Registration number: 11046212

OVO (S) Energy Services Limited

(Formerly SSE Energy Services Group Limited)

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2020

OVO (S) Energy Services Limited

Contents

OVO (S) Energy Services Limited

Company Information

Directors	Vincent Casey
	Raman Bhatia
	William Castell
	Adrian Letts
Company secretary	Vincent Casey
Registered office	1 Rivergate Temple Quay Bristol BS1 6ED
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Temple Quay Bristol BS2 0FR

The Company was previously known as SSE Energy Services Group Limited. On 16 January 2020 the Company changed its name to OVO (S) Energy Services Limited.

OVO (S) Energy Services Limited

Strategic Report for the Year Ended 31 March 2020

The Directors present their Strategic Report for the year ended 31 March 2020.

Business overview

The OVO (S) Energy Services Group ("the Group) supplies domestic energy and energy-related services in the UK. The Group was previously part of the SSE Plc group of companies until 15 January 2020 when the Group was acquired by OVO Energy Limited, an indirect subsidiary of OVO Group Limited ("OVO").

The acquisition has combined the scale of the Group with OVO's digital capabilities and enables millions more customers to experience the latest technology to decarbonise their homes and receive a market leading customer experience. Even before the completion of the acquisition the Group had already begun its journey towards a more digitally-led, customer-centric organisation. The acquisition by OVO has and will continue to remove complexities and duplication by combining SSE Energy Services and OVO's home services business, metering, commercial efforts and support functions. It will continue to digitise legacy SSE processes and move the business onto a common set of systems to meet the demands of an increasingly digital consumer and a more agile workforce.

Completing this acquisition means that OVO now serves around 14.25% of the market; making OVO the UK's third largest energy provider.

OVO grew out of the belief that there was a better way to sell energy, starting with the ambition to make energy cheaper, greener and simpler and with the commitment to make every decision as if the customer was in the room. With this focus on transparency and fairness, OVO challenged the status quo and set the standard for new entrants to the market.

OVO has consistently ranked among the UK's most loved energy brands, even at a time when public trust in the industry has been historically low. The energy market is going through profound change with companies of all sizes struggling to adapt. Increased competition, digitisation, the growth of big data, and changing consumer demands are eroding traditional business models. The past few years have seen OVO develop from a top-rated energy retailer into a group of companies delivering innovative energy services underpinned by smart technology.

We are now part of a wider collection of companies with a single vision: to power human progress with clean, affordable energy for everyone.

The consolidated income statement for the year ended 31 March 2020 is set out on page 16. The Group loss for the year after taxation amounted to £379m (2019: £170m). While revenue and gross profit for the year remained broadly in line with prior year, the Group incurred exceptional administrative expenses of £473m (2019: £63m). Following the acquisition of the Group by OVO, an exercise was undertaken to review the fair value of the tangible and intangible assets, resulting in an impairment charge of £399m. In addition, an onerous contract of £61m was recognised during the year. The balance of £13m exceptional costs relate to costs incurred due to the restructuring of the Group. The consolidated statement of financial position at 31 March 2020 is set out on page 17 and shows consolidated net assets of £131m (2019: consolidated net liabilities of £751m).

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

	Unit	2020	2019
Electricity supplied to average household	kWh	3,509	3,554
Domestic electricity customers (as at 31 March)	millions	3.25	3.46
Gas supplied to average household	therms	427	408
Gas domestic supply customers (as at 31 March)	millions	2	2
Gross profit	millions	539	559
Adjusted EBITDA*	millions	97	(33)
Cash	millions	13	15

*Earnings before interest, taxation, depreciation, amortisation and exceptional expenses.

Integration with the OVO Group

OVO Energy Limited acquired OVO (S) Energy Services Limited and its subsidiaries in early 2020 to combine its scale with OVO's digital capabilities and enable millions more customers to experience the latest technology to decarbonise their homes while delivering best value to customers.

Even before the completion of the acquisition, the OVO (S) Energy Services Group had already begun its journey towards a more digitally-led, customer-centric organisation.

COVID-19

Throughout the pandemic, our priority has been to ensure the safety of our people whilst continuing to support all of our customers, particularly those that are vulnerable. Our investment in technology and shared platforms has ensured a high level of connectivity which means we are able to move to remote operations with minimal disruption.

However, unfortunately COVID-19 will impact our commercial performance in 2020/21,due to some key sales channels within the business experiencing significant interruption as a result of the lockdown. The most notable of these is the impact on our ability to continue the roll-out of smart meters to customers.

As a result of COVID-19, we also anticipate the need to recognise additional bad debt charges in 2020/21 as the economic consequences of the pandemic materialise with our customers. This will be recognised in accordance with IFRS 9.

