Registration number: 06890795

Ovo Energy Ltd

Annual Report and Financial Statements

for the Year Ended 31 December 2016

Ovo Energy Ltd

Contents

Ovo Energy Ltd

Company Information

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

Strategic Report for the Year Ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

Introduction

OVO grew out of the belief that there was a better way to sell energy. We set out to build a company people could trust; a company that would simplify buying energy and offer fair and transparent pricing, underpinned by unrivaled customer service.

Our work is far from complete, but during the past eight years we have built a brand people value and trust. OVO Energy now has more than 750,000 customers and has topped the Which? customer satisfaction chart two years in a row. From humble beginnings in a barn in Gloucestershire we have become the UK's leading independent energy company with offices in Bristol and London.

When OVO launched in 2009 it was unheard of for energy companies to offer fair pricing and a straightforward customer experience. Through these simple innovations we challenged the dominance of the Big Six and set the standard for new entrants to the market. But being 'better' is no longer the differentiator it once was and customers now expect more value from their energy company.

The energy industry also faces great changes, driven by the falling cost of renewables and increasing digitisation. As we look forward to further advances in battery technology, the rise of connected devices and the electrification of transport, only companies that offer diversified, smart services will thrive. For this reason we have spent the last year preparing for the future.

Smart homes

At OVO we were quick to see the potential of smart energy services. We championed the smart meter rollout, setting up our own Field Force team to take the OVO brand from the virtual to the physical as our highly-trained engineers to install smart meters in customers' homes. More than 45% of our customers now have a smart meter.

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

The customer is always in the room

Today OVO is no longer simply an energy retail business: it is a group of dynamic companies that are harnessing technological advances to offer exciting solutions to existing and future customers. We always ask ourselves what our customers value, and how technology can meet their needs and expectations. Our evolution into a smart energy company is ultimately about building lasting and trusted relationships by providing an excellent user experience.

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

Smart Supply - OVO Energy

The global energy market is moving rapidly towards a new era of digitisation, and decentralised clean power generation which will place more control in the hands of consumers. It means that the opportunities to provide greater value to customers - beyond simply supplying kilowatt hours - have increased exponentially, and that the energy retail market will change beyond recognition.

OVO has positioned itself at the forefront of this change and is well placed to capitalise on opportunities as the business evolves from a top-rated energy retailer to a multi-service, multi-brand energy technology company.

As OVO changes, customers will increasingly benefit from new products and services that harness the disruptive power of technology.

Customers already enjoy many of the benefits of rapid digitisation. The 'My OVO' website provides a simple way to manage energy accounts online. Cutting edge products such as OVO Live - a platform that receives data from smart meters every six seconds - provide customers with unprecedented access to information about their own energy consumption. Recent updates to OVO Live include disaggregation monitoring, which pinpoints the energy usage of individual household appliances. This provides a new level of transparency for customers and helps them to manage their energy use accordingly.

The determination to use technology to allow customers to take charge of their energy use, together with fair pricing and unrivalled customer service, has placed OVO Energy at the top of the Which? Customer.Satisfaction Survey for the second year in a row. OVO was also named the World's Best Energy Brand at the CHARGE Awards in 2016 and scooped eleven awards at the 2016 USwitch Awards.

Intelligent trading

OVO Energy's trading team has developed a number of tools in-house to purchase commodities as efficiently as possible and reduce trading risks. This helps us to manage the 3.3Terrawatt hours of electricity and 9.1Terrawatt hours of gas OVO Energy purchases every year, passing on savings from intelligent trading through reduced customer bills.

The proprietary demand forecasting model combines regression and machine learning algorithms that analyse data on usage and weather patterns to calculate OVO Energy's share of Elexon's standard demand profile, all to a high degree of accuracy. This tool is essential for avoiding volatile and potentially expensive 'cash out' penalties, minimising wholesale costs.

Mass penetration of smart meters and a move towards half hourly settlement has considerably improved both the quantity and quality of data available to suppliers. OVO Energy now has accurate live data of real-time usage, which creates a direct link between the cost of supplying electricity to a customer, and how and when they use it.

Introducing Boost

In 2015 OVO launched Smart PAYG+, the first truly smart prepayment platform in the UK, removing the need for inconvenient card or key top-up systems, and instead letting customers add credit through a smartphone app linked to a smart meter. Customers using Smart PAYG+ can easily track their energy usage and spending, and set up automatic top ups, making their lives easier and reducing cost through the use of technology.

