Registration number: 06890795

Ovo Energy Ltd

Annual Report and Financial Statements

for the Year Ended 31 December 2015

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Ovo Energy Ltd

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Ovo Energy Ltd

Company Information

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

Strategic Report

The directors present their strategic report for the year ended 31 December 2015.

Building a smart & sustainable business

The UK energy system is on the cusp of seismic change. With the introduction of smart meters and advances in renewable technologies, the UK is progressing towards a new age of efficient processes and decentralised, clean power generation. Combined with technological innovations this change will bring increasing complexity to supplying energy.

OVO is at the forefront of that change, bringing energy into the 21st century by building a smart and sustainable business that is well placed to meet the challenges and pace of technological development and complexity. A smart business means using smart meters and technology to design innovative new products and deliver a digitally seamless customer experience. A sustainable business means offering customers fair pricing which reflects exceptional quality products and service, and supporting renewable power sources.

By combining the two approaches, OVO is focussed on attracting customers who value a holistic offering - encompassing not only price but quality and brand ethics. We believe these customers will stay with OVO for longer, thus delivering sustainable, long term value. OVO is building a smart and sustainable business that is Better for Everyone.

Smart meters. Smart products. Smart trading.

OVO uses the latest technology to create digitally seamless customer experiences, which empower consumers to increasingly self-serve and enable OVO to create operational efficiencies. In September 2016, over 74% of OVO's customers manage their account online using My OVO, its web-based platform, or the OVO app which is available on smartphones, tablets and the Apple Watch. On My OVO, customers can do everything from submitting meter readings and changing their direct debit to renewing their contract. The app can be used to access account information and top up pay-as-you-go (PAYG) accounts live.

Highest penetration in the market

In 2015 OVO's app accounted for 6% of downloads in the retail energy market, which was three times' OVO's market share (source: Report by Pan European Utilities UBS Lab, "What is the killer app in UK Energy? And can smartphone apps make money?" dated 20 June 2016).

Smart meters

Smart meters provide real-time gas and electricity usage data, removing the need for customers to submit meter readings. OVO has been leading the way in the Government's smart meter rollout since December 2013 when it installed its first smart meter. In September 2016, over a quarter of OVO's customers have a smart meter, with meters having been installed in over 190k of OVO customers' homes. In 2015 alone OVO installed smart meters in over 80k of our customers' homes, equating to over 200 meters installed on average per day.

OVO is now preparing for the introduction of the second generation of smart meters and 'go live' of the Data Communication Company - a data and communications network that will make smart meters fully interoperable between energy suppliers and network operators. OVO has developed its own smart meter booking platform which provides a centralised, live view of engineer availability and bookings across all of OVO's installation partners and Field Force - OVO's in-house installation team. The platform can be accessed by both customers and our installation partners, which makes the booking process more efficient for everyone. OVO's Field Force, which brings the OVO experience into the home, regularly outperforms daily installation targets and has achieved an outstanding average NPS +91 score since launch. NPS - or Net Promoter Score - is calculated based on responses to a single question: How likely would you recommend our company/product/service to a friend or colleague? The scoring for this answer is based on a 0 to 10 scale.

Smart products
With smart meters comes smart data and smart technology, which OVO is using to create new innovative products to further enhance customer experience.

In 2015 OVO launched PAYG+ - the market's first truly integrated, smart prepayment platform which allows prepay customers to manage their energy via an app, from topping up credit to monitoring their usage. This replaces the inconvenient, traditional prepayment methods of top-up keys and cards.

OVO also launched OVO Live - a platform fully designed and developed in-house which allows smart meter customers to monitor their energy usage live. The OVO Live platform receives data every six seconds, providing up to 5 million meter readings every year for individual customers. This provides customers with a truly interactive tool that allows them to engage with and manage their energy usage in an unprecedented way. Receiving automated meter readings at this volume also enables OVO to increase efficiency and accuracy in billing customers.

Smart trading
OVO's trading team has developed a number of tools to purchase commodities and reduce trading risks efficiently and effectively. This helps them manage the 3.3TWh of electricity and 8.6TWh of gas purchased every year (annualised figure as at 30 June 2016).

One such tool is OVO's demand forecasting model, a combination of regression and machine learning algorithms which analyses historic data on usage and weather to calculate OVO's share of Elexon's standard demand profile to a high degree of accuracy. This tool is critical to avoiding volatile and potentially expensive 'cash out' penalties, and therefore minimising OVO's wholesale costs.

This year Ovo outperformed the Big 6 suppliers for the first time and is consistently more accurate than other independent suppliers in its demand forecasting.

