Registration number: 08862063

Ovo Group Ltd (formerly Ovo Energy (Group) Ltd)

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2014

Ovo Group Ltd (formerly Ovo Energy (Group) Ltd)

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Ovo Group Ltd (formerly Ovo Energy (Group) Ltd)

Company Information

Chairman	Stephen Murphy
Directors	Stephen Fitzpatrick Stephen Murphy Christopher Houghton Sophie Fitzpatrick Daniel Sasaki
Company secretary	Vincent Casey
Registered office	1 Rivergate Temple Quay Bristol United Kingdom BS1 6ED
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

Ovo Group Ltd (formerly Ovo Energy (Group) Ltd)

Strategic Report for the Year Ended 31 December 2014

The directors present their strategic report for the year ended 31 December 2014.

Ovo Energy 2014 Highlights: A Year of Innovation & Growth
For OVO, the UK's leading independent energy supplier, and the tenth fastest growing private company in the UK, 2014 was a period of intense industry innovation and growth on all fronts, continuing in 2015.

Surging Customer Growth
In 2014, OVO tripled its customer numbers, expanding from 137,000 customers at the start of the year to 408,000 by year end, fuelled by a smart hedging strategy to take advantage of falling commodity prices and an aggressive brand marketing campaign. In September 2015, OVO appointed Sarah Calcott to the newly-created role of Chief Operating Officer. Sarah Calcott is charged with being the operational driving force behind the company, ensuring it maintains its record for outstanding, end-to-end customer experience, industry innovation and growth. Sarah Calcott starts her new role in January 2016, joining OVO from eBay where she was most recently COO for the UK.

Increased Revenues Fuel Growth
Revenues in the period increased 86% from £171.7m at the end of December 2013 to £317.4m in December 2014. The costs associated with the extensive growth in customers (many of whom joined mid-year and had yet to contribute a full year of revenue), and related investments in OVO's industry-leading service levels, staff and technology innovation, resulted in an anticipated loss for the year before tax of £37.3m (31 December 2013: £0.1m).

Investments
In August 2015 the company closed on £31 million of Series A funding from independent investment firm Mayfair Equity Partners.

Pay As You Go Technology Disruption
Entering the traditionally neglected pay as you go energy market in late 2014, OVO turned it on its head in early 2015 with the launch of its Smart PAYG+ offering. The service consigned the antiquated meter key and corner shop top-up trip to history by giving customers the option to top up via a mobile app, text or phone. As of September 2015 OVO has 69,000 PAYG customers.

Power to Communities
In 2014, Ovo began the process of bringing about a new route to market via OVO Communities, a ground breaking out-of-the-box package of tools and support to enable local councils, housing associations and community groups to themselves become energy suppliers. Ovo held discussions with various councils resulting in the Communities project launching successfully in April 2015. Uptake has been enthusiastic, with five partnership arrangements signed by the end of June 2015. The new model behind the Communities platform has also sparked intense political and industry debate around the democratisation and decentralisation of energy supply as a means of driving competition and bringing down energy bills. A strong pipeline of future projects is currently being progressed.

Which is Best
Alongside the tripling of customers numbers in 2014, OVO also received two important quality-related industry accolades. OVO places considerable significance on the quality of the employee experience and in 2014 it was ranked the 25th Best Company to Work For in the UK in the annual report by The Sunday Times. Built on a promise of transparency and leading customer service, in early 2015 it became the first and to-date only energy provider to gain Which Recommended status.

SMART Leadership
OVO has taken a bullish stance on the smart meter roll out, installing over 47,000 meters during 2014. By the end of June 2015, 109,000 meters had been installed. The Company has also taken the ambitious step of becoming a Meter Operator (MOP), thus securing better control and visibility of meter data, facilitating meter exchange processes and negating the need to outsource this service to third parties.

Policy Outlook
In 2014, the Competition and Markets Authority ("CMA") began investigations into the practices of the UK energy market, releasing Interim Findings in 2015. OVO considers the Interim Findings of the CMA Investigation to be broadly positive for customers and for the Company's business model. Notably:

• The Company has been unwavering in its opposition to the restrictive 'Four Tariff Rule' implemented in 2013. OVO therefore welcomes the CMA findings that the rule will now likely be abolished, creating opportunities to innovate and prove better value to customers;

• The introduction of a form of 'safeguard tariff', which if implemented and set at an appropriate level, could bring down prices for customers on variable rate tariffs. In direct contrast to the Big Six (which have between 50% and 90% of customers on these variable rates), OVO only had 14% of customers on this tariff at the end of 2014; and

• Regulation to enforce energy suppliers to implement measures to prompt switching. This could incite mass switching away from incumbent suppliers to challengers such as OVO..

Doing What's Best for the Customer
In 2014, OVO won its high-profile battle with energy regulator, Ofgem, to be permitted to continue offering 3% interest to customers with accounts in credit. At the same time, the Company made the decision to remove early termination fees in April 2014, preferring to rely on positive brand experience and loyalty (rather than penalty clauses) to retain its customers.

Creating a Greener Future
OVO is committed to providing an affordable, mainstream green alternative for customers. Throughout 2014 and 2015 it has been reducing the amount of coal in its fuel mix while upping renewable energy. In April 2015, OVO doubled the percentage of energy supplied from renewable sources on its three standard tariffs from 15% to to 33% - almost double the renewable content in the total UK fuel mix. In September 2015, it announced an innovative solution that enabled it to completely scrub coal from its fuel mix.

