Registration number: 06890468

Imagination Industries Ltd

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2022

Imagination Industries Ltd

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Imagination Industries Ltd

Company Information

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Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

Imagination Industries Ltd

Strategic Report for the Year Ended 31 December 2022

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

Strategic Report

Business Overview
The Imagination Industries Group comprises the OVO Group and other non-energy related investments. During 2022, the OVO Group made up 100% of the revenue of the Imagination Industries Group, and, as at 31 December 2022, 96% of the Imagination Industries Group's total assets. As a result, the strategic review is solely focused on the OVO Group as it forms materially all of the Group. During the year, Imagination Industries Ltd's holding in OVO Group Ltd has been classified as a discontinued operation as a result of the intention to transfer the holding to a new holding company, which was completed in March 2023. Refer to Note 32 Subsequent events after the end of the reporting period for further details.

OVO Group, pioneers of the green energy transition.
OVO uses technology and innovation to help all our customers move closer towards having low-cost, low carbon homes, because the energy system wasn't built for the way we live today. And it certainly wasn't built with the pressing need to reach net zero in mind. OVO was founded to change that - by making every decision as if the customer is in the room, by solving complex challenges to accelerate the energy transition and by always asking ourselves, 'What's better for our customers?' and 'What's better for the planet?'.

It's OVO's mission to bring all our customers with us on the journey to a greener, fairer future.
Guided by Plan Zero, we are transforming the OVO business to help create a world without carbon. OVO wants to help our customers lower their carbon footprint and play their part in the global goal of reaching net zero. Whether they're a homeowner making the switch to an electric vehicle and a heat pump, or a renter looking to use less gas for heating, we're building a different kind of energy company - one that actually wants to sell less energy, help our customers save money and cut down on carbon emissions.

OVO is four million customers strong.
OVO is one of the largest energy companies in the UK, which means we can really make a difference. OVO's business is not just about how many customers we sell gas and electricity to, it's about the ways in which we can support them on their journey to net zero - and for that, we know we need to bring everyone along with us. That's why, in 2019, OVO launched Plan Zero, our sustainability strategy, and why OVO is always striving to improve the experience for our customers, especially those in vulnerable circumstances, and to work with industry, government and the regulator to change the UK's energy system for the better.

OVO harnesses people power...
When people come to OVO, we don't want them to just be joining a company, we want them to feel inspired to join a zero carbon movement, who are up for the job of solving humanity's greatest challenge and feel a deep sense of belonging within it. We are committed to creating a strong, inclusive workforce, we want everyone to feel happy, respected and supported, and we make those commitments clear to everyone.

...and technology to revolutionise energy.
People are great, especially our teams and our customers. But even the best people need help with the heavy lifting. That's where our Kaluza platform comes in. Behind the scenes, Kaluza enables global energy retailers to transform their customer experience and accelerate decarbonisation through innovative, low carbon propositions.

The platform uses machine learning and AI to create a more flexible energy system, optimising devices to use energy off-peak, when costs and carbon levels are lower. Working with a range of industry-leading hardware manufacturers, energy suppliers and grid operators, Kaluza's flexibility offering is driving the global transition to a distributed and secure zero carbon grid.

Business Overview (continued)

It continues to transform OVO's retail operations by automating OVO's meter-to-cash operations, reducing cost-to-serve and driving new commercial opportunities for our UK and Australia businesses. Kaluza powers OVO's award-winning online experience, gives our customer agents the tools to deliver great service and its pioneering demand response technology allows us to build engaging and rewarding offerings around electric vehicle smart charging.

OVO's Values

Standing for more

OVO is tackling some of the world's most pressing problems by creating better energy systems for our planet and for everyone on it. We are on a big journey and our values are central to everything we do.

Find a better way

At OVO we always look for a better way, whether that's by delivering a better service, employing brilliant people or improving our products and processes.

Do what's right

Being open, honest and fair is one of the values which applies to everything OVO does. We take pride in talking to our customers and delivering exceptional work.

Build something great

Simple solutions aren't quick or easy to find. They take time and tenacity. Our people work to find an answer that helps us 'build something great'.

2023 Strategy and Focus

The Imagination Industries Group's continuing operations will focus on non-energy related activities.

2022 Strategic Review

OVO's response to the energy crisis
The energy crisis in 2022 delivered a shock of unprecedented complexity. Energy markets were in turmoil and prices reached record highs. Here in the UK, the heaviest burden fell on households, with many families left struggling to pay their bills. With winter approaching OVO's immediate focus was on how to keep the lights on and its customers warm.

What actually caused the energy crisis?
In a nutshell, a rise in demand and a fall in supply. As the world came out of the COVID-19 pandemic in 2021, increasing demand for oil and gas started pushing up the global price of energy. In February 2022, Russia's invasion of Ukraine made a difficult situation even worse. A huge reduction in supply of gas from Russia to Western Europe meant the price of energy throughout Europe rose by almost 10 times what it had been 12 months before.

How were UK households affected?
Energy prices for UK consumers rose to unprecedented highs. While much welcome support from the Government did come in the form of the Energy Bill Support Scheme and the Energy Price Guarantee, millions of households were still left struggling to pay their energy bills.

What did OVO do about it?
OVO reacted quickly and launched a **£50m Customer Support Package** - the largest and most progressive of any energy supplier. The package included:
• Payment holidays for debt repayment for all prepayment meter customers so that every penny put on the meter throughout the winter would go towards heating, not clearing debt
• A 200% increase in emergency top-up credit for customers on a prepayment meter, and a continued commitment to never disconnect customers' meters from the grid
• Free technology and services such as smart thermostats, electric throws and boiler checks
• A new charity partnership with The Trussell Trust to support food banks to meet increased need this winter - in addition to our continued partnership with StepChange
• To urge the Government to soften the impact of price rises, OVO set out a Ten Point Plan to address the energy crisis, which can be found on our website and page 19 of the Strategic Report. Many of the plan's proposals, such as ending the prepayment meter poverty premium, have since been adopted by the Government.

OVO's goal to decarbonise homes gathered momentum
The impact of fossil fuels on the planet and on energy bills means the need to decarbonise has never been more urgent. Our OVO Energy Solutions business started work with Cornwall Council to complete whole-house retrofits for 400 poorly insulated homes. And in Argyll, Scotland, the business reached a milestone of 1,000 heat pumps installed.

We launched OVO Energy Experts, a new trial for customers to upgrade homes and unlock up to £260 of savings for those who adopt new efficiency technology along with making simple changes in behaviour. OVO's Energy Experts are trained in the latest of green technologies and are now providing home upgrade assessments and advising people on the energy-efficient measures required to future-proof their homes.

OVO commenced installation of Zero Emission Boilers (ZEBs) in OVO customers' homes, as part of UK Power Networks' 'Neat Heat' project. Working in the south east and east of England areas, in conjunction with the energy networks and UK clean tech company tepeo, this project provides real-world data on how a ZEB interacts with the electricity network, allowing us to develop new offerings that will reduce costs for customers and allowing UK Power Networks to use its existing infrastructure in a smarter way.

2022 Strategic Review (continued)

OVO supported the development of new renewable energy onto the grid
To reduce our dependence on gas, we need more renewable energy. We're not energy generators or developers (we are proudly customer-focused only), but we wanted to find a way to bring additional renewable power onto the grid. So, OVO became the first energy company to specifically support subsidy-free renewables, by offering small-scale, independent wind and solar farms above market prices for their electricity. By paying a premium to generators of renewable electricity that have not received any subsidy from government or industry-backed schemes, we are directly helping to drive new investment in renewable assets in the UK.

In 2022 OVO signed 92 power purchase agreements (PPAs) with onshore wind and solar power generators. That's enough clean energy to power over 50,000 homes.

OVO created value for our customers while supporting a smarter, greener, more flexible electricity grid
A flexible energy system is a smart energy system - for OVO, our customers and the planet. It can help us to best use the renewable energy that's already powering the grid and help cut the need for using gas and other fossil fuels when renewable energy is not available.

It can also help cut consumers' costs, by shifting consumption away from peak times when the grid is most congested. Three quarters of electricity costs for the average household are made up of charges for power supply between 4pm and 7pm.

This is why OVO launched Power Move - an innovative trial helping customers to cut usage during peak times and save themselves money. The trial rewards customers up to a maximum of £100 for moving their use of energy to times when the grid is (on average) greener and less congested. Trial data will be invaluable in gaining a more granular understanding of consumer habits and will enable us to develop propositions that further support a more flexible energy system.

At the end of 2022, with National Grid ESO (the organisation responsible for actually moving electricity around the National Grid) warning that the availability of electricity could be tight over the winter, OVO announced it was joining its Demand Flexibility Service. This new trial rewards our customers for shifting their energy usage away from peak times and helps support the critical energy balancing that takes place at National Grid level. Customers can earn a minimum of £1 for every kWh shifted below their personal target - the more electricity shifted, the greater the reward.

In 2022, Kaluza launched multiple electric vehicle (EV) smart charging programmes internationally to prove the power of its technology in providing easy and rewarding customer experiences that reduce the cost of owning an EV while increasing the use of renewables on the grid. Such initiatives were launched in Japan, with Mitsubishi Corporation and Chubu Electric Power Miraiz, in North America, with East Bay Community Energy, and in Australia, with AGL - where EV drivers earned an average of AU$17 a month in smart charging credits and showed high levels of trust in Kaluza's optimisation.

2022 Strategic Review (continued)

More investment in technology
OVO continued to invest in a resilient scalable platform as we migrated SSE Energy Services customers onto one platform. Kaluza's platform creates operational cost savings, enabling OVO to invest more into building market-leading green and money-saving propositions and products for our customers.

With more of our customers going online and using the OVO app than ever before, we invested in the OVO digital experience, increasing the number of customers able to self-serve. And for those customers concerned about the impact of the energy crisis, we developed an energy tracker to help our customers understand how they use their energy and how this impacts their energy bills and their carbon footprint. An energy tracking tool also shows the greenest hours to use appliances, helping to ease congestion on the electricity grid. By smoothing out peaks in demand and spreading energy use evenly through the day and night, the need for fossil fuels, such as gas, to provide more energy at peak times will decrease.

The replatforming of SSE Energy Services customers onto the OVO platforms operated by Kaluza reduced the cost of billing while providing a path to reducing IT spend and complexity across our technology stack. In 2022, Kaluza reduced OVO's like-for-like technology spend by approximately 60% through migration onto its platform, lowering the IT costs per customer.

OVO appointed a new CEO
Raman Bhatia became the new CEO of OVO's retail business in February 2022. Having driven the transformation of OVO's customer operations as COO of the business for two years, Raman brought with him his passion for customer experience, decarbonisation and creating a great place to work.

A focus on energy and the decarbonisation of the home
OVO completed the sale of SSE Phone & Broadband to TalkTalk. This sale is part of our strategy to continually simplify our operations and to focus on the decarbonisation of the home. This transaction provided a great outcome for OVO, our telecoms customers and the team.

OVO won!
2022 was a record-breaking awards year at OVO. We kicked off with the National Diversity Awards recognising our progressive 'Belonging' initiatives with the Diverse Company of the Year award. OVO customer experience teams won first place in Uswitch's Best Online Experience category. And OVO continued to receive awards for innovation in energy and sustainability, winning Innovation Project of the Year (for OVO Energy Tracker), and Green Energy Supplier of the Year at the Energy Awards. Ending the year on a high, the National Sustainability Awards heralded Plan Zero a true pathway to decarbonisation by awarding us Company of the Year and Green Energy Supplier of the Year, as well as honouring OVO Energy Tracker for [Best] Use of Data and Analytics.

2022 Strategic Review (continued)

Key Financial and Performance Indicators

The unprecedented high and volatile commodity prices in 2022 were a key driver of the Group's financial performance, position and cash flow. The Group's adjusted EBITDA for the year ended 31 December 2022 was £25m (2021: £169m). The downturn in the Group's adjusted EBITDA was primarily driven by lower margins as a result of the impact of rising wholesale commodity prices.

At four million, OVO customer numbers have remained largely consistent with the prior year, due to low levels of market switching and reduced customer acquisition activities in a period of high commodity prices. Warmer weather in 2022 compared to 2021 and customers reducing their energy use, for sustainability and cost reasons, have led to a reduction in underlying consumption.

Cash has also increased in the year, with £211m of unrestricted cash being reflective of improved working capital practices year-on-year. The Group's restricted cash balance of £269m relates to cash received from the Government not yet distributed to customers under the Energy Bills Support Scheme. The Group has moved from a net assets to a net liabilities poisition due to the recognition of fair value losses of £1.4bn on derivative energy contracts.

The re-measurement loss relates to commodity derivatives designated as held for trading. Although the Group routinely enters into sale and purchase derivative contracts for electricity and gas to meet customers' future energy usage, a number of these arrangements are considered to be derivative financial instruments under IFRS 9, which requires the instruments to be recognised at fair value with re-measurements recognised in the income statement (for further details please see Note 2).

These contracts will be used to fulfil customer contracts. Therefore, the derivative financial liabilities recognised as at 31 December 2022 will be reversed when these contracts unwind in future periods.

The Group's key financial and other performance indicators (which include continuing and discontinued operations) during the year are as follows:

	Unit	**2022**	**2021**
Customer numbers	No.	4,000,000	4,100,000
Cash	£ m	480	151
Annualised gross profit margin	%	10	17

The Company's net assets at 31 December 2022 were £106m (2021: £37m). The Company recognised a profit of £69m in the year (2021: profit of £5m).

Subsequent events since the end of the reporting period

Non-adjusting events

In March 2023, Imagination Industries Ltd undertook a series of corporate transactions which resulted in the remaining holding in OVO Group Limited of A Ordinary Shares being transferred to a newly incorporated entity, Energy Transition Holdings Limited. In addition, the share capital of the Company transferred to Imagination Industries Holdings Ltd, which became the Company's immediate and ultimate parent company.

Streamlined Energy and Carbon Reporting Framework Regulations

We're committed to measuring and disclosing our impact on the climate and our decarbonisation progress. The below table summarises OVO Group's energy use for the years ending 31 December 2022 and 31 December 2021.

Energy consumption figures - OVO Group

Area	Energy source	2022 energy consumption (kWh)	2021 energy consumption (kWh)
Building energy consumption	Natural gas	5,294,459	5,544,066
	Diesel	59,030	71,602
	Electricity	8,396,693	7,963,469
Fleet energy consumption	Diesel	10,122,555	18,418,538
	Petrol	1,043,995	1,814,587
	Electricity	1,799,099	245,287
	Hybrid	5,753	31,840
	Plug-in hybrid	1,323	1,350
Business travel energy consumption	Diesel	1,192,174	721,444
	Petrol	166,523	92,455
	Electricity	2,545	245,287
	Hybrid	6,127	4,828
	Plug-in hybrid	601	-
	Unspecified	36,414	-
Total energy consumption		28,127,291	34,909,466

Streamlined Energy and Carbon Reporting Framework Regulations (continued)

Greenhouse gas emissions figures - OVO Group

Emissions scope	Area	Emissions source	2022 GHG emissions (tonnes CO2e)	2021 GHG emissions (tonnes CO2e)
Scope 1 emissions	**Building energy consumption**	Natural gas	954	1,015
		Diesel	15	18
	Fugitive emissions	R410A	75	60
		R407C	15	-
		R32	2	-
	Fleet energy consumption	Diesel	2,444	4,364
		Petrol	238	418
		Hybrid	1	8
		Plug-in hybrid	1	-
	Total Scope 1 emissions		**3,745**	**5,883**
Scope 2 emissions	**Building energy consumption**	Electricity (Location-based)	1,520	1,691
		Electricity (Market-based)	131	410
	Fleet energy consumption	Electricity (Location-based)	346	52
		Electricity (Market-based)	763	52
	Total Scope 2 emissions (Location-based)		**1,866**	**1,743**
	Total Scope 2 emissions (Market-based)		**894**	**462**
Total Scope 1 and Scope 2 emissions	**Total Scope 1 and Scope 2 emissions (Location-based)**		**5,611**	**7,626**
	Total Scope 1 and Scope 2 emissions (Market-based)		**4,639**	**6,345**
	Total Scope 1 and Scope 2 emissions intensity relative to revenue (Location-based)		**0.84**	**1.70**
	Total Scope 1 and Scope 2 emissions intensity relative to revenue (Market-based)		**0.69**	**1.41**

Streamlined Energy and Carbon Reporting Framework Regulations (continued)

Emissions scope	Area	Emissions source	2022 GHG emissions (tonnes CO2e)	2021 GHG emissions (tonnes CO2e)
Scope 3 emissions	Business travel energy consumption	Diesel	303	180
		Petrol	40	22
		Electricity	1	-
		Hybrid	2	1
		Unknown	9	-
	Total Scope 3 emissions in-scope for SECR		**355**	**203**
Revenue	**OVO Group Ltd revenue**		**6,713**	**4,493**

Performance
Our absolute Scope 1 and Scope 2 market-based emissions and location-based emissions decreased by 26.9% and 26.5% respectively between 2022 and 2021.