Principal risks and uncertainties
The Directors of the Group acknowledge that they have responsibility for the systems of internal control and risk management and for monitoring their effectiveness. The purposes of these systems are to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Group. No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the Directors have regard to what controls, in their judgement, are appropriate to the Group's businesses, to the materiality of the risks inherent in these businesses, and to the relative costs and benefits of implementing specific controls.

Control is maintained through an organisation structure with clearly defined responsibilities, authority levels and lines of reporting; the appointment of suitably qualified staff in specialised business areas; and continuing investment in high quality information systems. These controls are subject to periodic review as to their implementation and continued suitability.

The main risks which OVO (S) Energy Services Limited and its subsidiaries could face are as follows:

• Competition impacting on volumes sold;
• Exposure to volatility in wholesale electricity and gas prices;
• Payment default from trade debtors;
• Interest rates, inflation and liquidity;
• Economic and Government regulation and
• Weather conditions varying significantly from normal seasonal trends.

The Board reviews and agrees policies for addressing each of these risks. There is relatively little exposure to foreign currency risk as the United Kingdom is the Group's main area of operation. If wholesale power and gas is contracted in foreign currency or indexed to foreign currency, it is policy to hedge all material purchases through the use of foreign currency swaps and forward rate contracts. There is always a risk of payment default from trade debtors and comprehensive credit vetting and effective payment terms are exercised for all significant customer accounts. Good payment discipline is achieved in the domestic market by use of direct debit budget schemes. There is also the risk of mechanical or process failure in the Group's operations. Any material failure in the Group's licensed operations in electricity and gas supply is particularly significant. Operating risk is addressed through the Company's focus on seeking operational excellence and on maintaining the highest standards of safety and quality. The Group is exposed to economic regulation and government policy. There are management structures in place to mitigate, influence and respond to such developments, and to engage with the Industry Regulator, government ministers and officials, and other key bodies.

There are established procedures in place for regular budgeting and reporting of financial information. The Group's performance is reviewed by the OVO Group Board and the OVO Group Executive Committee. Reports include variance analysis and projected forecasts of the year compared to approved budgets and non-financial performance indicators. There are Group policies in place covering a wide range of issues and risks such as financial authorisations, IT procedures, health, safety and environmental risks, crisis management, and a policy on ethical principles. The effectiveness of the Company's systems of internal control is monitored by the internal audit department which distributes reports and, where appropriate, action plans to senior managers, Directors and the external auditors.

Streamlined Energy and Carbon Reporting Framework Regulations

OVO (S) Energy Services Limited (formerly SSE Energy Services Group Limited) is subject to the Streamlined Energy and Carbon Reporting Framework Regulations (SECR). We therefore report our 2019/20 energy consumption and greenhouse gas emissions figures, an intensity ratio, and information relating to our energy and greenhouse gas emissions reduction actions.

Energy consumption figures

Area	Energy source	Unit	2019/20 energy consumption
Building energy consumption	Natural gas	kWh	4,157,103
	Diesel	kWh	656,171
	Electricity	kWh	8,985,970
Fleet energy consumption	Diesel	kWh	36,757,673
	Petrol	kWh	68,789
Business travel energy consumption	Diesel	kWh	1,728,770
	Petrol	kWh	981,910
	Unknown	kWh	582,166

Greenhouse gas emissions figures

Emissions scope	Area	Emissions source	Unit	2019/20 greenhouse gas emissions
Scope 1 emissions	Building energy consumption	Natural gas	Tonnes CO2e	764
		Diesel	Tonnes CO2e	166
	Fugitive emissions	R410A	Tonnes CO2e	14
	Fleet energy consumption	Diesel	Tonnes CO2e	8,845
		Petrol	Tonnes CO2e	16
	Total Scope 1 emissions		**Tonnes CO2e**	**9,805**
Scope 2 emissions	Building energy consumption	Electricity (Location-based)	Tonnes CO2e	2,247
		Electricity (Market-based)	Tonnes CO2e	186
	Total Scope 2 emissions (Location-based)		**Tonnes CO2e**	**2,247**
	Total Scope 2 emissions (Market-based)		**Tonnes CO2e**	**186**

Emissions scope	Area	Unit	2019/20 greenhouse gas emissions
Scope 1 and Scope 2 emissions	Total Scope 1 and Scope 2 emissions (Locations-based)	Tonnes CO2e	12,052
	Total Scope 1 and Scope 2 emissions (Market-based)	Tonnes CO2e	9,992
	Total Scope 1 and Scope 2 emissions intensity relative to revenue (tCO2e/£m) (Location-based)	Tonnes CO2e/£m	3.3
	Total Scope 1 and Scope 2 emissions intensity relative to revenue (tCO2e/£m) (Market-based)	Tonnes CO2e/£m	2.8

