

**Ovo Energy Limited**

**Director's report and financial  
statements**

**For the year ended 30 June 2011**

Registered number 06890795



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## **Contents**

Director's report	3
Independent Auditors' Report to the members of Ovo Energy Limited	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flow	10
Notes	11

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## Director's report

The Director presents his report and the audited financial statements for the year ended 30 June 2011

### Principal activities

The principal activity of Ovo Energy Limited is the sale of electricity and gas to mainly domestic customers around the United Kingdom

The comparative period reflected in these financial statements represents the 14 month period from incorporation to 30 June 2010

Ovo Energy Limited (the "Company") is a company incorporated and domiciled in the United Kingdom

The Company's registered office and principal place of business is Wellington House, Kemble Enterprise Park, Kemble, Cirencester, GL7 6BQ

### Business review

The results for the year and the financial position of the Company are shown in the following financial statements

Ovo Energy commenced trading in September 2009 and it has experienced strong customer growth in the two operating periods covered by these financial statements with around 40,000 customers as at 30 June 2011 (2010 around 20,000). During the year to 30 June 2011, the company continued to strengthen its team with the appointment of a number of managers including an Information Systems Director. Also, during the course of the year, the in-house trading system was further developed and the customer service team augmented.

Revenue for the year was £37.4m (2010 £10.3m). During the first operating period, our new customers were on fixed price contracts for 12 months from the date they joined Ovo. During the year to 30 June 2011, more customers moved onto our variable tariffs at the end of their first 12 months with Ovo.

Administrative expenses were £5.2m (2010 £2.2m) during the year. There has been continual investment in staff and in IT so that the Company can continue in its vision to provide the best possible service to its customers, a cornerstone of the Company's mission. This investment has resulted in the Company making a loss for the year of £1.2m (2010 £0.6m), and the Director views this as a consequence of supporting the continued growth of the business. Customer numbers have now grown to a level that the Director expects the Company to be profitable in the 2012 calendar year.

The Director monitors the Key Performance Indicators of the Company on a regular basis. There is daily Management Information reporting that is issued to all senior management as well as the monthly management accounts. Important metrics include customer acquisition and customer losses, volumes sold of gas and electricity, revenue and cost of sales per unit, operating results, bank balance and payroll costs.

### Future Developments

The Company's financial performance continues in line with expectations and since the year end customer numbers have grown significantly, increasing year end levels to in excess of 91,000 in March 2012. The senior team has been further augmented, in particular with the appointment of an HR Director to drive continued improvement in our work place.

The Director believes that Company remains well positioned in the market place with a differentiated offer. For further information, visit our website [www.ovoenergy.com](http://www.ovoenergy.com)

### Principal risks and uncertainties

The principal risks and uncertainties impacting the Company relate to the wholesale price of gas and electricity, price pressure from competitors and bad debt risk. The Company aims to manage risk by securing gas and electricity under forward contracts and by placing customers on fixed price contracts. By collecting monthly Direct Debits from our customers, the Company plans to keep bad debts to a minimum, however, this is an area to which close attention is being paid with the current national economic climate likely to cause household budgets to become more stretched in the coming months. Whilst the Company currently has no borrowing, the Director is careful to manage capital to ensure that the business grows in a sustainable manner.

By securing gas and electricity under forward contracts the Company may be required to place margin calls if the mark to market value of the contracts moves adversely. Such margin calls could put a strain on the company's liquidity and therefore the company has put in place a surety bond in favour of its main supplier which removes the need to place margin calls for the first £5 million of mark to market movements. The director believes that this is currently an adequate level of cover to ensure that the company maintains sufficient liquidity to cover operational requirements but will look to increase this cover as necessary as the business continues to grow.

## **Director's report** *(continued)*

### **Research and development**

The Company undertook no research and development during the year (2010 £nil)

### **Proposed dividend**

The Director does not recommend the payment of a final dividend (2010 £nil). No interim dividend was paid during the year (2010 £170,000)

### **Policy and practice on payment of creditors**

The Director requires the Company to perform to high standards of commercial practice. Its policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the Company endeavours to adhere to the supplier's standard terms.

At the year end, there were 23 (2010: 26) days of purchases in trade payables (excluding transactions between companies in the Ovo group).

### **Director**

The Director who held office during the year was as follows:

Stephen Fitzpatrick

### **Employees**

The average number of staff for the year was 50 (2010: 15).

### **Political and charitable contributions**

The Company made charitable donations of £1,445 (2010: £158) during the year. The Company does not make political donations nor incur political expenditure.