Energy and greenhouse gas emissions reduction actions
For the whole nation, 2022 was a very different year to 2021. It saw us at OVO settling into a 'new normal' operationally following the easing of COVID-19 restrictions.

As lockdown measures and restrictions reduced, we saw a return to some in-person working across our sites. This was boosted by the return of in-person events and meetings, and our field teams were able to go into more customer homes.

OVO also announced a streamlining of our property portfolio with a move to three office hubs: in Bristol, London and Glasgow.

Over 2022, OVO continued to make progress towards its Plan Zero operational decarbonisation goals. In September, OVO announced the refreshed Plan Zero framework which included a more challenging operational net zero target and has allowed for simpler, more frequent internal reporting on progress. Alongside financial metrics, OVO now includes metrics on fleet decarbonisation and office energy efficiency in monthly reporting to the leadership team. Crucially, and in line with these new metrics, OVO accelerated the uptake of electric vehicles (EVs) across our fleet, meaning EVs now make up almost half of the total fleet.

Property iniatives
Focusing on three hubs (Bristol, London and Glasgow) has reduced the number of OVO properties by 15, which equates to an annual reduction in energy consumption of 290,500 kWh.

These core offices are on the OVO building energy management platform so their energy consumption is monitored and any deviations from the norm are investigated. Of the OVO core offices, London and Glasgow have onsite solar generation.

OVO continually seek improvements to increase energy productivity whether by adjusting system settings for seasonal or unexpected weather variations or by monitoring plant operating times to align with occupancy levels.

Overall, our efficiency initiatives and consolidation of the OVO property portfolio have resulted in a reduction of building electricity consumption by 4.8% and building gas consumption by 5.5% in comparison with 2021.

Streamlined Energy and Carbon Reporting Framework Regulations (continued)

Electrifying the OVO vehicle fleet
OVO continues to make progress towards the Plan Zero goal of having a 100% EV fleet by 2025. OVO acquired 395 EVs and disposed of 759 internal combustion engine vehicles.

These changes boosted the proportion of EVs in the fleet in 2022 to 48% (2021: 12%) and significantly reduced overall fleet emissions. But we face some challenges to our ambitions, not least the global shortage of microchips which has slowed EV production.

OVO is continuing to increase the number of EV chargers installed at our engineers' homes, installing 265 by the end of 2022 (2021: 73), an increase of more than 360%. This year, OVO onboarded Mina, an EV driver reimbursement solution partner, that allows drivers to be reimbursed quickly for the exact amount of energy they use whilst charging their EV at home. So far, OVO has 43% of its EV drivers supported through this platform.

Public charging remains a barrier for drivers who can't charge at home and OVO is working on various initiatives to improve this. OVO is also continuing with driver education via our EV champions who dispel the myths around EVs and help other drivers understand the range of capabilities and benefits EVs have.

Business travel
This year, OVO saw business travel emissions increase, largely due to the easing of COVID-19 restrictions and more people travelling between offices for in-person meetings and events.

OVO also hosted two roadshows this year to showcase some of the amazing work that teams from across OVO have been leading on. From Plan Zero, learning and development, to Belonging, OVO encouraged our people to come together again and collaborate face-to-face.

Other impact reporting

Customers
The largest portion (over 99%) of OVO's total carbon footprint comes from Scope 3 emissions, driven by the electricity and gas that we sell to customers.

The calculation of these emissions depends upon the UK Grid's electricity fuel mix figures, which reflect the different energy sources from which the electricity we supply originates (e.g. wind, solar, etc.). Fuel mix figures are published each summer by the energy sector regulator, Ofgem; therefore, OVO's 2022 Scope 3 emissions are unavailable at the time of preparation of this report.

OVO will calculate these Scope 3 emissions for 2022 once the fuel mix is published and will disclose its complete emissions profile in our Plan Zero 2022 progress report, due to be published in September 2023. Please note that OVO's location and market based Scope 3 emissions for 2021 were 11,862,715 tCO_2e and 12,639,252 tCO_2e respectively, as published in OVO's Plan Zero 2021 progress report found here[1].

[1]https://company.ovo.com/planzero/plan-zeroprogress-and-reporting-2/

Streamlined Energy and Carbon Reporting Framework Regulations (continued)

Reporting methodology
OVO's reporting approach is aligned with the WRI GHG Reporting Protocol Corporate Standard. The basis of preparation document outlining the reporting methodology in detail can be found on the OVO website[2].

Considering the Taskforce on Climate-related Financial Disclosures (TCFD) in how we report
The climate crisis is the single most important issue facing the welfare of the planet and its people. Plan Zero is OVO's ambitious sustainability strategy which covers its commitment to the climate, its customers and its culture. Through Plan Zero, OVO has set stretching decarbonisation targets and balance this with ensuring a just transition for all of our customers and fostering an innovative, change-maker culture at OVO where everyone can grow and belong.

OVO recognises the importance of disclosing against the recommendations of the TCFD framework, and to demonstrate our commitment to the climate, we have conducted our first TCFD analysis this year. This year, we will be using the TCFD guidance and framework to disclose our work on climate risk to date and have included a summary of our considerations in this report.

From next year, OVO will be required to make disclosures in line with the new Companies Act. These align, but are not exactly the same as, TCFD and will be reported in 2024.

Sustainability governance
Here at OVO, the tone is set from the top - it is our CEO who oversees our climate performance and who is also accountable for the delivery of our Plan Zero goals.

OVO's Leadership team puts in place the resources, support, processes and decision-making to help OVO's people put the environment first. Please see our environment policy on our website[3].

The OVO Board has overarching responsibility for ensuring the longevity of the business. The Board's Risk Committee oversees all of OVO's business risks and reports to the Board as needed, including for physical and transition risks associated with our changing climate.

OVO has a dedicated Sustainability team, which supports the delivery of key projects and initiatives, and is in the process of establishing a dedicated sustainability governance framework, which will take in the views of representatives from across OVO. All of OVO's people have a responsibility to drive progress to achieving Plan Zero, and we're aiming to increase the proportion of training hours that focus on the build out of green skills to help bridge the decarbonisation skills gap.

[2]https://company.ovo.com/basis-of-preparation
[3]https://company.ovo.com/environmental-policy/

Streamlined Energy and Carbon Reporting Framework Regulations (continued)

Strategy
Since OVO launched Plan Zero, the world has been transformed by a global pandemic, and the UK has plunged into a cost of living crisis. Industry guidance to help companies set truly sustainable net zero targets has also been updated. As OVO is committed to following the latest climate science, the refreshed strategy recognises and responds to the challenges of today and reiterates the importance of leaving no one behind on the transition to net zero. You can see more information on our sustainability strategy on the OVO website[1].

This year, we also conducted our first qualitative scenario analysis. We started this process by mapping out the OVO value chain.

First and foremost, the energy that OVO sells needs to be generated or extracted, transported and then distributed to customers' homes.

The low carbon technologies required to electrify customers' homes and transportation systems follow a different value chain. The raw materials needed for the technologies are extracted and refined, then manufactured to create a product, and finally transported to and installed in OVO customer's homes.

OVO's direct operations consist of where OVO's people work (OVO's property portfolio including offices and depots, as well as any remote working locations) and OVO's engineers' logistics network.

Ultimately, the OVO value chain's end point is OVO's customers' homes.

There are a range of different physical and transition risks and opportunities, which vary in likelihood and severity, over the different areas of the value chain, for example, physical risks such as extreme weather events and temperature extremes, or transitional risks such as changes in consumer demand. On the other hand, climate-related opportunities, such as technological development and growing demand for electricity, present commercial opportunities for OVO.

OVO's scenario analysis assessment considered three scenarios from the Shared Socioeconomic Pathways (SSP) database. OVO will be publishing full details of this assessment as part of OVO's 2022 Plan Zero report, which will be available in September 2023.

[1]https://company.ovo.com/planzero/plan-zeroprogress-and-reporting-2/
[3]https://company.ovo.com/environmental-policy/

Streamlined Energy and Carbon Reporting Framework Regulations (continued)

Risk management
The identification, assessment and management of climate-related risk is incorporated into OVO's existing risk management framework, which quantifies severity of risk against financial, reputational, regulatory and service impacts.

Climate risk is tracked by the OVO Risk Committee as a principal risk, as there is the potential for climate-related physical and transition risks and opportunities to impact OVO over the short, medium and long term.

Metrics and targets
Since 2019, OVO has reported on Scope 1, 2 and 3 greenhouse gas emissions in accordance with the GHG Protocol.

Through Plan Zero, OVO has committed to transition to net zero and are hoping to reach this position by 2035. This ambition has milestone stages:

- Reaching net zero across our operational emissions by 2025; and
- Reducing emissions from gas sold by 25% by 2025; 50% by 2030 and reaching a net zero position by 2035.

Plan Zero summarises OVO's commitment to the climate, customers and our culture. Each of these focus areas is supported by a range of quantitative performance indicators that ensure we are tracking progress.

Corporate Governance Statement
For the year ended 31 December 2022, OVO Group Ltd met the qualifying conditions to provide a corporate governance statement under The Companies (Miscellaneous Reporting) Regulations 2019. As an investment holding company, Imagination Industries Ltd have delegated the corporate governance arrangements and day to day management to an OVO Group Board on which the Imagination Industries Directors make recommendations. This statement therefore sets out the corporate governance arrangements for OVO Group Ltd. In this reporting period, OVO Group Ltd has applied the Wates Corporate Governance Principles for Large Private Companies. OVO Group Ltd complies with the principles as follows:

Purpose and Leadership
OVO's vision is to power human progress with clean, affordable energy for everyone. Plan Zero sets out our purpose - to drive progress to zero carbon living - and our strategy for achieving this. We recognise our role in leading the transition from fossil fuels to renewable energy, and in building an energy system fit for a more sustainable and renewable future.

The OVO Group Ltd Board is committed to fulfilling our purpose, and overseeing OVO's strategy to achieve it in a way that is ethical, responsible and creates long term value for all of our stakeholders.

The OVO Code of Conduct is published on the ovo.com website and supports our culture by reinforcing the ethical behaviours we expect at OVO. During 2022, all of OVO's people received training on the code.

Corporate Governance Statement (continued)

Director responsibilities

As an investment holding company, Imagination Industries Ltd have delegated the corporate governance arrangements and day to day management to an OVO Group Board on which the Imagination Industries Ltd Directors make recommendations.

OVO Group Ltd has a governance and leadership structure in place which provides a clear framework for oversight and decision-making for commercial and functional leaders, and ensures we can deliver on the ambitions set out in Plan Zero, drive commercial performance and oversee the operations of each of our businesses.

Directors are aware of their responsibilities under the Companies Act 2006, as well as their wider legal obligations and the requirements of sector-specific regulation in the markets in which the Group does business.

In late 2021, the OVO Group Ltd Board implemented a new committee structure - Audit Committee, Remuneration Committee and Risk Committee - which has operated throughout 2022. During 2022, each committee met three times.

In 2022, the Audit Committee reviewed the 2021 annual report, considered the report from the external auditor and reviewed finance controls. The Risk Committee reviewed OVO's principal risks, received updates on customer migrations, regulatory policy, tax, and health and safety, and reviewed macro market updates ahead of winter 2022. The activity of the Remuneration Committee is set out in the remuneration section below.

Reporting to the OVO Group Ltd Board, the leadership team: sets group wide strategy and tracks performance against it; oversees the 'how' of the combined business; makes decisions and resolves issues of group wide significance; and makes investment and resource allocation decisions.

Corporate Governance Statement (continued)

Board Composition
The OVO Group Ltd Board is chaired by Stephen Murphy, who during the year ended 31 December 2022 also held the position as the Chairman of London & Capital Group Limited. The role of Chair is separate from that of Chief Executive.

During the year, a total of eight director appointments were active, consisting of one independent non-executive director, five shareholder non-executive directors, and two executive directors.

In 2022, the OVO Group Ltd Board met 10 times and the directors attended as follows:

Director	% 2022 meetings attended during appointment
Stephen Murphy (Independent Chair)	100%
Stephen Fitzpatrick (Shareholder Director/Founder)	100%
Adrian Letts (Executive Director) (to 1 March 2022)	100%
Atsushi Suzuki (Non-executive Director) (to 1 January 2022)	n/a
Go Murumoto (Non-executive Director) (from 1 January 2022)	100%
Daniel Sasaki (Non-executive Director)	40%
Kunal Dasgupta (Non-executive Director) (from 15 December 2022)	n/a
Vincent Casey (Executive Director and Secretary)	100%

Opportunity and risk
The OVO Group Ltd Board is responsible for OVO's strategic direction and making sure risk is effectively managed. OVO has considered its key risks and has categorised these into seven principal risk themes to allow us to understand where risk may arise:

- Financial and Commodity
- People and Culture
- Customer Proposition
- Customer Operations
- Regulation, Compliance and Reporting
- Security and Resilience
- Climate and Environment

We define principal risks as those which could stop the Group from offering the best customer service, prevent it from delivering Plan Zero and adversely impact its financial health.

OVO's leadership team is responsible for identifying risk and taking action to manage risk to a tolerable level. It is helped in its understanding of risk by OVO's Risk team.

OVO's Risk Framework, provides a centralised governance approach that defines the processes, systems and tools for effective risk management.

Corporate Governance Statement (continued)

Remuneration

The Remuneration Committee is focused on ensuring that OVO attracts and retain the right mix of talented, innovative and passionate individuals in our senior management, as well as across OVO.

The Remuneration Committee approves OVO's Long term Incentive Plan, which is designed to reward and retain our senior management, based on OVO's growth trajectory. Each year, the Committee considers whether to invite employees to join the Plan, and the target award for each category of employee (based on seniority/level of impact on the organisation's success).

The OVO annual bonus, available to a wider group of our people, is underpinned by a financial gateway, meaning bonuses will not be paid if the gateway is not passed. The other metrics of customer satisfaction ensure OVO does not award bonuses if OVO has not acted in the best interest of its customers. The metrics are reviewed each year to ensure they remain aligned with OVO's strategy and purpose.

Annually, all executive remuneration is benchmarked against external market data. This exercise identifies any spikes in specific disciplines and allows OVO to review remuneration by gender/ethnicity/level. Any changes to executive base pay are reviewed and approved by the Remuneration Committee.

Stakeholders

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 Group 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.

Our Section 172(1) statement provides more detail on how we engage stakeholders and consider their interests in Board decision making.

Section 172(1) Statement

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 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.

Section 172(1) Statement (continued)

Governments and regulators
Our Board members engage regularly cross 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.

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.

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.

Embedding Section 172 in Board decision-making

Section 172 is well embedded into the duties of the Board and its decision making 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.

