

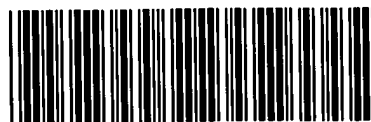
Registration number: 06752915

OVO Gas Ltd

Annual Report and Financial Statements

for the Year Ended 31 December 2022

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OVO Gas Ltd

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OVO Gas Ltd

Company Information

Directors	Stephen Fitzpatrick Vincent Casey Raman Bhatia
Company secretary	Vincent Casey
Registered office	1 Rivergate Temple Quay Bristol England United Kingdom BS1 6ED
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Temple Quay Bristol BS2 0FR

OVO Gas Ltd

Strategic Report for the Year Ended 31 December 2022

The Directors present their strategic report for the year ended 31 December 2022.

Fair review of the business

OVO Gas Ltd holds the gas supply licence for certain OVO group companies. Services associated with the supply of gas are sold by OVO Gas Ltd to other companies within the OVO group of companies.

Given the simple nature of the Company's business and the fact that the Company is not managed separately from the other companies in the OVO group, the Directors are of the opinion that analysis using KPIs specific to the Company is not necessary or appropriate. The OVO group management's review of the KPIs are detailed within the OVO Group Ltd's financial statements. These financial statements are available upon request from the registered office shown in note 1.

During the year the Company generated revenues of £307m (2021: £114m). The Company made a profit in the year of £8m (2021: profit of £3m) and the net assets of the Company as at 31 December 2022 were £20m (2021: net assets of £12m).

The Company's future developments and commitments to employees are detailed within the Directors' Report.

Section 172(1) statement

OVO Gas Ltd is managed as part of the wider OVO group with common Director and a consistent approach to strategic decision making. The following sections summarise the strategy and decision making for the group as a whole. The Company's operations are integrated within the wider OVO group and therefore the strategic decisions made by the Directors are made in parallel with those of the OVO group board. The summary of stakeholder engagement discussed therefore applies to the wider OVO group and not just the Company.

Stakeholders underpin both our strategy and business model, and our Board aims to uphold the highest standards of conduct while ensuring that all decisions are taken with consideration for the long term interests of stakeholders.

OVO recognises the central role it can play in supporting customers to decarbonise their homes and support the global effort to fight climate change. Plan Zero underpins our entire Company culture. In an increasingly complex, changing and competitive market, the Board recognises that the Company will only grow, thrive and deliver on the ambitions set out in Plan Zero if it understands, respects and responds to the views and needs of our stakeholders.

OVO Gas Ltd

Strategic Report for the Year Ended 31 December 2022 (continued)

Section 172(1) statement (continued)

Our stakeholders

Our customers

OVO was founded with the ambition of making energy greener, simpler and cheaper. We intend to mobilise our customers into a zero carbon community, in line with the objectives set out in Plan Zero, and our goals to reduce our customers' carbon footprint by 50% by 2030. Our Board receives direct updates from OVO's customer-facing businesses and regularly discusses customer service performance, Net Promoter Scores and feedback. OVO's leadership team and Corporate Affairs team regularly engage with external consumer organisations and incorporate their feedback into business decision-making.

Our people

Without talented and committed employees, OVO could not deliver on its ambitions and on Plan Zero. In 2022, we were proud to publish our Belonging report - an update on our journey to building a leading place to work, where everyone can thrive. For the first time, the report also included our gender and ethnicity pay gap analysis. We were also pleased to announce our new partnership with the Aleto Foundation, creating early career opportunities for young people from diverse backgrounds. Throughout the year, our quarterly employee survey gives employees at all levels the chance to share views with line managers, colleagues and leadership, and action plans are established to ensure feedback is heard and acted upon. Our Board also regularly engages with our people through employee forums and town halls, providing the opportunity to discuss and provide feedback on the priorities and needs of our people.

Our communities

The OVO Charitable Foundation exists to help create a greener, brighter future - for every child. As a grant-making organisation, OVO Foundation funds several charity partners who share our goals: to bring children and young people closer to nature, and to equip them with the skills, knowledge and opportunities to take action on the climate crisis. OVO Foundation invests in projects that address a real and genuine need, can demonstrate measurable and meaningful impact, and have the potential to scale.