### **Disclosure of information to auditors**

The Director who held office at the date of approval of this Director's report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## **Director's report** *(continued)*

### **Director's responsibilities statement**

The Director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Director must not approve the financial statements unless he is 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 Director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Director is 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. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Corporate Governance**

The Director is mindful of Corporate Governance and continues to work with advisers on how to enhance levels of governance that are appropriate for the current size of the Ovo group of companies.

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office.

By order of the board on 26<sup>th</sup> April 2012



**Stephen Fitzpatrick**  
*Director*

Wellington House, Kemble, Gloucestershire GL7 6BQ

## Independent Auditors' Report to the members of Ovo Energy Limited

We have audited the financial statements of Ovo Energy Limited for the year ended 30 June 2011 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### Respective responsibilities of directors and auditors

As explained more fully in the director's responsibilities statement on page 5, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Paul Nott (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors  
East Midlands

27 April 2012

**Statement of Comprehensive Income**  
*for the year ended 30 June 2011*

	<i>Note</i>	<b>For the year ended 30 June 2011</b>	<b>For the 14 month period ended 30 June 2010</b>
		<b>£000</b>	<b>£000</b>
<b>Revenue</b>	<i>1,2</i>	<b>37,463</b>	<b>10,315</b>
<i>Cost of sales</i>		<b>(33,458)</b>	<b>(8,609)</b>
<b>Gross profit</b>		<b>4,005</b>	<b>1,706</b>
<i>Administrative expenses</i>	<i>1,3,4</i>	<b>(5,202)</b>	<b>(2,243)</b>
<b>Operating loss</b>		<b>(1,197)</b>	<b>(537)</b>
<i>Finance income</i>	<i>6</i>	<b>6</b>	<b>56</b>
<i>Finance expense</i>	<i>6</i>	<b>(49)</b>	<b>(89)</b>
<b>Loss before tax</b>		<b>(1,240)</b>	<b>(570)</b>
<i>Taxation</i>	<i>7</i>	<b>-</b>	<b>-</b>
<b>Loss for the year attributable to equity shareholders</b>		<b>(1,240)</b>	<b>(570)</b>

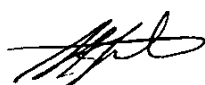
All amounts relate to continuing operations. There is no other comprehensive income other than the loss for the year.

The notes on pages 11 to 28 form part of these financial statements.

**Statement of Financial Position**  
*at 30 June 2011*

	<i>Note</i>	<b>2011 £000</b>	<b>2010 £000</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	265	63
Intangible assets	9	570	218
Investment in subsidiaries	10	-	-
		<u>835</u>	<u>281</u>
<b>Current assets</b>			
Inventories	11	869	519
Trade and other receivables	12	20,925	5,135
Cash and cash equivalents	13	784	306
Derivative financial instruments	14	470	-
		<u>23,048</u>	<u>5,960</u>
<b>Total assets</b>		<u><u>23,883</u></u>	<u><u>6,241</u></u>
<b>Current liabilities</b>			
Trade and other payables	15	25,598	6,931
Derivative financial instruments	14	215	-
		<u>25,813</u>	<u>6,931</u>
<b>Total liabilities</b>		<u><u>25,813</u></u>	<u><u>6,931</u></u>
<b>Net liabilities</b>		<u><u>(1,930)</u></u>	<u><u>(690)</u></u>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	16	-	-
Share premium	16	50	50
Retained earnings		(1,980)	(740)
		<u>(1,930)</u>	<u>(740)</u>
<b>Total deficit</b>		<u><u>(1,930)</u></u>	<u><u>(690)</u></u>

These financial statements were approved by the director on 26<sup>th</sup> April 2012 and were signed by



**Stephen Fitzpatrick**  
Director

Company registered number 06890795

The notes on pages 11 to 28 form part of these financial statements



## Statement of Changes in Equity

	<i>Note</i>	<b>Share capital £000</b>	<b>Share premium £000</b>	<b>Retained earnings £000</b>	<b>Total equity £000</b>
Equity at incorporation 29 April 2009	16	-	-	-	-
Loss for the period		-	-	(570)	(570)
		-	-	(570)	(570)
Issue of shares	16	-	50	-	50
Dividends	16	-	-	(170)	(170)
		-	50	(170)	(120)
Total contributions by and distributions to owners		-	50	(170)	(120)
Balance at 30 June 2010		-	50	(740)	(690)
<b>Equity at 1 July 2010</b>	16	-	50	(740)	(690)
<b>Loss for the period</b>		-	-	(1,240)	(1,240)
<b>Balance at 30 June 2011</b>		-	50	(1,980)	(1,930)