Section 172(1) Statement (continued)

Our ten point plan to address the energy crisis.

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

The financial statements on pages 28 to 104 were approved by the Board on 14 August 2023 and signed on its behalf by:

....
Vincent Casey
Director

Imagination Industries Ltd

Directors' Report for the Year Ended 31 December 2022

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

Principal activities

The principal activity of the Group is an investment holding company for OVO Group Ltd which is a retail energy provider that invests in new technologies that support the decarbonisation of energy. In addition, the Group holds other early stage investments across a variety of industries. For more information, refer to the Strategic Report.

Directors of the Group

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

Stephen Fitzpatrick

Vincent Casey

Dividends

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

Financial instruments

Financial risk management objectives and policies have been established making use of financial instruments for the purpose of managing the exposure of the Group to commodity price risk, credit risk, interest rate risk and liquidity risk. This is discussed in note 27 of the financial statements.

Charitable donations

During the year the Group made charitable donations of £2,646,000 (2021: £777,000), as follows:

	£
The OVO Charitable Foundation	649,000
StepChange Debt Charity	1,200,000
The Trussell Trust	500,000
Glass Door Homeless Charity	150,000
New Horizon Youth Centre	125,000
Centrepoint	22,000

Employee involvement

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

Other stakeholder engagement

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

Employment of disabled persons

One of the Group's core values is treating people fairly, giving equal opportunities to all employees and applicants. The Group 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 Group 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 Group will try to find the employee another role within OVO and provide additional training (as necessary).

Subsequent events after the end of the reporting period
In March 2023, Imagination Industries Ltd undertook a series of corporate transactions which resulted in the remaining holding in OVO Group Limited of A Ordinary Shares being transferred to a newly incorporated entity, Energy Transition Holdings Limited. In addition, the share capital of the Company transferred to Imagination Industries Holdings Ltd, which became the Company's immediate and ultimate parent company.

Future developments
The Imagination Industries Group's continuing operations will focus on non-energy related activities.

Research and development
The Group engages in the development of technology solutions to support the energy market.

Branches outside the United Kingdom
Kaluza Ltd, an indirect subsidiary of Imagination Industries Ltd, has a branch, Kaluza Limited Sucursal em Portugal, located in Lisbon, Portugal. Its principal activity is to provide engineering services to other group companies.

Going concern
The financial statements have been prepared on the going concern basis as the Directors expect that the Group and Company will be able to continue in operation and meet their commitments as they fall due over the going concern period.

Continuing Group and Company
The Continuing Group's and Company's main source of revenue is brand royalties received from OVO Group Ltd. Having considered the scenarios used in the OVO Group's forecast and the recent new investment in the OVO Group, the Directors consider that it is appropriate to adopt the going concern basis in preparing the Group and Company financial statements.

Streamlined Energy and Carbon Reporting
Details of the Group's compliance against these regulations are included in the Strategic Report under the heading 'Streamlined Energy and Carbon Reporting Framework Regulations'.

Statement of corporate governance arrangements
Details of corporate governance arrangements are disclosed in the Strategic Report under the heading 'Corporate Governance Statement'.

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 last financial year and is currently in force as at the date of approval of the financial statements. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Disclosure of information to the auditors
Each Director has taken 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. Each of the Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Statement of Directors' Responsibilities

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 Group financial statements in accordance with international accounting standards in conformity with the Companies Act 2006. 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 Group and Company and of the profit or loss of the Group and 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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Company financial statements, 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 Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements on pages 28 to 104 were approved by the Board on 14 August 2023 and signed on its behalf by:

....

Vincent Casey
Director

Independent auditors' report to the members of Imagination Industries Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Imagination Industries Ltd's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2022; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, and the Consolidated and Company Statements of Cash Flows 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 group 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 group's and 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 group's and 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 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 Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or 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 group 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 the posting of inappropriate journal entries to manipulate financial performance, and management bias in accounting estimates and judgements, in particular in respect of revenue recognition and impairment of receivables. Audit procedures performed by the engagement team included:

- Discussions with management and the members of the Risk and 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;
- Testing whether tax provisions reflect relevant tax legislation, including consideration of any uncertain tax positions;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries that met our predefined risk criteria, in particular journal entries posted with unusual account combinations; and
- Incorporating an element of unpredictability to our testing.

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

We have no exceptions to report arising from this responsibility.

Mark Skedgel

Mark Skedgel (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
14 August 2023

Imagination Industries Ltd

Consolidated Income Statement for the Year Ended 31 December 2022

	Note	2022 £ m	(As restated)[1] 2021 £ m
Revenue	4	15	21
Cost of sales		-	-
Gross profit		15	21
Administrative expenses		(4)	(8)
Impairment of financial assets		(2)	(5)
Operating profit	5	9	8
Finance income		-	2
Finance costs		(3)	(2)
Net finance cost	6	(3)	-
Profit before tax		6	8
Income tax expense	10	(2)	(5)
Profit for the financial year from continuing operations		4	3
(Loss)/profit for the year from discontinued operations after tax	16	(1,259)	334
(Loss)/profit for the year		(1,255)	337
Attributable to:			
Profit/(loss) attributable to owners of the parent:			
Profit from continuing operations		5	3
(Loss)/profit from discontinued operations		(723)	209
(Loss)/profit for the financial year attributable to owners of the parent		(718)	212
(Loss)/profit attributable to non-controlling interests:			
(Loss)/profit from discontinued operations		(537)	125

[1]See Note 16 Disposal group classified as held for sale for further details of the prior year restatement.

For further financial information relating to the disposal group classified as held for sale, refer to the OVO Group Ltd Annual Report and Financial Statements 2022, available at company.ovo.com/annual-report-and-financial-statements-2022/.

Imagination Industries Ltd

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £ m	(As restated) 2021 £ m
(Loss)/profit for the financial year		(1,255)	337
Other comprehensive income from discontinued operations			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit obligation	25	10	11
Deferred tax on defined benefit obligation	10	(3)	(3)
Total other comprehensive income from discontinued operations		7	8
Total comprehensive (expense)/income for the year		(1,248)	345
Total comprehensive (expense)/income attributable to:			
Owners of the parent		(714)	217
Non-controlling interests		(534)	128
		(1,248)	345

The notes on pages 39 to 104 form an integral part of these financial statements.

Imagination Industries Ltd

(Registration number: 06890468)
Consolidated Statement of Financial Position as at 31 December 2022

	Note	2022 £ m	2021 £ m
Assets			
Non-current assets			
Property, plant and equipment	11	5	9
Right of use assets	12	8	45
Intangible assets	13	-	535
Deferred tax assets	10	-	142
Investments accounted for using the equity method	14	1	9
Defined benefit pension asset	25	-	20
		14	760
Current assets			
Inventories	17	-	29
Trade and other receivables	18	49	932
Cash and cash equivalents	20	6	151
Derivative financial instruments	19	-	461
		55	1,573
Assets of disposal group held for sale	16	2,768	-
Total assets		2,837	2,333
Current liabilities			
Trade and other payables	21	(6)	(894)
Deferred income		-	(534)
Lease Liabilities	23	(2)	(14)
Income tax liability		(2)	(4)
Provisions	24	-	(39)
		(10)	(1,485)
Liabilities of disposal group held for sale	16	(3,875)	-
Non-current liabilities			
Loans and borrowings	22	-	(540)
Provisions	24	-	(19)
Lease liabilities	23	(8)	(39)
Deferred tax liabilities	10	-	(80)
Derivative financial instruments	19	-	(39)
		(8)	(717)

The notes on pages 39 to 104 form an integral part of these financial statements.

Imagination Industries Ltd

(Registration number: 06890468)
Consolidated Statement of Financial Position as at 31 December 2022 (continued)

	Note	2022 £ m	2021 £ m
Total liabilities		(3,893)	(2,202)
Net (liabilities)/assets		(1,056)	131
Equity			
Share capital	26	-	-
Share premium		4	4
Share based payment reserve		1	2
(Accumulated losses)/retained earnings		(582)	71
Equity attributable to owners of the parent		(577)	77
Non-controlling interests		(479)	54
Total equity		(1,056)	131

The financial statements on pages 28 to 104 were approved by the Board on 14 August 2023 and signed on its behalf by:

....
Vincent Casey
Director

Imagination Industries Ltd

(Registration number: 06890468)
Company Statement of Financial Position as at 31 December 2022

	Note	2022 £ m	2021 £ m
Assets			
Non-current assets			
Right-of-use assets	12	1	1
Intangible assets	13	2	2
Investments in subsidiaries	14	-	44
Investments accounted for using the equity method	14	1	1
		4	48
Current assets			
Trade and other receivables	18	51	17
Cash and cash equivalents	20	6	5
		57	22
Investments held for sale		52	-
Total assets		113	70
Current liabilities			
Trade and other payables	21	(4)	-
Lease Liabilities	23	(1)	(1)
Income tax liability		(2)	(6)
		(7)	(7)
Non-current liabilities			
Loans and borrowings	22	-	(25)
Lease liabilities	23	-	(1)
		-	(26)
Total liabilities		(7)	(33)
Net assets		106	37
Equity			
Share capital	26	-	-
Share premium		4	4
Retained earnings		102	33
Equity attributable to owners of the parent		106	37
Total equity		106	37

The notes on pages 39 to 104 form an integral part of these financial statements.

Imagination Industries Ltd

(Registration number: 06890468)
Company Statement of Financial Position as at 31 December 2022 (continued)

No income statement is presented for the Company as permitted by Section 408 of the Companies Act 2006. Its profit for the year was £69m (2021: profit of £5m).

Approved by the Board on 14 August 2023 and signed on its behalf by:

....

Vincent Casey
Director

Imagination Industries Ltd

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

	Attributable to owners of the parent					
	Share premium £ m	Other reserves £ m	(Accumulated losses)/ retained earnings £ m	Total £ m	Non-controlling interests £ m	Total equity £ m
At 1 January 2021	4	3	(120)	(113)	(74)	(187)
Profit for the year	-	-	212	212	125	337
Other comprehensive income	-	-	5	5	3	8
Total comprehensive income	-	-	217	217	128	345
Movement in foreign currency translation reserve	-	1	-	1	1	2
Share based payment transactions	-	(2)	-	(2)	-	(2)
Decrease in non-controlling interest in subsidiaries[2]	-	-	(26)	(26)	(1)	(27)
At 31 December 2021	4	2	71	77	54	131

	Attributable to owners of the parent					
	Share premium £ m	Other reserves £ m	Retained earnings/ (Accumulated losses) £ m	Total £ m	Non-controlling interests £ m	Total equity £ m
At 1 January 2022	4	2	71	77	54	131
Loss for the year	-	-	(718)	(718)	(537)	(1,255)
Other comprehensive income	-	-	4	4	3	7
Total comprehensive expense	-	-	(714)	(714)	(534)	(1,248)
Movement in foreign currency translation reserve	-	(1)	-	(1)	-	(1)
Increase in non-controlling interest in subsidiaries that do not result in loss of control[1]	-	-	68	68	-	68
Decrease in non-controlling interests in subsidiaries[2]	-	-	(7)	(7)	1	(6)
At 31 December 2022	4	1	(582)	(577)	(479)	(1,056)

[1]During the year, the Company sold A Ordinary Shares in OVO Group Ltd for a gain of £68m.

[2]During 2022, Imagination Industries Ltd purchased B and D Ordinary Shares in OVO Group Ltd for consideration of £8m, this has been offset by a gain of £2m on the disposal of OVO Energy (France) SAS. In the prior year, Imagination Industries Ltd repurchased 299,437 A Ordinary Shares for a cash consideration of £27m.

Imagination Industries Ltd

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

	Share premium £ m	Retained earnings £ m	Total £ m
At 1 January 2021	4	28	32
Profit for the year	-	5	5
Total comprehensive income	-	5	5
At 31 December 2021	4	33	37

	Share premium £ m	Retained earnings £ m	Total £ m
At 1 January 2022	4	33	37
Profit for the year	-	69	69
Total comprehensive income	-	69	69
At 31 December 2022	4	102	106

Imagination Industries Ltd

Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

	Note	2022 £ m	2021 £ m
Cash flows from operating activities			
(Loss)/profit for the year		(1,255)	337
Adjustments to cash flows from non-cash items			
Depreciation and impairment of property, plant and equipment	11	5	8
Depreciation and impairment of right-of-use assets	12	12	12
Amortisation and impairment of intangible assets	13	102	85
Loss on disposal of intangible assets		2	-
Defined benefit pension transactions		2	4
Foreign exchange loss		1	-
Finance income	6	(5)	(2)
Finance costs	6	76	60
Income tax (credit)/expense	10	(375)	40
Remeasurement of derivative financial instruments	19	1,438	(422)
Other movements		(31)	(8)
		(28)	114
Working capital adjustments			
Increase in inventories	17	(5)	(11)
(Increase)/decrease in trade and other receivables	15	(327)	197
Increase in trade and other payables	21	414	71
Decrease in provisions	24	(11)	(18)
Increase/(decrease) in deferred income		378	(144)
Cash generated from operations		421	209
Income taxes (paid)/received	10	(5)	12
Net cash flow generated from operating activities		416	221
Cash flows from investing activities			
Interest received	6	1	2
Cash receipts from repayment of loans, classified as investing activities		5	-
Proceeds from the sale of business	15	1	9
Proceeds from the disposal of subsidiaries, net of cash disposed	15	14	3
Acquisitions of property plant and equipment		(8)	(10)
Acquisition of intangible assets		(59)	(58)
Acquisition of shares in subsidiaries*		(4)	(27)
Acquisition of investments in associates	14	(2)	(5)
Proceeds from disposal of shares in subsidiaries, not resulting in loss of control*		69	-
Net cash flows used in investing activities		17	(86)

The notes on pages 39 to 104 form an integral part of these financial statements.

Imagination Industries Ltd

Consolidated Statement of Cash Flows for the Year Ended 31 December 2022 (continued)

	Note	2022 £ m	2021 £ m
Cash flows from financing activities			
Interest paid		(28)	(35)
Proceeds from bank borrowing draw downs	22	5	15
Repayment of bank borrowing		(68)	-
Payments of lease liabilities	23	(13)	(18)
Net cash flows used in financing activities	28	(104)	(38)
Net increase in cash and cash equivalents		329	97
Cash and cash equivalents at 1 January		151	54
Cash and cash equivalents at 31 December		480	151

*During 2022, Imagination Industries Ltd purchased B and D Ordinary Shares in OVO Group Ltd for consideration of £8m. In the prior year, Imagination Industries Ltd repurchased 299,437 A Ordinary Shares for a cash consideration of £27m.

Imagination Industries Ltd

Company Statement of Cash Flows for the Year Ended 31 December 2022

	Note	2022 £ m	2021 £ m
Cash flows from operating activities			
Profit for the year		69	5
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	1	-
Profit from disposals of investments		(69)	-
Finance income		(1)	(3)
Finance costs		2	2
Income tax charge	10	2	3
Bad debt charge on related party receivables		11	12
		15	19
Working capital adjustments			
Decrease in trade and other receivables	18	2	5
Increase in trade and other payables	21	1	2
Cash generated from operations		18	26
Income taxes paid	10	(5)	-
Net cash flow generated from operating activities		13	26
Cash flows from investing activities			
Acquisition of shares in subsidiaries*	14	(5)	(27)
Proceeds from sale of shares in subsidiaries		69	-
Advances of loans to related parties		(47)	(12)
Net cash flows generated from/(used in) investing activities		17	(39)
Cash flows from financing activities			
Interest paid	6	(3)	-
Proceeds from bank borrowing draw downs		5	15
Repayment of bank borrowing		(30)	(1)
Payments of lease liabilities		(1)	-
Net cash flows (used in)/generated from financing activities		(29)	14
Net increase in cash and cash equivalents		1	1
Cash and cash equivalents at 1 January		5	4
Cash and cash equivalents at 31 December		6	5

*During 2022, Imagination Industries Ltd purchased B and D Ordinary Shares in OVO Group Ltd for consideration of £8m. In the prior year, Imagination Industries Ltd repurchased 299,437 A Ordinary Shares for a cash consideration of £27m.