Emissions scope	Area	Emissions source	Unit	2019/20 greenhouse gas emissions
Scope 3 emissions	Business travel energy consumption	Diesel	Tonnes CO2e	441
		Petrol	Tonnes CO2e	237
		Unknown	Tonnes CO2e	144
	Total Scope 3 emissions		**Tonnes CO2e**	**822**
Revenue	**SSE Energy Services Group revenue**		**£m**	**3,633**

Energy and greenhouse gas emissions reduction actions

OVO Group Ltd acquired OVO (S) Energy Services Ltd and it's subsidiaries (formerly SSE Energy Services Group Limited) in January 2020. Since the acquisition, our primary focus has been gathering robust energy and greenhouse gas emissions data in order to understand the environmental impact of the OVO (S) Energy Services Group's operations. We also recalculated our 2018 baseline data and started updating our energy and science-based carbon reduction targets to include the OVO (S) Energy Services Group's operations. Now that we have a view of the OVO (S) Energy Services Group's energy and greenhouse gas emissions performance, we will start working on a roadmap for improvement.

Reporting methodology

Our reporting approach is aligned with the WRI GHG Reporting Protocol Corporate Standard. The Basis of Preparation document outlining the reporting methodology in detail can be found here: www.ovo.com/basis-of-preparation/.

Plan Zero

Plan Zero is the OVO Group's response to the climate crisis, based on a thorough assessment not only of our own carbon footprint but also the broader impacts of all our products and services. Our goal is to drive progress to zero carbon living. Plan Zero sets out how we will achieve this goal by 2030. The UK government has recognised the urgency of this situation. It has set out a greenhouse gas emissions target of net-zero by 2050, making it the world's first major economy to commit to real progress. But how we get there is up to us. At OVO, we want to move even faster to create a world without carbon.

For full details, please visit https://ovo.com/planzero/.

S172 Statement

As noted above, OVO (S) Energy Services Limited was previously part of the SSE Plc group of companies until 15 January 2020 when the Group was acquired by OVO Energy Limited, an indirect subsidiary of OVO Group Limited.

As a result, for the period 1 April 2019 through 15 January 2020, the reporting requirements under Section 172 of the UK Companies Act 2006 are satisfied through the disclosures made by SSE Plc in their Annual Report (available on Companies House website).

Following the acquisition of the Group by OVO Energy Limited, the requirements have been met by the OVO Group Limited Directors.

OVO Group Limited identifies their customers, people, the planet, the government and regulators, their suppliers and their communities as key stakeholders, who are at the heart of OVO Group Limited's strategy and business model. Engagement with these stakeholders allows an understanding of the evolving needs and informs strategic decision making.

In line with the requirements of the UK Companies Act 2006, we provide a high-level summary of how the Directors engaged with our stakeholders and had regard to their interests when setting strategy and taking decisions subsequent to acquiring the business.

<u>Our customers</u>
Communications to customers are designed to mobilise a community around our strategic objective, Plan Zero, to drive progress to zero carbon living and to support all of our customers in reducing their individual carbon footprint by 50% by 2030. The Directors receive direct updates from each customer facing business and regularly discusses customer performance, NetPromote Scores and feedback.

<u>Governments and regulators</u>
The Directors engage regularly with key stakeholders within the UK Government, devolved administrations and Ofgem. They also share platforms at conferences and roundtables, discussing and obtaining feedback on regulatory, policy and political priorities. OVO Group also have a dedicated Policy and Public Affairs team who regularly update the Directors on policy developments and coordinate a regular engagement programme.

<u>Our suppliers</u>
Building trusted partnerships with our suppliers is important in enabling us to provide the best products at the best prices for our customers. Suppliers are engaged with our strategic initiative, Plan Zero, by adhering to our Supplier Code of Conduct and we have plansto further engage suppliers by including sustainability assessments as part of the procurement process and ensuring sustainability criteria forms a minimum part of weighted assessment scoring when new suppliers are being selected.

S172 Statement (continued)

The Directors recognise that having robust governance structures in place is vital to decision-making. The Directors spend time listening to and understanding the view of its key stakeholders. When discussing matters at Board meetings, these views form an integral part of decision-making.

All matters which under OVO's governance arrangements are reserved for decision by the Directors are presented at OVO Group Board meetings. Directors are briefed on any potential impacts and risks for the Group's customers, people, the planet, the government and regulators, their suppliers and their communities and how they are to be managed.

Approved by the Board on 31 March 2021 and signed on its behalf by:

....
Vincent Casey
Director

OVO (S) Energy Services Limited

Directors' Report for the Year Ended 31 March 2020

The Directors present their report and the audited consolidated financial statements consolidated financial statements for the year ended 31 March 2020.

Change of company name
The Company was previously known as SSE Energy Services Group Limited. On 16 January 2020 the Company changed its name to OVO (S) Energy Services Limited.