Team, Systems & Processes
OVO's business model is to continuously invest ahead of growth, developing higher quality, scalable platforms for customers and staff, whilst continuously reducing cost to serve. 2014 and 2015 have seen significant investments in new management and customer support staff (247 people in January 2014 to 742 at the end of 2014), a new Salesforce CRM platform that will drive greater efficiency while enhancing OVOs leading levels of customer service, and a landmark head office in Bristol's regenerated Temple Meads area that was one of Bristol's largest commercial property deals of recent years.

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

	Unit	2014	2013
Customer numbers	No.	408,000	137,000
Cash	£'000	30,388	8,393
Annualised gross profit margin (before unrealised derivative gains/losses)	%	10	11
Adjusted EBITDA*	£'000	(13,312)	3,779

*Adjusted EBITDA excludes Customer Acquisition Costs, exceptional items, depreciation and amortisation and unrealised gains and losses on derivatives, see following for breakdown:

	2014	2013
	£ 000	**£ 000**
Adjusted EBITDA	**(13,312)**	**3,779**
Unrealised gains/(losses) on derivatives	(2,449)	439
Customer Acquisition Costs	(17,447)	(2,122)
Exceptional items	2,000	(408)
EBITDA	**(31,208)**	**1,688**
Depreciation and Amortisation	(2,704)	(1,074)
Operating (Loss)/Profit	**(33,912)**	**614**

Principal risks and uncertainties

The principal risks and uncertainties impacting the company relate to the wholesale price of gas and electricity and bad debt risk.

The company manages commodity price risk by securing gas and electricity under forward contracts and by supplying the majority of customers on fixed price contracts. As a result of rapid and sustained customer growth, OVO signed a new trading and credit agreement with Shell plc in November 2014 to secure its future supply needs. The agreement gives the company access to new products and improved working capital terms. As a condition of entering into this agreement, the loan from Generation Investment Management was repaid in full in Q4 2014.

The company mitigates bad debt risk by asking credit customers to pay by direct debit a month in advance of usage, which also ensures Ovo has the purchasing power to offer more competitive tariffs. In addition, customers are awarded 3% Ovo interest on credit balances. For non-credit customers, prepayment and smart meters are installed or a security deposit is taken to avoid bad debt risk. Where debt becomes overdue, a full Dunning cycle and debt collection process is run by the Collections team.

Approved by the Board on 24 September 2015 and signed on its behalf by:

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Stephen Fitzpatrick
Director

Ovo Group Ltd (formerly Ovo Energy (Group) Ltd)

Directors Report for the Year Ended 31 December 2014

The directors present their report and the consolidated financial statements for the year ended 31 December 2014.

Incorporation
The company was incorporated on 27 January 2014 and became the new parent company of the Ovo Group.

The company financial statements therefore reflect the results of the company since this date. As discussed in Note 2, the consolidated financial statements show the results of the group as if the company has always been the parent company of the Ovo group of companies.

Directors of the group
The director who held office during the year was as follows:

Stephen Fitzpatrick

The following directors were appointed after the year end:

Stephen Murphy - Chairman (appointed 28 January 2015)

Christopher Houghton (appointed 28 January 2015)

Sophie Fitzpatrick (appointed 28 January 2015)

Daniel Sasaki (appointed 17 April 2015)

Dividends
The directors do not propose a dividend for the year (2013: no dividends proposed).

Financial instruments
Financial risk management objectives and policies are the exposure of the company to price risk, credit risk, liquidity risk and cash flow risk is discussed in Note 28 of the accounts.

Charitable donations
During the year the group made charitable donations of £604,000 (31 December 2013: £579,000) . Individual donations were:

	£
Rainforest protection	600,000

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 is actively encouraging 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 year. More detail is disclosed in note 25.

Research and development
The Company continues to develop its IT infrastructure, investing £5.8m in software development and licences for the year to 31 December 2014 (31 December 2013: £1.3m). The Company did not engage in research during the year (31 December 2013: £nil).

Going concern
Whilst the Company made a loss in the year to 31 December 2014, and has net liabilities, the financial statements have been prepared on a going concern basis as the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Further details are in note 2 of the financial statements.

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

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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 accounts; 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 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 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.

Post Balance Sheet Events
On 17 April 2015, Imagination Industries Limited and Stephen Fitzpatrick entered into an agreement to sell a proportion of the shares of the Company with Mayfair Equity Partners I LP and Mayfair Equity Partners I Sidecar LP.

Approved by the Board on 24 September 2015 and signed on its behalf by:

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Stephen Fitzpatrick
Director

Ovo Group Ltd (formerly Ovo Energy (Group) Ltd)

Independent auditors' report to the members of Ovo Group Ltd (formerly Ovo Energy (Group) Ltd)

Report on the financial statements

Our opinion
In our opinion:

- Ovo Group Ltd's (formerly Ovo Energy (Group) Ltd) group financial statements and company financial statements (the "financial statement") giver a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

- the Consolidated and Company Statements of Financial Position as at 31 December 2014;
- the Consolidated Income Statement for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended and Company Statement of Cash Flows for the period then ended;
- the Consolidated Statement of Changes in Equity for the year then ended and the Company Statement of Changes in Equity for the period 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 of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 require 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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records or returns.

We have no exceptions 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 arising from this responsibility.

Independent auditors' report to the members of Ovo Group Ltd (formerly Ovo Energy (Group) Ltd) (continued)

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 page 7, 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 the 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 group's and 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 obtain 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 Annual Report and Consolidated 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.