We aim to keep all relevant external stakeholders informed of our community and charitable investments. By 2022, OVO Foundation had committed £2m to funding 154 youth-led environmental projects, helping over 250 schools to become more energy efficient and reaching over 10,000 young people across the UK. OVO Foundation published the results of a social return on investment study in 2022, which found that every £1 invested in such projects has the power to create over £10 of value for society.

OVO Gas Ltd

Strategic Report for the Year Ended 31 December 2022 (continued)

Section 172(1) statement (continued)

Governments and regulators

Our Board members engage regularly across the UK Government, devolved administrations, respective parliaments and the regulator. Our activity is across a range of mediums, including conferences, roundtables and media to engage effectively across key political, regulatory and policy priorities. Our dedicated Public Affairs, Policy and Regulation teams actively manage our external stakeholder plan and regularly update Board members on external developments and coordinate an engagement programme. During 2022, the key issues discussed with stakeholders included: the energy crisis; support for financially vulnerable customers; market design; and policy levers to accelerate the transition to zero carbon living. We have worked closely with Ofgem to review these issues amongst which are the licence requirements for supplier control over material assets for which we have undertaken actions and put in place intercompany arrangements to satisfy the compliance.

Our suppliers

We build relationships with our external suppliers based on trust. This facilitates us providing the best quality products and services at the most competitive prices, while mitigating data, social and environmental risks in an upward supply chain. In 2022, we continued to operate our Supplier Code of Conduct for all new key suppliers as part of our standard procurement process. We also continued to operate our sustainable procurement controls and, where relevant, ensured sustainability criteria were considered as part of any supplier selection.

The planet

OVO's impacts on the environment and our planet are central to OVO's business strategy to deliver Plan Zero. We recognise that our business operations have environmental impacts, including carbon emissions, air pollution, natural resource use, water consumption and generation of waste. OVO Group has a formalised Environment Policy which sets out our commitment to minimise the negative impacts of our business activities on the environment across our value chain. Our entire business strategy is informed by Plan Zero and our mission to provide mass market, affordable and simple solutions that support our customers to take action against climate change to help them decarbonise their homes.

In 2022, we were proud to publish our refreshed Plan Zero strategy which sets out our intention to reach net zero by 2035, rather than 2030. We're still aiming to cut 60% of our total carbon footprint by 2030, the same as before. The difference is, now, we'll reach net zero with less reliance on carbon offsetting. We'll only offset the emissions we cannot avoid or reduce - about 10% of our carbon footprint. To make sure no one is left behind, we've also raised the importance of social impact and affordability in our strategy. And to make it easier for our external stakeholders to see how we're getting along, we introduced a new live reporting structure.

Throughout 2022, we reported environmental performance periodically to OVO's leadership team and annually to the Board.

OVO Gas Ltd

Strategic Report for the Year Ended 31 December 2022 (continued)

Section 172(1) statement (continued)

Embedding Section 172(1) into Board decision-making processes

Section 172(1) is well embedded into the duties of the Board and its decisionmaking processes. Our Chairman sets the agenda for each Board meeting and has taken steps to ensure we are meeting the requirements and carefully considering the needs of our stakeholders through a combination of the following:

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

OVO Gas Ltd

Strategic Report for the Year Ended 31 December 2022 (continued)

Section 172(1) statement (continued)

Our plan to address the energy crisis. A Ten Point Plan.

Throughout 2022, the record increases in energy prices caused by volatility on global wholesale markets were unsettling for millions of households.

From the start of the energy crisis, we worked closely with the regulator, government, consumer groups and industry to limit the impact on household energy bills as much as possible.

In line with our original mission statement to deliver simpler, greener and cheaper energy, we listened carefully to the views and concerns of our key stakeholders. Feedback from our customers, OVO's customer-facing teams, external charities and consumer organisations clearly demonstrated that consumers faced a real lack of support given the scale of the crisis.

