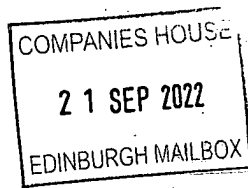


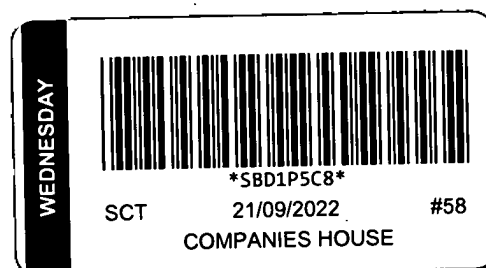
Registration number: SC318950



# OVO (S) Metering Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2021



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## **Company Information**

<b>Directors</b>	Vincent Casey Raman Bhatia
<b>Company secretary</b>	Vincent Casey
<b>Registered office</b>	Grampian House 200 Dunkeld Road Perth Scotland PH1 3GH

## Strategic Report for the Year Ended 31 December 2021

The Directors submit their report and unaudited financial statements of OVO (S) Metering Limited (the "Company") for the year ended 31 December 2021.

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 Business review sets out the main trends and factors underlying the development and performance of the Company during the year ended 31 December 2021, as well as those matters which are likely to affect its future development and performance.

### 1 Business review

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

During the year, OVO (S) Metering Limited supported the smart meter rollout for the OVO retail brands, providing smart meter operator services to companies within the OVO group. The delivery of smart meter rollout in a safe and effective manner was a key focus area of the business during the year. Installations regained momentum in the year despite the continued disruption to the rollout of smart meters to customers as a result of Coronavirus restrictions.

The Company is a wholly owned subsidiary of OVO (S) Energy Services Limited. Following OVO's acquisition in January 2020, OVO intends to focus the consolidated group on core retail offerings and as such has seek to divest its Commercial Metering Services ('CMS') business within the Company. In February 2021, OVO publicly announced the decision to sell its Large Power Metering business which was a line of business within CMS. Large Power Metering provides services for customers who require commercial metering (above 69 KVA). The sale was completed in April 2021.

During the year, OVO was also actively engaged in commercial discussions for the sale of Revenue Services, the other half of the CMS business. This business offers a full end-to-end Revenue Protection service including metering activities, warrant execution, heritage metering and smart electric installations. The sale of the business was completed in April 2022, after the balance sheet date.

Subsequent to the balance sheet date, the Company entered into an asset purchase agreement with OVO Energy Ltd, a parent company, to sell its main trade and assets. The sale completed in April 2022. The Company will remain as a dormant company.

The profit and loss account for the year ended 31 December 2021 is set out on page 12. The prior reporting period for the Company was shortened from 1 April to 31 March previously to 1 April to 31 December to align with the reporting period for OVO group of companies. As a result, the amounts presented in the prior period's financial statements are not entirely comparable.

The profit for the year after taxation amounted to £7.8m (Period from 1 April 2020 to 31 December 2020: loss of £15.6m). This reflects exceptional costs incurred in the year of £4.2m (Period from 1 April 2020 to 31 December 2020: £16.9m). Further information on this is included in Note 7. The balance sheet at 31 December 2021 is set out on page 13 and indicates net assets of £33.3m (31 December 2020: net assets of £25.5m).

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

### 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.

	Year ended 31 December 2021	Period from 1 April 2020 to 31 December 2020
Revenue - £m	112.4	84.9
Gross profit/(loss) - £m	28.2	(11.2)
Adjusted EBITDA* - £m	20.5	5.7
Net assets - £m	33.3	25.5
Meters installed	574,290	332,090

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

### 3 S172 Statement

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

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

Plan Zero sets out our purpose to drive progress to zero carbon living, generate long term value for members and is core to our company culture. The need to transition from fossil fuels to renewable energy is the biggest, most pressing challenge facing humankind. In an increasingly complex, changing and competitive market environment, our Board recognises that the business will only grow, prosper and successfully deliver on the ambitions set out in Plan Zero if it understands, respects and responds to the views and needs of our key stakeholders.