State-of-the-art demand forecasting isn't just important for saving costs today - it sets OVO up for the future energy system of tomorrow. Mass penetration of smart meters will bring a huge step change in the quantity of data that will become available to suppliers.

For the first time suppliers will have accurate live data of actual usage, creating the potential for developing a direct link between the cost of supplying electricity to a customer and how and when they actually use it.

Sustainable growth. Sustainable future.

Fair pricing for exceptional customer experience
OVO's approach to pricing is not to simply offer the cheapest tariffs in the market. Doing so may attract new customers quickly, but below-cost pricing is not sustainable in the long term and attracts customers who are driven purely by price.

A typical approach to pricing involves offering deeply discounted tariffs exclusively to new customers - often at or below cost. Discounts are subsidised by significantly higher tariffs paid by existing customers - usually legacy customers or customers whose fixed term tariffs have long expired who are on 'default' tariffs.

In the Competition and Markets Authority's recent investigation into the energy market, it found that 70% of the Big Six's customers are paying default tariffs, such tariffs are excessively priced and the detriment caused by this excessive pricing amounts to £1.4 billion each year (source: Competition and Markets Authority's Final Report dated 24 June 2016: page 45, paragraph 194)

OVO believes that this pricing practice simply isn't fair to customers. It is dependent on keeping a healthy stock of customers sufficiently disengaged and paying over-priced default, variable tariffs.

Instead, OVO believes in fair pricing, where tariffs are competitive and reflect wholesale and supply costs, whilst maintaining exceptional value for quality products and service.

How OVO's pricing is different
The gap between OVO's fixed and variable tariffs is one of the lowest in the market: 57% of OVO's credit customers are on its most competitive tariff (Better (All Online) fixed 12 months), in contrast to the Big Six, 70% of whose customers on average are on the most expensive default tariffs. (source: Competition and Markets Authority's Final Report dated 24 June 2016: page 6, paragraph 24)

Reflecting the quality of OVO's customer service, OVO's NPS score is typically the highest among retail energy suppliers (source: Survey conducted by Brainjuicer on behalf of OVO Energy during August 2016: based on sample size of 567).

Sustainable future
OVO is committed to making renewable electricity available to all customers and reducing our impact on the environment.

In 2015 OVO was the first top 10 UK energy supplier to remove coal from its fuel mix: This reduced OVO's carbon intensity by 34% (compared against its 2014 fuel mix).

OVO's Greener tariff offers 100% renewable power and is one of cheapest in the market. All of OVO's other tariffs have as standard at least 33% renewable electricity.

OVO is making the UK greener: In partnership with The Conservation Volunteers, OVO launched its "I Dig Trees" initiative in 2015, planting 157,000+ trees and improving over 2,000 green spaces across the UK.

What's coming next

The rise of renewables will continue
How we make and consume energy is evolving rapidly as new technologies respond to rising demand for sustainable, low-carbon energy sources. At the beginning of this century, over 90% of electricity in the UK was generated by traditional coal, gas and nuclear power plants - with renewable generation making up less than 1% of installed capacity.

Fast forward to 2015: whilst large-scale coal, gas and nuclear generation still provides two-thirds of our electricity requirements, renewable generation now represents a quarter of total generation. The rise of renewable power can be attributed to a number of factors. Costs have fallen dramatically, particularly for onshore wind and solar PV, as these industries benefit from economies of scale, technologically-led savings and government subsidies which have stimulated growth.

Renewable generation helps us deliver on climate change goals, but it also alters the dynamics of the electricity system radically, moving from a "centralised" model to a "de-centralised" one. De-centralised electricity systems, often known as distributed generation, represent a step change from the industrial model on which the Big Six have built their businesses. Distributed generation encompasses small-scale generation facilities, located at or near where the power will be consumed. 23% of installed generation capacity is now connected to either the lower-voltage distribution networks or directly to domestic, commercial and industrial buildings (source: National Grid Future Energy Scenarios 2016).

Storage is an under-appreciated game-changer
Accompanying the rise of renewables, we see great potential for energy storage to transform how and when we consume power. One of the key problems with renewables is that the power produced by it will always be intermittent. Storage, essentially large-scale battery technology, overcomes this issue by allowing us to "recharge" whenever renewable power is plentiful and cheap, and then "deplete" when renewable power is in short supply.

Until recently, energy storage has been expensive. However, thanks largely to a global expansion of lithium-ion battery production capacity for electric vehicle application, battery costs have fallen dramatically in recent years - decreasing by 35% in 2015 alone - and are expected to continue to fall (source: http://www.bloomberg.com/features/2016-ev-oil-crisis/).