Paul Nott

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Paul Nott (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

30 September 2015

Ovo Group Ltd (formerly Ovo Energy (Group) Ltd)

Consolidated Income Statement for the Year Ended 31 December 2014

	Note	2014 £ 000	2013 £ 000
Revenue	3	317,444	170,956
Cost of sales		(293,662)	(150,740)
Gross profit		23,782	20,216
Administration expenses		(59,230)	(19,615)
Other gains		1,536	13
Operating Loss*		(33,912)	614
Finance income		125	41
Finance costs		(3,549)	(25)
Net finance costs	6	(3,424)	16
(Loss)/profit before tax		(37,336)	630
Taxation	11	7,431	(158)
(Loss)/profit for the year		(29,905)	472
Profit/(loss) attributable to:			
Owners of the company		(29,905)	472

The above results were derived from continuing operations.
There are no items of other comprehensive income within the current or prior year.

* Ovo management measure the performance of the business on Adjusted EBITDA, principally excluding Customer Acquisition Costs and Exceptional items (see Note 2), see below table for breakdown:

	2014 £ 000	2013 £ 000
Adjusted EBITDA	**(13,312)**	**3,779**
Unrealised gains/(losses) on derivatives	(2,449)	439
Customer Acquisition Costs	(17,447)	(2,122)
Exceptional items	2,000	(408)
EBITDA	**(31,208)**	**1,688**
Depreciation and Amortisation	(2,704)	(1,074)
Operating (Loss)/Profit	**(33,912)**	**614**

The notes on pages 15 to 43 form an integral part of these financial statements.

Ovo Group Ltd (formerly Ovo Energy (Group) Ltd)

(Registration number: 08862063)
Consolidated and Company Statement of Financial Position as at 31 December 2014

	Note	Group 2014 £ 000	Group 2013 £ 000	Company 2014 £ 000
Assets				
Non-current assets				
Property, plant and equipment	12	17,409	778	-
Intangible assets	13	10,385	1,998	-
Deferred tax assets	11	9,005	1,574	66
Investments	14	-	-	84,708
		36,799	4,350	84,774
Current assets				
Inventories	16	1,102	-	-
Trade and other receivables	17	32,231	19,737	55
Cash and cash equivalents	18	30,388	8,393	-
Derivative financial instruments	15	-	82	-
		63,721	28,212	55
Total assets		100,520	32,562	84,829
Current liabilities				
Trade and other payables	19	(46,236)	(14,469)	(5,026)
Loans and borrowings	21	(433)	-	-
Derivative financial instruments	15	(2,553)	(186)	-
Deferred income		(81,830)	(24,414)	-
Provisions	26	(219)	(225)	-
		(131,271)	(39,294)	(5,026)
Non-current liabilities				
Loans and borrowings	21	(5,737)	-	-
Total Liabilities		(137,008)	(39,294)	(5,026)
Net Liabilities		(36,488)	(6,732)	79,803
Equity				
Share premium		50	50	2,002
Other reserves		152	3	78,118
Retained earnings		(36,690)	(6,785)	(317)
Equity attributable to owners of the company		(36,488)	(6,732)	79,803
Total equity		(36,488)	(6,732)	79,803

Approved by the Board on 24 September 2015 and signed on its behalf by:

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Stephen Fitzpatrick

Director

The notes on pages 15 to 43 form an integral part of these financial statements.

Ovo Group Ltd (formerly Ovo Energy (Group) Ltd)

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2014

	Share premium £ 000	Share based payment reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2013	50	2	(7,257)	(7,205)
Total comprehensive income	-	-	472	472
Share based payment transactions	-	1	-	1
At 31 December 2013	50	3	(6,785)	(6,732)

	Share premium £ 000	Share based payment reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2014	50	3	(6,785)	(6,732)
Total comprehensive income	-	-	(29,905)	(29,905)
Share based payment transactions	-	149	-	149
At 31 December 2014	50	152	(36,690)	(36,488)

Ovo Group Ltd (formerly Ovo Energy (Group) Ltd)

Company Statement of Changes in Equity for the Period Ended 31 December 2014

	Share premium £ 000	Merger reserve £ 000	Retained earnings £ 000	Total £ 000
At incorporation	-	-	-	-
Total comprehensive loss	-	-	(317)	(317)
Issuance of shares	2,002	-	-	2,002
Merger reserve on issuance of shares	-	78,118	-	78,118
At 31 December 2014	2,002	78,118	(317)	79,803

The notes on pages 15 to 43 form an integral part of these financial statements.

Ovo Group Ltd (formerly Ovo Energy (Group) Ltd)