#### *Our stakeholders*

#### *Our members*

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

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

### 3 S172 Statement (continued)

#### *Our people*

Without talented and committed employees, we could never deliver on our ambitions. We aspire to be the leading place to work for people who will change the world. When our people thrive, they better serve our customers and partner with them on their journey to zero carbon living. Our quarterly employee survey gives employees at all levels the chance to share views with line managers, colleagues and leadership. Our Board also engages regularly with our people through a number of employee forums, company wide town halls and smaller village halls.

#### *Our planet*

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

#### *Governments and regulators*

Our Board members engage regularly with key stakeholders within the UK Government, devolved administrations, respective Parliaments and the regulator. Our activity is across a range of mediums including conferences, roundtables, and media to engage effectively with key regulatory, policy and political priorities. Our dedicated Policy and Public Affairs team actively manage our stakeholder plan and regularly update Board members on policy developments and coordinate a regular engagement programme to discuss issues such as Plan Zero, market design, consumer protection and the decarbonisation of heat.

#### *Our communities*

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

#### *Our suppliers*

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

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

### 3 S172 Statement (continued)

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

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

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

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

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

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

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

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

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

### 3 S172 Statement (continued)

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

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

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

### 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 OVO Finance Ltd, which is the smallest group of undertakings for which group financial statement are drawn up and of which the Company is a member.

### 5 Principal risks and uncertainties

The key risks and uncertainties for OVO (S) Metering Limited are set out in the Directors' Report on page 7.

Approved by the Board on 15 September 2022 and signed on its behalf by:

*Vincent Casey*

Vincent Casey  
Director



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

The Directors present their report together with the unaudited financial statements for the year ended 31 December 2021.

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

### **1 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 its smart meter rollout targets were met. Delivering smart meters installation in a safe, cost-effective and customer centric way was one of OVO (S) Metering Limited's key strategic priorities in the year. 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 voluntary contributions and the financial impact of lost income.

### **2 Financial risk management**

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and operational risk. Risk management is carried out by the OVO Group Risk 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 debtors. The amounts presented in the balance sheet are net of expected credit losses, and the carrying amount of financial assets represents the maximum exposure.

#### *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.

#### *Operational risk*

The Group manages operational risk arising from its processes, systems and controls by regularly assessing risk from its operations, investing in key technology controls, and monitoring and improving its processes.

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

### **3 Results and dividends**

The profit for the financial year ended 31 December 2021 amounted to £7.8m (Period from 1 April 2020 to 31 December 2020: loss of £15.6m).

The balance sheet at 31 December 2021 is set out on page 13 and indicates net assets of £33.3m (31 December 2020: net assets of £25.5m).

The Directors do not recommend the payment of a dividend (Period from 1 April 2020 to 31 December 2020: £nil).

### **4 Directors**

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

Christopher Adams (resigned 31 July 2021)

Anthony Keeling (resigned 15 January 2021)

Adrian Letts (resigned 1 March 2022)

Stephen Fitzpatrick (resigned 18 January 2021)

Vincent Casey

Raman Bhatia (appointed 18 January 2021)

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

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

### **5 Political and charitable donations**

The Company did not make any political or charitable donations during the year ended 31 December 2021 (Period from 1 April 2020 to 31 December 2020: £nil).

### **6 Employee policies**

#### **Employee involvement**

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

#### **Other stakeholder engagement**

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

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

### **6 Employee policies (continued)**

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

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

### **7 Directors' liabilities**

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

### **8 Subsequent events since the end of the year ended 31 December 2021**

Subsequent to the balance sheet date, the Company entered into an asset purchase agreement with OVO Energy Ltd, a parent company, to sell its main trade and assets. The sale completed in April 2022. In addition, the Company also sold its Revenue Protection business in April 2022.