Future homes may therefore become increasingly self-sufficient, making and consuming their own electricity. We believe that domestic energy storage is set to change the electricity market more quickly than many realise.

Electric vehicles - a potential long-term driver of electric demand
Despite recent lower fuel prices, electric vehicle (EV) uptake is on the rise. It is estimated that EVs will add 8%, to global annual electricity demand by 2040 (source: Bloomberg, New Energy Finance - Electric Vehicles 22 August 2016). As with renewables, governments will at first need to incentivise the growth of ownership, but the benefit of this will be continued progress toward meeting long-term decarbonisation goals.

For the electricity system, the implications of EVs are substantial. Although personally owned and a consumer product, EVs have storage potential, which can aid with the complex task of balancing electricity demand and supply - becoming a component of our electricity grid.

Demand management provides an area of near-term opportunity
We also anticipate significant developments in demand management in the coming years. With live data available from smart meters, customers' consumption could soon be priced based on the time of day energy is actually used. This level of accuracy will reward customers who are able to reduce their consumption during peak periods when demand, and therefore wholesale costs, are at their highest.

What's next?
Everyone will need to adapt to the rapid rate of change in the UK energy system and find ways to meet the challenges of an electricity system under transformation. OVO's vision for the future involves harnessing new technologies and finding truly innovative ways to control and optimise both supply and demand, to the benefit of all our stakeholders.

OVO'S FINANCIALS

Financial Overview

Growth
2015 was a year of significant growth. The number of customers rose from 408k to 569k, representing a 38% increase from 2014. Revenue growth was correspondingly high at £513m, compared to £319m in 2014, representing a 61% increase. The significantly higher rate of growth in revenue compared to customer numbers reflects the impact of timing in acquiring customers. Due to seasonality effects the full benefit of revenue from customers acquired in Winter 2014, when the UK experienced mild weather, was not reflected until 2015.

Growth in customer numbers remained strong in the first half of 2016 reaching 681k, an annualised growth rate of 43%.

A Smart and Sustainable business
OVO has invested heavily in technology to deliver digital tools which increasingly enable customers to self-serve and therefore creates operational efficiencies. This investment has resulted in year-on-year reductions in administration costs as a percentage of revenue, from 18.3% in 2014 to 15.4% in 2015.

One specific area of focus for OVO is the rollout of smart meters. During the course of 2015 over 145k gas and electricity smart meters were installed into OVO customers' homes, and a further 107k were installed in the first half of 2016. This means that OVO now has the highest proportion of its customer base installed with smart meters out of the top 10 suppliers. OVO's investment in smart meters has enabled the successful rollout of PAYG+ and OVO Live, and underpins OVO's future development of innovative smart-enabled products and services.

Working capital management
Optimising OVO's working capital cycle has been key to offering competitive tariffs.

OVO has a substantial trading and credit facility arrangement with Shell which enables it to efficiently manage sizeable commodity transactions.

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

While a customer's DD amount reflects a flat monthly payment profile, their credit balance will fluctuate significantly during the year as energy usage is highly seasonal. OVO carefully monitors credit balances during the year to ensure that DD amounts are appropriately set to cover a customer's anticipated usage. During 2016 OVO refunded approximately £11m in surplus credit to 30k customers whose credit balances exceeded their likely usage during the warmer months. Customers can also change their DD amount and/or request a refund of surplus credit via My OVO, the online platform, which puts customers in total control of their account balance in an operationally efficient way.

Key Financial and Performance Indicators

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

	Unit	2015	2014
Customer numbers	No.	569,000	408,000
Cash	£'000	45,669	29,618
Annualised gross profit margin (before unrealised derivative gains/losses)	%	8.1	7.5

Principal risks and uncertainties

The principal risks and uncertainties impacting the Company relate to the wholesale price of gas and electricity, price pressure from competitors and bad debt risk. The Company aims to manage risk by securing gas and electricity under forward contracts and by placing customers on fixed price contracts. By collecting monthly Direct Debits from our customers, the Company plans to keep bad debts to a minimum, however, this is an area to which close attention is being paid with the current national economic climate likely to cause household budgets to become more stretched in the coming months. Whilst the Company had no borrowing at year end 2015, the Director is careful to manage capital to ensure that the business grows in a sustainable manner.

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

Approved by the Board on 30 September 2016 and signed on its behalf by:

.....
Stephen Fitzpatrick
Director

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2015.