Through engagement with our stakeholders, we realised that a compassionate and creative approach was required to address the energy costs crisis in the short, medium and long term, and we developed 10 policy recommendations to improve the UK energy market for the benefit of our customers. These include:

In the short-term:

- 1) Bring forward the energy rebate to be paid in full before Christmas
- 2) Set up a Fuel Poverty Taskforce to identify those most in need
- 3) Immediately increase funding for debt advisory charities

In the medium-term:

- 4) Abolish the prepayment meter poverty penalty
- 5) Reduce bill shocks - in a progressive way
- 6) Make bills simpler and fairer by abolishing the standing charge
- 7) Insulate everything: mobilise a national energy efficiency effort

In the long-term:

- 8) Ensure the Future System Operator has a mandate for securing long term energy demand
- 9) Bring back the Department of Energy and Climate Change
- 10) Introduce a carbon tax

We published our 'Ten Point Plan' to address the energy crisis and gained significant media coverage to amplify its recommendations. Following publication, we undertook extensive engagement with government, the regulator, our communities and third party organisations in an effort to build momentum in support of the proposals. We are proud to report that a number of the policies have been adopted by the UK Government and we look forward to continuing to advocate for these proposals throughout 2023.

OVO Gas Ltd

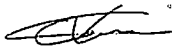
Strategic Report for the Year Ended 31 December 2022 (continued)

Principal risks and uncertainties

Due to the nature of the Company's activities, services associated with the supply of gas are sold to OVO group companies. Management do not perceive that there are any principal risks or uncertainties within OVO Gas Ltd financial statements, other than those disclosed in the financial statements of OVO Group Ltd.

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

Approved by the Board on 26 June 2023 and signed on its behalf by:



.....
Vincent Casey
Director

OVO Gas Ltd

Directors' Report for the Year Ended 31 December 2022

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

Directors of the Company

The Directors who held office during the year and up to the date of signing the financial statements, were as follows:

Stephen Fitzpatrick (appointed 30 August 2022)

Vincent Casey

Adrian Letts (resigned 1 March 2022)

Raman Bhatia

William Castell (resigned 10 January 2022)

Dividends

The Directors do not propose a dividend for the year ended 31 December 2022 (2021: no dividends proposed).

Financial instruments

Predominantly all the risks associated with financial instruments sits with other companies in the OVO group. The Company is exposed to credit risk on intercompany balances with other OVO group companies and is also dependent on other group companies to provide liquidity.

Other stakeholder engagement

We have regard for our business relationships with suppliers, customers and other stakeholders, and take formal consideration of any stakeholders which are relevant to any major decisions taken by the Board throughout the year. Other stakeholder engagement is further discussed in the Strategic Report under the heading 'Section 172(1) statement'.

Future developments

The Directors do not consider that OVO Gas Ltd will be used for any other purpose than that set out in the Fair review of the business in the Strategic Report.

Research and development

The Company undertook no research or development during the year.

OVO Gas Ltd

Directors' Report for the Year Ended 31 December 2022 (continued)

Going concern

The Company made a profit for the year ended 31 December 2022 and has net assets. The financial statements have been prepared on a going concern basis.

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

The Group has sufficient liquidity over the full going concern period under both its base case and stress-tested forecast. Accordingly the Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements on the basis of the continued financial support of the parent company.

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.

Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

OVO Gas Ltd

Directors' Report for the Year Ended 31 December 2022 (continued)

Statement of Directors' responsibilities

The Directors acknowledge their responsibilities 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 elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' (FRS 101). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

Approved by the Board on 26 June 2023 and signed on its behalf by:



Vincent Casey
Director

Independent auditors' report to the members of OVO Gas Ltd

Report on the audit of the financial statements

Opinion

In our opinion, OVO Gas Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2022; the Profit and loss account and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and the Directors' report

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 year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Ofgem licence conditions and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to manipulate the financial statements. Audit procedures performed by the engagement team included:

- Discussions with management, in house legal counsel and the members of the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of Ofgem's website for details of any enforcement action or open investigations; and
- Identifying and where applicable testing journal entries that met our predefined risk criteria, in particular journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Paul Nott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
27 June 2023

OVO Gas Ltd

Profit and Loss Account for the Year Ended 31 December 2022

	/	2022	2021
	Note	£ m	£ m
Turnover	3	307	114
Cost of sales		<u>(299)</u>	<u>(111)</u>
Operating profit		8	3
Interest receivable and similar income	4	<u>2</u>	<u>1</u>
Profit before tax		10	4
Tax on profit	7	<u>(2)</u>	<u>(1)</u>
Profit for the financial year		<u><u>8</u></u>	<u><u>3</u></u>

The above results were derived from continuing operations.