Consolidated Statement of Cash Flows for the Year Ended 31 December 2014

	Note	2014 £ 000	2013 £ 000
Cash flows from operating activities			
(Loss)/profit for the year		(29,905)	472
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	2,704	1,074
Financial instrument net gains (losses) through profit and loss		2,449	(439)
Loss/(profit) on disposal of property plant and equipment	4	175	(13)
Profit on disposal of intangible assets	4	(1,711)	-
Finance income	6	(125)	(41)
Finance costs	6	3,549	25
Share based payment transactions		149	1
Income tax expense	11	(7,431)	158
		(30,146)	1,237
Working capital adjustments			
(Increase)/decrease in inventories	16	(1,102)	823
Increase in trade and other receivables	17	(12,494)	(2,551)
Increase/(decrease) in trade and other payables	19	31,767	(651)
(Decrease)/increase in provisions	26	(6)	225
Increase in deferred income, including government grants		57,416	9,247
Net cash flow generated from operating activities		45,435	8,330
Cash flows used in investing activities			
Interest received	6	125	41
Acquisitions of property plant and equipment		(17,782)	(704)
Proceeds from sale of property plant and equipment		1	13
Acquisition of intangible assets	13	(10,405)	(1,284)
Proceeds from sale of intangible assets		2,000	-
Net cash flows from investing activities		(26,061)	(1,934)
Cash flows used in financing activities			
Interest paid	6	(3,549)	(25)
Proceeds from finance leases		6,170	-
Proceeds from borrowing		8,000	-
Repayment of borrowing		(8,000)	-
Net cash flows from financing activities		2,621	(25)
Net increase in cash and cash equivalents		21,995	6,371
Cash and cash equivalents at 1 January		8,393	2,022
Cash and cash equivalents at 31 December		30,388	8,393

The notes on pages 15 to 43 form an integral part of these financial statements.

Ovo Group Ltd (formerly Ovo Energy (Group) Ltd)

Company Statement of Cash Flows for the Period Ended 31 December 2014

	Note	2014 £ 000
Cash flows from operating activities		
Loss for the year		(317)
Adjustments to cash flows from non-cash items		
Finance costs	6	340
Income tax expense	11	(66)
		(43)
Working capital adjustments		
Increase in trade and other receivables	17	(55)
Increase in trade and other payables	19	438
Net cash flow from operating activities		340
Cash flows from financing activities		
Interest paid	6	(340)
Net increase/(decrease) in cash and cash equivalents		-
Cash and cash equivalents at 1 January		-
Cash and cash equivalents at 31 December		-

The movement in the trade payables balance has been offset by £4,588,000, as the acquisition of subsidiary was a non-cash transaction and increased amounts payable to related parties in the year.

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
United Kingdom
BS1 6ED
United Kingdom

These financial statements were authorised for issue by the Board on 24 September 2015.

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 Group's 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 consolidated financial statements are disclosed 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 Group's functional and the Group's presentation currency.

Adjusted EBITDA has been included within the income statement. The Company incurs significant Customer Acquisition Costs ("CAC") when a customer joins, where are recognised in full in the month the customer joins. As these costs are a one off management uses Adjusted EBITDA to measure the ongoing performance of the Company. Exceptional costs and unrealised gains/(losses) are also removed in this metric as one off costs or gains.

Going concern
Whilst the Group made a loss in the year ended 31 December 2014, and has net liabilities, the financial statements have been prepared on a going concern basis.

The Group meets its day-to-day working capital requirements through cash reserves and the Shell facility.

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

2 Accounting policies (continued)

Basis of consolidation

The Company was incorporated on 27 January 2014. In February 2014, the Company acquired the entire share capital of Ovo Energy Ltd, ONI Energy Limited, Ovo Energy for Business Limited, Ovo Telecom Limited and Ovo Energy Trading Ltd from Ovo Group Ltd (now re-named Imagination Industries Ltd) by way of a share exchange, issuing its own shares to the shareholders of those entities. This transaction qualified for group reconstruction relief under the Companies Act and was accounted for as a common control transaction and hence outside of the scope of IFRS 3 Business Combinations. The directors have elected to account for the reconstruction using predecessor accounting principles. As such, the consolidated financial statements show the results of the group as if Ovo Energy (Group) Ltd had always been the parent company of the group.

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2014.

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a loss after tax for the financial year of £317,000.

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.

Except in the case of the group reconstruction described above, 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. 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, plus costs directly attributable to the business combination. 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.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

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 shareholder's 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)

Revenue recognition
Revenue arises from the supply of gas and electricity and related services; 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 industry settlement data) and tariff rates (specified by contract terms) net of supplies that are not billable. Revenue is recognised net of sales discounts.

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.

Tax
The tax expense for the period comprises current tax 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 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.

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
IT hardware equipment	3 years straight line

2 Accounting policies (continued)

Meter assets	10 years straight line

Intangible assets
a) Trademarks and licenses

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

b) Computer software and licenses

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

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

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

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

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

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

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

Investments
Investments in subsidiaries are carried at cost, less any impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

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

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.

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.

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.

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 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 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
Imagination Industries Ltd and Ovo Energy (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 Imagination Industries Ltd and Ovo Energy (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 Ltd and Ovo Energy (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 Ltd and Ovo Energy (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 Ltd and Ovo Energy (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)

Financial assets

Classification

The Group 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 Group'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 Group 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.

2 Accounting policies (continued)

Impairment

(a) Assets carried at amortised cost

The Group 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 Group 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.

Derivatives and hedging

The Group 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 Group's normal business activity, the Group 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 Group'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 - gas revenues measurement change in accounting estimate

The nature of the energy industry in the UK in which the Group operates is such that the Group's revenue recognition is subject to a degree of estimation. Revenue for the supply of electricity and gas was previously recognised on a top down basis using customer tariff rates and industry settlement data (specific to the Group) net of estimated supplies that are not billable. The industry settlement data is the estimated quantity the industry system operator deems the individual suppliers, including the Group, to have supplied.

During the year the group has moved from a top down approach to a bottom up approach. A bottom up approach calculates revenue based on billed plus unbilled usage at a meter level. This more accurate basis has resulted in a £7m reduction in gas revenues recognised in the year ending 31 December 2014 compared to that which would have been recognised under the top down approach.