Directors of the company

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

Stephen Fitzpatrick

Stephen Murphy - Chairman (appointed 28 January 2015)

Christopher Houghton (appointed 28 January 2015)

Niall Wass (appointed 9 December 2015)

Jonathan Owen (appointed 9 December 2015)

The following director was appointed after the year end:

Sarah Calcott (appointed 4 February 2016)

Dividends
The directors do not propose a dividend for the current year (2014: no dividends proposed).

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

Charitable donations
During the year the company made charitable donations of £1,023,000 (31 December 2014: £604,000). Individual donations were:

	£
Rainforest protection	584,000
The Ovo Charitable Foundation	439,000

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

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

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

Research and development
The Company continues to develop its IT infrastructure, investing £6.2m in software development and licences for the year to 31 December 2015 (31 December 2014: £5.7m). The Company did not engage in research during the year (31 December 2014: £nil).

Going concern
Whilst the Company made a loss for the year ending 31 December 2015, and has net liabilities, the financial statements have been prepared on a going concern basis as the director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Further details are in note 2 of the financial statements.

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

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditor

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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 30 September 2016 and signed on its behalf by:

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Stephen Fitzpatrick
Director

Independent Auditors' Report to the members of Ovo Energy Ltd

Report on the financial statements

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

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with the International Financial Reporting Standards ("IFRSs") as adopted by the European Union: and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the Annual Report, comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Income Statement for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation for the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

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

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

We have no exceptions to report arising from this responsibility.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of Directors' Responsibilities set out on pages 9-10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

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

Bristol

30
[redacted] September 2016

Income Statement

	Note	2015 £ 000	2014 £ 000
Revenue	3	512,427	319,302
Cost of sales		(468,245)	(295,433)
Gross profit		44,182	23,869
Administration expenses		(78,904)	(58,495)
Other gains	4	-	1,536
Operating loss		(34,722)	(33,090)
Finance income		631	812
Finance costs		-	(3,453)
Net finance income / (costs)	6	631	(2,641)
Loss before tax		(34,091)	(35,731)
Taxation	9	3,966	7,308
Loss for the year		(30,125)	(28,423)

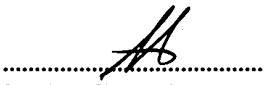
The above results were derived from continuing operations.

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

Statement of Financial Position

	Note	2015 £ 000	2014 £ 000
Assets			
Non-current assets			
Property, plant and equipment	10	4,455	5,109
Intangible assets	11	8,063	5,552
Investments in subsidiaries, joint ventures and associates	12	-	-
Deferred tax assets	9	12,479	8,861
		24,997	19,522
Current Assets			
Inventories	13	78	1,102
Trade and other receivables	14	35,302	42,860
Cash and cash equivalents	15	45,669	29,618
		81,049	73,580
Total assets		106,046	93,102
Current Liabilities			
Trade and other payables	16	(83,563)	(46,678)
Derivative financial instruments		-	(623)
Deferred income		(88,145)	(81,830)
Provisions	19	(373)	(219)
		(172,081)	(129,350)
Total liabilities		(172,081)	(129,350)
Net liabilities		(66,035)	(36,248)
Equity			
Share capital	17	-	-
Share premium		50	50
Other reserves		490	152
Accumulated losses		(66,575)	(36,450)
Total equity		(66,035)	(36,248)

The financial statements on pages 10 to 45 were approved by the Board of Directors on 30 September 2016 and signed on its behalf by:



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Stephen Fitzpatrick

Director

Statement of Changes in Equity

	Share premium £ 000	Other reserves £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 January 2014	50	3	(8,027)	(7,974)
Loss for the year	-	-	(28,423)	(28,423)
Share based payment transactions	-	149	-	149
At 31 December 2014	50	152	(36,450)	(36,248)

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

Statement of Cash Flows

	Note	2015 £ 000	2014 £ 000
Cash flows from operating activities			
Loss for the year		(30,125)	(28,423)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	5,782	2,540
Financial instrument net (gains) / losses through profit and loss		(623)	623
Loss on disposal of property plant and equipment	4	-	175
Loss on disposal of intangible assets	4	-	289
Finance income	6	(631)	(812)
Finance costs	6	-	3,453
Share based payment transactions		338	149
Income tax credit	9	(3,966)	(7,308)
		(29,225)	(29,314)
Working capital adjustments			
Decrease/(increase) in inventories	13	1,024	(1,102)
Decrease/(increase) in trade and other receivables	14	7,906	(23,994)
Increase in trade and other payables	16	36,885	31,899
Increase/(decrease) in provisions	19	154	(6)
Increase in deferred income, including government grants		6,315	57,416
Net cash flow generated from operating activities		23,059	34,899
Cash flows used in investing activities			
Interest received	6	631	812
Acquisitions of property plant and equipment	10	(1,770)	(5,336)
Proceeds from sale of property plant and equipment		-	1
Acquisition of intangible assets	11	(5,869)	(5,698)
Net cash flows used in investing activities		(7,008)	(10,221)
Cash flows used in financing activities			
Interest paid	6	-	(3,453)
Proceeds from bank borrowing draw downs		-	8,000
Repayment of bank borrowing		-	(8,000)
Net cash flows used in financing activities		-	(3,453)
Net increase in cash and cash equivalents		16,051	21,225
Cash and cash equivalents at 1 January		29,618	8,393
Cash and cash equivalents at 31 December		45,669	29,618