The notes on pages 11 to 28 form part of these financial statements

**Statement of Cash Flows**  
*for the year ended 30 June 2011*

	<i>Note</i>	<b>For the year ended 30 June 2011</b>	<b>For the 14 month period ended 30 June 2010</b>
		<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>			
Loss for the year		(1,240)	(570)
<i>Adjustments for</i>			
Depreciation, amortisation and impairment	8,9	288	61
Financial income	6	(6)	(56)
Financial expense	6	49	89
Loss on disposal of assets		1	-
Unrealised gain on derivative financial instruments	14	(255)	-
		<b>(1,163)</b>	<b>(476)</b>
Increase in trade and other receivables	12	(15,790)	(5,080)
Increase in inventories	11	(350)	(519)
Increase in trade and other payables	6,15,20	18,768	6,774
<b>Net cash inflow from operating activities</b>		<b>1,465</b>	<b>699</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of plant, property and equipment		1	-
Interest received	6	6	1
Acquisition of property, plant and equipment	8	(314)	(94)
Acquisition of other intangible assets	9	(530)	(248)
<b>Net cash outflow from investing activities</b>		<b>(837)</b>	<b>(341)</b>
<b>Cash flows from financing activities</b>			
(Repayment)/proceeds from director's loan	20	(66)	70
Proceeds from the issue of share capital	16	-	50
Interest paid	6	(84)	(2)
Dividends paid	16	-	(170)
<b>Net cash outflow from financing activities</b>		<b>(150)</b>	<b>(52)</b>
Net increase in cash and cash equivalents		478	306
Cash and cash equivalents at 1 July 2010		306	-
<b>Cash and cash equivalents at 30 June 2011</b>	13	<b>784</b>	<b>306</b>

The notes on pages 11 to 28 form part of these financial statements

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The principal accounting policies are summarised below

#### **General information**

Ovo Energy Limited (the "Company") is a company incorporated and domiciled in the United Kingdom

The nature of the Company's operations and its principal activities are set out in the Director's Report

The Company's registered office and principal place of business is Wellington House, Kemble Enterprise Park, Kemble, Cirencester, GL7 6BQ

#### **Basis of preparation**

The Company financial statements have been prepared and approved by the director in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRSs") and IFRIC interpretations and with the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies set out below have, unless otherwise stated, been applied consistently in these financial statements

The financial statements contain information about Ovo Energy Limited as an individual company and do not contain consolidated financial information as the parent of Ovo Electricity Limited and Ovo Gas Limited. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Ovo Group Limited, a company incorporated in England and Wales

In the current year, the Company has adopted all applicable IFRS and interpretations which have been endorsed by the EU (IFRS) and which are relevant to its operations and effective for accounting periods beginning on 1 July 2010

The financial statements are prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell

#### **Functional and presentation currency**

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

#### **Going concern**

The Company made a loss during the year. Although the Company has been loss making and has net liabilities, the financial statements have been prepared on a going concern basis. The Company faces a number of risks which could impact its liquidity and hence its ability to continue as a going concern. As described in note 18, action has been taken to mitigate these risks and the Company has the ability to take further actions should the need arise. The director has reviewed the business plan of the Company as a whole and believes that the Company has adequate financial resources to meet its debts as they fall due for the foreseeable future

#### **Derivatives and other financial instruments**

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

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

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

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

#### **Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables

## Notes (continued)

### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

### *Investments in debt and equity securities*

Investments in subsidiaries are carried at cost less impairment charges.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Leasehold property 3 years
- IT hardware equipment 3 years
- Fixtures, fittings and office equipment 2 to 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

### *Intangible assets and goodwill*

#### *Intangible assets*

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

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Intangible assets and goodwill (continued)*

##### *Amortisation*

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- IT software 3 years
- Trademarks indefinite life
- Industry accreditation indefinite life

##### *Inventories*

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

##### *Impairment excluding inventories and deferred tax assets*

###### *Financial assets (including receivables)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

###### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Impairment excluding inventories and deferred tax assets (continued)*

##### *Non-financial assets*

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### *Employee benefits*

The Company operates a flexible benefit scheme for qualifying employees whereby in addition to their salary, those employees are invited to select certain benefits with a value of up to 5% of their base pay. All costs related to the scheme are expensed in the income statement in the periods which services are rendered by employees. One of the available benefits is payment to a defined contribution pension plan. This is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

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

##### *Provisions*

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

##### *Revenue*

Revenue arises from the supply of gas and electricity and related services as these costs are incurred, amounts are derived from provision of goods and services that fall within the ordinary activities of the Company. Revenue is recognised net of value added tax (VAT) and climate change levy (CCL).