### **9 Future developments**

Following the trade and assets sale to OVO Energy Ltd, the Company will remain as a dormant company.

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

### **10 Going concern**

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

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

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

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

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

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

### 11 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 15 September 2022 and signed on its behalf by:

*Vincent Casey*

Vincent Casey  
Director

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

		Underlying	Exceptional	Total	Underlying	Exceptional	Total
		Year ended	Year ended	Year	Period from	Period from	Period
		31 December	31 December	ended 31	1 April 2020	1 April 2020	from 1
		2021	2021*	December	December	December	April 2020
		2021	2020*	2021	2020	2020*	to 31
	Note	£ m	£ m	£ m	£ m	£ m	December
Revenue	4	112.4	-	112.4	84.9	-	84.9
Cost of sales		(84.2)	-	(84.2)	(79.5)	(16.6)	(96.1)
<b>Gross profit/(loss)</b>		<b>28.2</b>	<b>-</b>	<b>28.2</b>	<b>5.4</b>	<b>(16.6)</b>	<b>(11.2)</b>
Administrative expenses		(17.6)	(4.2)	(21.8)	(17.9)	(0.3)	(18.2)
Other operating income	5	1.2	-	1.2	11.2	-	11.2
<b>Operating profit/(loss)</b>	6	<b>11.8</b>	<b>(4.2)</b>	<b>7.6</b>	<b>(1.3)</b>	<b>(16.9)</b>	<b>(18.2)</b>
Interest payable and similar expenses	8	(0.4)	-	(0.4)	(1.6)	-	(1.6)
<b>Profit/(loss) before taxation</b>		<b>11.4</b>	<b>(4.2)</b>	<b>7.2</b>	<b>(2.9)</b>	<b>(16.9)</b>	<b>(19.8)</b>
Income tax credit/(expense)	10	(0.2)	0.8	0.6	1.0	3.2	4.2
<b>Profit/(loss) for the financial year</b>		<b>11.2</b>	<b>(3.4)</b>	<b>7.8</b>	<b>(1.9)</b>	<b>(13.7)</b>	<b>(15.6)</b>

The above results were derived from continuing operations and operations of the Large Power Metering business which was disposed of in the financial year ended 31 December 2021. This business was not a major line of business of the Company.

\* Refer to Note 7 for details of exceptional items.

### Total other comprehensive income

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

**(Registration number: SC318950)**  
**Balance Sheet as at 31 December 2021**

	Note	31 December 2021 £ m	31 December 2020 £ m
<b>Fixed assets</b>			
Tangible assets	12	1.6	5.0
Right-of-use assets	13	7.1	18.9
		<u>8.7</u>	<u>23.9</u>
<b>Current assets</b>			
Debtors	14	38.6	32.7
Assets classified as held for sale	16	-	8.4
<b>Total current assets</b>		<b>38.6</b>	<b>41.1</b>
<b>Creditors: Amounts falling due within one year</b>	17	(9.8)	(30.6)
<b>Net current assets</b>		<b>28.8</b>	<b>10.5</b>
<b>Total assets less current liabilities</b>		<b>37.5</b>	<b>34.4</b>
<b>Creditors: Amounts falling due after more than one year</b>	18	(1.9)	(7.7)
<b>Provisions for liabilities</b>	20	(2.3)	(1.2)
<b>Net assets</b>		<b>33.3</b>	<b>25.5</b>
<b>Capital and reserves</b>			
Called up share capital	21	-	-
Profit and loss account		33.3	25.5
<b>Total shareholders' funds</b>		<b>33.3</b>	<b>25.5</b>

For the financial year ending 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

**Directors' responsibilities:**

- The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on pages 12 to 35 were approved by the Board of directors on 15 September 2022 and signed on its behalf by:

*Vincent Casey*  
 Vincent Casey  
 Director

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

	Share capital £ m	Profit and loss account £ m	Total £ m
At 1 April 2020	-	41.1	41.1
Loss for the year	-	(15.6)	(15.6)
Total comprehensive expense	-	(15.6)	(15.6)
<b>At 31 December 2020</b>	<b>-</b>	<b>25.5</b>	<b>25.5</b>

	Share capital £ m	Profit and loss account £ m	Total £ m
At 1 January 2021	-	25.5	25.5
Profit for the year	-	7.8	7.8
Total comprehensive income	-	7.8	7.8
<b>At 31 December 2021</b>	<b>-</b>	<b>33.3</b>	<b>33.3</b>

The notes on pages 15 to 35 form an integral part of these financial statements.