Notes to the Financial Statements

1 General information

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

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

These financial statements were authorised for issue by the Board on 30 September 2016.

2 Accounting policies

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in the 'Critical accounting estimates and judgements ' section at the end of this note.

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

Going concern
Whilst the Company made a loss for the year ended 31 December 2015, and has net liabilities, the financial statements have been prepared on a going concern basis.

The Company meets its day-to-day working capital requirements through its bank facilities and the Shell facility.

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

2 Accounting policies (continued)

Exemption from preparing group financial statements
The financial statements contain information about Ovo Energy Ltd as an individual company and do not contain consolidated financial information as the parent of a group.
The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Ovo Group Ltd, a company incorporated in United Kingdom.

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

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

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

Accrued revenue, representing gas and electricity supplied since the last billing date, is recognised in the balance sheet and is netted off against deferred income to the extent it can be matched against specific customer payments.

All revenue arose within the United Kingdom.

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

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

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

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

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

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

2 Accounting policies (continued)

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

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

Property, plant and equipment

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

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

Depreciation

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

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

2 Accounting policies (continued)

Intangible assets
a) Trademarks and licenses

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

b) Computer software and licenses

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

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

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

Inventories

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

Trade payables

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

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

Borrowings

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

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

Provisions

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

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

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

2 Accounting policies (continued)

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

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

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

Employee benefits
The Company operates a flexible benefit scheme for qualifying employees whereby in addition to their salary, those employees are invited to select certain benefits with a value of up to 4% of their base pay. All costs related to the scheme are expensed in the income statement in the years which services are rendered by employees. One of the available benefits is payment to a defined contribution pension plan. This is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company has enrolled in the automatic pension scheme since November 2013.

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

2 Accounting policies (continued)

Share based payments

Imagination Industries Limited and Ovo Group Ltd operate a number of equity-settled, share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of magination Industries Limited and 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, Imagination Industries Limited and Ovo Group Ltd revises their estimates of the number of options that are expected to vest based on the non-market vesting conditions. They recognise the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

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

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

2 Accounting policies (continued)

Financial assets

Classification

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

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

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

(b) Loans and receivables

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

Recognition and measurement

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

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

2 Accounting policies (continued)

Impairment
(a) Assets carried at amortised cost

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

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

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

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

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

2 Accounting policies (continued)

Derivatives and hedging

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

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

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

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

Changes in accounting policy

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

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

2 Accounting policies (continued)

Critical estimates and judgements

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

Revenue recognition - supplies that cannot be billed

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

Impairment of trade receivables

Impairments against trade receivables are recognised where the loss is probable. The Directors have based their assessment of the level of impairment on collection rates experienced by the Company to date. The estimates and assumptions used to determine the level of provision will continue to be reviewed periodically and could lead to changes in the impairment provision methodology which would impact the income statement in future years.

Deferred tax assets

Deferred tax assets are only recognised when it is considered more likely than not that the Company will make future taxable profits against which the deferred tax asset can be utilised. Having assessed the level profits made by the Group since the year end and forecasts of revenue and costs for the coming years, the directors believe it is probable that the Company will generate sustainable profits and therefore a deferred tax asset has been recognised.

3 Revenue

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

	2015 £ 000	2014 £ 000
Sale of gas and electricity	512,427	319,302

4 Other gains

The analysis of the company's other gains and losses for the year is as follows:

	2015 £ 000	2014 £ 000
Loss on disposal of property, plant and equipment	-	(175)
Loss on disposal of intangible assets	-	(289)
Profit from sale of brand	-	2,000
	-	1,536

5 Operating loss

Arrived at after charging

	2015 £ 000	2014 £ 000
Depreciation expense	2,424	829
Amortisation expense	3,358	1,711
Operating lease expense - property	1,245	1,071

6 Finance income and costs

	2015 £ 000	2014 £ 000
Finance income		
Interest income on bank deposits	631	812
Finance costs		
Interest on bank overdrafts and borrowings	-	(3,453)
Net finance income/(costs)	631	(2,641)