Revenue recognition - energy supplied but not yet measured and billed

The quantities of the energy supplied to OVO customers but not yet measured and billed are calculated at the reporting date based on consumption statistics and selling price estimates. Determination of the unbilled proportion of sales revenues at the year-end is sensitive to the assumptions used to prepare these statistics and estimates.

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 Group 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 Group 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 Group will generate sustainable profits and therefore a deferred tax asset has been recognised.

3 Revenue

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

	2014 £ 000	2013 £ 000
Sale of gas and electricity	317,444	170,956

4 Other gains and losses

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

	2014 £ 000	2013 £ 000
Gain/(loss) on disposal of property, plant and equipment	(175)	13
Gain/(loss) on disposal of intangible asset	1,711	-
	1,536	13

5 Operating profit

Arrived at after charging/(crediting)

5 Operating profit (continued)

	2014 £ 000	2013 £ 000
Depreciation expense	975	392
Amortisation expense	1,729	682
Operating lease expense - property	1,071	539

6 Finance income and costs

	2014 £ 000	2013 £ 000
Finance income		
Interest income on bank deposits	125	41
Finance costs		
Interest on bank overdrafts and borrowings	(3,549)	(25)
Net finance (costs)/income	(3,424)	16

On 12 February 2014, Ovo Energy Ltd entered into a senior debt facility agreement for £8m with GIM Credit (Luxembourg). The loan was repaid in full in October 2014, which incurred £3.5m of early repayment fees and the full amortisation of all transaction fees associated with the drawdown of the loan.

7 Exceptional items

	2014 £ 000	2013 £ 000
Personnel related costs	-	150
Office cost	-	33
Onerous lease provision	-	225
Profit on sale of brand	(2,000)	-
	(2,000)	408

The exceptional items in the current year relate to the sale of the Ovo brand to the ultimate parent entity. Imagination Industries Ltd.

The exceptional items in the prior year relate to the closure and relocation of one of the Group's offices.

8 Staff costs

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

	2014 £ 000	2013 £ 000
Wages and salaries	17,584	8,581
Social security costs	1,625	725
Pension costs, defined contribution scheme	267	30
Share-based payment expenses	149	1
Other employee expense	200	37
	19,825	9,374

8 Staff costs (continued)

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

	2014 No.	2013 No.
Administration and support	117	91
Sales, marketing and distribution	358	156
	475	247

9 Directors' remuneration

The director's remuneration for the year was as follows:

	2014 £ 000	2013 £ 000
Remuneration	124	121

There was one Director during the year. Director's remuneration and salary cost is recognised in Ovo Energy Ltd up to September 2014 and in the Company from October 2014 to December 2014.

10 Auditors' remuneration

	2014 £ 000	2013 £ 000
Audit of the financial statements of all group companies	85	50

Other fees to auditors

	2014 £ 000	2013 £ 000
Audit-related assurance services	11	-
Taxation compliance services	25	17
All other tax advisory services	12	65
	48	82

11 Income tax

Tax charged/(credited) in the income statement

	2014 £ 000	2013 £ 000
Deferred taxation		
Arising from origination and reversal of temporary differences	(7,431)	158

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2013 - higher than the standard rate of corporation tax in the UK) of 21.5% (2013 - 23.25%).

The differences are reconciled below:

	2014 £ 000	2013 £ 000
(Loss)/profit before tax	(37,336)	630
Corporation tax at standard rate	(8,027)	146
Effect of revenues exempt from taxation	(430)	-
Effect of expense not deductible in determining taxable profit (tax loss)	205	-
Effect of tax losses	315	-
UK deferred tax expense (credit) relating to changes in tax rates or laws	628	12
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	(122)	-
Total tax (credit)/charge	(7,431)	158

The main rate of UK corporation tax for the year to 31 March 2014 was 23% reducing to 21% for the year ending 31 March 2015.

In addition to the changes in rates of corporation tax disclosed above, further changes to the UK corporation tax rates were announced in the March 2013 Budget. These changes have reduced the main rate of corporation tax to 20% from 1 April 2015 and were enacted as part of the Finance Act 2013. The relevant deferred tax balances have been remeasured accordingly.

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. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. The overall effect of these changes, if they had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £450,000 and reduce the taxation in the income statement for the period by £450,000.

11 Income tax (continued)

Deferred tax

Group
Deferred tax assets and liabilities

2014	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Accelerated tax depreciation	-	(237)	(237)
Derivatives	510	-	510
Tax losses carry-forwards	8,715	-	8,715
Pension benefit obligations	17	-	17
	9,242	(237)	9,005

2013	Asset £ 000
Accelerated tax depreciation	19
Derivatives	21
Tax losses carry-forwards	1,534
Pension benefit obligations	-
	1,574

Deferred tax movement during the year:

	At 1 January 2014 £ 000	Recognised in income £ 000	At 31 December 2014 £ 000
Accelerated tax depreciation	19	(256)	(237)
Derivatives	21	489	510
Tax losses carry-forwards.	1,534	7,181	8,715
Pension benefit obligations	-	17	17
Net tax assets/(liabilities)	1,574	7,431	9,005

11 Income tax (continued)

Deferred tax movement during the prior year:

	At 1 January 2013 £ 000	Recognised in income £ 000	At 31 December 2013 £ 000
Accelerated tax depreciation	272	(253)	19
Derivatives	-	21	21
Tax losses carry-forwards	1,460	74	1,534
Pension benefit obligations	-	-	-
Net tax assets/(liabilities)	1,732	(158)	1,574