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:
9 Pembridge Road
Notting Hill
London
England
W11 3JY
United Kingdom

These financial statements were authorised for issue by the Board on 14 August 2023. Please see the Strategic Report for a description of principal activities.

2 Accounting policies

All accounting policies noted below relate to the Group and Company, except for those that explicitly state that they relate to the Company only.

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 Group and Company financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared under the historical cost convention, except for the following:

- assets held for sale - measured at the lower of historical cost and fair value less costs to sell,
- financial assets and liabilities at fair value through profit or loss - measured at fair value through profit or loss and
- defined benefit pension schemes - plan assets measured at fair value.

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 consolidated financial statements are disclosed in Note 3.

No income statement is presented for the Company as permitted by Section 408 of the Companies Act 2006. The Company made a profit for the financial year of £69m (2021: £5m).

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 Group's functional and the Group's presentation currency.

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

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on the going concern basis as the Directors expect that the Group and Company will be able to continue in operation and meet their commitments as they fall due over the going concern period.

Continuing Group and Company

The Continuing Group's and Company's main source of revenue is brand royalties received from OVO Group Ltd. Having considered the scenarios used in the OVO Group's forecast and the recent new investment in the OVO Group, the Directors consider that it is appropriate to adopt the going concern basis in preparing the Group and Company financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2022.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. Corporate restructuring, which does not meet the definition of a business combination, are accounted for through the application of predecessor accounting. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders' share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2 Accounting policies (continued)

Changes in accounting policy

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its 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.

New standards and interpretations not yet adopted

IFRS 17 Insurance Contracts will be effective from 1 January 2023. The Group currently has fixed fee service contracts that are accounted for as insurance contracts under IFRS 4 Insurance contracts. The Group has completed its assessment of IFRS 17 and expects these contracts to fall within the scope of IFRS 17 as the Group conducts individual risk assessments when setting the price of these contracts. The Group will apply the simplified Premium Allocation Approach to its contracts as the duration of the Group's insurance contracts is not greater than one year. The Group does not expect a material impact on the consolidated financial statements from the application of this standard.

Certain new accounting standards, amendments to accounting standards and interpretations not mentioned above have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Government support schemes

In light of the cost of living crisis in the year, the UK Government has established both the Energy Price Guarantee Scheme (EPG) and Energy Bills Support Scheme (EBSS) which form part of the Government's cost of living assistance package for consumers from October 2022 to March 2023.

Energy Price Guarantee Scheme

The Energy Price Guarantee Scheme (EPG) protects consumers from increases in energy costs as the scheme limits the amount suppliers can charge per unit of energy used. The scheme reduces the average annual domestic household bill for the period from 1 October 2022 to 31 March 2023 to approximately £2,500 per annum, and is extended at the same level from 1 April 2023 to 30 June 2023. The scheme is expected to remain in place until April 2024. Energy suppliers are compensated by the Government for the savings delivered to households, which represent the difference between the expected price cap and the guarantee rates. Management has determined it appropriate to apply the requirements of IAS 20 Government Grants to EPG grant income. The Group recognises EPG grant income over the support period as customers are charged reduced rates. The Group recognises EPG grant income to the extent there is reasonable assurance that the Group will comply with the conditions attaching to the scheme and that the income will be received. The Group presents EPG grant income within revenue as it judges the income arises from the ordinary activities of the Group. Since the start of the scheme, the Group has recognised EPG grant income of £853m which represents the amount of savings delivered to households.

2 Accounting policies (continued)

Energy Bills Support Scheme
The Energy Bills Support Scheme (EBSS) provides domestic electricity customers in Great Britain with £400 of support, delivered by electricity suppliers over six months from October 2022. Households receive a discount of £66 applied to their energy bills in October and November, rising to £67 each month from December through to March 2023. The Group delivers this support as either a cash benefit or a credit to customers' energy account, depending on their payment type. The Group receives funding from the Government monthly in advance. The funding from the Government is restricted to the use of delivering the support to customers. The Group held restricted cash of £269m relating to cash received from BEIS not yet distributed to customers under the scheme. Since the start of the scheme, the Group has received £1,021m from the Government under the scheme and has distributed £729m to customers. The total obligations not yet satisfied under the scheme amounted to £292m as at the balance sheet date, which consist of £269m cash received from BEIS and £23m unredeemed vouchers issued to prepayment customers. The Group recognises a cash asset and a corresponding liability related to the obligation to deliver the support to customers to the extent that the cash has been received but not yet distributed at a reporting period end.

Revenue recognition
The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Transaction price

In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(i) Variable consideration
If the consideration in a contract includes a variable amount, revenue is only recognised in an amount at which a significant reversal is improbable in the future.

(ii) Consideration payable to a customer
If the contract contains consideration payable to a customer, the consideration payable is accounted for as a reduction of the transaction price.

2 Accounting policies (continued)

Recognition

The below sets out the revenue recognition accounting policies for each material revenue stream for the Group:

Sale of gas and electricity
The Group earns the majority of its revenue from the supply of electricity and gas to customers. Revenue is recognised 'over time' consistent with the delivery of electricity and gas to the customer, as the receipt and consumption of the benefits of the electricity and gas are considered to be simultaneous.Further information is included in Note 3.

Revenue is measured on the applicable customer tariff rate and after deduction of discounts for direct debits, paperless billing, or government schemes such as the "Warm Home Discount".

Installation and rental of smart meters
Installation and rental of smart meter revenue is earned from the provision of services relating to the supply, maintenance and installation of smart meters in the UK. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the Group expects to be entitled in exchange for fulfilling its performance obligations to customers.

Voiceline and broadband revenue
Voiceline and broadband revenue is earned from the provision of services relating to the sale of telephone and broadband connectivity and associated services to consumers within the telecommunications market. The revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the Group expects to be entitled in exchange for fulfilling its performance obligations to customers.

Sale of home and emergency cover
Revenue from the sale of home and emergency cover predominantly relates to the provision of boiler service and boiler and central heating cover. Boiler service contracts are entered into with home services customers by Corgi Homeplan Ltd. Boiler and central heating covers are insurance contracts entered into with home services customers by OVO Insurance Services Ltd, authorised and regulated by the Guernsey Financial Services Commission. Both companies are wholly-owned subsidiaries of OVO Group Ltd.

Boiler service contracts are typically fixed-fee contracts for the provision of boiler service. Revenue arising from boiler servicesis recognised at a point in time when the service is performed.

Boiler and central heating covers protect policyholders against the risk of breakdowns. These covers generally include maintenance, repair and/or replacement of the items affected, but the benefits available to customers may vary, depending on the terms and conditions of the contracts entered into. The Group is exposed to risk transferred under these contracts, which depends on the occurrence of future uncertain events such as extreme weather events, the nature and frequency of faults, and the cost of repair or replacement of the items affected. Insurance risk is actively managed through customer risk assessment at contract inception and annual boiler service.

2 Accounting policies (continued)

The risk transferred under these contracts is not considered materially concentrated as the covers are sold to residential customers across the UK with small individual contract values. The Group regularly assesses insurance risk sensitivities such as frequency of claims and increases in fulfilment costs based on both historic and forward-looking information, and a reasonable increase in these sensitivities would not have a material impact on the results of the Group.

The amount and timing of the Group's future cash flows arising from these contracts is uncertain and is also dependent on the terms and conditions entered into with the customers, such as the items that are covered and the level of associated services that is agreed, the number of call-outs to carry out work, and limits on repairs and maintenance and/or replacement costs.

Revenue is recognised over the life of contracts (usually 12 months). Costs incurred to settle claims predominantly relate to the labour costs in servicing claims.

The below sets out the revenue and expenses relating to insurance contracts recognised within (loss)/profit after tax from discontinued operations.

	2022 £ m	2021 £ m
Revenue relating to insurance contracts	50	34
Expenses relating to insurance contracts	(42)	(30)

Accrued income and receivables

Accrued income is the right to consideration in exchange for goods or services provided to the customer. If the Group provides goods or services to a customer before the customer pays consideration or before payment is due, accrued income is recognised for the earned consideration that is conditional.

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to provide goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group provides goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Net basis of measurement of contract balances

Accrued income and contract liability positions are determined for each contract on a net basis. This is because the rights and obligations within each contract are considered inter-dependent. Where two contracts are with the same or related entities, an assessment is made of whether accrued income and contract liabilities are inter-dependent and if so, contract balances are reported net.

Capitalisation of costs to obtain or fulfil a contract

The costs of obtaining or fulfilling a contract are recognised as an asset if certain criteria are met. Capitalised costs are amortised on a straight line basis over the remaining contract term, unless the pattern of good or service delivery indicates a more appropriate profile. To be eligible for capitalisation, costs must be directly attributable to specific contracts, relate to future activity and generate future economic benefits. Capitalised costs are regularly assessed for recoverability.

2 Accounting policies (continued)

Government grants

Grants from the Government are recognised in the income statement over the period in which the related costs are recognised and only when there is reasonable assurance that the Group will comply with the conditions attached to them and the grant will be received.

Finance income and costs

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

Financial statements of foreign operations

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.

The assets and liabilities of foreign operations are translated into Sterling at exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated into Sterling at rates approximating to the exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation of foreign operations are recognised in the foreign currency translation reserve.

Tax

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group 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. Deferred tax is not discounted.

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.

Tax assets and tax liabilities are offset in the statement of financial position where they relate to taxes levied by the same tax authority and the same taxable entity or group and the entity has a legally enforceable right to set off.

2 Accounting policies (continued)

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:

Asset class	Depreciation method and rate
Leasehold property	Period of the lease
Fixtures and fittings	3 years straight line
Office equipment	3 years straight line
Meter assets and miscellaneous equipment	4 to 10 years straight line

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

2 Accounting policies (continued)

Intangible assets

Customer-related intangible assets, trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Separately acquired trademarks and licences are shown at historical cost.

Customer-related intangible assets, trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software and licences acquired in a business combination are recognised at fair value at the acquisition date.

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 attributable 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, other than goodwill, 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**
Other intangible assets	3-5 years straight line
Software and IT development costs	3-5 years straight line
Trade names	4-10 years straight line
Contractual customer relationships	Over the expected life of the contract

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

2 Accounting policies (continued)

Investments

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the income statement and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described for nonfinancial assets.

The Company only policy is that investments in subsidiaries are carried at cost, less any impairment.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This might mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

2 Accounting policies (continued)

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale or distribution transaction rather than through continuing use and a sale or distribution is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business, is part of a single co-ordinated plan to dispose of such a line of business, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement if the discontinued operation represents a major line of business of the Group.

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. Cash and cash equivalents which are not available for use by the Group are presented as restricted cash.

Trade receivables

Trade receivables are amounts due from customers for the sale of electricity and gas or other services performed in the ordinary course of the Group's 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 do not carry any interest and are held at transaction price less an appropriate impairment recognised where the loss is probable. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and accrued income. Further detail on this model and application within these accounts can be found within the Critical accounting estimates note.

Inventories

Smart meter inventory is stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2 Accounting policies (continued)

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

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

2 Accounting policies (continued)

Leases

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

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

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

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

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

Subsequent measurement
After the commencement date, the Group measures the lease liability by:

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

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

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

2 Accounting policies (continued)

Lease modifications

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

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

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The Group then accounts for these in line with the accounting policy for new leases. If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

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

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

Short term and low value leases

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

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

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

2 Accounting policies (continued)

Employee benefits

The Group 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 based on a percentage 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 Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Group 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 Group 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.

Share based payments

The Group 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, the Group revises its 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 share awards are granted, the relevant subsidiary company issues 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 accounts.

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)

Defined contribution pension obligation

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

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

Defined benefit pension obligation

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset recognised in the statement of financial position in respect of defined benefit pension plans is the fair value of the plan assets minus the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the income statement.

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

2 Accounting policies (continued)

Financial instruments

Initial recognition
Financial assets and financial liabilities comprise cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

The Group recognises financial assets and financial liabilities in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement
Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-
· financial assets at amortised cost;
· financial assets at fair value through other comprehensive income (FVTOCI); or
· financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-
· financial liabilities at amortised cost; or
· financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

At 31 December 2022 the Group had no assets measured at FVTOCI.

2 Accounting policies (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

· the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the Group may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through the profit or loss (FVTPL)

Financial assets not otherwise classified above are classified and measured as FVTPL. This classification includes derivative financial assets.

Financial liabilities at amortised cost

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative financial liabilities.

Commodity derivatives

Within its regular course of business, the Group routinely enters into sale and purchase transactions for physical delivery of electricity and gas. Where the contract was entered into and continues to be held for the purpose of meeting forecast customer usage, the contracts are designated as 'own-use' contracts and are measured at cost. These contracts are not within the scope of IFRS 9.

Derivative commodity contracts which are not designated as own-use contracts are accounted for as trading derivatives and are recognised in the statement of financial position at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

The percentage of contracts that are deemed to meet own-use criteria is considered to be an area of accounting judgement that significantly impacts the level of unrealised gains and losses on derivatives that are recognised in the financial statements.

Although the Group only enters into contracts based on expected volumes, the volumetric risk means that the Group often has to enter into offsetting sell trades to match actual demand. This constitutes net settling under IFRS 9 which requires such contracts to be treated as derivative financial instruments under IFRS 9 rather than falling within the 'own use' exemption. The Group therefore designates its contracts as either 'own-use' or 'trading' depending on the risk of them being net settled, with only those contracts that are deemed to be highly probable of resulting in physical delivery being treated as own-use.

3 Critical accounting judgements and key sources of estimation uncertainty

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, recognition of deferred tax assets and derivative financial instruments.

Revenue recognition - energy supplied but not yet measured (estimation uncertainty, discontinued operations)
Revenue from energy supplied to OVO customers includes an estimate of the value of electricity or gas supplied to customers between the date of the latest meter reading and the financial year end.

This estimate comprises both billed revenue (trade receivables) and unbilled revenue (accrued income) and is calculated with reference to the tariffs and contractual rates applicable to customers against estimated customer consumption. Estimated customer consumption takes into account various factors including usage patterns, weather trends and notified aggregated volumes supplied to the customers from national settlements bodies.

A change in the assumptions underpinning the calculation would have an impact on the amount of revenue recognised in any given period.

This estimate is subject to an internal validation process which compares calculated unbilled volumes to a theoretical real-time billing benchmark measure of unbilled volumes with reference to historical consumption patterns adjusted for seasonality/weather and aggregated metering data used in industry reconciliation processes. At 31 December 2022, revenue arising from estimated consumption amounted to £1,635m (2021: £1,217m). The judgements applied, and the assumptions underpinning these judgements in arriving at this estimated amount, are considered to be appropriate. However, a change in these assumptions would have an impact on the amount of revenue recognised. Management believes that based on latest industry data the amount of revenue recognised could increase by up to £59m based on a reasonable change in the overall assumptions made in reaching this estimate.

Revenue recognition – Energy Price Guarantee government grants (estimation uncertainty, discontinued operations)
The Group recognises revenue arising from government grants under the Energy Price Guarantee Scheme (EPG). The government grants are determined by a support rate on a p/kWh basis determined by the Government and the volume of electricity and gas treated as supplied by the Group and, therefore, are subject to the same estimation uncertainty in energy supply revenue recognition (refer to Revenue recognition – energy supplied but not yet measured for further information).

The scheme is subject to industry reconciliation procedures which can result in a higher or a lower value of industry deemed supply than has been estimated as being supplied to customers by the Group and, as a result, can impact the amount of EPG income recognised. There are also conditions attached to the scheme that the Group is required to comply with in order to receive the support payment. The Group recognises EPG income to the extent it has reasonable assurance that it has complied with the conditions attaching to the EPG scheme and that the EPG income recognised thus far will be received.