Revenue from the supply of gas and electricity is a function of end user consumption (according to industry settlement data) and tariff rates (specified by contract terms) net of supplies that are not billable. Revenue is recognised net of sales discounts.

Revenue from the sale of Renewables Obligation Certificates is recognised when substantially all the risks and rewards of ownership are transferred to a third party. Revenue is recognised at the invoiced value net of VAT.

Accrued revenue, representing gas and electricity supplied since the last billing date, is recognised in the balance sheet and is only netted off against deferred income once it can be matched against specific customer payments, typically at the point the next bill is raised.

##### *Expenses*

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

## Notes (continued)

### 1 Accounting policies (continued)

#### Expenses(continued)

##### Finance income and expense

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

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

##### Share-based payments

Share-based payment plans issued in the Ovo Group are accounted for in accordance with IFRS 2 Share-based Payments. The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The fair value of employee share options is measured using a Black Scholes model and the fair value of the liability is remeasured at each balance sheet date and settlement date.

##### Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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

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

#### New IFRS accounting standards and interpretations adopted in 2011

The following revised standards and interpretations have been applied by the Company from 1 July 2010. None of the pronouncements had a material impact on the Company's consolidated results or assets and liabilities.

	Effective date
Amendments to IFRS 2 on Share-based Payments	1 January 2009
Amendments to IFRS 7 Financial Instruments: Disclosures	1 January 2009
Amendments to IAS 39 Financial Instruments: Recognition and Measurement	1 July 2010
Amendments to IFRIC 9 Reassessment of Embedded Derivatives	1 July 2009
Revised IAS 24 Related Party Disclosure	1 January 2011
Improvements to IFRSs (issued May 2010) (adoption dates vary but certain improvements are mandatory for the year commencing on or after 1 July 2010)	

## Notes (continued)

### 1 Accounting policies (continued)

#### *New IFRS accounting standards and interpretations effective in 2011, but not relevant*

The following amendments were mandatory for accounting periods beginning on or after 1 July 2010, but were not relevant to the operations of the Company

	Effective date
IFRIC 18 Transfers of Assets from Customers	1 July 2009
IFRIC Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

#### *New IFRS accounting standards, interpretations and amendments to published standards which are not yet effective*

The IASB and IFRIC issued the following standards and interpretations with an effective date after the date of these financial statements. They have not been adopted early by the Company and the director does not anticipate that the adoption of these standards and interpretations will have a material impact on the Company's reported income or net assets in the period of adoption

	Effective date
IFRS 9 Financial Instruments Classification and Measurement	1 January 2013
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 fair Value Measurement	1 January 2013

### *Critical estimates and judgements*

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

#### *Revenue recognition – supplies that cannot be billed*

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

#### *Impairment of trade receivables*

Impairments against trade receivables are recognised where the loss is probable. As the Company has a short trading history, there is little historical evidence available to assess the likely level of bad debts. The director has therefore based his assessment of the level of impairment on prior industry experience as well as collection rates experienced by the company to date. The estimates and assumptions used to determine the level of provision will continue to be reviewed periodically and could lead to changes in the impairment provision methodology which would impact the income statement in future years.

#### *Deferred tax assets*

Deferred tax assets are only recognised when it is considered more likely than not that the Company will make future taxable profits against which the deferred tax asset can be utilised. In forming his assessment of the likely future profitability of the Company, the director has taken into account the early stage of development of the Company and the impact that the anticipated continued growth in customer numbers and related necessary support costs will have on the profitability of the Company in the near term. Accordingly the potential deferred tax asset has not been recognised. Once the director believes that is probable that the Company will start to generate sustainable profits, the deferred tax will be recognised, resulting in a benefit to the income statement and balance sheet at that time.



## Notes (continued)

### 2 Revenue

All revenue is attributable to the Company's principal activity being the supply of electricity and gas, and related services, in the United Kingdom

### 3 Expenses and auditors' remuneration

*Included in the loss for the year are the following*

	For the year ended 30 June 2011 £000	For the 14 month period ended 30 June 2010 £000
Gains on derivative commodity contracts	(255)	-
Depreciation of tangible assets	110	31
Amortisation of intangible assets	178	30
Operating lease rental costs	89	18
Impairment loss on trade receivables and prepayments	471	74
Audit fees in respect of these financial statements	38	13
Non audit services	87	-
	<u>          </u>	<u>          </u>

### 4 Staff numbers and costs

The average number of persons employed by the Company during the year was 50 (2010 15) and totalled 62 (2010 44) at the year end. Average staff employed during the year categorised by functions is shown below. During period ended 30 June 2010, it was not considered to be appropriate to categorise staff numbers and costs by function, as this was the Company's first trading period.