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

### **1 General information**

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

### **2 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

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**

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 as applicable to companies using FRS 101. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

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

OVO Finance Ltd is the smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member. The consolidated financial statements of OVO Finance Ltd which include the Company are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 1 Rivergate, Temple Quay, Bristol, England, BS1 6ED.

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.

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

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

As the consolidated financial statements of OVO Finance Ltd include the equivalent disclosures, the Company has also taken advantage of the exemptions, under FRS 101, available in respect of the following disclosures:

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

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

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 3.

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

The financial statements are rounded to the nearest 0.1 million (£m) except where otherwise stated.

#### **Going concern**

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

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

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

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

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

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

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

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

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

The Company has applied the following standard and amendments for the first time for their annual reporting period commencing 1 January 2021:

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

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

#### **Change in reporting period**

The current reporting period for the Company is for a full year from 1 January 2021 to 31 December 2021 and the prior period was for 9 months from 1 April 2020 to 31 December 2020.

#### **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 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

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.

#### **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.

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

### 2 Accounting policies (continued)

#### Government grants

Grants from the government are recognised in the profit and loss account over the period in which the related costs are recognised and once the Company complies with all the attached conditions.

#### Tax

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The 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 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.

#### 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
Meter assets and miscellaneous equipment	4 to 10 years
Leasehold property	Period of the lease

#### 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.

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

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

#### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors 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.

#### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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.

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

### 2 Accounting policies (continued)

#### 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 (e.g., 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 in 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 included in interest payable and similar expenses in the profit and loss account, 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. Right-of-use assets are depreciated over the period of the lease. 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.

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

### 2 Accounting policies (continued)

#### *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 basis 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 profit and loss account.

#### **Impairment of non-financial assets**

Tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

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

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

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### **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 to 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 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 balance sheet 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.



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

### 4 Revenue

The analysis of the Company's revenue for the year is as follows:

	Year ended 31 December 2021 £ m	Period from 1 April 2020 to 31 December 2020 £ m
Installation and other meter operator services revenue	104.9	72.6
Rental revenue	7.5	12.3
	<u>112.4</u>	<u>84.9</u>

### 5 Other operating income

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

	Year ended 31 December 2021 £ m	Period from 1 April 2020 to 31 December 2020 £ m
Government grants	<u>1.2</u>	<u>11.2</u>

Government grants relate to grants in respect of furloughed employees under the Coronavirus Job Retention Scheme. During the period, the Company received government grants under the Coronavirus Job Retention Scheme, a scheme introduced by the UK government to support organisations during the COVID-19 pandemic. The scheme offers grants to cover a proportion of the salaries of furloughed staff.

The grants were recognised as other operating income to the extent that management considers the grants will be received.

### 6 Operating profit/(loss)

Arrived at after charging

	Year ended 31 December 2021 £ m	Period from 1 April 2020 to 31 December 2020 £ m
Depreciation expense - right-of-use assets	5.1	1.4
Depreciation expense - tangible assets	3.6	5.6
Impairment of right-of-use assets	0.5	-
Impairment of assets held for sale	<u>-</u>	<u>2.5</u>

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

**7 Exceptional items**

	Year ended 31 December 2021 £ m	Period from 1 April 2020 to 31 December 2020 £ m
Company reorganisation	4.2	16.9
Exceptional included within operating profit/(loss)	4.2	16.9
Exceptional included within profit/(loss) before tax	4.2	16.9
Net taxation on exceptional items	0.8	3.2