The judgments applied, and the assumptions underpinning these judgements, are considered to be appropriate. However, a change in these assumptions would have an impact on the revenue recognised. The primary source of estimation uncertainty relating to unread revenue arising from eligible customers under the scheme amounted to £588m (2021: £nil). Management believes that based on latest industry data the amount of revenue recognised could increase by up to £25m based on a reasonable change in the overall assumptions made in reaching this estimate.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

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

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

Having assessed the level of 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 Group will generate sustainable profits and therefore a deferred tax asset has been recognised. Deferred tax assets of £188m in respect of UK tax losses are expected to be utilised over the next nine to thirteen years (2021: six to eight years).

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

Impairment of trade receivables (estimation uncertainty, discontinued operations)
Impairments against trade receivables are recognised where the loss is expected. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and accrued income. For energy customers, the impairment is calculated by splitting the portfolio into segments and the Directors have based their assessment of the level of impairment on collection rates experienced within each segment 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.

The assumption that future performance of customer debt settlement will be reflective of past performance is the most significant assumption within the expected credit loss provisioning model. To address this risk, the Group reviews the provision rates for each segment on a regular basis to ensure they include the most up to date assumptions and use forward looking information. In order to test the sensitivity of the impairment of the Group's trade receivables balance, the Group has considered the impact of the underlying provision rates worsening by 10%. This would lead to a £24m increase in the expected credit loss provision in 2022.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Derivative financial instruments (accounting judgement, discontinued operations)
Within its regular course of business, the Group routinely enters into sale and purchase derivative contracts for electricity and gas. Where the contract was entered into and continues to be held for the purpose of receipt or delivery in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as 'own-use' contracts and are measured at cost. These contracts are not within the scope of IFRS 9. The percentage of contracts that are deemed to meet 'own-use' criteria is considered to be an area of accounting judgement that significantly impacts the level of unrealised gains and losses on derivatives that are recognised in the financial statements.

Although the Group only enters into contracts based on expected volumes, the volumetric risk means that the Group often has to enter into offsetting sell trades to match actual demand. This constitutes net settling under IFRS 9 which requires such contracts to be treated as derivative financial instruments under IFRS 9 rather than falling within the 'own-use' exemption. The Group therefore designates its contracts as either 'own-use' or 'trading' depending on the risk of them being net settled, with only those contracts that are deemed to be highly probable of resulting in physical delivery being treated as own-use.

At 31 December 2022, the Group has £1,016m (2021: £422m) derivative energy contracts that are not determined as own-use contracts and are measured at fair value through profit or loss. Refer to Note 30 Financial risk management for sensitivity analysis.

4 Revenue

The analysis of the Group's revenue for the year from continuing operations is set out below.

	2022 £ m	(As restated) 2021 £ m
Brand royalties	15	21

5 Operating profit

Arrived at after charging in relation to continuing operations

	2022 £ m	(As restated) 2021 £ m
Impairment of financial assets	2	5
Depreciation expense - Property, plant and equipment	1	1
Depreciation expense - Right-of-use assets	2	1
Amortisation expense	-	1

6 Net finance costs

	2022 £ m	(As restated) 2021 £ m
Finance income		
Interest income on bank deposits	-	1
Interest on loans to related parties	-	1
Total finance income	-	2
Finance costs		
External finance interest and charges	(2)	(2)
Interest expense on leases	(1)	-
Total finance costs	(3)	(2)
Net finance costs attributable to continuing operations	(3)	-

7 Staff costs

The aggregate payroll costs (including Directors' remuneration and discontinued operations) are as follows:

	2022 £ m	2021 £ m
Wages and salaries	255	276
Social security costs	28	28
Pension costs, defined contribution scheme	16	18
Pension costs, defined benefit scheme	5	9
	304	331

The monthly average number of persons employed by the Group (including Directors and those employed by discontinued operations) during the year, analysed by category is as follows:

	2022 No.	2021 No.
People & operations	3,744	5,086
Technology & business change	822	891
Commercial & finance	699	411
Group	44	47
	5,309	6,435

7 Staff costs (continued)

Continuing operations
The total staff costs in relation to continuing operations in the year was £2m (2021: £1m). The average number of employees in relation to continuing operations was 13 (2021: 11).

Company
The Company had no employees in the year (2021: no employees). No salary recharges were recharged from subsidiaries (2021: £nil).

8 Directors' remuneration

There were a total of two (2021: two) Directors during the year. The remuneration reflects the remuneration received from any company within the Imagination Industries Ltd Group, including discontinued operations.

Total Directors' remuneration for the year was £716,000 (2021: £457,000) with pension contributions to defined contribution pension scheme of £17,000 (2021: £39,000).

The highest paid Director in the year received remuneration of £716,000 (2021: £455,000) and pension contributions to defined contribution pension scheme of £17,000 (2021: £39,000).

Retirement benefits were accruing to 1 of the Directors (2021: 1).

The highest paid Director received benefits through long term incentive schemes in the year (2021: Shares were received). The total aggregate share-based payments recognised in the year in respect of the Directors' qualifying services is £40,000 (2021: £82,000).

9 Auditors' remuneration

	2022 £'000	2021 £'000
Audit of these financial statements	22	20
Audit of the financial statements of subsidiary companies	750	650
Total audit fees	772	670
Other fees to auditors		
Taxation compliance services	-	9
Other non-audit services	75	181
Total non-audit services	75	190
Total auditors' remuneration	847	860

10 Income tax (credit)/expense

Tax charged/(credited) in the income statement

	2022 £ m	2021 £ m
Current taxation		
UK corporation tax	4	6
Deferred taxation		
Arising from origination and reversal of temporary differences	(321)	71
Arising from changes in tax rates and laws	(57)	(37)
Adjustment in respect of prior periods	(1)	-
Total deferred taxation	(379)	34
Tax (credit)/expense in the income statement	(375)	40
Tax attributable to discontinued operations	(377)	35
Tax attributable to continuing operations	2	5

10 Income tax (credit)/expense (continued)

The tax on profit/(loss) before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £ m	2021 £ m
Profit before tax from continuing operations	6	8
(Loss)/profit from discontinued operations before tax	(1,636)	369
(Loss)/profit before tax	(1,630)	377
Corporation tax at standard rate	(310)	72
Adjustments in respect of prior periods	(1)	-
Decrease from effect of revenues exempt from taxation	(10)	(1)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	-	4
Increase from deferred tax not recognised	4	3
Decrease from effect of different statutory tax rates	(1)	(1)
Deferred tax credit relating to changes in tax rates or laws	(57)	(37)
Total tax (credit)/charge	(375)	40

Deferred tax

Group

Deferred tax movement during the year:

	At 1 January 2022 £ m	Recognised in income £ m	Recognised in other comprehensive income £ m	Disposal of subsidiary £ m	Assets of disposal group held for sale at 31 December 2022 £ m
Accelerated tax depreciation	37	9	-	-	46
Provisions	-	1	-	-	1
Revaluation of intangible assets	(61)	3	-	2	(56)
Tax losses carry-forwards	156	32	-	-	188
Pension benefit obligations	(5)	1	(3)	-	(7)
Derivatives	(80)	318	-	-	238
Other items	15	15	-	-	30
Net tax assets/(liabilities)	62	379	(3)	2	440

10 Income tax (credit)/expense (continued)

Deferred tax movement during the prior year:

	At 1 January 2021 £ m	Recognised in income £ m	Recognised in other comprehensive income £ m	At 31 December 2021 £ m
Accelerated tax depreciation	30	7	-	37
Provisions	-	-	-	-
Revaluation of intangible assets	(60)	(1)	-	(61)
Tax losses carry-forwards	119	37	-	156
Pension benefit obligations	(3)	1	(3)	(5)
Derivatives	-	(80)	-	(80)
Other items	13	2	-	15
Net tax assets/(liabilities)	99	(34)	(3)	62

Other items primarily consist of deferred tax on restricted interest deductions carried forward.

As at 31 December 2021, £80m deferred tax liabilities of the £62m net deferred tax assets were recognised as non-current liabilities on the balance sheet.

Deferred tax assets of £188m have been recognised in respect of carried forward UK tax losses on the basis that there will be sufficient future profits available against which to offset them. There are no time limits on the recovery of such losses.

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

A deferred tax asset of £238m is also recognised in respect of the re-measurement loss on derivative energy commodity contracts which is not deductible for tax purposes. This deferred tax asset will be reversed when the relevant contracts unwind in future periods.

Deferred tax of £20m (2021: £22m) has not been recognised in relation to indefinite carry forward tax losses of £80m (gross) for which it is not considered probable that the losses will be utilised based on assessment of available evidence.

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%. Deferred tax assets and liabilities have been re-measured based on the applicable tax rate in the period that the balances are expected to be realised. The impact of this re-measurement in the period is a tax credit of £57m.

11 Property, plant and equipment

Group

	Leasehold property £ m	Fixtures and fittings £ m	Office equipment £ m	Meter assets and miscellaneous equipment £ m	Total £ m
Cost or valuation					
At 1 January 2021	9	3	8	11	31
Additions	5	1	4	-	10
Disposals	-	(1)	-	(1)	(2)
At 31 December 2021	14	3	12	10	39
Additions	2	5	2	-	9
Disposals	(4)	-	(3)	(9)	(16)
Transfers to assets of disposal group held for sale	(12)	(3)	(10)	(1)	(26)
At 31 December 2022	-	5	1	-	6
Accumulated depreciation					
At 1 January 2021	8	2	6	6	22
Charge for year	3	-	2	3	8
At 31 December 2021	11	2	8	9	30
Charge for the year	1	1	2	1	5
Eliminated on disposal	(4)	-	(3)	(9)	(16)
Transfers to assets of disposal group held for sale	(8)	(3)	(6)	(1)	(18)
At 31 December 2022	-	-	1	-	1
Carrying amount					
At 31 December 2022	-	5	-	-	5
At 31 December 2021	3	1	4	1	9
At 1 January 2021	1	1	2	5	9

Of the depreciation charge £4m (2021: £7m) was recognised within the loss after tax from discontinued operations and £1m (2021: £1m) was recognised in administrative expenses.

12 Right-of-use assets

Group

	Property £ m	Other £ m	Total £ m
Cost or valuation			
At 1 January 2021	64	22	86
Additions	2	-	2
Disposals	(1)	-	(1)
Modification	(2)	-	(2)
At 31 December 2021	63	22	85
Additions	7	-	7
Modification	-	6	6
Transfer to assets of disposal group held for sale	(57)	(28)	(85)
At 31 December 2022	13	-	13
Accumulated depreciation			
At 1 January 2021	21	7	28
Charge for the year	8	4	12
Eliminated on disposal	(1)	-	(1)
Impairment	1	-	1
At 31 December 2021	29	11	40
Charge for the year	8	4	12
Transfer to assets of disposal group held for sale	(32)	(15)	(47)
At 31 December 2022	5	-	5
Carrying amount			
At 31 December 2022	8	-	8
At 31 December 2021	34	11	45
As at 1 January 2021	43	15	58

Of the depreciation charge £10m (2021: £11m) was recognised in the loss after tax from discontinued operations and £2m (2021: £1m) is recognised in administrative expenses. There is no impairment recognised in the year (2021: £1m recognised in the profit after tax from discontinued operations).

Company

The Company leases office property and recognises a right-of-use asset with a cost of £2m and net book value of £1m (2021: cost of £2m and net book value of £1m).

13 Intangible assets

Group

	Goodwill £ m	Contractual customer relationships £ m	Software and IT development costs £ m	Trade name £ m	Other intangible assets £ m	Total £ m
Cost or valuation						
At 1 January 2021	149	337	141	51	7	685
Additions	-	-	58	-	-	58
At 31 December 2021	149	337	199	51	7	743
Additions	-	-	54	-	-	54
Disposals	-	(12)	(23)	-	-	(35)
Transfers to assets of disposal group held for sale	(149)	(325)	(230)	(51)	(7)	(762)
At 31 December 2022	-	-	-	-	-	-
Accumulated amortisation						
At 1 January 2021	3	64	40	13	3	123
Amortisation charge	-	47	26	11	1	85
At 31 December 2021	3	111	66	24	4	208
Amortisation charge	-	46	42	13	1	102
Amortisation eliminated on disposals	-	(5)	(21)	-	-	(26)
Transfers to assets of disposal group held for sale	(3)	(152)	(87)	(37)	(5)	(284)
At 31 December 2022	-	-	-	-	-	-
Carrying amount						
At 31 December 2022	-	-	-	-	-	-
At 31 December 2021	146	226	133	27	3	535
At 1 January 2021	146	273	101	38	4	562

The amortisation charge of £102m (2021: £84m) was recognised in (loss)/profit after tax of discontinued operations with £Nil (2021: £1m) recognised in administrative expenses. Included within the carrying amount of software and IT development costs are intangible assets under construction of £47m (2021: £82m), which are not subject to amortisation, at 31 December 2022 these assets have been transferred to assets held by disposal groups.

13 Intangible assets (continued)

Impairment assessment - Discontinued operations
At each reporting period end date, an annual impairment test for goodwill and intangibles not yet ready for use is undertaken. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units) and the carrying value of the cash-generating units is compared to its recoverable amount. Where the recoverable amount is less than the carrying value, an impairment occurs. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There has been no indication that other non-financial assets might be impaired.

The recoverable amount of the CGUs has been determined using a value in use calculation in line with IAS 36. The methodology applied to the value in use calculation reflects past experience and external sources of information. Pre-tax cash flows used in the value in use calculations are derived from the OVO Group's board-approved budget for 2023 and five-year forecast. Long term growth rates have been used in the extrapolation of cash flow projections beyond the five-year forecast period and are determined with reference to publicly available historical data and long term growth rate forecasts from external sources, adjusted for management assumptions where appropriate. Cash flows are discounted at a pre-tax rate that reflects both current market assessments of the time value of money and the risks specific to the CGUs. Discount rates are based on the estimated weighted average cost of capital of each CGU, adjusted to reflect the impact of tax to derive a pre-tax discount rate. Inflation rates used in the forecast range from 3% to 5% and are based on publicly available inflation forecasts, adjusted for management assumptions where appropriate.

The Group considers UK Retail Energy, Home Services and Kaluza to be separate CGUs, all of which are part of the Groups' discontinued operations. The key assumptions used in the value in use calculations for impairment assessment for these CGUs are set out below:

	UK Retail Energy	Home Services (previously Corgi)
Goodwill allocated to CGU	£112m (2021: £112m)	£37m (2021: £37m)
Assumptions		
Revenue	Existing customers adjusted for growth forecast based on customer acquisition activity and the current and anticipated market conditions. Gas and electricity revenue based on forward market prices and price caps.	
Gross Margin	Gross margins achieved in latest periods adjusted for current market conditions and the impact of expected regulatory changes on cost of goods.	
Operating costs	Payroll costs based on projected headcount in line with expected efficiency achieved as a result of integration and cost saving initiatives and inflation expectations. Sales & marketing and customer acquisition costs in line with the Group's growth plan. Credit losses based on historical assumptions updated for current market conditions and growth assumptions on revenue and customers.	
Growth rate to perpetuity	0% (2021: 0%)	0% (2021: 2%)
Pre-tax discount rate	19% (2021: 18%)	19% (2021: 15%)

This testing did not identify any instances where the carrying value was in excess of the recoverable amount and, therefore, no impairment charge has been recorded. No reasonable possible change in any of the above assumptions would result in the elimination of the recoverable amount headroom over the assets carrying values. Further, management considers that Plan Zero will create opportunities and financial value for the Group and has not had a negative impact on our impairment assessments.

13 Intangible assets (continued)

Company

The Company holds an intangible asset in relation to the OVO brand name at its acquisition cost of £2m (2021: £2m). The asset is considered to have an indefinite useful life.