In 2017, following the success of the Smart PAYG+ platform, OVO has decided to focus on growing its prepay customer base further by creating a standalone brand that better resonates with consumers with prepay meters. Launched in September 2017, Boost offers the same game-changing technology and unparalleled levels of customer service as before with a fresh new look and the strapline: 'Power in your hands.'

OVO's PAYG customer base currently represents 4% of the overall market of five million UK homes with prepay meters, meaning there is a significant growth opportunity for Boost given its strong product and service differential. These standout elements will be even more important now that regulation has been introduced to cap PAYG prices. Boost is in a great position to offer PAYG customers a better energy service in a rigid, antiquated and commoditised product category.

The launch of Boost signifies a key step in OVO's evolution towards becoming a multi-brand, multi-service energy company, with a suite of products and services appealing to different customer needs and requirements, collectively underpinned by market-leading customer service and an unwavering commitment to providing innovative and valuable ways for customers to engage with energy.

Smart ideas - OVO Foundation

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

OVO Foundation is funded partly from customer donations, and partly from the OVO business: at the end of 2016, 65,000 customers donated to OVO Foundation each month, a 43% increase from 2015. All customer donations are matched by OVO, with a further endowment from the business ensuring an annual income of £1m. As all overheads are covered by OVO, 100% of donations go to OVO Foundation's projects and partners.

The OVO Foundation approach entails extensive research into pressing social issues, followed by collaboration with relevant experts and organisations to create and launch innovative solutions. In this way, OVO Foundation has the capacity to pioneer high-impact, solution-led projects that have the potential to radically improve people's lives and 2016/17 saw the design and delivery of several new initiatives.

OVO Gives Back

OVO Gives Back is a brand new scheme that sees four local charities benefit from all-year-round volunteering as well as a share from OVO Foundation's £100,000 Community Chest each year.

Future Builders

Future Builders is an exciting new scheme helping to transform the lives of homeless young people in Bristol by offering them the chance to refurbish semi-derelict Council properties that will then become their home. By focusing on combining practical skills development with access to affordable housing, the scheme has not only provided education and employment opportunities, but has also brought unused housing stock back into use. The scheme addresses issues that contribute to the cycle of youth homelessness, including the lack of affordable housing and current move-on options for young homeless people, as well as the lack of opportunity for young people who have been out of education or employment for a period of time.

In 2016 OVO also developed partnerships with two primary schools in Bristol where 55 OVO mentors attend weekly 20-minute learning sessions to help build children's ability and confidence in maths and reading. Throughout the year, OVO Foundation continued to support Cool Earth by bringing 225 energy-efficient stoves to communities in the Democratic Republic of Congo. OVO also continued to host CoderDojo coding clubs in its London and Bristol offices, which are run by OVO volunteers and have so far been attended by almost 200 local children.

OVO Culture

OVO aims to create a dynamic and inspiring work culture where ambition thrives, and its people aspire to achieve real change on behalf of OVO's customers, the energy industry and society as a whole. Transparency and communication are key to OVO's culture. Monthly 'Town Halls' are open forums where any member of employees can question senior management, and everyone can hear more about OVO's vision and purpose first hand.

All employees are kept up-to-date through a newly relaunched intranet - the Kitchen Table - which operates as a one-stop shop for OVO news, views and useful information. The team is encouraged to share their experiences of working at OVO using #OVOAdventures across social media. OVO continues to focus on ensuring all employees are engaged in its three core values: find a way, be the good guys, and build something great. These values are ingrained in OVO's culture, from recruitment (testing values before ability), to an annual awards ceremony celebrating the people who truly demonstrate this behaviour.

OVO's values-led approach also mean the company believes passionately in giving back to the communities in which it operates. Through its 'OVO Gives Back' initiative, over 1,000 volunteer hours are donated every year to charity partners, selected through a employees nomination and voting process.

OVO is serious about attracting and investing in the best talent and has recently invested heavily in increasing its technology and product resource, creating an in-house team of developers, product managers and UX and design experts who are united in their passion to use the power of technology to change energy for the better.

The company also offers leadership and coaching qualifications to all employees through OVO University (an Institute of Learning Management accredited centre), flexitime for non-customer facing employees, a competitive reward package, wellbeing support via an external partner and much, much more - including twice yearly parties to say thank you to employees for all their hard work. It is this unique offering that makes OVO a great place to work, which in turn attracts great people who deliver the best for OVO's customers, and who are motivated to play their part in building an innovative, future-facing energy company.