12 Property, plant and equipment

Group

	Leasehold property £ 000	Fixtures, fittings and office equipment £ 000	Meter assets £ 000	Total £ 000
Cost or valuation				
At 1 January 2013	254	635	-	889
Additions	273	431	-	704
At 31 December 2013	527	1,066	-	1,593
Additions	4,140	1,196	12,446	17,782
Disposals	(380)	(470)	-	(850)
At 31 December 2014	4,287	1,792	12,446	18,525
Depreciation				
At 1 January 2013	141	282	-	423
Charge for year	143	249	-	392
At 31 December 2013	284	531	-	815
Charge for the year	397	432	146	975
Eliminated on disposal	(343)	(331)	-	(674)
At 31 December 2014	338	632	146	1,116
Carrying amount				
At 31 December 2014	3,949	1,160	12,300	17,409
At 31 December 2013	243	535	-	778
At 1 January 2013	113	353	-	466

12 Property, plant and equipment (continued)

Assets held under finance leases and hire purchase contracts

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2014 £ 000	2013 £ 000
Meter Assets	6,024	-

13 Intangible assets

Group

	Goodwill £ 000	Internally generated software development costs £ 000	Other intangible assets £ 000	Total £ 000
Cost or valuation				
At 1 January 2013	-	2,045	224	2,269
Additions	-	862	422	1,284
At 31 December 2013	-	2,907	646	3,553
Additions	4,588	5,815	2	10,405
Disposals	-	(612)	-	(612)
At 31 December 2014	4,588	8,110	648	13,346
Amortisation				
At 1 January 2013	-	873	-	873
Amortisation charge	-	672	10	682
At 31 December 2013	-	1,545	10	1,555
Amortisation charge	-	1,628	101	1,729
Amortisation eliminated on disposals	-	(323)	-	(323)
At 31 December 2014	-	2,850	111	2,961
Carrying amount				
At 31 December 2014	4,588	5,260	537	10,385
At 31 December 2013	-	1,362	636	1,998
At 1 January 2013	-	1,172	224	1,396

The amortisation charge of £1,729,000 (31 December 2013: £682,000) is recognised in administrative expenses.

The goodwill of £4,588,000 arose on the acquisition of In Home Technology Ltd (formerly Smart Energy Technology Asset Management Ltd) in February 2014. This company had net assets of £nil and the consideration paid amounted to £4,588,000.

13 Intangible assets (continued)

There was no indication of impairment of the goodwill, trademark or industry accreditation during the year. The carrying amount of the trademark 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.

Goodwill, 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 Group 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 Group to operate in the electricity and gas supply industry.

14 Investments

Group subsidiaries

Details of the group subsidiaries as at 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 by the group 2014
Ovo Energy Ltd*	Sale of electricity and gas to customers in the UK	UK	100%
Ovo Electricity Ltd	Procurement and sale of UK electricity from the wholesale markets and renewable sources	UK	100%
Ovo Gas Ltd	Supply of gas and UK related services	UK	100%
ONI Energy*	Dormant	UK	100%
ONI Electricity	Dormant	UK	100%
ONI Gas	Dormant	UK	100%
Smart Meter Assets 1 Ltd	Asset company for smart meter business	UK	100%
In Home Technology Limited*	Management entity for smart meter business	UK	100%
Ovo Energy for Business Limited*	Dormant	UK	100%
Ovo Telecom Limited*	Dormant	UK	100%
Ovo Energy Trading Limited*	Dormant	UK	100%

* indicates direct investment of Ovo Energy (Group) Ltd

14 Investments (continued)

Summary of the company investments

	2014 £ 000
Investments in subsidiaries	84,708

Subsidiaries	£ 000
Cost or valuation	
Additions	84,708
At 31 December 2014	84,708
Carrying amount	
At 31 December 2014	84,708

In February 2014, the Ovo Group was restructured with Ovo Energy (Group) Ltd being incorporated. Ovo Energy (Group) Ltd acquired the share capital of ONI Energy Ltd, Ovo Energy Ltd, Ovo Energy for Business Ltd, Ovo Telecoms Ltd, Ovo Energy Trading Ltd and In Home Technology Limited from Ovo Group Ltd (now re-named Imagination Industries Ltd) and has become the holding company of the Ovo Energy group of companies. The fair value of these businesses was £80,120,000.

In February 2014, the Company also acquired In Home Technology Ltd (formerly Smart Energy Technology Asset Management Ltd) from Imagination Industries Ltd (formerly Ovo Group Limited) for a consideration of £4,588,000.

15 Derivatives

	Group 2014 £ 000	Group 2013 £ 000
Current derivative assets		
Derivatives not used for hedging	-	82

	Group 2014 £ 000	Group 2013 £ 000
Current derivative liabilities		
Derivatives not used for hedging	(2,553)	(186)

16 Inventories

	Group 2014 £ 000	Group 2013 £ 000	Company 2014 £ 000
Renewable Obligation Certificates	1,102	-	-

The cost of R.O.Cs recognised as an expense in the year amounted to £16,018,000 (2013 - £7,005,000). This is included within cost of sales.

17 Trade and other receivables

	Group 2014 £ 000	Group 2013 £ 000	Company 2014 £ 000
Trade receivables and accrued income	25,436	14,272	-
Provision for impairment of trade receivables	(7,573)	(2,952)	-
Net trade receivables and accrued income	17,863	11,320	-
Loans to related parties	4	2,588	-
Prepayments	641	791	-
Other receivables	13,723	5,038	55
Total current trade and other receivables	32,231	19,737	55

The fair value of those trade and other receivables classified as financial instrument loans and receivables 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 the financial risk management and impairment note.