14 Investments in subsidiaries and associates

Group subsidiaries

Details of the Company's subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest/voting rights held 2022	2021
OVO Group Ltd*	Intermediate holding company	1 Rivergate, Temple Quay, Bristol, England, BS1 6ED UK	57% / 60%	64% / 68%
OVO Energy Ltd	Sale of electricity and gas to customers in the UK	1 Rivergate, Temple Quay, Bristol, England, BS1 6ED UK	57% / 60%	64% / 68%
OVO Electricity Ltd	Sale of services associated with the supply of electricity to other OVO group companies	1 Rivergate, Temple Quay, Bristol, England, BS1 6ED UK	57% / 60%	64% / 68%
OVO Gas Ltd	Sale of services associated with the supply of gas to other OVO group companies	1 Rivergate, Temple Quay, Bristol, England, BS1 6ED UK	57% / 60%	64% / 68%
OVO Field Force Ltd	Non-trading company	1 Rivergate, Temple Quay, Bristol, England, BS1 6ED UK	57% / 60%	64% / 68%
Intelligent Energy Technology Ltd	Holding company	1 Rivergate, Temple Quay, Bristol, England, BS1 6ED UK	57% / 60%	64% / 68%
OVO Holdings Ltd	Intermediate holding company	1 Rivergate Temple Quay, Bristol, England, BS1 6ED UK	57% / 60%	64% / 68%
OVO Finance Ltd	Intermediate holding company	1 Rivergate Temple Quay, Bristol, England, BS1 6ED UK	57% / 60%	64% / 68%

14 Investments in subsidiaries and associates (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest/voting rights held 2022	2021
Corgi Homeplan Ltd	Sale of boiler and home care cover	Cadworks, 41 West Campbell Street, Glasgow, Scotland, G2 6SE UK	57% / 60%	64% / 68%
Spark Energy Limited	Dissolved	Grampian House, 200 Dunkeld Road, Perth, Scotland, PH1 3GH UK	57% / 60%	64% / 68%
Spark Gas Shipping Ltd	Non-trading company	1 Rivergate, Temple Quay, Bristol, England, BS1 6ED UK	57% / 60%	64% / 68%
OVO Energy (France) SAS	Disposed of	231 rue Saint-Honore 75001 Paris, France	0% / 0%	47% / 50%
OVO Energy (Netherlands) B.V.	Dissolved	Netherlands	0% / 0%	64% / 68%
OVO Energy (Italy) S.r.l	Dissolved	Via dell'Annunciata n. 23/4, Avv. Francesco Dagnino c/o LEXIA Avvocati, 20121, Milan, Italy	0% / 0%	64% / 68%
OVO Energy Spain S.L.U.	Sale of electricity and gas to customers in Spain	C. Muntaner 328 Entresuelo 1a, 08021 Barcelona, España	57% / 60%	64% / 68%
OVO Energy Japan GK	Dissolved	Level 11, Aoyama Palacio Tower 3-6-7 Kita-Aoyama Minato-ku, Tokyo	0% / 0%	64% / 68%
OVO Energy Germany GmbH	Dormant	CO23 Berlin UG, Stresemannsr. 23, 10963 Berlin, Germany	57% / 60%	64% / 68%
Kantan Ltd	Development of software application	9 Pembridge Road, London, England, W11 3JY UK	57% / 60%	64% / 68%
Kaluza Ltd	Development of intelligent energy platform	69 Notting Hill Gate, London, England, W11 3JS UK	57% / 60%	64% / 68%

14 Investments in subsidiaries and associates (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest/voting rights held 2022	2021
Kaluza (US) LLC	Management services	Capitol Services, Inc, 1675 South State St., Suite B, Dover, DE 19901, Kent County, USA USA	57% / 60%	64% / 68%
OVO Insurance Services Ltd.	Insurance services	PO Box 155, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 4ET	57% / 60%	64% / 68%
OVO (S) Energy Services Limited	Intermediate holding company	1 Rivergate, Temple Quay, Bristol, England, BS1 6ED UK	57% / 60%	64% / 68%
OVO (S) Electricity Limited	Non-trading company	1 Rivergate, Temple Quay, Bristol, England, BS1 6ED UK	57% / 60%	64% / 68%
OVO (S) Gas Limited	Licensed marketing and sale of natural gas to domestic customers in the UK	1 Rivergate, Temple Quay, Bristol, England, BS1 6ED UK	57% / 60%	64% / 68%
OVO (S) Energy Solutions Limited	Installation of energy efficiency measures in domestic properties	Cadworks, 41 West Campbell Street, Glasgow, Scotland, G2 6SE UK	57% / 60%	64% / 68%
OVO (S) Home Services Limited	Sale of boiler, central heating and electrical wiring services, breakdown cover and installation services	Cadworks, 41 West Campbell Street, Glasgow, Scotland, G2 6SE UK	57% / 60%	64% / 68%
OVO (S) Metering Limited	Non-trading company	Grampian House, 200 Dunkeld Road, Perth, Scotland, PH1 3GH UK	57% / 60%	64% / 68%
Origin Communications Limited (formerly OVO (S) Retail Telecoms Limited)	Disposed of	Soapworks, Ordsall Lane, Salford, England, M5 3TT UK	0% / 0%	64% / 68%
Imagination Industries Investments Ltd (formerly Imagination Industries Incubator Ltd)*	Provider of intragroup support services and start up incubator	9 Pembridge Road, Notting Hill, London, England, W11 3JY UK	100% / 100%	100% / 100%

14 Investments in subsidiaries and associates (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest/voting rights held 2022	2021
Imagination Industries Aero Ltd*	Disposed of	9 Pembridge Road, Notting Hill, London, England, W11 3JY UK	0% / 0%	100% / 100%
MGI Engineering Ltd (formerly Vertical Advanced Engineering Ltd)	Disposed of	The Old Schoolhouse, Kelmscott, Lechlade, England, GL7 3HG UK	0% / 0%	100% / 100%
Kensington RG Ltd*	Hospitality	9 Pembridge Road, Notting Hill, London, England, W11 3JY UK	94% / 100%	100% / 100%

* indicates direct investment of Imagination Industries Ltd

Ownership interest in all subsidiaries is based on ordinary shares held.

Group associates

Details of the group associates as at 31 December 2022 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held by the group 2022	2021
Indra Renewable Technologies Limited	Engineering design activities for industrial process and production	Sentinel House, Sparrowhawk Close, Malvern, England, WR14 1GL UK	19% / 20%	30% / 31%
Della Vite Trading Ltd *	Wholesale of wine, beer, spirits and other alcoholic beverages	13a Hillgate Street 13a Hillgate Street, London, England, W8 7SP UK	15.3% / 15.3%	17.5% / 17.5%
Chaddenwych Services Limited	Energy information technology platform and service	86-90 Paul Street, London, England, EC2A 4NE UK	17% / 18%	20% / 20%
The Renewable Exchange Limited	Trading platform and solutions for renewable energy generators	One The Square, Temple Quay, Bristol, England, BS1 6DG UK	24% / 26%	29% / 30%

14 Investments in subsidiaries and associates (continued)

Akili Partners Limited *	Non-trading company	9 Pembridge Road, Notting Hill, London, England, W11 3JY UK	33.3% / 33.3%	33.3% / 33.3%
OVO Energy Pty Ltd	Sale of electricity and gas to customers in Australia	L22 120 Spencer Street, Melbourne, VIC 3000, Australia	28% / 29%	30% / 30%

* indicates direct investment of Imagination Industries Ltd

Summary of the Company investments

	31 December 2022 £ m	31 December 2021 £ m
Investments in subsidiaries	-	44
Investments in associates	1	1
	1	45

Subsidiaries	**Company £ m**
Cost or valuation	
At 1 January 2021	17
Additions	27
At 31 December 2021	44
Additions	9
Disposals	(1)
Transfers to assets held for sale	(52)
At 31 December 2022	-
Carrying amount	
At 31 December 2022	-
At 31 December 2021	44
At 1 January 2021	17

14 Investments in subsidiaries and associates (continued)

During 2022, Imagination Industries Ltd acquired and sold A, B and D Ordinary Shares in OVO Group Limited for net consideration of £61.1m. In the prior year, Imagination Industries Ltd purchased A Ordinary Shares for a cash consideration of £27m.

Imagination Industries Ltd's remaining holding in OVO Group Limited has been classified as "Assets Held for Sale" as a result of the intention to transfer the holding. Refer to Note 32 Subsequent events after the end of the reporting period for further details.

Associates	Group £ m	Company £ m
Cost or valuation		
At 1 January 2021	1	1
Additions	9	-
Share of associate losses	(1)	-
At 31 December 2021	9	1
Additions	2	-
Share of net losses of associates	(2)	-
Transfers to assets of disposal group held for sale	(8)	-
At 31 December 2022	1	1
Carrying amount		
At 31 December 2022	1	1
At 31 December 2021	9	1
At 1 January 2021	1	1

During the year, the Group subscribed for further shares in OVO Energy Pty Ltd. OVO Energy Pty Ltd ceased to be a wholly owned subsidiary and became an associate of the Group in the prior year as the Group's shareholding was diluted following AGL subscription of new shares issued by the entity. £3m of the additions in the prior year related to the retained investment at fair value recognised when the Group lost control of OVO Energy Pty Ltd.

In the prior year, the Group increased its shareholding in Chaddenwych Services Limited and Indra Renewable Technologies Limited.

15 Disposals

Disposal of Origin Communications Limited (previously OVO (S) Retail Telecoms Limited) and OVO Energy (France) SAS

In August 2022, the Group agreed to sell the entire issued share capital of Origin Communications Limited to Tosca IOM Finco Limited. Origin Communications Limited was an indirect wholly owned subsidiary of OVO Group Ltd which provides telephone and broadband connectivity and associated services to consumers in the UK. The sale completed on 14 October 2022.

In addition, the Group sold its shareholding of OVO Energy (France) SAS (OEF) to ENI Gas & Power France S.A. (ENI) for a consideration of €1 during the year. In the prior year, the Group owned 75% of OEF and recognised a non-controlling interest in OEF representing ENI's 25% interest in the company. Prior to the sale, the Group had subscribed for further shares in OEF which increased its ownership to 99.75% from 75%. The Group sold its 99.75% shareholding in OEF on 9 September 2022. OEF was a wholly owned subsidiary which operates in the energy supply business in France.

Both subsidiaries do not represent a major line of business or geographical area of operation for the Group. The Group recognised a total gain of £30m on the disposals which is recognised in other operating income in the income statement.

The carrying amounts of assets and liabilities disposed of as at the date of completion are set out in the table below:

	Origin Communications Limited 14 October 2022 £ m	OVO Energy (France) SAS 9 September 2022 £ m
Intangible assets - acquired customer relationships	7	-
Trade and other receivables	8	10
Cash and cash equivalents	5	4
Trade and other payables	(10)	(16)
Deferred income	-	(6)
Deferred tax liabilities	(2)	-
Net assets/(liabilities) disposed of	8	(8)
Gain on disposal:		
Total consideration	29	-
Net (assets)/liabilities disposed of	(8)	8
Gain on disposal before reclassification of foreign currency translation reserve	21	8
Reclassification of foreign currency translation reserve	-	1
Gain on disposal after reclassification of foreign currency translation reserve	21	9

15 Disposals (continued)

Satisfied by:		
Cash	23	-
Deferred consideration	6	-
Total consideration	29	-
Cash flow analysis:		
Cash consideration received	23	-
Cash and cash equivalents disposed of	(5)	(4)
Net cash inflow/(outflow) arising on disposal	18	(4)

Prior year loss of control of OVO Energy Australia

In March 2021, the Group announced a partnership with AGL, Australia's largest energy retailer and generator to bring digital energy services to Australia. As part of the agreement, AGL invested in OVO Energy Australia (OEA) to adapt the Kaluza platform for Australia and serve a growing customer base with innovative products and services.

On 12 April 2021, AGL acquired 51% shareholding in OVO Energy Australia, following which the Group no longer controls the subsidiary. The Group has significant influence over OVO Energy Australia and is an associate to the Group. The Group accounts for the investment in OEA under equity accounting. The subsidiary does not represent a major line of business or geographical area of operation for the Group.

The Group recognised a gain of £3m associated with the loss of control attributable to the former controlling interest. The gain is recognised in other gains in the income statement.

The carrying value of assets and liabilities disposed of as at the date control was lost (12 April 2021) are as set out in the table below:

	12 April 2021 £ m
Assets and liabilities disposed of:	
Cash and cash equivalents	6
Total consideration	9
Net assets disposed of	(6)
Total gain	3
Made up of:	
Gain on disposal of subsidiary	2
Gain on retained investment	1
Total gain	3
Satisfied by:	
Cash	9

15 Disposals (continued)

	12 April 2021 £ m
Cash flow analysis:	
Cash consideration received	9
Less: cash and cash equivalent balances disposed of	(6)
Net cash inflow arising on disposal	3

Prior year disposal of Large Power Metering operation

On 25 February 2021, the Group publicly announced the decision of its Board of Directors to sell its Large Power Metering operation, which was a line of business within OVO (S) Metering Limited, a wholly owned subsidiary. The sale was completed on 6 April 2021. The Large Power Metering operation does not represent a major line of business.

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

	6 April 2021 £ m
Assets disposed of:	
Property, plant and equipment	4
Inventories	1
Trade receivables and accrued income	2
Total assets	7
Total consideration	8
Total assets sold	(7)
Gain on sale before income tax	1
Gain on sale after income tax	1
Satisfied by:	
Cash	8
Cash flow analysis:	
Cash consideration received	8
Net cash inflow arising on sale	8

16 Disposal group classified as held for sale

In order to separate the energy supply activities of OVO Group Ltd (OVO Group) and its subsidiaries from the non-energy related activities of the Group during the year management made the decision to transfer OVO Group Ltd to a new holding company outside of the Group. The transfer was completed on 7 March 2023 and as such the assets and liabilities of OVO Group Ltd were classified as a disposal group as at 31 December 2022.

The assets and liabilities of the operations classified as a disposal group as at 31 December 2022 are as follows:

	31 December 2022 £ m
Property, plant and equipment	8
Right-of-use assets	38
Intangible assets	478
Deferred tax assets	440
Investments accounted for using the equity method	8
Defined benefit pension asset	29
Derivative financial instruments	38
Inventories	34
Trade and other receivables	1,214
Income tax asset	7
Cash and cash equivalents	474
Total assets of disposal group held for sale	2,768
Trade and other payables	(1,299)
Deferred income	(906)
Lease liabilities	(43)
Provisions	(48)
Derivative financial instruments	(1,054)
Loans and borrowings	(525)
Total liabilities of disposal group held for sale	(3,875)

See OVO Group Ltd's Annual Report and Financial Statements 2022 for further details of the assets and liabilities classified as a disposal group as at 31 December 2022.

16 Disposal group classified as held for sale (continued)

Discontinued operations

Restatement of prior year
Following the classification as a disposal group the operations of OVO Group are classified as discontinued operations as at 31 December 2022. Therefore, the results of OVO Group have been presented within (loss)/profit after tax from discontinued operations in the Income Statement and Statement of Comprehensive income for the years ended 31 December 2022 and 31 December 2021.

The financial performance and cash flow information for OVO Group in the current and prior year is presented below:

	2022 £ m	(As restated) 2021 £ m
Revenue	6,730	4,513
Other income	7	3
Other (losses)/gains	(1,412)	424
Expenses	(6,892)	(4,513)
Net finance costs	(69)	(58)
(Loss)/profit before income tax from discontinued operations	(1,636)	369
Income tax credit/(expense)	377	(35)
(Loss)/profit after tax from discontinued operations	(1,259)	334
Other comprehensive income from discontinued operations	7	8

	2022 £ m	2021 £ m
Net cash generated by operating activities	448	195
Net cash used in investing activities	(45)	(48)
Net cash used in financing activities	(74)	(51)
Net increase in cash and cash equivalents of the disposal group	329	96

See OVO Group Ltd's Annual Report and Financial Statements 2022 for further details of the financial performance and cash flows of discontinued operations for the years ended 31 December 2022 and 31 December 2021.