Reducing Environmental Impact

OVO was the first top ten supplier to remove coal from its fuel mix in 2015 and has since gone further in its efforts to reduce its environmental impact and to offer its customers more renewable electricity. In 2016/17, OVO's fuel mix was 64.7% renewable, 35.3% gas, which equates to a 31% reduction in carbon intensity on the previous year.

OVO's 'Greener' tariff offers 100% renewable electricity and all of OVO's other tariffs have at least 33% renewable electricity as standard. OVO's newly launched 'EV Everywhere' bundle offers 100% renewable electricity both at home, and on the road, through Chargemaster's POLAR network of 5,000 chargepoints nationwide. Through its 'I Dig Trees' partnership with the Conservation Volunteers, OVO Energy planted 250,000 saplings over the last year on behalf of its 'Greener' customers. Since the launch of the partnership in 2015, OVO has enabled 400,000 native trees to be planted in urban spaces and communities all over the UK.

Powering sport and music

Over the course of the last 12 months, OVO Energy has ensured its brand connects with new audiences by presenting major sponsorships in both sport and music, reflecting a shared passion for innovation, science and sustainable living. OVO Energy became the title sponsor of the Women's Tour and the Tour of Britain in 2017. The sponsorship of the two top elite cycling events in the UK - which together cover 1,900 kilometres and boast more than 200 competitors, two million spectators and 14 million television viewers - linked the OVO Energy brand with an intrinsically sustainable mode of transport and innovation-led sport, and enabled a free-to-view sporting event to be brought to more fans across the country.

In July 2017, OVO Energy was the headline sponsor of Bluedot, an award-winning festival combining a stellar line-up of music with a ground-breaking programme of live science experiments, expert talks and immersive artworks. Bluedot saw OVO Energy position itself at the intersection of innovation and progress, and connect with music and science fans new and old..

Continued Growth

Ovo Energy continued on its fast growth trajectory in the year as revenue grew by 33.8% in the year from £512,427,000 to £685,203,000. Gross margins also increased from 8.6% in 2015 to 14.1% in 2016.

Customer economics and accounting for customer acquisition costs

OVO invests in customer acquisition and growth based on a long-term view of a customer's lifetime value. OVO is committed to building customer loyalty through exceptional customer experience and value for money. Customer churn is closely monitored with sophisticated models to estimate the average lifetime of a customer. The acquisition of each new customer gives rise to an accounting loss at the point of acquisition. However, the profit generated by a customer over their expected lifetime far exceeds the initial costs. OVO is focused on increasing profitability by expanding operational efficiencies, delivering innovative new propositions and increasing customer lifetime.

Management of customer payments

Customer payments are an important component of OVO's working capital cycle and OVO takes a unique approach in this area. New customers on standard credit tariffs pay one month's direct debit (DD) payment upfront. The upfront payment is recognised in OVO's accounts as deferred income and unwinds (i.e. becomes recognised) as revenue as customers use energy. In return for making payments upfront, customers receive the OVO Interest Reward which pays 3% - 5% interest on credit balances throughout the year, depending on how long they have been with OVO, a benefit which is highly valued by our customers.

While a customer's DD amount reflects a flat monthly payment profile, their balance will fluctuate significantly as energy usage is highly seasonal. OVO carefully monitors balances during the year to ensure that DD amounts are appropriately set to cover a customer's anticipated usage.

Key Financial and Performance Indicators

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

	Unit	2016	2015
Customer numbers	No.	676,000	569,000
Cash	£'000	25,944	45,669
Annualised gross profit margin (before unrealised derivative gains/losses)	%	14.1	8.6

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 had no borrowing at year end 2015, the Directors are careful to manage capital to ensure that the business grows in a sustainable manner.

By securing gas and electricity under forward contracts the Group is required to place margin calls when the mark to market value of the contracts moves adversely. The Group has largely transitioned to new supply arrangements which do not incorporate margin calls but instead require a fixed deposit. Margin calls with other suppliers are made out of working capital in the form of cash deposits. The Group manages its cash resources to ensure it has sufficient funds to meet all expected demands as they fall due.

Approved by the Board on 27 September 2017 and signed on its behalf by:

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Stephen Fitzpatrick
Director

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Directors of the company

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

Stephen Fitzpatrick

Stephen Murphy - Chairman

Christopher Houghton

Sarah Calcott (appointed 4 February 2016 and resigned 20 March 2017)

Niall Wass

Jonathan Owen

Dividends
The directors do not propose a dividend for the current year (2015: no dividends proposed).