	For the year ended 30 June 2011
Support staff	19
Operations staff	31
	<u>          </u>
	50
	<u>          </u>

The aggregate payroll costs of these persons were as follows

	For the year ended 30 June 2011 £000	For the 14 month period ended 30 June 2010 £000
Wages and salaries	1,568	460
Social security costs	149	41
Pension costs	11	-
	<u>          </u>	<u>          </u>
	1,728	501
	<u>          </u>	<u>          </u>

There was one director during the year (2010 two). Directors' remuneration and salary cost is recognised in Ovo Group Limited. Salary costs were recharged from Ovo Group Limited for time spent by its directors and employees working for other Ovo group companies. The Company paid £1,568,000 (2010 £460,000) to its employees during the year and incurred social security costs of £149,000 (2010 £41,000). The Company then recharged £299,153 (2010 £59,626) of these costs to other group companies and also received staff cost recharges of £31,637 (2010 £26,058). Total staff costs equate to an amount representing a 77% (2010 83%) charge for staff in Ovo group companies (including directors).

## Notes (continued)

### 5 Share-based payments

During the year, the Group of which the Company is part granted the right to share options to eligible employees under the OVO Group Enterprise Management Incentive Scheme. The scheme is cash settled and shares options can be exercised after three years, unless a sale of floatation takes place before this date. Unexercised share options expire 10 years from the grant date. During the year 46,300 options were granted (2010: nil) and £359 (2010: £nil) was recognised as an expense in the income statement. The options outstanding at the year-end have an exercise price in the range of £2 to £10 and a weighted average contractual life of 2.86 years.

### 6 Finance income and expenses

#### Recognised in profit or loss

	For the year ended 30 June 2011 £000	For the 14 month period ended 30 June 2010 £000
<i>Finance income</i>		
<i>Interest receivable on amounts owed by group undertakings</i>	-	55
<i>Bank interest receivable</i>	6	1
	<u>6</u>	<u>56</u>
<i>Total interest income on unimpaired financial assets not at fair value through profit or loss</i>	6	56
	<u>6</u>	<u>56</u>
<i>Total finance income</i>	6	56
	<u>6</u>	<u>56</u>
<i>Finance expenses</i>		
<i>Interest payable on amounts owed to group undertakings</i>	35	51
<i>Interest payable on loan from director</i>	10	36
<i>Other interest payable</i>	4	2
	<u>49</u>	<u>89</u>
<i>Total interest expense on financial liabilities measured at amortised cost</i>	49	89
	<u>49</u>	<u>89</u>
<i>Total finance expenses</i>	49	89
	<u>49</u>	<u>89</u>

## Notes (continued)

### 7 Taxation

#### Factors affecting current tax charge

The Company has no tax charge during the year as it made a taxable loss of £1,240,000 (2010 £570,000) resulting in a tax credit of £341,000 (2010 £160,000) at the corporation tax rate in UK of 27.5% (2010 28%)

#### Reconciliation of effective tax rate

	For the year ended 30 June 2011 £000	For the 14 month period ended 30 June 2010 £000
<i>Loss for the period</i>	(1,240)	(570)
<i>Tax using the UK corporation tax rate of 27.5% (2010 28%)</i>	(341)	(160)
<i>Non-deductible expenses</i>	1	1
<i>Deferred tax movement not recognised</i>	340	159
<i>Total tax expense</i>	-	-

#### Factors affecting future tax charge

There is an unrecognised deferred tax asset of £499,000 (2010 £159,000) from the year, relating to the tax value of losses carried forward, capital allowances not claimed in the period and other temporary differences, which management believe will not be utilised in the foreseeable future

A number of changes to the UK Corporation Tax system were announced in the 2010 Budget Report which have been enacted in the 2010 Finance Act. The impact of these is not considered to be material to the future tax charge in the UK.

Further changes were announced in the UK Government's Budget on 23 March 2011. This included a reduction in the main corporation tax rate from the current 28% to 26% from 1 April 2011 and a 1% per annum reduction in each of the following three years until the rate is 23%. In addition, in the Emergency Budget on 22 June 2010, the rates of capital allowances on assets in the main and special pools are expected to fall from 20% to 18% and from 10% to 8% respectively from 1 April 2012. The Budget announced on 21 March 2012 included further changes to the main rates of corporation tax in the UK, with the main rate being reduced to 24% from 1 April 2012 and further 1% reductions per annum until the rate is 22% by 1 April 2014.

The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The Directors are in the process of evaluating the impact these changes will have on future tax charges.