*Company reorganisation*

The Company continued its restructuring programme throughout the year which was initiated following OVO acquisition in 2020. The majority of the costs within Company reorganisation relates to redundancy costs being recognised in relation to both incurred and expected future severance costs. Company reorganisation is part of a wider cost efficiency initiative which also consists of the rationalisation of the Company's property portfolio, metering operations, employee rewards as well as other transformational activities. Redundancies and property rationalisation projects were initiated as part of wider cost efficiency programme as a result of OVO acquisition. Most properties being disposed of are properties transferred as part of the acquisition. Restructuring costs and integration costs have been aggregated in Company reorganisation in the current year's presentation.

Also included in Company reorganisation is the gain on sale of Large Power Metering operation of £0.7m in the current year. Refer to Note 15 Disposal for further details.

**Adjusted EBITDA**

Management reported adjusted EBITDA in the annual report as management considers it provides additional useful information on business performance and underlying trends. It is also the primary measure management use to monitor performance internally and is also reported to our lenders as part of covenants reporting.

Adjusted EBITDA is a non-GAAP measure and is not defined by IFRS. The presentation of adjusted performance measures is a judgement and policy choice made by management and therefore, not comparable.

Adjusted EBITDA is defined as operating profit/(loss), after adjusting for depreciation and amortisation and items that are deemed unusual in nature and of significance.

A reconciliation of the adjusted performance measure to operating profit/(loss) is shown below.

	Year ended 31 December 2021 £ m	Period from 1 April 2020 to 31 December 2020 £ m
Operating profit/(loss)	7.6	(18.2)
Exceptional items	4.2	16.9
Depreciation and impairment of property, plant and equipment and right-of-use assets	8.7	7.0
<b>Adjusted EBITDA</b>	<u>20.5</u>	<u>5.7</u>

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

**8 Interest payable and similar expenses**

	Year ended 31 December 2021 £ m	Period from 1 April 2020 to 31 December 2020 £ m
Interest on lease liabilities	0.4	1.6

**9 Staff costs and numbers**

The aggregate payroll costs are as follows:

	Year ended 31 December 2021 £ m	Restated Period from 1 April 2020 to 31 December 2020 £ m
Wages and salaries	51.0	46.2
Social security costs	5.1	5.2
Pension costs - defined contribution schemes	4.9	5.3
	<u>61.0</u>	<u>56.7</u>

Prior year payroll costs have been restated in the current year as certain costs were incorrectly included and excluded from the disclosure.

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 OVO (S) Electricity Limited.

The monthly average number of persons employed by the Company (including Directors) during the period, analysed by category is as follows:

	Year ended 31 December 2021 No.	Restated Period from 1 April 2020 to 31 December 2020 No.
<b>Employee numbers</b>		
People & operations	1,379	1,513
Technology & business change	13	30
Commercial & finance	2	4
	<u>1,394</u>	<u>1,547</u>

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

## **9 Staff costs and numbers (continued)**

Prior year employee numbers have been restated in the current year to better reflect how management regards company activities are organised.

### **Directors' remuneration**

The Directors' remuneration for the period is as follows:

	<b>Year ended 31 December 2021 £ m</b>	<b>Period from 1 April 2020 to 31 December 2020 £ m</b>
Remuneration	0.1	0.2
Compensation for loss of office	0.1	-
	<u>0.2</u>	<u>0.2</u>

In respect of the highest paid director:

	<b>Year ended 31 December 2021 £ m</b>	<b>Period from 1 April 2020 to 31 December 2020 £ m</b>
Remuneration	<u>0.1</u>	<u>0.2</u>

In the current year, one Director was remunerated by the Company (Period from 1 April 2020 to 31 December 2020: 1 Director). Total company contributions to defined contribution schemes for the Director were £16,000 (Period from 1 April 2020 to 31 December 2020: £19,000). Retirement benefits were accruing to 1 of the Directors remunerated directly by the Company (Period from 1 April 2020 to 31 December 2020: 1). The remaining Directors were remunerated via OVO Energy Ltd (Period from 1 April 2020 to 31 December 2020: OVO Group Ltd, OVO Energy Ltd, and OVO (S) Electricity Limited). The Directors' compensation paid by OVO Energy Ltd (Period from 1 April 2020 to 31 December 2020: OVO Group Ltd, OVO Energy Ltd, and OVO (S) Electricity Limited) was not recharged to the entity.