Financial instruments
The financial risk management objectives and policies of the Company and the assessment of the Company's exposure to price risk, credit risk, liquidity risk and capital risk management is discussed in note 22 of these financial statements.

Charitable donations
During the year the company made charitable donations of £1,000,000 (31 December 2015: £1,023,000). Individual donations were:

	£
Ovo Charitable Foundation Limited	1,000,000

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

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

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

Research and development
The Company continues to develop its IT infrastructure, investing £7.5m in software development and licences for the year to 31 December 2016 (31 December 2015: £6.2m). The Company did not engage in research during the year (31 December 2015: £nil).

Going concern
Whilst the Company made a loss for the year ending 31 December 2016, and has net liabilities, the financial statements have been prepared on a going concern basis as the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Further details are in note 2 of the financial statements.

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

Statement of Directors' Responsibilities in respect of the financial statements

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Approved by the Board on 27 September 2017 and signed on its behalf by:

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Stephen Fitzpatrick
Director

Independent Auditors' Report to the members of Ovo Energy Ltd

Report on the financial statements

Our Opinion
In our opinion, Ovo Energy Ltd's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with the International Financial Reporting Standards ("IFRSs") as adopted by the European Union: and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Income Statement for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation for the financial statements is IFRSs as adopted by the European Union, and applicable law. In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
• the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion;

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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.

What an audit of financial statements involves

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

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Strategic Report and Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

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John Maitland (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Bristol

28 September 2017

Income Statement

For the year ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Revenue	3	685,203	512,427
Cost of sales		(588,475)	(468,245)
Gross profit		96,728	44,182
Administrative expenses		(113,528)	(78,904)
Operating loss	4	(16,800)	(34,722)
Finance income	5	120	631
Finance costs	5	(2,079)	-
Net finance (cost)/income	5	(1,959)	631
Loss before tax		(18,759)	(34,091)
Income tax receipt	9	1,876	3,966
Loss for the year		(16,883)	(30,125)

The above results were derived from continuing operations.

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

Statement of Financial Position
As at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Assets			
Non-current assets			
Property, plant and equipment	10	4,199	4,455
Intangible assets	11	8,269	8,063
Investments in subsidiaries, joint ventures and associates	12	-	-
Deferred tax assets	9	14,355	12,479
		26,823	24,997
Current Assets			
Inventories	13	-	78
Trade and other receivables	14	53,814	35,302
Cash and cash equivalents	15	25,944	45,669
		79,758	81,049
Total assets		106,581	106,046
Current Liabilities			
Trade and other payables	16	(113,480)	(83,563)
Deferred income		(74,950)	(88,145)
Provisions	19	(551)	(373)
		(188,981)	(172,081)
Total liabilities		(188,981)	(172,081)
Net liabilities		(82,400)	(66,035)
Equity			
Share capital	17	-	-
Share premium		50	50
Other reserves		1,008	490
Accumulated losses		(83,458)	(66,575)
Total equity		(82,400)	(66,035)

The financial statements on pages 9 to 42 were approved by the Board of Directors on 27 September 2017 and signed on its behalf by:

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Stephen Fitzpatrick

Director

Statement of Changes in Equity
For the year ended 31 December 2016

	Share premium £ 000	Other reserves £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 January 2015	50	152	(36,450)	(36,248)
Loss for the year	-	-	(30,125)	(30,125)
Share based payment transactions	-	338	-	338
At 31 December 2015	50	490	(66,575)	(66,035)

	Share premium £ 000	Other reserves £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 January 2016	50	490	(66,575)	(66,035)
Loss for the year	-	-	(16,883)	(16,883)
Share based payment transactions	-	518	-	518
At 31 December 2016	50	1,008	(83,458)	(82,400)