17 Inventories

	Group	
	31 December 2022 £ m	31 December 2021 £ m
Inventories	-	29

Finished goods and goods for resale comprise smart meter assets. The costs of smart meter assets recognised as an expense in the year amount to £35m (2021: £45m). Write-downs of inventories amounted to £8m in the year (2021: £nil). These are included within (loss)/profit after tax from discontinued operations and all inventories are classified as assets of disposal group held for sale as at 31 December 2022.

The costs of ROCs recognised as an expense in the year amount to £326m (2021: £366m). This is included within (loss)/profit after tax from discontinued operations.

18 Trade and other receivables

	Group		Company	
	31 December 2022 £ m	31 December 2021 £ m	31 December 2022 £ m	31 December 2021 £ m
Trade receivables and accrued income	1	971	-	-
Provision for impairment of trade receivables and accrued income	-	(310)	-	-
Net trade receivables	1	661	-	-
Receivables from related parties	47	7	69	23
Provision for related party receivables	-	-	(19)	(8)
Prepayments	-	85	-	-
Other receivables	1	179	1	2
	49	932	51	17

The fair value of those trade and other receivables classified as financial assets are disclosed in the financial instruments note.

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in Note 29.

19 Derivative financial instruments

	Group 31 December 2022 £ m	31 December 2021 £ m
Derivative financial instruments classified in assets held by disposal groups	38	-
Derivative financial instruments classified in current assets	-	461
Derivative financial instruments classified in liabilities of disposal groups	(1,054)	-
Derivative financial instruments classified in non-current liabilities	-	(39)
Net derivative (liabilities)/assets	(1,016)	422

The Group designates certain energy contracts as held for trading. Energy contracts that are not designated as 'own-use' contracts constitute financial instruments under IFRS 9 and are carried at fair value through profit or loss.

The amount of derivative re-measurement that has been recognised through the profit or loss is as follows:

	Group 31 December 2022 £ m	31 December 2021 £ m
Amounts recognised in (loss)/profit after tax from discontinued operations		
Re-measurement of derivative energy contracts	(1,438)	422
Total recognised in the consolidated income statement	(1,438)	422

20 Cash and cash equivalents

	Group		Company	
	31 December 2022 £ m	31 December 2021 £ m	31 December 2022 £ m	31 December 2021 £ m
Cash at bank	480	151	6	5
Cash and cash equivalents in statement of cash flows	480	151	6	5
Cash at bank classified as assets of disposal group held for sale	(474)	-	-	-
Cash and cash equivalents on the statement of financial position	6	151	6	5

20 Cash and cash equivalents (continued)

Restricted cash (discontinued operations)

Of the £474m cash at bank within disposal groups held for sale, £269m relates to cash received from the Government not yet distributed to customers under the Energy Bills Support Scheme. The use of this cash is restricted to distributing to eligible customers to reduce their energy bills under the scheme. Cash available for use within disposal groups held for sale as at 31 December 2022 is therefore £205m. Refer to Government support schemes in the Summary of significant accounting policies for further details on the scheme.

21 Trade and other payables

	Group		Company	
	31 December 2022 £ m	31 December 2021 £ m	31 December 2022 £ m	31 December 2021 £ m
Trade payables	-	279	-	-
Accrued expenses	1	574	-	-
Social security and other taxes	-	7	-	-
Other payables	5	34	4	-
	6	894	4	-

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in Note 29.

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 the cash and debtors of OVO Energy Ltd. As at the year end there was no outstanding liability on the extended credit facility. The arrangement has associated financial covenants. The Group has not defaulted under the extended credit facility during both the year ended 31 December 2022 and 2021.

22 Loans and borrowings

	Group		Company	
	31 December 2022 £ m	31 December 2021 £ m	31 December 2022 £ m	31 December 2021 £ m
Non-current loans and borrowings				
Bank borrowings	-	412	-	25
Other borrowings	-	128	-	-
	-	540	-	25

22 Loans and borrowings (continued)

Group (continuing operations)

The Group's continuing operations have no committed bank facilities or other borrowings as at 31 December 2022.

Revolving credit facility (Company)

The Company secured a revolving credit facility of up to £20m in the year ended 31 December 2020, secured over OVO Group Ltd shares. This facility was extended to £30m in the year ended 31 December 2021 and was repaid and closed in November 2022.

Group (discontinued operations)

The OVO Group had the following bank and other borrowings as at 31 December 2022.

Bank borrowings

Term loan facilities

Bank borrowings consist of a £300m term loan facility and a £100m second lien term loan facility. Both facilities are repayable in full on 14 January 2025. The second lien loan facility is subordinated to the first facility.

The term loan facilities were restructured in the year ended 31 December 2020 and the original term loan facility of £400m was syndicated into two separate instruments. Prior to the loan syndication, interest was payable at 7.75% plus LIBOR on the £400m facility. Following syndication, interest is payable at 8.25% plus LIBOR on the first lien facility and at 0% plus LIBOR from 1 October 2020 to 14 January 2021; 8.625% plus LIBOR from 15 January 2021 to 14 January 2022; and 9.75% plus LIBOR from 15 January 2022 on the second lien facility. Interest margin on the term loan facility was increased by 1.5% to 9.75% from 15 July 2021. The incremental interest is capitalised, compounded and added to the unpaid principal amount of the loan. Interest on the second lien facility is capitalised, compounded and added to the unpaid principal amount of the loan. Costs incurred in raising finance were £39m and are being amortised over the life of the facilities.

Both term loan facilities agreements were amended on 30 December 2021, replacing the interest rate calculation mechanism as a result of the interest rate benchmark reform (IBOR). Following the amendments, interest rates are based on SONIA (Sterling Overnight Index Average) and a credit spread adjustment. The Group took the practical expedient available under IBOR Phase 2 amendments to account for these changes by updating the effective interest rate without the recognition of an immediate gain or loss.

Other borrowings

Other borrowings consist of loan notes issued. Loan notes are unsecured and are repayable in full on 31 December 2029. Interest is payable at 13.25%.

The oustanding term loans and other borrowings were reclassified to liabilities of disposal group held for sale as at 31 December 2022. The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The Company's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment note.

23 Leases

Group

The balance sheet shows the following amounts relating to lease liabilities:

	31 December 2022 £ m	31 December 2021 £ m
Lease liability - Current	2	14
Lease liability - Non-current	8	39
Total lease liability	10	53

Lease liabilities maturity analysis

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

	31 December 2022 £ m	31 December 2021 £ m
Less than one year	2	16
Between one and five years	6	29
Greater than five years	6	20
Total lease liabilities (undiscounted)	14	65

The Group leases various offices and vehicles. The balance sheet amounts relating to leases are shown within Note 12 - *Right-of-use assets.* At 31 December a number of leases including all vehicle leases were classified as liabilities of disposal groups held for sale.

The current period interest expense on lease liabilities (included in (loss)/profit after tax from discontinued operations) was £3m (2021: £3m).

The total cash outflow for leases for the year ended 31 December 2022 was £17m (2021: £18m).

23 Leases (continued)

Company

	31 December 2022 £ m	31 December 2021 £ m
Lease liability - Current	1	1
Lease liability - Non-current	-	1
Total lease liability	1	2

Lease liabilities maturity analysis

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

	31 December 2022 £ m	31 December 2021 £ m
Less than one year	1	1
Between one and five years	-	1
Total lease liabilities (undiscounted)	1	2

The Company leases office property. The balance sheet amounts relating to leases are shown within Note 12 - *Right-of-use assets.*

The current period interest expense on lease liabilities (included in finance cost) was £nil (2021: £nil).

The total cash outflow for leases for the year ended 31 December 2022 was £1m (2021: £1m).

24 Provisions

Group

	Onerous contracts provision £ m	Restructuring provision £ m	Dilapidation provisions £ m	Facility agreement exit fee provision £ m	Other provisions £ m	Total £ m
At 1 January 2022	46	1	5	2	4	58
Additional provisions	5	37	-	-	21	63
Provisions used	(41)	(29)	-	-	(2)	(72)
Unused provision reversed	(1)	(2)	-	-	-	(3)
Increase due to passage of time or unwinding of discount	1	-	-	-	-	1
Increase (decrease) from transfers and other changes	-	-	-	-	1	1
Transfer to liabilities of disposal groups	(10)	(7)	(5)	(2)	(24)	(48)
At 31 December 2022	-	-	-	-	-	-

At 31 December 2022 all provisions have been classified as liabilities of disposal groups held for sale. See OVO Group Ltd's Annual Report and Financial Statements 2022 for further details of the provisions classified as liabilities of a disposal group as at 31 December 2022.

25 Pension and other schemes

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £16m (2021: £18m) and is included in (loss)/profit after tax from discontinued operations.

25 Pension and other schemes (continued)

Defined benefit pension schemes

Introduction
The Group sponsors a funded defined benefit pension plan for qualifying UK employees - the OVO Energy Group of the ESPS. The scheme was established on 14 January 2020 following the acquisition of SSE Energy Services Group Limited by the Group in order to provide retirement benefits for eligible company employees. The scheme is sectionalised with separate sections for former members of the Southern Electricity Group of the ESPS and former members of the Scottish Hydro-Electric Pension Scheme. The assets in each section are ringfenced to provide benefits solely for the members of that section.

The scheme is administered by an independent trustee, which is legally separate from the Group. The trustee is required by law to act in the interest of all relevant beneficiaries, and is responsible for the investment policy for the assets and day-to-day administration of the benefits. Under the scheme, employees are entitled to annual pensions, and in some cases also lump sum benefits, on retirement at age 60 or 63 calculated with reference to pensionable service and final pensionable salary. Benefits are also payable on death and following other events such as withdrawing from active service. No other post-retirement benefits are provided to these employees.

The scheme was classified as part of the disposal group as at 31 December 2022, see Note 16 for further details.

Profile of the scheme
The Defined Benefit Obligation (DBO) includes benefits for current employees, former employees and current pensioners. The vast majority of the DBO is attributable to current employees.

The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the scheme as a whole, the duration is approximately 20 years.

Funding requirements
UK legislation requires that pension schemes are funded prudently. The first formal valuation of the scheme since inception on 14 January 2020 had an effective date of 31 March 2020, and resulted in a surplus of £10.4m relative to technical provisions overall. Following the scheme's first formal valuation, the Group is paying contributions equivalent to 32.7% of salaries for employees in the Southern section and 39.0% of salaries for employees in the Hydro section to meet the expected cost of benefits being built up by these employees. The next funding valuation will have an effective date 31 March 2023 when funding arrangements for the scheme will be reviewed. Contributions of around £1m are expected to be paid by the Group during the year ending 31 December 2023.

25 Pension and other schemes (continued)

Risks

Risks associated with the scheme
The scheme exposes the Group to some risks, the most significant of which are:

Asset volatility
The DBO is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit.

The scheme holds approximately 14% of its assets in equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the scheme's long-term objectives.

Changes in bond yields
A decrease in corporate bond yields will increase the value placed on the scheme's DBO for accounting purposes, although this will be partially offset by an increase in the value of the scheme's bond holdings.

Inflation risk
The majority of the scheme's DBO is linked to inflation, and higher inflation leads to a higher DBO (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). Most of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy
The majority of the scheme's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the DBO.

Risk management
The Group and trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the scheme. By investing in assets such as index-linked gilts and swaps, which perform in line with the liabilities of the scheme, the scheme is protected against inflation being higher than expected.

The trustees insure certain benefits which are payable on death before retirement.

Reporting at 31 December 2022
The results of the latest formal valuation at 31 March 2020 have been adjusted to the statement of financial position date, taking account of any material experience over the period since 31 March 2020, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation, and the related current service cost, were measured using the projected unit credit method.

The principal assumptions used to calculate the liabilities under IAS 19 are as follows.

25 Pension and other schemes (continued)

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	31 December 2022 %	31 December 2021 %
Discount rate	4.70	1.90
RPI inflation	3.10	3.10
CPI inflation	2.70	2.70
Rate of general long-term increase in salaries	3.20	3.20
Pension increases in payment (RPI max 5% pa)	2.90	3.00
Pension increases in payment (RPI max 3% pa)	2.30	2.40

Post retirement mortality assumptions

	31 December 2022 Years	31 December 2021 Years
Life expectancy for male currently aged 60	26.40	26.30
Life expectancy for female currently aged 60	28.40	27.80
Life expectancy at 60 for male currently aged 40	27.90	28.20
Life expectancy at 60 for female currently aged 40	29.90	29.80

	31 December 2022	31 December 2021
Mortality base table adopted	SAPS S3 Tables "All" for males and "Middle" for females scaled by 105% for Southern Section and by 109% for Hydro Section	SAPS S3 Tables "All" for males and "Middle" for females scaled by 105% for Southern Section and by 109% for Hydro Section
Mortality figure improvements aligned	CMI 2021 projections model with Sk parameter of 7.0 and A parameter of 0.25, and long-term improvement rate of 1.25% p.a.	CMI 2020 projections model with Sk parameter of 7.0 and A parameter of 0.25, and long-term improvement rate of 1.25% p.a.
GMP equalisation	Cost of equalising benefits for differences in GMPs between males and females taken to be around 0.2% of liabilities	Cost of equalising benefits for differences in GMPs between males and females taken to be around 0.2% liabilities
Cash commutation	Allowance made for members to take maximum permitted lump sump at retirement by commuting pension based on current commutation terms	Allowance made for members to take maximum permitted lump sum at retirement by commuting pension based on current commutation terms

25 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	31 December 2022 £ m	31 December 2021 £ m
Fair value of scheme assets	85	120
Present value of scheme liabilities	(56)	(100)
Defined benefit pension scheme surplus	29	20
Asset recognised as held by disposal groups	29	20

It has been determined that the Group would be entitled to a refund from the scheme of any surplus arising in the scheme in future.

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2022 £ m	2021 £ m
Fair value at start of year	120	108
Interest income on scheme assets	2	1
Remeasurement gains on scheme assets	(37)	6
Net increase in assets from bulk transfers	-	3
Employer contributions	4	5
Net benefits paid out	(4)	(3)
Fair value at end of year	85	120

Analysis of assets

The major categories of scheme assets are as follows:

	31 December 2022 £ m	31 December 2021 £ m
Equities	12	37
Index-linked gilts	31	36
Corporate bonds	33	41
Cash/net current assets	9	6
	85	120

25 Pension and other schemes (continued)

Actual return on scheme's assets

	2022 £ m	2021 £ m
Interest income on scheme assets	2	1
Remeasurement gains on scheme assets	(37)	6
Actual return on scheme assets	(35)	7

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the Group.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2022 £ m	2021 £ m
Present value at start of year	100	95
Current service cost	3	6
Past service cost (including curtailments)	2	3
Actuarial gains and losses arising from changes in demographic assumptions	1	-
Actuarial (gains)/losses arising from changes in financial assumptions	(49)	(5)
Actuarial gains and losses arising from experience adjustments	1	-
Net increase in liabilities from bulk transfers	-	3
Interest expense	2	1
Net benefits paid out	(4)	(3)
Present value at end of year	56	100

25 Pension and other schemes (continued)

Amounts recognised in the consolidated income statement

	2022 £ m	2021 £ m
Amounts recognised in operating profit/(loss)		
Current service cost	3	6
Past service cost (including curtailments)	2	3
Recognised in arriving at (loss)/profit from discontinued operations	5	9
Total recognised in the consolidated income statement	5	9

Amounts taken to the consolidated statement of comprehensive income

	2022 £ m	2021 £ m
Return on scheme assets in excess of that recognised in net interest	(37)	6
Actuarial gains and losses arising from changes in demographic assumptions	(1)	-
Actuarial gains and losses arising from changes in financial assumptions	49	5
Actuarial gains and losses arising from experience adjustments	(1)	-
Amounts recognised in the consolidated statement of comprehensive income	10	11

Sensitivity analysis

The key assumptions used for IAS 19 are: discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is set out below. The sensitivity information shown has been prepared by approximately adjusting the IAS 19 liabilities calculated at the statement of financial position date using the same method used to adjust the results of the latest formal valuation to the statement of financial position date.