## Notes (continued)

### 8 Property, plant and equipment

	Leasehold property	IT hardware equipment	Fixtures, fittings & office equipment	Total
	£000	£000	£000	£000
<b>Cost</b>				
Balance at incorporation 29 April 2009	-	-	-	-
Additions	27	58	9	94
	<u>27</u>	<u>58</u>	<u>9</u>	<u>94</u>
Balance at 30 June 2010	27	58	9	94
	<u>27</u>	<u>58</u>	<u>9</u>	<u>94</u>
Balance at 1 July 2010	27	58	9	94
Additions	126	142	46	314
Disposals	-	(3)	-	(3)
	<u>153</u>	<u>197</u>	<u>55</u>	<u>405</u>
Balance at 30 June 2011	153	197	55	405
	<u>153</u>	<u>197</u>	<u>55</u>	<u>405</u>
<b>Depreciation and impairment</b>				
Balance at incorporation 29 April 2009	-	-	-	-
Depreciation charge for the period	19	10	2	31
	<u>19</u>	<u>10</u>	<u>2</u>	<u>31</u>
Balance at 30 June 2010	19	10	2	31
	<u>19</u>	<u>10</u>	<u>2</u>	<u>31</u>
Balance at 1 July 2010	19	10	2	31
Depreciation charge for the year	39	56	15	110
Disposals	-	(1)	-	(1)
	<u>58</u>	<u>65</u>	<u>17</u>	<u>140</u>
Balance at 30 June 2011	58	65	17	140
	<u>58</u>	<u>65</u>	<u>17</u>	<u>140</u>
<b>Net book value</b>				
At incorporation 29 April 2009	-	-	-	-
At 30 June 2010 and 1 July 2010	8	48	7	63
	<u>8</u>	<u>48</u>	<u>7</u>	<u>63</u>
At 30 June 2011	95	132	38	265
	<u>95</u>	<u>132</u>	<u>38</u>	<u>265</u>

## Notes (continued)

### 9 Intangible assets

	IT software	Trademarks	Industry accreditation	Total
	£000	£000	£000	£000
<b>Cost</b>				
Balance at incorporation 29 April 2009	-	-	-	-
Additions – externally purchased	165	3	80	248
Balance at 30 June 2010	165	3	80	248
Balance at 1 July 2010	165	3	80	248
Additions – externally purchased	528	-	-	528
Additions – transfers from group companies	-	2	-	2
Balance at 30 June 2011	693	5	80	778
<b>Amortisation and impairment</b>				
Balance at incorporation 29 April 2009	-	-	-	-
Amortisation for the period	30	-	-	30
Balance at 30 June 2010	30	-	-	30
Balance at 1 July 2010	30	-	-	30
Amortisation for the year	178	-	-	178
Balance at 30 June 2011	208	-	-	208
<b>Net book value</b>				
At incorporation 29 April 2009	-	-	-	-
At 30 June 2010 and 1 July 2011	135	3	80	218
At 30 June 2011	485	5	80	570

#### Amortisation and impairment charge

The amortisation charge of £178,000 (2010 £30,000) is recognised in administrative expenses

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

Trademarks and industry accreditation are regarded by management to have an indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company and circumstances continue to support the assessment that the useful life is indefinite. Trademarks relate to the brand of the Ovo group of companies and are expected to be valid for the life of the companies, which operate in an industry with stable market demand. Industry accreditation is required for the Company to operate in the electricity and gas supply industry.

## Notes (continued)

### 10 Investment in subsidiaries

On 31 August 2009, the Company acquired all the ordinary shares of both Ovo Electricity Limited and Ovo Gas Limited for nil consideration. The principal activity of Ovo Electricity Limited is the procurement and sale of electricity from the wholesale markets and renewable sources. The principal activity of Ovo Gas Limited is the supply of gas and related services. Pursuant to Section 400 of the Companies Act 2006, Ovo Energy Limited is exempt from the obligation to prepare and deliver group accounts as the Company is included in the consolidated accounts of Ovo Group Limited.

The Company had the following investments in subsidiaries at 30 June 2011 and 30 June 2010

	Country of incorporation	Class of shares held	Ownership
Ovo Electricity Limited	UK	Ordinary	100%
Ovo Gas Limited	UK	Ordinary	100%

Ovo Energy Limited owns all 10,000 ordinary shares, of £0.01 each, in each subsidiary.

### 11 Inventories

	2011 £000	2010 £000
<i>Renewables obligation certificates</i>	<b>869</b>	519

As at 30 June 2011, the Renewables Obligation Certificates (ROCs) shown above relate to ROCs accruing to the Company but not yet issued by Ofgem for generation that had already taken place. Therefore these ROCs were not able to be sold before the end of the reporting period.