18 Cash and cash equivalents

	Group 2014 £ 000	Group 2013 £ 000	Company 2014 £ 000
Cash at bank	30,388	8,393	-

19 Trade and other payables

	Group 2014 £ 000	Group 2013 £ 000	Company 2014 £ 000
Trade payables	12,707	2,792	53
Accrued expenses	33,037	11,666	99
Amounts due to related parties	432	(3)	4,874
Social security and other taxes	60	14	-
	46,236	14,469	5,026

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

The group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk management and impairment note.

20 Share capital

Allotted, called up and fully paid shares

	2014 No.	2014 £	2013 No.	2013 £
A Ordinary of £0.00001 each	12,500,000	125	-	-
B Ordinary of £0.00001 each	89,475	1	-	-
C Ordinary of £0.00001 each	27,508	-	-	-
D1 Ordinary of £0.00001 each	987,539	10	-	-
D2 Ordinary of £0.00001 each	132,558	1	-	-
	13,737,080	137	-	-

In February the Company issued 12.5million Ordinary A shares in exchange for shares in Ovo Energy Ltd, ONI Energy Limited, Ovo Telecom Limited, Ovo Energy Trading Ltd and Ovo Energy for Business Limited, valued at £80.1m. The difference between this and the nominal value of shares issued has been recognised in a share premium account (£2m representing the minimum premium value in accordance with the Companies Act) and in a merger reserve (£78.1m). The B,C and D shares have been issued as part of Employee Share Schemes as discussed in note 25.

21 Loans and borrowings

	Group 2014 £ 000	Group 2013 £ 000	Company 2014 £ 000
Non-current loans and borrowings			
Finance leases	5,737	-	-

	Group 2014 £ 000	Group 2013 £ 000	Company 2014 £ 000
Current loans and borrowings			
Finance leases	433	-	-

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The group'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.

22 Obligations under leases and hire purchase contracts

Group

Finance leases
The Group entered into a master finance lease agreement in the year for the purchase of smart meters.

2014	Minimum lease payments £ 000	Present value £ 000
Within one year	433	433
In two to five years	3,193	3,193
In over five years	2,544	2,544
	6,170	6,170

The present values of future finance lease payments are analysed as follows:

	2014 £ 000
Current liabilities	433
Non-current liabilities	5,737
	6,170

Operating leases
The Group leases two office premises in Bristol and London under non-cancellable operating lease agreements.

Lease rentals are included in the income statement.

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

	2014 £ 000	2013 £ 000
Within one year	924	185
In two to five years	2,305	551
	3,229	736

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,070,000 (2013 - £539,000)

23 Fair value measurement

The following tables provide the fair value measurement hierarchy of the group's assets and liabilities.

Assets measured at fair value
2013

	Date of valuation	Level 2 £ 000	Total £ 000
Derivatives	31 December 2013	82	82

Liabilities measured at fair value
2014

	Date of valuation	Level 2 £ 000	Total £ 000
Derivatives	31 December 2014	2,553	2,553

Liabilities measured at fair value
2013

	Date of valuation	Level 2 £ 000	Total £ 000
Derivatives	31 December 2013	186	186

The fair value of derivatives (power and gas commodity) 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.

24 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 £267,000 (2013 - £30,000).

25 Share-based payments

Ovo Energy (Group) Limited Share Scheme

Scheme details and movements

In July 2014, the Ovo Group established a new employee share plan. Under the terms of the scheme, the Ovo Energy (Group) Limited awarded its own employees and employees of Ovo Energy Limited class B, C and D ordinary shares in Ovo Energy (Group) Limited.

B shares ('Employee Shareholder Scheme') are free shares awarded to employees in line with the UK government's employee shareholder status rules. They have a three year vesting period.

Employees are given the option to purchase C shares from their bonus. They have a one year vesting period.

D shares are also awarded as part of the LTIP scheme. These shares have been issued in tranches (called D1 and D2), to reflect the valuation of the company at the date of the award. They have a vesting period based on performance conditions.

The scheme is equity settled and a fair value liability was calculated on grant date. The expense is charged to the income statement on a straight line basis over the expected vesting period of the awards.

Analysis of charge to the consolidated income statement

£000	Year ending 31 December 2014
'B' Shares	45
'C' Shares	46
'D' Shares	52
	143

25 Share-based payments (continued)

Reconciliation of movements in awards

Thousands of shares	'B' Shares	'C' Shares	'D' Shares
Issued at 1 January 2014	-	-	-
Issued July 2014	82	22	988
Issued October 2014	11	6	133
Cancelled	(4)	-	
Issued at 31 December 2014	89	28	1,121
Weighted average vesting period (months)	31	8	31

Pricing

For the purpose of valuing the awards, to calculate the share-based payment charge all shares issued were valued based on an observable market multiples of competitors, discounted cash flow and where available transaction data.

'B' Shares
The 'B' Shares awarded in July 2014 were valued at £3.89 per share. The 'B' Shares awarded in October 2014 were valued at £8.01 per share.

'C' Shares
The 'C' Shares awarded in July 2014 were valued at £4.32 per share. The 'C' Shares awarded in October 2014 were valued at £8.90 per share.

'D' Shares
The 'D' Shares awarded in July 2014 were valued at £0.39 per shares. The 'D' Shares awarded in October 2014 were valued at £0.80 per share.