These Directors are additionally Directors of a number of parent entities and fellow subsidiaries, and it is not possible to make a reasonable apportionment of their compensation in respect of each of the parent entities and subsidiaries. Accordingly, the total compensation of the Directors is included in the aggregate of Directors' remuneration disclosed in the financial statements of OVO Energy Ltd (2020: OVO Energy Ltd and OVO (S) Electricity Limited and the consolidated financial statements of OVO Group Ltd).

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

**10 Income tax credit/(expense)**

Tax credited in the profit and loss account

	Year ended 31 December 2021 £ m	Period from 1 April 2020 to 31 December 2020 £ m
<b>Current taxation</b>		
UK corporation tax	0.5	(2.6)
UK corporation tax adjustment to prior periods	0.2	-
	<u>0.7</u>	<u>(2.6)</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	0.9	(1.2)
Adjustments in respect of prior periods	(0.3)	(0.4)
Arising from changes in tax rates and laws	(1.9)	-
Total deferred taxation	<u>(1.3)</u>	<u>(1.6)</u>
<b>Tax credited in the profit and loss account</b>	<u><b>(0.6)</b></u>	<u><b>(4.2)</b></u>

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The differences are reconciled below:

	Year ended 31 December 2021 £ m	Period from 1 April 2020 to 31 December 2020 £ m
Profit/(loss) before tax	<u>7.2</u>	<u>(19.8)</u>
Corporation tax at standard rate	1.4	(3.8)
Corporation tax adjustment in respect of prior periods	(0.1)	(0.4)
Deferred tax credit relating to changes in tax rates or laws	(1.9)	-
<b>Total tax credit</b>	<u><b>(0.6)</b></u>	<u><b>(4.2)</b></u>

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

**11 Deferred tax**

Deferred tax assets and liabilities

**At 31 December 2021**

	Asset £ m
Accelerated tax depreciation	9.2
Pension benefit obligations	0.1
	<u>9.3</u>

**At 31 December 2020**

	Asset £ m
Accelerated tax depreciation	8.0
Pension benefit obligations	-
	<u>8.0</u>

Deferred tax movement during the year:

	At 1 January 2021 £ m	Recognised in income £ m	At 31 December 2021 £ m
Accelerated tax depreciation	8.0	1.2	9.2
Pension benefit obligations	-	0.1	0.1
Net tax assets/(liabilities)	<u>8.0</u>	<u>1.3</u>	<u>9.3</u>

Deferred tax movement during the prior period:

	At 1 April 2020 £ m	Recognised in income £ m	At 31 December 2020 £ m
Accelerated tax depreciation	6.4	1.6	8.0
Pension benefit obligations	-	-	-
Net tax assets/(liabilities)	<u>6.4</u>	<u>1.6</u>	<u>8.0</u>

Refer to Note 3, critical accounting judgements, for further discussion on the basis for recognition of deferred tax assets.