Statement of Cash Flows

for the year ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Cash outflow and inflow in operating activities			
Loss for the year		(16,883)	(30,125)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	10,045	5,782
Financial instrument net (gains) / losses through profit and loss		-	(623)
Finance income	5	(120)	(631)
Finance costs	5	2,079	-
Share based payment transactions		518	338
Income tax credit	9	(1,876)	(3,966)
		(6,237)	(29,225)
Working capital adjustments			
Decrease in inventories	13	78	1,024
(Increase)/decrease in trade and other receivables	14	(18,512)	7,906
Increase in trade and other payables	16	29,917	36,885
Increase in provisions	19	178	154
(Decrease)/increase in deferred income, including government grants		(13,195)	6,315
Net cash flow (used in)/generated from operating activities		(7,771)	23,059
Cash inflow and outflow in investing activities			
Interest received	5	120	631
Acquisitions of property plant and equipment	10	(2,524)	(1,770)
Acquisition of intangible assets	11	(7,471)	(5,869)
Net cash flows used in investing activities		(9,875)	(7,008)
Cash outflow and inflow in financing activities			
Interest paid	5	(2,079)	-
Net (decrease)/increase in cash and cash equivalents		(19,725)	16,051
Cash and cash equivalents at 1 January		45,669	29,618
Cash and cash equivalents at 31 December		25,944	45,669

Notes to the Financial Statements

1 General information

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

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

These financial statements were authorised for issue by the Board on 27 September 2017.

2 Accounting policies

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group'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 the 'Critical accounting estimates and judgements ' section at the end of this note.

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

Going concern
Whilst the Company made a loss for the year ended 31 December 2016, and has net liabilities, the financial statements have been prepared on a going concern basis.

The Company meets its day-to-day working capital requirements through its bank facilities and the Shell facility. The arrangement enables OVO to purchase commodity in advance in the forward markets, providing a hedge against its commitments to customers. The Shell commodity purchasing arrangement gives rise to a variable liability to Shell which is a combination of accounts payable and future purchase commitments secured on some the cash of Ovo Energy Limited.

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

2 Accounting policies (continued)

Exemption from preparing group financial statements

The financial statements contain information about Ovo Energy Ltd as an individual company and do not contain consolidated financial information as the parent of a group.
The company is exempt 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 Ltd, a company incorporated in United Kingdom.

Revenue recognition

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 Group. 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 meter read 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 netted off against deferred income to the extent it can be matched against specific customer payments.

All revenue arose within the United Kingdom.

Finance income and costs policy

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

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

Foreign currency transactions and balances

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

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

Tax

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

2 Accounting policies (continued)

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

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

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

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

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

2 Accounting policies (continued)

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

Intangible assets

a) Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation.

b) Computer software and licenses

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

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

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

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

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

Amortisation

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

Asset class	**Amortisation method and rate**
IT software and internally developed software costs	3 years straight line
Trademarks and industry accreditation	Indefinite life

Cash and cash equivalents

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

2 Accounting policies (continued)

Trade receivables

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

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

Inventories

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

Trade payables

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

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

2 Accounting policies (continued)

Provisions

Provisions for environmental obligations, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Leases

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

Defined contribution pension obligation

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

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

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 4% of their base pay. All costs related to the scheme are expensed in the income statement in the years 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. The Company has enrolled in the automatic pension scheme since November 2013.

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

2 Accounting policies (continued)

Share based payments

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

Financial assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date; the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Cost of sales' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Company's right to receive payments is established.

2 Accounting policies (continued)

Impairment

(a) Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 (other than goodwill) are reviewed for possible reversal at each reporting date.

2 Accounting policies (continued)

Derivatives and hedging

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

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

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

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

Changes in accounting policy

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

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

2 Accounting policies (continued)

Critical estimates and judgements

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

Revenue recognition - supplies that cannot be billed

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

Impairment of trade receivables

Impairments against trade receivables are recognised where the loss is probable. The Directors have based their assessment of the level of impairment on collection rates experienced by the 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. Having assessed the level profits made by the Group since the year end and forecasts of revenue and costs for the coming years, the directors believe it is probable that the Company will generate sustainable profits and therefore a deferred tax asset has been recognised.

3 Revenue

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

	2016 £ 000	2015 £ 000
Sale of gas and electricity	685,203	512,427

4 Operating loss

Arrived at after charging

	2016 £ 000	2015 £ 000
Depreciation expense	2,780	2,428
Amortisation expense	7,265	3,358
Operating lease expense - property	1,168	1,245

5 Finance income and costs

	2016 £ 000	2015 £ 000
Finance income		
Interest income on bank deposits	120	631
Finance costs		
Interest on bank overdrafts and borrowings	(2,079)	-
Net finance (costs)/income	(1,959)	631

6 Staff costs

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

	2016 £ 000	2015 £ 000
Wages and salaries	32,557	25,032
Social security costs	3,226	2,098
Other pension costs	690	376
Share-based payment expenses	518	338
Other employee expense	495	270
	37,486	28,114