26 Other provisions

Group

	Onerous contracts £ 000	Dilapidation provisions £ 000	Total £ 000
At 1 January 2014	225	-	225
Additional provisions	-	219	219
Provisions used	(225)	-	(225)
At 31 December 2014	-	219	219
Current liabilities	-	219	219

27 Financial instruments

Group

Financial assets
Financial assets at fair value through profit or loss

Derivative held for trade

	Carrying value 2014 £ 000	Carrying value 2013 £ 000	Fair value 2014 £ 000	Fair value 2013 £ 000
Power and gas commodity	-	82	-	82

Valuation methods and assumptions

The fair value of the 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.

Loans and receivables

	Carrying value 2014 £ 000	Carrying value 2013 £ 000	Fair value 2014 £ 000	Fair value 2013 £ 000
Cash and cash equivalents	30,388	8,393	30,388	8,393
Trade and other receivables	31,591	18,946	31,591	18,946

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.

27 Financial instruments (continued)

Financial liabilities

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

	Carrying value		Fair value	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Power and gas commodity	2,553	186	2,553	186

Valuation methods and assumptions

The fair value of the 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	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Trade and other payables	46,177	14,455	46,177	14,455
Finance leases	6,170	-	6,170	-
	52,347	14,455	52,347	14,455

Valuation methods and assumptions

The fair value of the trade and other payables and borrowings 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. The finance lease was entered into close to the balance sheet date and therefore book value approximates fair value.

Company

Financial assets
Loans and receivables

	Carrying value		Fair value	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Trade and other receivables	55	-	55	-

Valuation methods and assumptions

The fair value of loans and receivable is based on the expectation of recovery of balances. There have been no historic defaults over the other receivables balance, therefore the full balance is expected to be received.

27 Financial instruments (continued)

Financial liabilities

Financial liabilities at amortised cost

	Carrying value		Fair value	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Trade and other payables	5,026	-	5,026	-
Borrowings	-	-	-	-
	5,026	-	5,026	-

Valuation methods and assumptions

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

28 Financial risk management and impairment of financial assets

Group

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

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

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, from security deposits and prepayments to suppliers and distributors 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 £61,979,000 (31 December 2013: £27,339,000) 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 of trade receivables is used to record impairment losses unless the Group 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 Group 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.

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

Past due and impaired financial assets

Allowances for impairment by credit losses

2014	Loans and receivables £ 000
At start of year	2,952
Additional impairment for credit losses	4,622
At end of year	7,574

2013	Loans and receivables £ 000
At start of year	1,610
Additional impairment for credit losses	1,342
At end of year	2,952

Analysis of items past due or impaired
Loans and receivables

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
Trade receivables and accrued income	13,658	4,204	380	11,778	7,574

2013	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
Trade receivables and accrued income	11,320	335	1,539	3,287	2,952

The individually impaired receivables mainly relate to customers from whom it is unlikely that full payment will be received.

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

Market risk

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 risk is managed through the use of derivative financial instruments. The Group 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 £2,553,000 (2013: £104,000).

The 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 Group'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 no 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.

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

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

Maturity analysis

2014	Within 1 year £ 000	After 1 year £ 000	Total £ 000
Trade and other payables	46,236	-	46,236
Finance leases	433	5,737	6,170
	46,669	5,737	52,406

2013	Within 1 year £ 000	Total £ 000
Trade and other payables	14,469	14,469

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

Capital risk management

Capital management

Capital risk is managed to ensure the Group continues as a going concern and grows in a sustainable manner.
The Group maintains a consolidated financial model to monitor the development of the Group's capital structure, which has the ability to model various scenarios and sensitivities. Key outputs from this model are regularly presented to the board.

29 Related party transactions

Key management personnel

Key management includes directors and members of the Group management team. In October 2014, the Group management team were employed in Ovo Group Ltd (formerly Ovo Energy (Group) Ltd) previously the Group management team were employed in Ovo Energy Ltd.

Key management compensation

	2014 £ 000	2013 £ 000
Salaries and other short term employee benefits	2,285	1,159

Summary of transactions with key management

Two directors of the Company directly control 15% per cent of the voting shares of the Company. One director owns 100% of the share capital of Imagination Industries Ltd, which as at 31 December 2014 owned the remaining 85% of the Company's shares.

During the year a loan was made to a director of £2,000 (2013: £nil). As at 31 December 2014 the loan due from the director was £2,000 (2013: £nil).

Company

Summary of transactions with subsidiaries

During the year the Company received loan funds from Ovo Energy Ltd (subsidiary) of £4,535,000 (2013: £nil). The loan incurs an interest charge of 10% annually on the capital balance, the total interest payable for the year was £340,000 (2013: £nil). As at 31 December 2014 the Company owed Ovo Energy Ltd £4,875,000 (2013: £nil).

During the year the Company charged management charges to Ovo Energy Ltd for the provision of Management personnel of £628,000 (2013: £nil). As at 31 December 2014 Ovo Energy Ltd owed £nil (2013: £nil) in respect of management charges.

30 Parent and ultimate parent undertaking

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

The ultimate controlling party is Stephen Fitzpatrick.

31 Non adjusting events after the financial period

On 17 April 2015, Imagination Industries and Stephen Fitzpatrick entered into an agreement for the sale of a proportion of the shares in Ovo Group Ltd (formerly Ovo Energy (Group) Ltd) with Mayfair Equity Partners I LP and Mayfair Equity Partners I Sidecar LP. Imagination Industries and Stephen Fitzpatrick remain the ultimate parent and ultimate controlling party, respectively, of the group.