### 12 Trade and other receivables

	2011 £000	2010 £000
<b>Current</b>		
<i>Amounts due from group undertakings</i>	<b>16,026</b>	2,979
<i>VAT recoverable</i>	<b>115</b>	159
<i>Trade receivables</i>	<b>1,361</b>	369
<i>Prepayments and other receivables</i>	<b>596</b>	608
<i>Accrued income</i>	<b>2,827</b>	1,020
	<b>20,925</b>	5,135

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

As at 30 June 2011, trade receivables due from group undertakings had no provision for impairment of receivables. Amounts due from group undertakings are repayable on demand but are only likely to be settled in cash on a net basis with amounts due to group undertakings.

## Notes (continued)

### 12 Trade and other receivables (continued)

#### *Credit quality of financial assets and impairment losses*

The aging of trade receivables (excluding transactions between companies in the Ovo group) at the balance sheet date was

	<b>Gross 2011 £000</b>	<b>Impairment 2011 £000</b>	<b>Gross 2010 £000</b>	<b>Impairment 2010 £000</b>
<i>Not past due</i>	246	-	56	0
<i>Past due 0-30 days</i>	644	48	238	3
<i>Past due 31-60 days</i>	410	81	69	7
<i>Past due 61-90 days</i>	270	80	53	39
<i>More than 90 days</i>	336	336	27	25
	<b>1,906</b>	<b>545</b>	<b>443</b>	<b>74</b>

The movement in the allowance for impairment in respect of trade receivables during the period was as follows

	<b>2011 £000</b>	<b>2010 £000</b>
<i>Balance at 1 July 2010</i>	74	-
<i>Impairment loss recognised</i>	471	74
<i>Balance at 30 June 2011</i>	<b>545</b>	<b>74</b>

### 13 Cash and cash equivalents

	<b>2011 £000</b>	<b>2010 £000</b>
<i>Cash and cash equivalents per balance sheet</i>	784	306
<i>Cash and cash equivalents per cash flow statement</i>	<b>784</b>	<b>306</b>

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

## Notes (continued)

### 14 Derivative financial instruments

	2011 £000	2010 £000
<i>Derivatives at fair value through profit and loss*</i>		
<i>Commodity purchase contracts</i>	255	-
<i>Split by</i>		
<i>Current assets</i>	470	-
<i>Current liabilities</i>	(215)	-
	255	-

Commodity purchase contracts include contracts relating to the purchase of gas. The contracts meet the definition of Level 1 fair value measurements under IFRS 7 in that the fair values are based on quoted prices in an active market.

### 15 Trade and other payables

	2011 £000	2010 £000
<i>Current</i>		
<i>Amounts due to group undertakings</i>	15,682	2,766
<i>Trade payables</i>	394	528
<i>Social security and other taxes</i>	52	32
<i>Non-trade payables and accrued expenses</i>	2,087	876
<i>Deferred income</i>	7,383	2,729
	25,598	6,931

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

As at 30 June 2011, amounts due to Group undertakings are repayable on demand but are only likely to be settled in cash on a net basis with amounts due from Group undertakings.



## Notes (continued)

### 16 Capital and reserves

#### *Share capital and reserves*

Share capital authorised on incorporation totalled £100 00 (10,000 ordinary shares of £0 01 each). During the period ended 30 June 2010, the Company issued 2,500 ordinary shares of £0 01 each, for a consideration of £50,000, settled in cash. Therefore at the end of the prior period and at the beginning and end of the current period the authorised share capital totalled £125 00 (12,500 ordinary shares of £0 01 each) with £49,975 share premium reserve.

The allotted, called up and fully paid ordinary share capital totalled £100 00 on incorporation (10,000 ordinary shares of £0 01 each) and £125 00 at the end of the prior period and at the beginning and end of the current period (12,500 ordinary shares of £0 01 each).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

#### *Dividends*

The following dividends were recognised during the year

	2011 £000	2010 £000
Nil (2010 £13 60) per qualifying ordinary share	-	170

No dividends were proposed after the balance sheet date.

### 17 Financial risk

#### *Credit risk*

##### *Financial risk management*

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

##### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £20,214,000 (2010 £4,368,000) being the total of the carrying amount of financial assets, excluding equity investments, shown in note 12. All the receivables are with parties in the UK, with the majority of the balance being recoverable from other group undertakings.

The allowance account for trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amounts considered irrecoverable are written off against the trade receivables directly. There were no transactions written off in the period. The Company provides for impairment losses based on estimated irrecoverable amounts determined by reference to specific circumstances and the experience of management of debtor default in the energy industry. The credit quality of financial assets and associated impairment losses are disclosed in note 12.