6 Staff costs (continued)

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

	2016 No.	2015 No.
Administration and support	203	226
Sales, marketing and distribution	889	756
	1,092	982

There were six Directors during the year (31 December 2015: Three). Directors' remuneration and salary cost is recognised in Ovo Group Ltd in the current and previous year. The Directors' remuneration for the year ending 31 December 2016 in total was £1,019,000 (31 December 2015: £623,000). The highest paid Director in the year received remuneration of £341,000 (2015: £326,000)

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £ 000	2015 £ 000
Contributions paid to money purchase schemes	19	1

8 Auditors' remuneration

	2016 £ 000	2015 £ 000
Audit of these financial statements	75	69
Other fees to auditors		
Audit-related assurance services	9	12
Taxation compliance services	27	36
The audit of other companies in the Group	51	33
	87	81

9 Taxation

Tax (credited)/charged in the income statement

	2016 £ 000	2015 £ 000
Deferred taxation		
Arising from origination and reversal of temporary differences	(1,876)	(3,966)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2015 - higher than the standard rate of corporation tax in the UK) of 20% (2015 - 20.25%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Loss before tax	(18,759)	(34,091)
Corporation tax at standard rate	(3,752)	(6,903)
Effect of expense not deductible in determining taxable profit (tax loss)	358	1,546
Tax losses surrendered payable by group company	-	(350)
Deferred tax expense relating to changes in tax rates or laws	986	886
Decrease in UK and foreign current tax from adjustment for prior periods	(909)	563
Corporation tax losses surrendered to fellow group companies not payable	1,441	292
Total tax credit	(1,876)	(3,966)

The main rate of UK corporation tax for the year to 31 March 2015 was 20%, remaining the same for the year to 31 March 2016.

At Summer Budget 2015, the government announced legislation setting the corporation tax main rate at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the corporation tax main rate (for all profits except ring fenced profits) for the year starting 1 April 2020, setting the rate at 17%. The deferred tax balance has been presented in accordance with these enacted rates.

9 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

2016	Asset £ 000
Tax losses carry-forwards	13,729
Accelerated tax depreciation	626
Derivatives	-
Pension benefit obligations	-
	14,355

2015	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Tax losses carry-forwards	12,465	-	12,465
Accelerated tax depreciation	-	(8)	(8)
Derivatives	-	-	-
Pension benefit obligations	22	-	22
	12,487	(8)	12,479

Deferred tax movement during the year:

	At 1 January 2016 £ 000	Recognised in income £ 000	At 31 December 2016 £ 000
Tax losses carry-forwards	12,465	1,264	13,729
Accelerated tax depreciation	(8)	634	626
Derivatives	-	-	-
Pension benefit obligations	22	(22)	-
Net tax assets/(liabilities)	12,479	1,876	14,355

9 Taxation (continued)

Deferred tax movement during the prior year:

	At 1 January 2015 £ 000	Recognised in income £ 000	At 31 December 2015 £ 000
Tax losses carry-forwards	8,768	3,697	12,465
Accelerated tax depreciation	(48)	40	(8)
Derivatives	124	(124)	-
Pension benefit obligations	17	5	22
Net tax assets/(liabilities)	8,861	3,618	12,479

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

10 Property, plant and equipment

	Leasehold property £ 000	Fixtures, fittings and office equipment £ 000	Total £ 000
Cost or valuation			
At 1 January 2015	4,287	1,792	6,079
Additions	1,004	766	1,770
At 31 December 2015	5,291	2,558	7,849
Additions	976	1,548	2,524
At 31 December 2016	6,267	4,106	10,373
Accumulated Depreciation			
At 1 January 2015	338	632	970
Charge for year	1,626	798	2,424
At 31 December 2015	1,964	1,430	3,394
Charge for the year	1,778	1,002	2,780
At 31 December 2016	3,742	2,432	6,174
Carrying amount			
At 31 December 2016	2,525	1,674	4,199
At 31 December 2015	3,327	1,128	4,455
At 1 January 2015	3,949	1,160	5,109