7 Staff costs

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

	2015 £ 000	2014 £ 000
Wages and salaries	25,032	16,541
Social security costs	2,098	1,480
Other pension costs	376	249
Share-based payment expenses	338	149
Other employee expense	270	200
	28,114	18,619

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

	2015 No.	2014 No.
Administration and support	226	108
Sales, marketing and distribution	756	344
	982	452

There were three Directors during the year (31 December 2014: One). Directors' remuneration and salary cost is recognised in Ovo Group Ltd in the year (2014: Director's remuneration recognised in the company up to September 2014, and in Ovo Group Ltd from October 2014 to December 2014). The Directors' remuneration for the year ending 31 December 2015 in total was £623,000 (31 December 2014: £124,000). The highest paid Director in the year received remuneration of £326,000.

8 Auditors' remuneration

	2015 £ 000	2014 £ 000
Audit of these financial statements	69	40
Other fees to auditors		
Audit-related assurance services	12	11
Taxation compliance services	36	25
All other tax advisory services	-	12
The audit of other companies in the Group	33	45
	81	93

9 Taxation

Tax (credited)/charged in the income statement

	2015 £ 000	2014 £ 000
Deferred taxation		
Arising from origination and reversal of temporary differences	(3,966)	(7,308)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2014 - higher than the standard rate of corporation tax in the UK) of 20.25% (2014 - 21.5%).

The differences are reconciled below:

	2015 £ 000	2014 £ 000
Loss before tax	(34,091)	(35,731)
Corporation tax at standard rate	(6,903)	(7,682)
Effect of revenues exempt from taxation	-	(272)
Effect of expense not deductible in determining taxable profit (tax loss)	1,546	-
Tax losses surrendered payable by group company	(350)	-
Deferred tax expense relating to changes in tax rates or laws	886	618
Decrease in UK and foreign current tax from adjustment for prior periods	563	(122)
Corporation tax losses surrendered to fellow group companies not payable	292	150
Total tax credit	(3,966)	(7,308)

The main rate of UK corporation tax for the year to 31 March 2015 was 21%, reducing to 20% for the year to 31 March 2016.

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. The relevant deferred tax balances have been remeasured accordingly.

9 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

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

2014	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Tax losses carry-forwards	8,768	-	8,768
Accelerated tax depreciation	-	(48)	(48)
Derivatives	124	-	124
Pension benefit obligations	17	-	17
	8,909	(48)	8,861

9 Taxation (continued)

Deferred tax movement during the year:

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

Deferred tax movement during the prior year:

	At 1 January 2014 £ 000	Recognised in income £ 000	At 31 December 2014 £ 000
Tax losses carry-forwards	1,534	7,234	8,768
Accelerated tax depreciation	19	(67)	(48)
Derivatives	-	124	124
Pension benefit obligations	-	17	17
Net tax assets/(liabilities)	1,553	7,308	8,861

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

10 Property, plant and equipment

	Leasehold property £ 000	Fixtures, fittings and office equipment £ 000	Total £ 000
Cost or valuation			
At 1 January 2014	527	1,066	1,593
Additions	4,140	1,196	5,336
Disposals	(380)	(470)	(850)
At 31 December 2014	4,287	1,792	6,079
Additions	1,004	766	1,770
At 31 December 2015	5,291	2,558	7,849
Accumulated Depreciation			
At 1 January 2014	284	531	815
Charge for year	397	432	829
Eliminated on disposal	(343)	(331)	(674)
At 31 December 2014	338	632	970
Charge for the year	1,626	798	2,424
At 31 December 2015	1,964	1,430	3,394
Carrying amount			
At 31 December 2015	3,327	1,128	4,455
At 31 December 2014	3,949	1,160	5,109
At 1 January 2014	243	535	778

11 Intangible assets

	IT software and internally generated software costs £ 000	Trademarks and industry accreditation £ 000	Total £ 000
Cost or valuation			
At 1 January 2014	2,907	502	3,409
Additions	5,696	2	5,698
Disposals	(612)	-	(612)
At 31 December 2014	7,991	504	8,495
Additions	5,869	-	5,869
At 31 December 2015	13,860	504	14,364
Accumulated Amortisation			
At 1 January 2014	1,545	10	1,555
Amortisation charge	1,610	101	1,711
Amortisation eliminated on disposals	(323)	-	(323)
At 31 December 2014	2,832	111	2,943
Amortisation charge	3,325	33	3,358
At 31 December 2015	6,157	144	6,301
Carrying amount			
At 31 December 2015	7,703	360	8,063
At 31 December 2014	5,159	393	5,552
At 1 January 2014	1,362	492	1,854

11 Intangible assets (continued)

The amortisation charge of £3,358,000 (31 December 2014: £1,711,000) is recognised in administrative expenses.