#### *Liquidity risk*

##### *Financial risk management*

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

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

##### *Exposure to liquidity risk*

The biggest threat to the Company's liquidity is the potential for it to have to place margin calls against forward contracts for electricity and gas purchases. Such payments could be required if the wholesale market price of gas and electricity fell below the price of the forward contract. The Company has mitigated this risk by entering into a surety bond in favour of its main supplier which removes the need to place margin calls for the first £5 million of mark to market movements on its forward contracts. This cover extends for a period of 12 months from the date of these financial statements. As the business continues to grow, the Company will look to increase this cover.

The other key threat to liquidity would arise from unusually cold weather or other factors causing customer volumes to be much higher than anticipated. This could place a strain on the Company's working capital as payments due to suppliers could become

## Notes (continued)

### *Liquidity risk (continued)*

#### *Exposure to liquidity risk (continued)*

due before customer collection levels could be adjusted. The director monitors operational working capital requirements very closely and believes that the Company has the ability to respond in a timely manner to any unexpected changes in volumes. Hence the director believes that the Company has adequate financial resources to meet its debts as they fall due.

### *Commodity risk*

#### *Financial risk management*

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

#### *Exposure to commodity risk*

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

Derivatives are measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivatives and other financial instruments are recognised in the income statement as they arise. Unrealised net gains on open contracts at the year-end were £255,000 and all contracts will be closed within the next year.

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

### *Capital risk management*

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

## 18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2011 £000	2010 £000
<i>Less than one year</i>	88	18
<i>Between one and five years</i>	78	16
	<u>166</u>	<u>34</u>

The Company leased office premises under operating leases. During the year, £83,244 (2010: £18,169) was recognised as an administrative expense in the income statement in respect of operating leases.

## Notes (continued)

### 19 Commitments

#### Capital commitments

During the year ended 30 June 2011, the Company entered into a contract to purchase property, plant and equipment for £nil (2010 £41,397) in total

### 20 Related parties

#### Identity of related parties with which the Company has transacted

During the year, loans existed between the Company and both of the subsidiary companies (Ovo Gas Limited and Ovo Electricity Limited), between the Company and its fellow subsidiaries (ONI Gas Limited, ONI Electricity Limited and ONI Energy Limited) and between the Company and Ovo Group Limited (ultimate parent company) Up until 30 June 2010, interest was charged on the loans at 5% or 2.5% above the base rate if higher During the year, the Company received a loan from the director, at the end of the year the face value and carrying amount payable was £4,000 (2010 £105,000) (including interest payable) The interest payable during the year was £10,036 (2010 £35,793) The nominal interest rate was 10% per annum (compound on a monthly basis) and the year of maturity 2011

#### Transactions with key management personnel

The director of the Company directly controls 20% per cent of the voting shares of the Company The shares were acquired on 1 April 2010 for £50,000 The director and his immediate relatives owned 100% of the share capital of Ovo Gas Limited and Ovo Electricity Limited until 31 August 2009 when all of the shares were transferred to Ovo Energy Limited for nil consideration

The compensation, including social security costs, of key management personnel during the year is as follows

		For the 14 month period ended 30 June
	2011 £000	2010 £000
Paid by other Group companies	142	20
	<u>142</u>	<u>20</u>

Directors are compensated by Ovo Group Limited

#### Other related party transactions

	Sales to 2011 £000	Sales to 2010 £000	Purchases from 2011 £000	Purchases from 2010 £000
Ultimate parent of the Group	361	24	162	73
Subsidiaries	408	39	11,505	2,642
	<u>769</u>	<u>63</u>	<u>11,667</u>	<u>2,715</u>

	Receivables outstanding 2011 £000	Receivables outstanding 2010 £000	Payables outstanding 2011 £000	Payables outstanding 2010 £000
Ultimate parent of the Group	378	17	241	75
Subsidiaries	15,648	2,962	15,441	2,691
	<u>16,026</u>	<u>2,979</u>	<u>15,682</u>	<u>2,766</u>

## Notes (continued)

### 21 Ultimate parent company and controlling party

The Company is a subsidiary undertaking of Ovo Group Limited which is the ultimate parent company incorporated in England and Wales. The largest and smallest group in which the results of the Company are consolidated is headed by Ovo Group Limited. The ultimate controlling party is Stephen Fitzpatrick, director of Ovo Energy Limited and shareholder of the ultimate parent company. The consolidated financial statements of this group are available to the public from the registered office shown in note 1.