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

**12 Tangible assets**

	Leasehold property £ m	Assets under the course of construction (AUC) £ m	Meter assets, vehicles and miscellaneous equipment £ m	Total £ m
<b>Cost or valuation</b>				
At 1 January 2021	-	0.1	126.2	126.3
Additions	1.4	0.1	0.1	1.6
Disposals	-	-	(1.4)	(1.4)
At 31 December 2021	<u>1.4</u>	<u>0.2</u>	<u>124.9</u>	<u>126.5</u>
<b>Accumulated depreciation</b>				
At 1 January 2021	-	-	121.3	121.3
Charge for the year	0.8	-	2.8	3.6
At 31 December 2021	<u>0.8</u>	<u>-</u>	<u>124.1</u>	<u>124.9</u>
<b>Carrying amount</b>				
At 31 December 2021	<u><u>0.6</u></u>	<u><u>0.2</u></u>	<u><u>0.8</u></u>	<u><u>1.6</u></u>
At 31 December 2020	<u><u>-</u></u>	<u><u>0.1</u></u>	<u><u>4.9</u></u>	<u><u>5.0</u></u>

The depreciation charge of £3.6m (Period from 1 April 2020 to 31 December 2020: £5.6m) was recognised in administrative expenses.

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

**13 Right-of-use assets**

	Property £ m	Vehicles £ m	Total £ m
<b>Cost or valuation</b>			
At 1 April 2020	4.2	23.2	27.4
Modifications	0.1	(0.8)	(0.7)
At 31 December 2020	4.3	22.4	26.7
At 1 January 2021	4.3	22.4	26.7
Modifications	(0.2)	(6.0)	(6.2)
At 31 December 2021	4.1	16.4	20.5
<b>Accumulated depreciation</b>			
At 1 April 2020	1.2	5.2	6.4
Charge for period	(0.1)	1.5	1.4
At 31 December 2020	1.1	6.7	7.8
At 1 January 2021	1.1	6.7	7.8
Charge for the year	0.3	4.8	5.1
Impairment	0.2	0.3	0.5
At 31 December 2021	1.6	11.8	13.4
<b>Carrying amount</b>			
At 31 December 2021	2.5	4.6	7.1
At 31 December 2020	3.2	15.7	18.9

**14 Debtors**

	31 December 2021 £ m	31 December 2020 £ m
Trade debtors	2.3	1.3
Amounts owed by group undertakings	19.2	11.6
Accrued income	6.5	8.8
Prepayments	0.5	-
Corporation tax debtor	-	2.1
Other debtors	0.8	0.9
Deferred tax asset	9.3	8.0
	38.6	32.7



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

**15 Disposal**

**Disposal of Large Power Metering operation**

On 25 February 2021, the Company publicly announced the decision of its Board of Directors to sell its Large Power Metering operation. The sale was completed on 6 April 2021. The Large Power Metering operation does not represent a major line of business.

The carrying amounts of assets and liabilities as at the date of sale (6 April 2021) were:

	<b>6 April 2021</b> <b>£ m</b>
Tangible assets	5.0
Stocks	0.6
Debtors	2.1
Total assets	<u>7.7</u>
Total consideration	8.4
Total assets sold	<u>(7.7)</u>
Gain on sale before income tax	<u>0.7</u>
Income tax expense on gain	<u>(0.1)</u>
Gain on sale after income tax	<u>0.6</u>
<b>Satisfied by:</b>	
Cash	<u>8.4</u>
<b>Cash flow analysis:</b>	
Cash consideration received	<u>8.4</u>
Net cash inflow arising on sale	<u>8.4</u>

**16 Assets held for sale**

The major classes of assets and liabilities of the Large Power Metering business classified as held for sale as at 31 December 2020 were as follows:

	<b>31 December</b> <b>2020</b> <b>£ m</b>
Tangible assets	4.9
Stocks	0.7
Debtors	3.3
Creditors	<u>(0.5)</u>
<b>Assets held for sale</b>	<u>8.4</u>

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

### 16 Assets held for sale (continued)

#### *Write-down of tangible assets*

Immediately before the classification of the Large Power Metering business as an asset held for sale, the recoverable amount was estimated for certain tangible assets and no impairment loss was identified. Following the classification, a write-down of £2.5m was recognised on 31 December 2020 to reduce the carrying amount in the disposal group to the fair value less costs to sell. This was recognised in the profit or loss.