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


OVO Gas Ltd

(Registration number: 06752915)

Balance Sheet as at 31 December 2022

	Note	31 December 2022 £ m	31 December 2021 £ m
Current assets			
Debtors	8	22	14
Creditors: Amounts falling due within one year	9	(2)	(2)
Net assets		<u>20</u>	<u>12</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account		<u>20</u>	<u>12</u>
Total shareholders' funds		<u>20</u>	<u>12</u>

The financial statements on pages 14 to 23 were approved by the Board on 26 June 2023 and signed on its behalf by:



.....
Vincent Casey
Director

OVO Gas Ltd

Statement of Changes in Equity for the Year Ended 31 December 2022

	Profit and loss account £ m	Total £ m
At 1 January 2021	9	9
Profit for the year	<u>3</u>	<u>3</u>
Total comprehensive income	<u>3</u>	<u>3</u>
At 31 December 2021	<u><u>12</u></u>	<u><u>12</u></u>

	Profit and loss account £ m	Total £ m
At 1 January 2022	12	12
Profit for the year	<u>8</u>	<u>8</u>
Total comprehensive income	<u>8</u>	<u>8</u>
At 31 December 2022	<u><u>20</u></u>	<u><u>20</u></u>

OVO Gas Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The Company is a private company limited by share capital, incorporated and domiciled in United Kingdom. The Company's principal activities are the sale of services associated with the supply of gas in the United Kingdom.

The address of its registered office is:

1 Rivergate
Temple Quay
Bristol
England
United Kingdom
BS1 6ED

These financial statements were authorised for issue by the Board on 26 June 2023.

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

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 as applicable to companies using FRS 101.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

The financial statements have been prepared under the historical cost convention.

The smallest consolidated financial statements that incorporate the Company are those of OVO Finance Ltd. The consolidated financial statements of OVO Finance Ltd are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 1 Rivergate, Temple Quay, Bristol, England; BS1 6ED, UK.

OVO Gas Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Basis of preparation (continued)

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

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

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in the financial statements. The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Given the simple nature of the Company's operations, the Directors do not consider there to be any key estimates or judgements.

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

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

OVO Gas Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Going concern

The Company made a profit for the year ended 31 December 2022 and has net assets. The financial statements have been prepared on a going concern basis.

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

The Group has sufficient liquidity over the full going concern period under both its base case and stress-tested forecast. Accordingly the Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements on the basis of the continued financial support of the parent company.

Changes in accounting policy

New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16;
- Onerous contracts - Cost of Fulfilling a Contract - Amendments to IAS 37;
- Annual Improvements to IFRS Standards 2018-2020; and
- Reference to the Conceptual Framework - Amendments to IFRS 3.

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

Revenue recognition

Revenue consists of management fee income from facilitating the supply of gas to customers on behalf of other OVO group's companies. The Company and other OVO group companies collectively provide gas to customers in Great Britain through a series of intercompany arrangements in which the Company, being the OVO group's domestic gas supply licence holder, facilitates the supply of the gas procured by other OVO group companies in fulfilment of the customer contracts as an agent.

The Company's main performance obligation is the provision of services to other OVO group companies to facilitate the supply of gas to end-use customers. The performance obligation relating to the services is satisfied over time as the end-use customers simultaneously receive and consume the benefits of the supply of gas.

Revenue is therefore recognised when charging other OVO group companies for the amount of costs incurred associated with the services to facilitate the supply of gas for which other OVO group companies have a right to invoice end-use customers based on the volume of units supplied during any given period throughout the year.

OVO Gas Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Interest income and expense

Interest income and expense is recognised in profit or loss as it accrues, using the effective interest method.

Tax

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affects 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 temporary differences can be utilised.