	2022		2021	
	Change £m	Value £m	Change £m	Value £m
DBO at the end of year	-	56	-	100
0.25% p.a. decrease in the discount rate	3	60	6	107
0.25% p.a. increase in the inflation assumptions	3	59	6	107
One-year increase in life expectancy	1	58	4	105

26 Share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No.	£	No.	£
Ordinary share capital of £0.0001 each	950,000	95.00	950,000	95.00

Rights, preferences and restrictions

Ordinary share have the following 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.

27 Financial instruments

Group

The following disclosures exclude balances that have been classified as assets held by or liabilities of disposal groups as at 31 December 2022. For more details of these balances see OVO Group Ltd's Annual Report and Financial Statements 2022.

	Carrying value 31 December 2022 £ m	Fair value 31 December 2022 £m	Carrying value 31 December 2021 £m	Fair value 31 December 2021 £m
Financial assets at amortised cost				
Cash and cash equivalents	6	6	151	151
Trade and other receivables	49	49	836	836
Total financial assets at amortised cost	55	55	987	987
Financial assets through profit or loss				
Trade and other receivables	-	-	2	2
Derivative financial instruments	-	-	461	461
Total financial assets through profit or loss	-	-	463	463
Total financial assets	55	55	1,450	1,450
Financial liabilities at amortised cost				
Trade and other payables	(6)	(6)	(885)	(885)
Loans and borrowings	-	-	(540)	(570)
Lease liabilities	(10)	(10)	(53)	(53)
Total financial liabilities at amortised cost	(16)	(16)	(1,478)	(1,508)
Financial liabilities through profit or loss				
Trade and other payables	-	-	(2)	(2)
Derivative financial instruments	-	-	(39)	(39)
Total financial liabilities through profit or loss	-	-	(41)	(41)
Total financial liabilities	(16)	(16)	(1,519)	(1,549)

27 Financial instruments (continued)

Included in trade and other payables in the prior year is £2m relating to put option arrangements. In the year ended 31 December 2020, the Group entered into a shareholder agreement with ENI gas e luce S.p.A. (EGL) whereby a written put and purchased call option were granted to repurchase shares in OVO Energy (France) SAS, a subsidiary of OVO Group Ltd. The options were exercisable if there was no binding agreement to enter into a joint venture between the Group and EGL by 1 February 2022. The amount that may become payable under the options on exercise was initially recognised at the present value of the redemption amount with a corresponding charge directly to equity. The redemption amount is €2.5m plus 6%. These options were not exercised and have therefore expired in the year.

Management assesses that the fair values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying amounts largely due to the short term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

• The fair value of financial assets is based on the expectation of recovery of balances. Impaired receivables mainly relate to customers from whom it is unlikely that full payment will ever be received. The primary inputs used to impair the receivable balances are not based on observable market data.
• The fair value of loans and borrowings and lease liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
• The fair value of derivative financial instruments are determined with reference to closing market prices. All derivatives are classified as Level 2 within the fair value hierarchy. The fair value measurements are those derived from inputs, other than quoted prices, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Company

	Carrying value 31 December 2022 £ m	Fair value 31 December 2022 £m	Carrying value 31 December 2021 £m	Fair value 31 December 2021 £m
Financial assets at amortised cost				
Cash and cash equivalents	6	6	5	5
Trade and other receivables	51	51	23	23
Total financial assets at amortised cost	57	57	28	28
Total financial assets	57	57	28	28
Financial liabilities at amortised cost				
Trade and other payables	(4)	(4)	-	-
Loans and borrowings	-	-	(26)	(26)
Lease liabilities	(1)	(1)	(2)	(2)
Total financial liabilities at amortised cost	(5)	(5)	(28)	(28)
Total financial liabilities	(5)	(5)	(28)	(28)

27 Financial instruments (continued)

The management assessed that the fair values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

• The fair value of financial assets is based on the expectation of recovery of balances. Impaired receivables mainly relate to customers from whom it is unlikely that full payment will ever be received. The primary inputs used to impair the receivable balances are not based on observable market data.

28 Reconciliation of liabilities arising from financing activities

Group

				Non-cash changes		
	At 1 January 2022 £ m	Financing cash flows £ m	Other changes £ m	New finance leases £ m	Transfer to liabilities of disposal groups £ m	At 31 December 2022 £ m
Non-current loans and borrowings	539	(84)	70	-	(525)	-
Current loans and borrowings	1	-	(1)	-	-	-
Non-current lease liabilities	31	-	5	6	(34)	8
Current lease liabilities	13	(16)	13	1	(9)	2
	584	(100)	87	7	(568)	10

	At 1 January 2021 £ m	Financing cash flows £ m	Other changes £ m	At 31 December 2021 £ m
Non-current loans and borrowings	415	(19)	143	539
Current loans and borrowings	91	-	(90)	1
Non-current lease liabilities	44	-	(13)	31
Current lease liabilities	14	(17)	16	13
	564	(36)	56	584

The 'Other changes' column includes transaction costs, and the effect of amortisation of transaction costs, accrued but not yet paid interest on interest-bearing loans and borrowings including lease liabilities, and reclassification of amounts between non-current and current liabilities.

28 Reconciliation of liabilities arising from financing activities (continued)

Company

	At 1 January 2022 £ m	Financing cash flows £ m	Other changes £ m	At 31 December 2022 £ m
Non-current loans and borrowings	25	(25)	-	-
Current loans and borrowings	1	-	(1)	-
Non-current lease liabilities	1	-	(1)	-
Current lease liabilities	1	(1)	1	1
	28	(26)	(1)	1

	At 1 January 2021 £ m	Financing cash flows £ m	Other changes £ m	At 31 December 2021 £ m
Non-current loans and borrowings	10	15	-	25
Current loans and borrowings	-	-	1	1
Non-current lease liabilities	-	-	1	1
Current lease liabilities	-	-	1	1
	10	15	3	28

29 Financial risk management and impairment of financial assets

Group

The Group's activities expose it to a variety of financial risks: credit risk, market risk (predominantly from interest rate risk and commodity price risk), liquidity risk and operational risk. The Group's overall risk management programme focuses on the unpredictability of commodity price markets and seeks to minimise potential adverse effects on the Group's financial performance. The Company has limited exposure to market risk and liquidity risk due to the nature of its principal activities as a holding company but is exposed to credit risk for amounts owed by companies within the same group. The risk is therefore not considered material for the assessment of the Company's financial performance.

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

The following disclosures exclude financial instruments that have been classified as assets held by or liabiltiies of disposal groups as at 31 December 2022. For more details of these balances see OVO Group Ltd's Annual Report and Financial Statements 2022.

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

Credit risk and impairment

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and from security deposits held by suppliers and distributors as collateral and deposits with the Group's bank.

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £55m (2021: £1,450m) being the total of the carrying amount of financial assets which include trade receivables and accrued income, derivative financial instruments and cash. Included in the carrying amount of financial assets are security deposits held by suppliers and distributors as collateral which amount to £nilm (2021: £48m).

The Group's exposure to credit risk is primarily within its discontinued operations and as such more information can be found within OVO Group Ltd's Annual Report and Financial Statements 2022.

Allowances for impairment by credit losses

2022	**Trade receivables and accrued income £ m**
At start of year	310
Additional impairment for credit losses recognised in the year	168
Amounts written off	(147)
Reversal of impairment losses	(2)
Transfer to assets of disposal groups held for sale	(329)
At end of year	-

2021	**Trade receivables and accrued income £ m**
At start of year	263
Additional impairment for credit losses recognised in the year	117
Amounts written off	(70)
At end of year	310

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

Market risk

Interest rate risk

The Group borrows to finance its operations and growth. Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group aims to minimise interest rate risk in order to optimise cost of capital.

Sensitivity analysis

The Group's exposure to interest rate risk is primarily within its discontinued operations and as such more information, including a sensitivity analysis, can be found within OVO Group Ltd's Annual Report and Financial Statements 2022.

Effect of IBOR reform

The Group only has term loan facilities which reference GBP LIBOR. Both term loan facilities agreements were amended on 30 December 2021, replacing the interest rate calculation mechanism as a result of IBOR reform. Following the amendments, interest rates are based on SONIA (Sterling Overnight Index Average) and a credit spread adjustment. The Group took the practical expedient available under IBOR Phase 2 amendments to account for these changes by updating the effective interest rate without the recognition of an immediate gain or loss.

Commodity price risk

Commodity risk is the exposure that the Group has to price movements in the wholesale gas and electricity 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 Group 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 Group's exposure to commodity price risk is entirely within its discontinued operations and as such more information can be found within OVO Group Ltd's Annual Report and Financial Statements 2022.

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

Liquidity risk

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

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

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

Maturity analysis

2022	Within 1 year £ m	Between 1 and 5 years £ m	After more than 5 years £ m	Total £ m
Trade and other payables	6	-	-	6
Lease liabilities	2	6	6	14
	8	6	6	20

2021	Within 1 year £ m	Between 1 and 5 years £ m	After more than 5 years £ m	Total £ m
Trade and other payables	887	-	-	887
Bank borrowings	-	569	-	569
Lease liabilities	16	29	20	65
Derivative financial instruments	-	39	-	39
	903	637	20	1,560

Capital risk management

Capital risk is managed to ensure the Group continues as a going concern and grows in a sustainable manner. Following the classification of OVO Group as discontinued operations the Group monitors capital on the basis of the carrying value of equity. Further details of the capital management policy of discontinued operations can be found in OVO Group Ltd's Annual Report and Financial Statements 2022.

30 Related party transactions

Key management personnel

Key management includes Directors and members of the OVO Group management team. The compensation paid or payable to key management for employee services to the Group's subsidiaries is shown below.

Key management compensation - Group

	31 December 2022 £'000	31 December 2021 £'000
Salaries and other short term employee benefits	4,557	1,732
Compensation for loss of office	579	-
Post-employment benefits	67	71
Share-based payments	45	86
	5,248	1,889

Key management compensation - Company

No payments were made to key management personnel of the Company during 2022 (2021: nil).

Summary of transactions with key management

Stephen Fitzpatrick owns 100% of the share capital of Imagination Industries Ltd.

Other transactions with directors

The Company loaned Directors of the Group the following amounts:

	2022 £ m	2021 £ m
At 1 January	7	7
Advanced	36	27
Settlement via share repurchase*	-	(27)
At 31 December	43	7

* The loan advanced during 2021 was settled via the repurchase of 299,437 A Ordinary Shares for consideration of £27m.

Subsequent to 31 December 2022, all Director loan balances were repaid in full.

30 Related party transactions (continued)

Summary of transactions with entities controlled by the same ultimate controlling party
During the year, OVO Energy Ltd incurred costs of £nil payable to Imagine Just 3 Things Ltd (2021: £65,000). No amounts were outstanding to Imagine Just 3 Things Ltd as at 31 December 2022 (31 December 2021: £9,000).

Summary of transactions with subsidiaries

	Amounts provided to £ m	Amounts repaid from £ m	Sales to £ m	Interest receivable £ m	Amounts written off £m	Amounts owed by as at 31 December 2022 £m
Imagination Industries Investments Ltd	1	-	-	1	-	12
Imagination Industries Aero Ltd*	-	-	-	-	(26)	-
Kensington RG Ltd	6	-	-	1	-	11
OVO Group Ltd	-	(15)	15	-	-	15
	7	(15)	15	2	(26)	38

	Amounts provided to £ m	Amounts repaid from £ m	Sales to £ m	Interest receivable £ m	Amounts owed by as at 31 December 2021 £m
Imagination Industries Investments Ltd	2	-	-	1	10
Imagination Industries Aero Ltd*	-	-	-	-	26
Kensington RG Ltd	4	-	-	-	4
OVO Group Ltd	-	(15)	21	-	15
	6	(15)	21	1	55

*Imagination Industries Aero Ltd was disposed of during the year, at which point the amounts owed to the Company were written off having previously been fully impaired.

The revenue due from OVO Group Ltd is subject to variable consideration constraint under IFRS 15 and as such recognition has been limited to £15m in the Company's income statement (2021: £nil) with £8m recognised as a receivable on the Company's statement of financial position (2021: £15m).

Amounts due from Imagination Industries Investments Ltd (previously Imagination Industries Incubator Ltd) and Kensington RG Ltd were fully impaired as at 31 December 2022 and 31 December 2021.

30 Related party transactions (continued)

Summary of transactions with associates

	Amounts provided to £ m	Amounts repaid from £ m	Interest receivable £ m	Amounts written off £m	Amounts owed by as at 31 December 2022 £m
Indra Renewable Technologies Limited	2	(2)	-	-	-
The Renewable Exchange Limited	-	-	-	-	1
Chaddenwych Services Limited	-	-	-	-	1
Akili Partners Limited	-	-	-	(1)	-
	2	(2)	-	(1)	2

	Amounts provided to £ m	Amounts repaid from £ m	Interest receivable £ m	Amounts owed by as at 31 December 2021 £m
Indra Renewable Technologies Limited	-	(3)	-	-
The Renewable Exchange Limited	-	-	-	1
Chaddenwych Services Limited	-	-	-	1
Akili Partners Limited	-	-	-	1
	-	(3)	-	3

The amounts due from Akili Partners Limited were fully provided for as at 31 December 2021 and written off during 2022.

31 Parent and ultimate parent undertaking

The ultimate controlling party is Stephen Fitzpatrick.

For the year ended 31 December 2022 the most senior parent entity producing publicly available financial statements is Imagination Industries Ltd. These financial statements are available upon request from the registered office shown in 9 Pembridge Road, Notting Hill, London, England, W11 3JY.

On 9 March 2023, the share capital of the Company was transferred to Imagination Industries Holdings Ltd, which became the Company's immediate and ultimate parent company. From the year ending 31 December 2023, Imagination Industries Holdings Ltd will be the most senior parent entity producing publically available financial statements. The ultimate controlling party is not affected by this transfer.

32 Subsequent events after the end of the reporting period

In March 2023, Imagination Industries Ltd undertook a series of corporate transactions which resulted in the remaining holding in OVO Group Ltd of A Ordinary Shares being transferred to a newly incorporated entity, Energy Transition Holdings Ltd.

Following the transfer, Imagination Industries Ltd will cease to consolidate the results of OVO Group Ltd as required by the accounting standards.

In addition, during March 2023 the share capital of the Company was transferred to Imagination Industries Holdings Ltd, which became the Company's immediate and ultimate parent company.

33 Audit exemption of subsidiary

OVO Group Ltd has guaranteed the liabilities of the following subsidiaries in order for them to qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 31 December 2022:

- Intelligent Energy Technology Ltd (company number 08330989)
- OVO Field Force Ltd (company number 08785057)
- OVO Holdings Ltd (company number 10722665)
- Corgi Homeplan Ltd (company number SC358475)
- Spark Gas Shipping Ltd (company number 05857480)
- Kantan Ltd (company number 11681210)
- OVO Insurance Services Ltd (company number 11113317)
- OVO (S) Energy Services Limited (company number 11046212)
- OVO (S) Electricity Limited (company number 04094263)
- OVO (S) Energy Solutions Limited (company number SC386054)
- OVO (S) Home Services Limited (company number SC292102)
- OVO (S) Metering Limited (company number SC318950)

Imagination Industries Ltd has guaranteed the liabilities of the following subsidiaries in order for them to qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 31 December 2022:

- Imagination Industries Investments Ltd (company number 11062169)
- Kensington RG Ltd (company number 12762985)