### 17 Creditors: amounts falling due within one year

	31 December 2021 £ m	31 December 2020 £ m
Trade creditors	1.7	0.2
Accrued expenses	2.2	3.3
Amounts due to group undertakings	1.8	11.7
Social security and other taxes	-	3.8
Current lease liabilities	2.5	5.9
Corporation tax payable	1.6	0.8
Other creditors	-	4.9
	<u>9.8</u>	<u>30.6</u>

### 18 Creditors: amounts falling due after more than one year

	31 December 2021 £ m	31 December 2020 £ m
Non-current lease liabilities	<u>1.9</u>	<u>7.7</u>

### 19 Leases

#### Leases included in creditors

	31 December 2021 £ m	31 December 2020 £ m
Current lease liabilities	2.5	5.9
Non-current lease liabilities	<u>1.9</u>	<u>7.7</u>

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

### 19 Leases (continued)

#### Lease liabilities maturity analysis

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

	31 December 2021 £ m	31 December 2020 £ m
Less than one year	2.6	6.6
Between one and five years	1.7	7.7
Over five years	0.3	0.6
Total lease liabilities (undiscounted)	<u>4.6</u>	<u>14.9</u>

The Company leases properties and motor vehicles. The balance sheet amounts relating to leases are shown within Note 13 Right-of-use assets.

The current year interest expense on lease liabilities (included in interest payable and similar expenses) was £0.4m (Period from 1 April 2020 to 31 December 2020: £1.6m).

Total cash outflows for leases for the year ended 31 December 2021 was £3.5m (Period from 1 April 2020 to 31 December 2020: £6.5m).

### 20 Provisions for liabilities

	Dilapidations £ m	Restructuring provision £ m	Other provisions £ m	Total £ m
At 1 January 2021	-	1.2	-	1.2
Additional provisions	1.4	1.2	0.9	3.5
Utilised during the year	-	(2.5)	(0.4)	(2.9)
Transferred	-	0.5	-	0.5
At 31 December 2021	<u>1.4</u>	<u>0.4</u>	<u>0.5</u>	<u>2.3</u>
Current liabilities	<u>0.5</u>	<u>0.4</u>	<u>-</u>	<u>0.9</u>
Non-current liabilities	<u>0.9</u>	<u>-</u>	<u>0.5</u>	<u>1.4</u>

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

### 20 Provisions for liabilities (continued)

#### *Restructuring provision*

Following OVO acquisition, the OVO Group has initiated an integration programme which has resulted in the redundancy of a number of employees in the Company. The restructuring plan was announced to the employees in May 2020. Restructuring costs currently provided for is expected to be fully utilised over the next 12 months.

#### *Dilapidation provision*

The Company 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.

#### *Other provisions*

Other provisions comprise £0.5m mainly relating to obligations under agreements with meter assets providers.

### 21 Called up share capital

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

	31 December 2021		31 December 2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

#### **Rights, preferences and restrictions**

The shares have attached to them full voting rights.

### 22 Pension and other schemes

#### Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £4.9m (Period from 1 April 2020 to 31 December 2020: £5.3m).

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 OVO (S) Electricity Limited.

### 23 Related party transactions

In accordance with the exemption available under FRS 101, transactions with other wholly owned undertakings within OVO Group Ltd group have not been disclosed within these financial statements.

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

### **24 Non adjusting events after the financial period**

Subsequent to the balance sheet date, the Company entered into an asset purchase agreement with OVO Energy Ltd, a parent company, to sell its main trade and assets. The sale completed in April 2022. In addition, the Company also sold its Revenue Protection business in April 2022.

### **25 Parent and ultimate parent undertaking**

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

The ultimate parent is Imagination Industries Ltd which is the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. These financial statements are available upon request from the registered office at 9 Pembridge Road, Notting Hill, London, England, W11 3JY.

The smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is OVO Finance Ltd, which are available upon request from the registered office 1 Rivergate, Temple Quay, Bristol, BS1 6ED.

The ultimate controlling party is Stephen Fitzpatrick.