2020 £m	31 March 2019 £m
Amounts due after more than one year:		
Amounts owed by group undertakings	18.9	-
Deferred tax asset (see note 8)	6.4	-
	<u>25.3</u>	<u>-</u>

The amounts due from group undertakings are in respect of amounts owed to the Company by OVO (S) Energy Services Limited (2019: SSE Energy Services Group Limited). Interest on intercompany balances was charged at 5% whilst under the ownership of SSE Plc and is non-interest bearing post acquisition by OVO.

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

14 Creditors: amounts falling due within one year

	31 March 2020 £m	31 March 2019 £m
Trade creditors	3.6	0.1
Accruals and deferred income	11.4	2.8
Amounts due to group undertakings	1.4	8.6
Lease liability	7.2	-
Corporation tax payable	3.4	1.4
	<u>27.0</u>	<u>12.9</u>

15 Creditors: amounts falling due after more than one year

	31 March 2020 £m	31 March 2019 £m
Accruals and deferred income	-	4.7
Amounts due to group undertakings	-	1.4
Lease liability	11.9	-
	<u>11.9</u>	<u>6.1</u>

The amounts owed to group undertakings are in respect of amounts advanced to the Company by its parent, OVO (S) Energy Services Limited. Interest on intercompany balances was charged at 5.06% (2019:5.23%) whilst under the ownership of SSE Plc and is non-interest bearing post acquisition by OVO.

16 Called up share capital

Allotted, called up and fully paid shares

	31 March 2020		31 March 2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

17 Leases

Leases included in creditors

	31 March 2020 £m	31 March 2019 £m
Lease liability - current	7.2	-
Lease liability - non-current	11.9	-

For adjustments recognised on adoption of IFRS 16 on 1 April 2019, please refer to Note 1.

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 March 2020 £m	31 March 2019 £m
Less than one year	8.5	-
Between one and five years	13.1	-
Over 5 years	0.2	-
Total lease liabilities (undiscounted)	21.8	-

The Company leases property and motor vehicles. The balance sheet amounts relating to leases are shown within Note 11 Right of use assets.

The current period interest expense on lease liabilities (included in finance costs) was £1.8m.

Total cash outflows for leases for the year ended 31 March 2020 was £9.4m.

Expenses relating to short-term leases accounted for by applying IFRS 16, paragraph 6 (included in administrative expenses) totalled £nil.

Expenses relating to leases of low-value assets accounted for by applying IFRS 16, paragraph 6 (included in administrative expenses) totalled £nil.

18 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £0.2m (2019 - £0.1m).

OVO (S) Metering Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

19 Post balance sheet events

COVID-19

Our investment in technology and shared platforms has ensured a high level of connectivity which means we are able to move to remote operations with minimal disruption.

However, unfortunately COVID-19 will impact our commercial performance in 2020, due to some key sales channels within the business experiencing significant interruption as a result of the lockdown. COVID-19 has softened the sentiment for customers wanting to have engineers in their homes, leading to fewer installs.

Other Post Balance Sheet events

In May 2020, the OVO Group announced a phase of restructuring to align the existing OVO Retail business and the acquired SSE businesses operationally. With respect to Metering, this involved the creation of an OVO Group Metering division to oversee all metering activity across the OVO Retail Group. The new Group Metering division was largely created from personnel across OVO (S) Metering Limited and the OVO equivalent (OVO Field Force Limited) with some additional functions transferred in from OVO (S) Energy Services Limited.

At this time, no changes have been made to align employee contracts or assets.

As part of the restructure, a voluntary enhanced redundancy programme (VER) was initiated which has resulted in the exit of a number of staff from both the OVO and OVO (S) metering businesses, to right-size the operation and to operate across all OVO Retail brands.

In addition, through the same VER programme, OVO (S) Metering Limited is ceasing to undertake in-house meter reading activity and has moved to a third party arrangement. As a result circa 700 meter reading staff (a mix of permanent and contract resource) have left the business.

20 Parent and ultimate parent undertaking

The Company's immediate parent is OVO (S) Energy Services Limited.

The ultimate parent is Imagination Industries Limited. These financial statements are available upon request from the registered office at 1 Rivergate, Temple Quay, Bristol, BS1 6ED.

The consolidated financial statements that incorporate OVO (S) Metering Limited are those of OVO (S) Energy Services Limited, which are available upon request from the registered office shown in Note 1.

The ultimate controlling party is Stephen Fitzpatrick.