11 Intangible assets

	IT software and internally generated software costs £ 000	Trademarks and industry accreditation £ 000	Total £ 000
Cost or valuation			
At 1 January 2015	7,991	504	8,495
Additions	5,869	-	5,869
At 31 December 2015	13,860	504	14,364
Additions	7,471	-	7,471
Disposals	(4,568)	-	(4,568)
At 31 December 2016	16,763	504	17,267
Accumulated Amortisation			
At 1 January 2015	2,832	111	2,943
Amortisation charge	3,325	33	3,358
At 31 December 2015	6,157	144	6,301
Amortisation charge	7,232	33	7,265
Amortisation eliminated on disposals	(4,568)	-	(4,568)
At 31 December 2016	8,821	177	8,998
Carrying amount			
At 31 December 2016	7,942	327	8,269
At 31 December 2015	7,703	360	8,063
At 1 January 2015	5,159	393	5,552

11 Intangible assets (continued)

The amortisation charge of £7,265,000 (31 December 2015: £3,358,000) 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.

12 Investments in subsidiaries, joint ventures and associates

Pursuant to Section 400 of the Companies Act 2006, the Company is exempt from the obligation to prepare and deliver group financial statements as the Company is included in the consolidated financial statements of Ovo Group Ltd.

Details of the subsidiaries as at 31 December 2016 and 31 December 2015 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2016	2015
Ovo Electricity Ltd	Procurement and sale of electricity from the wholesale markets and renewable sources	UK	100%	100%
Ovo Gas Ltd	Supply of gas and related services	UK	100%	100%

13 Inventories

	2016 £ 000	2015 £ 000
Finished goods and goods for resale	-	78

The cost of ROCs recognised as an expense in the year amounted to £40,229,000 (2015 - £25,291,000). This is included within cost of sales.

14 Trade and other receivables

	2016 £ 000	2015 £ 000
Trade receivables and accrued income	60,651	35,931
Provision for impairment of trade receivables and accrued income	(24,397)	(11,886)
Net trade receivables	36,254	24,045
Receivables from related parties	6,149	782
Loans to related parties	4,714	3,205
Prepayments	2,603	1,762
Other receivables	4,094	5,508
Total current trade and other receivables	53,814	35,302

14 Trade and other receivables (continued)

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in note 21 "Financial instruments".

The company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in note 22 "Financial risk management and impairment of financial assets".

15 Cash and cash equivalents

	2016 £ 000	2015 £ 000
Cash at bank	25,944	45,669

16 Trade and other payables

	2016 £ 000	2015 £ 000
Trade payables	30,584	29,216
Accrued expenses	57,712	37,249
Amounts due to related parties	25,184	17,096
Social security and other taxes	-	2
	113,480	83,563

The fair value of the trade and other payables classified as financial instruments are disclosed in note 21 "Financial instruments".

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 22 "Financial risk management and impairment of financial assets".

17 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
Ordinary share capital of £0.01 each	12,500	125	12,500	125

18 Obligations under leases and hire purchase contracts

Operating leases

The company leases two offices, Bristol and London, under non-cancellable operating lease agreements. The lease terms are between 3 and 4 years.

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

	2016 £ 000	2015 £ 000
Within one year	1,823	924
In two to five years	9,318	1,111
	11,141	2,035

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,540,000 (2015 - £1,224,000).

19 Provisions

	Dilapidations provisions £ 000	Total £ 000
At 1 January 2016	373	373
Additional provisions	178	178
At 31 December 2016	551	551
Current liabilities	551	551

20 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (31 December 2015 - £Nil).

21 Financial instruments

Financial assets
Loans and receivables

	Carrying value		Fair value	
	2016	2015	2016	2015
	£ 000	£ 000	£ 000	£ 000
Cash and cash equivalents	25,944	45,669	25,944	45,669
Trade and other receivables	29,167	35,302	29,167	35,302
	55,111	80,971	55,111	80,971

Valuation methods and assumptions

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

Financial liabilities

Financial liabilities at amortised cost

	Carrying value		Fair value	
	2016	2015	2016	2015
	£ 000	£ 000	£ 000	£ 000
Trade and other payables	121,189	83,563	121,189	83,563

Valuation methods and assumptions

The fair value of the 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 the short maturities, the fair value of the trade and other payables approximates to their book value.

22 Financial risk management and impairment of financial assets

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

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

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

The Company manages commodity 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.

Credit risk and impairment

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and from security deposits and prepayments to suppliers and distributors.
The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £55,111,000 (31 December 2015: £80,971,000) being the total of the carrying amount of financial assets, excluding equity investments, which include trade receivables and accrued income, derivative financial assets and cash. All the receivables are with parties in the UK.