Trade debtors

Trade debtors are predominantly amounts due from other OVO group companies for the provision of services to facilitate the supply of gas to customers on behalf of other group companies. Trade debtors therefore consist of amounts owed by group undertakings which are receivable on demand and as such the Company's trade debtors are classified as current assets.

Trade debtors are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method, less an appropriate impairment recognised where the loss is probable. Trade debtors consist of amounts owed by group undertakings for which the Company applies the three-stage general impairment model and recognises either a lifetime expected credit loss or a 12-month expected credit loss depending on the Company's assessment of whether there has been a significant increase in the credit risk associated with the financial asset since initial recognition.

Share capital

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

3 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2022	2021
	£ m	£ m
Sale of services associated with the supply of gas in the UK	307	114

All turnover arises from the sale of services to other OVO group companies.

OVO Gas Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Interest receivable and similar income

	2022 £ m	2021 £ m
Interest on amounts owed by group undertakings	<u>2</u>	<u>1</u>

5 Staff costs

No staff are directly employed by the Company (2021: none) and no staff costs are recharged to the Company (2021: £nil).

The Directors' remuneration and salary costs for the year are recognised in OVO Energy Ltd (2021: OVO Energy Ltd).

The Directors' compensation is paid by OVO Energy Ltd (2021: OVO Energy Ltd), which make no recharge to the entity. The Directors are additionally Directors of a number of parent entities and fellow subsidiaries, and it is not possible to make a reasonable apportionment of their compensation in respect of each of the parent companies and subsidiaries. Accordingly, the total compensation of the Directors is included in the aggregate of Directors' remuneration disclosed in the financial statements of OVO Energy Ltd (2021: financial statements of OVO Energy Ltd).

6 Auditors' remuneration

Fees for audit £11,000 (2021: £5,000) are borne by OVO Energy Ltd (2021: OVO Energy Ltd).

OVO Finance Ltd, in which the Company is consolidated, are required to disclose the fees for non-audit services on a consolidated basis and therefore, the Company has taken advantage of the exemption not to disclose amounts paid for non-audit services.

7 Tax on profit

Tax charged in profit or loss:

	2022 £ m	2021 £ m
Current tax	<u>2</u>	<u>1</u>
Total current income tax	<u>2</u>	<u>1</u>
Tax charge in the profit and loss account	<u>2</u>	<u>1</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2021 - the same as the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

OVO Gas Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Tax on profit (continued)

	2022 £ m	2021 £ m
Profit before tax	10	4
Corporation tax at standard rate	2	1
Total tax charge	2	1

The tax rate for the current year is the same as the prior year.

The change to the main UK corporation tax rate to 25% announced in the 2021 Finance Bill was substantively enacted on 24 May 2021. The rate effective from 1 April 2023 is now 25% increased from the current rate of 19%. This has no impact on these financial statements as the Company has no deferred tax.

8 Debtors

	31 December 2022 £ m	31 December 2021 £ m
Amounts owed by group undertakings	22	14

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is incurred at 8.55% on interest bearing balances unless otherwise disclosed. Unpaid interest is capitalised and compounded every 6 months.

9 Creditors: Amounts falling due within one year

	31 December 2022 £ m	31 December 2021 £ m
Corporation tax payable	2	2

10 Called up share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No.	£	No.	£
Ordinary share capital of £0.01 each	10,000	100.00	10,000	100.00

Rights, preferences and restrictions

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

OVO Gas Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Reserves

The balance classified as share capital includes the total net proceeds on issue of the Company's equity share capital, comprising £0.01 ordinary shares.

12 Related party transactions

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

13 Parent and ultimate parent undertaking

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

The largest consolidated statements that incorporate OVO Gas Ltd as of the balance sheet date are those of Imagination Industries Ltd, which are available upon request from its registered office 9 Pembridge Road Notting Hill London W11 3JY.

The Company's immediate parent is OVO Energy Ltd.

The ultimate parent as of the balance sheet date was Imagination Industries Ltd. Following a group restructure on 7 March 2023, Energy Transition Holdings Ltd became the Company's ultimate parent company.

The ultimate controlling party is Stephen Fitzpatrick.