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

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

12 Investments

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

Details of the subsidiaries as at 31 December 2015 and 31 December 2014 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2015	2014
Ovo Electricity Ltd	Procurement and sale of electricity from the wholesale markets and renewable sources	UK	100%	100%
Ovo Gas Ltd	Supply of gas and related services	UK	100%	100%

13 Inventories

	2015 £ 000	2014 £ 000
Finished goods and goods for resale	78	-
Renewable Obligation Certificates	-	1,102
	78	1,102

The cost of R.O.Cs recognised as an expense in the year amounted to £25,291,000 (2014 - £16,018,000). This is included within cost of sales.

14 Trade and other receivables

	2015 £ 000	2014 £ 000
Trade receivables and accrued income	35,931	25,432
Provision for impairment of trade receivables and accrued income	(11,886)	(7,573)
Net trade receivables	24,045	17,859
Receivables from related parties	782	390
Loans to related parties	3,205	12,296
Prepayments	1,762	635
Other receivables	5,508	11,680
Total current trade and other receivables	35,302	42,860

14 Trade and other receivables (continued)

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

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

15 Cash and cash equivalents

	2015 £ 000	2014 £ 000
Cash at bank	45,669	29,618

16 Trade and other payables

	2015 £ 000	2014 £ 000
Trade payables	29,216	11,810
Accrued expenses	37,249	31,691
Amounts due to related parties	17,096	3,133
Social security and other taxes	2	44
	83,563	46,678

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

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

17 Share capital

Allotted, called up and fully paid shares

	2015		2014	
	No.	£	No.	£
Ordinary share capital of £0.01 each	12,500	125	12,500	125

18 Obligations under leases and hire purchase contracts

Operating leases

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

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

	2015 £ 000	2014 £ 000
Within one year	924	924
In two to five years	1,111	2,305
	2,035	3,229

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,224,000 (2014 - £1,104,000).

Post year end the Company entered into a contract for an additional premises. The new property lease is contracted for 12 years with a total value payable over the 12 years of £8,577,000.

19 Provisions

	Dilapidations provisions £ 000	Total £ 000
At 1 January 2015	219	219
Increase (decrease) in existing provisions	154	154
At 31 December 2015	373	373
Current liabilities	373	373

20 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (31 December 2014 - £Nil).

21 Financial instruments

Financial assets
Loans and receivables

	Carrying value		Fair value	
	2015	2014	2015	2014
	£ 000	£ 000	£ 000	£ 000
Cash and cash equivalents	45,669	29,618	45,669	29,618
Trade and other receivables	35,302	41,119	35,302	41,119
	80,971	70,737	80,971	70,737

Valuation methods and assumptions

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

Financial liabilities

Derivative financial liabilities at fair value through profit and loss held for trading

	Carrying value		Fair value	
	2015	2014	2015	2014
	£ 000	£ 000	£ 000	£ 000
Power and Gas commodity	-	623	-	623

Valuation methods and assumptions

The fair value of power and gas commodity financial instruments (level 2) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data (such as forward commodity curves) where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Financial liabilities at amortised cost

	Carrying value		Fair value	
	2015	2014	2015	2014
	£ 000	£ 000	£ 000	£ 000
Trade and other payables	83,563	46,634	83,563	46,634

Valuation methods and assumptions

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

22 Financial risk management and impairment of financial assets

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

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

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

Credit risk and impairment

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and from security deposits and prepayments to suppliers and distributors.
The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £80,971,000 (31 December 2014: £70,737,000) being the total of the carrying amount of financial assets, excluding equity investments, which include trade receivables and accrued income, derivative financial assets and cash. All the receivables are with parties in the UK.

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

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

Past due and impaired financial assets

Allowances for impairment by credit losses

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

2014	Loans and receivables £ 000
At start of year	2,952
Additional impairment for credit losses	4,621
At end of year	7,573

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

Analysis of items past due or impaired
Loans and receivables

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

2014	Carrying value of items neither past due nor impaired £ 000	Carrying value of items past due but not impaired £ 000	Carrying value of items past due and/or impaired £ 000	Pre impairment value £ 000	Impairment recognised to date £ 000
Loans and receivables	38,752	4,204	7,573	43,336	7,573

Market risk
Commodity price risk

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

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

Derivatives are measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivatives and other financial instruments are recognised in the income statement as they arise. Unrealised net losses on open contracts at the year-end were £nil (31 December 2014: £623,000).