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

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

Past due and impaired financial assets

Allowances for impairment by credit losses

2016	**Loans and receivables £ 000**
At start of year	11,886
Additional impairment for credit losses	12,511
At end of year	24,397

2015	**Loans and receivables £ 000**
At start of year	7,573
Additional impairment for credit losses	4,313
At end of year	11,886

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

Analysis of items past due or impaired
Loans and receivables

2016	Carrying value of items neither past due nor impaired £ 000	Carrying value of items past due but not impaired £ 000	Carrying value of items past due and/or impaired £ 000	Pre impairment value £ 000	Impairment recognised to date £ 000
Loans and receivables	15,499	16,836	24,397	56,733	24,397

2015	Carrying value of items neither past due nor impaired £ 000	Carrying value of items past due but not impaired £ 000	Carrying value of items past due and/or impaired £ 000	Pre impairment value £ 000	Impairment recognised to date £ 000
Loans and receivables	19,545	7,705	11,886	39,139	11,886

Market risk
Commodity price risk

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.

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

Derivatives are measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivatives and other financial instruments are recognised in the income statement as they arise. Unrealised net losses on open contracts at the year-end were £nil (31 December 2015: £nil).

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.

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

Liquidity risk
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.

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

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

Capital risk management

Capital components

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

23 Related party transactions

Key management personnel
Key management includes directors and members of the Group management team. Their remuneration is paid by Ovo Group Ltd whom recharge a management charge to the Company.

Summary of transactions with parent
During the year the Company received loan funds from its immediate parent, OVO Group Ltd, of £4,400,000 (2015 - £10,758,000). The loan incurred an interest charge on the capital balance of 10% (2015: 10%); the total interest paid in the year was £1,465,000 (2015: £178,000). As at 31 December 2016, the balance outstanding was £16,433,000 (2015: £10,935,000).

During the year the Company was charged management charges by OVO Group Ltd for the provision of management personnel of £2,036,000 (2015 - £2,346,000). The costs are included in the balance outstanding above.

During the year Imagination Industries Limited (ultimate parent company) charged OVO Energy Ltd brand royalty fees totalling £3,333,000 (2015 - £2,525,000). As at 31 December 2016 the Company owed Imagination Industries Limited £444,000 (2015: £927,000). In the year the Company has surrendered tax losses to Imagination Industries Limited of £2,423,000 (2015.- £350,000).

23 Related party transactions (continued)

Summary of transactions with subsidiaries
During the year the Company traded with Ovo Electricity Ltd (subsidiary) and made sales of electricity totalling £118,437,000 (2015 - £82,179,000) and made purchases of electricity totalling £121,647,000 (2015 - £86,315,000). The Company also provided management services to Ovo Electricity Ltd of £279,000 (2015 - £210,000). As at 31 December 2016, the total balance due to Ovo Electricity Ltd was £7,608,000 (2015 - £4,678,000).

During the year the Company traded with Ovo Gas Ltd (subsidiary) and made sales of gas of £11,865,000 (2015 - £7,341,000) and made purchases of gas totalling £12,221,000 (2015 - £7,560,000). The Company also provided management services to Ovo Gas Ltd of £139,000 (2015 - £105,000). As at 31 December 2016 the total amount owing to Ovo Gas Ltd was £350,000 (2015 - £131,000).

Summary of transactions with other related parties
During the year the Company provided net loan funding to In Home Technology Limited of £4,560,000 (2015 - £603,000), The loan incurred interest charges at 10% annually on the capital balance at the end of each month (2015: 10%), the total interest charged to In Home Technology Limited in the year was £621,000 (2015 - £60,000) due to the timing of drawdowns and repayments in the year.

In the year, the Company paid for meter provision related services from In Home Technology Limited totalling £50,000 (2015: £611,000). This ceased in 2016 following the sale of Smart Meter Assets 1 Ltd.

In the current year, the Company charged In Home Technology Limited a fee for each customer referred for a smart meter installation totalling £19,359,000 (2015 - £nil).

24 Parent and ultimate parent undertaking

The company's immediate parent is Ovo Group Ltd.

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

The smallest consolidated statements that incorporate Ovo Energy Ltd are those of Ovo Group Ltd, which are available upon request from the registered office shown in Note 1.

The largest consolidated statements that incorporate Ovo Energy Ltd are those of Imagination Industries Limited, which are available upon request from the registered office shown in Note 1.

The ultimate controlling party is Stephen Fitzpatrick.