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

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

Liquidity risk

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

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

The biggest threat to the Company's liquidity is the potential for it to have to place margin calls against forward contracts for electricity and gas purchases. Such payments could be required if the wholesale market price of gas and electricity fell below the price of the forward contract. A new gas supplier arrangement requires a fixed cash deposit without the need for additional margin calls against market movements. Margin calls with other suppliers are made out of working capital in the form of cash deposits. The Group manages its cash resources to ensure it has sufficient funds to meet all expected demands as they fall due.

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

Capital risk management

Capital components

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

23 Related party transactions

Key management personnel

From October 2014 the Directors and key management personnel of the Company were paid by Ovo Group Ltd, the Company's direct parent. The Company is charged a management charge by Ovo Group Ltd in relation to a proportion of these costs of remuneration. The values of recharge are detailed below in the note.

23 Related party transactions (continued)

Key management compensation

	2015 £ 000	2014 £ 000
Salaries and other short term employee benefits	-	1,742

Summary of transactions with parent

During the year the company provided loan funds to its immediate parent, OVO Group Ltd, of £175,000 (2014 - £4,535,000). The loan incurred an interest charge of 10% annually on the capital balance, the total interest receivable for the year was £217,000 (2014 - £340,000). OVO Group Ltd repaid the loan during the year (£4,921,000) and then provided a loan to the company of £8,416,000. This loan incurs an interest charge of 10% annually on the capital balance, the total interest payable for the year was £178,000 (2014 - £nil).

During the year the company was charged management charges by OVO Group Ltd for the provision of management personnel of £2,346,000 (2014 - £628,000). These costs are included in the total payable (2014 - receivable) year end balance shown below.

As at the year end the loan owing to OVO Group Ltd by the company including interest was £10,629,000 (2014: OVO Group Ltd owed the company £4,875,000).

During the year Imagination Industries Limited (ultimate parent entity) charged Ovo Energy Ltd brand royalty fees totalling £775,000 (2014: £nil). As at 31 December 2015 the Company owed Imagination Industries Limited £1,276,000 (2014: £432,000). The Company has surrendered tax losses to Imagination Industries Limited for the year ended 31 December 2015, the total payable and owing to the Company by Imagination Industries Limited was £350,000 (2014: £ nil).

Summary of transactions with subsidiaries

During the year the Company traded with Ovo Electricity Ltd (subsidiary) and made purchases of electricity totalling £86,315,000 (2014: £73,749,000). As at 31 December 2015, the balance due to Ovo Electricity Ltd was £4,678,000 (2014: £2,683,000). During the year the Company also provided management functions to Ovo Electricity Ltd, total charges in the year were £210,000 (2014: £161,000). As at the year end there were no balances due relating to the management charges (2014: £nil).

During the year the Company traded with Ovo Gas Ltd (subsidiary) and made purchases of gas totalling £7,560,000 (2014: £2,203,000). As at 31 December 2015, the balance due to Ovo Gas Ltd was £131,000 (2014: £145,000). During the year the Company also provided management functions to Ovo Gas Ltd, total charges for the year were £105,000 (2014: £161,000). As at the 31 December 2015 there were no balances due relating to the management charges (2014: £nil).

23 Related party transactions (continued)

Summary of transactions with other related parties

During the year the Company provided additional loan funding to In Home Technology Limited of £603,000 (2014: loan funding provided of £641,000). The loan incurs an interest charge of 10% annually on the capital balance, the total interest receivable for the year was £60,000 (2014: 33,000). As at 31 December 2015 the Company was owed £556,00 (2014: 674,000). During the year the Company received services from In Home Technology Limited for the provision of meter related services of £185,000 (2014: £299,000). As at 31 December 2015 the Company owed £241,000 (2014: £56,000).

During the year the Company provided additional loan funding to Smart Meter Assets 1 Ltd of £600,000 (2014: loan funding provided of £6,869,000). The loan incurs an interest charge of 10% annually on the capital balance, the total interest receivable for the year was £397,000 (2014: £313,000). As at 31 December 2015, Smart Meter Assets 1 Ltd owed the Company £3,203,000 (2014: £7,182,000). During the year the Company received services from Smart Meter Assets 1 Ltd for the rental of smart meters of £268,000 (2014: £466,000). As at 31 December 2015 the Company owed £508,000 (2014: £466,000).

24 Parent and ultimate parent undertaking

The company's immediate parent is Ovo Group Ltd.

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

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

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

The ultimate controlling party is Stephen Fitzpatrick.