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

Vincent Casey (appointed 15 January 2020)

Adrian Letts (appointed 16 January 2020)

Peter Lawns (resigned 15 January 2020)

Glenn Barber (appointed 24 June 2019 and resigned 15 January 2020)

Katie Bickerstaffe (appointed 24 June 2019 and resigned 15 January 2020)

Gordon Boyd (appointed 24 June 2019 and resigned 23 December 2019)

Anthony Cocker (appointed 24 June 2019 and resigned 15 January 2020)

Stephen Fitzpatrick (appointed 16 January 2020 and resigned 18 January 2021)

Stephen Forbes (resigned 15 January 2020)

Anthony Keeling (resigned 15 January 2021)

Paul Phillips-Davies (appointed 24 June 2019 and resigned 15 January 2020)

The following directors were appointed after the year end:

Raman Bhatia (appointed 18 January 2021)

William Castell (appointed 18 January 2021)

Principal activities
The principal activity of the Group is the supply of domestic energy and energy-related services in the UK.

Dividends
The Directors do not propose a dividend for the year (2019: no dividends proposed).

Financial instruments
Financial risk management objectives and policies have been established making use of financial instruments for the purpose of managing the exposure of the company to price risk, credit risk, liquidity risk and cash flow risk. See Note 25 of the financial statements for further information.

Political and charitable donations
The Group did not make any political or charitable donations during the year (2019: £nil).

Stakeholder engagement
Details of the Group's actions taken during the financial year with regards to stakeholder engagement can be found within the Section 172 Statement included in the Strategic Report.

Employment of disabled persons

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

Employee involvement

The Group is actively encouraging employee involvement throughout the organisation. The Group holds regular company wide briefings where the latest information is shared, including financial and economic factors that affect the performance of the Group. Employee performance and development is reviewed on a quarterly basis and ensured it is in line with the overall Group's objectives. The Group's employee forum and social committee is chaired by its employees for its employees. OVO Group Ltd additionally has a share scheme for employees.

Future developments

The Directors believe that the Group remains well positioned in the market place. Further information is included in the Strategic Report.

Going concern

2020 is a transformative year for the Group. The Directors have performed a detailed assessment of the Group's ability to continue as a going concern, and do not believe there are any material uncertainties to disclose in relation to the Group's ability to continue as a going concern for the foreseeable future. See note 1 to the financial statement for further details.

Post balance sheet events

COVID-19

Our investment in technology and shared platforms has ensured a high level of connectivity which means we are able to move to remote operations with minimal disruption. However, unfortunately COVID-19 has impacted our commercial performance in 2020/21, due to some key sales channels within the business experiencing significant interruption as a result of the lockdown.

As a result of COVID-19, we have also recognised additional bad debt charges in 2020/21, in accordance with the requirements of IFRS 9, as the economic consequences of the pandemic have materialised with our customers.

Other post balance sheet events

In May 2020, the OVO Group announced a phase of restructuring to align the existing OVO Retail business and the acquired SSE businesses operationally. With respect to our subsidiary OVO (S) Metering Limited, this involved the creation of an OVO Group Metering division to oversee all metering activity across the OVO Retail Group. The new Group Metering division was largely created from personnel across OVO (S) Metering Limited and the OVO equivalent (OVO Field Force Limited) with some additional functions transferred in from OVO (S) Energy Services Limited.

At this time, no changes have been made to align employee contracts or assets.

Post balance events (continued)

As part of the restructure, a voluntary enhanced redundancy programme (VER) was initiated which has resulted in the exit of a number of staff from both the OVO and OVO (S) Metering businesses, to right-size the operation and to operate across all OVO Retail brands.

In addition, through the same VER programme, OVO (S) Metering Limited is ceasing to undertake in-house meter reading activity and has moved to a third party arrangement. As a result, circa 700 meter reading staff (a mix of permanent and contract resource) have left the business.

Directors' liabilities

Prior to acquisition by OVO Energy Ltd, the Directors had the benefit of an indemnity provision contained in SSE Plc's Articles of Association. In addition, the Directors had been granted a qualifying third-party indemnity provision which was in force until 14 January 2020. The Directors were also covered by SSE Plc's Directors' and Officers' liability insurance until 14 January 2020.

From 15 January 2020, on acquisition by OVO Energy, and to date, the Directors are covered by the OVO Group Directors' and Officers liability insurance.

Disclosure of information to the auditors

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

Appointment of auditors

In accordance with Section 489 of the Companies Act 2006, the Company confirmed that PricewaterhouseCoopers LLP have been appointed external auditors for the OVO (S) Energy Services Limited Group for the year ended 31 March 2020, as approved by the Directors.

Approved by the Board on 31 March 2021 and signed on its behalf by:

....

Vincent Casey
Director

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 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 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.

Approved by the Board on 31 March 2021 and signed on its behalf by:

....
Vincent Casey
Director

Independent Auditor's Report to the Members of OVO (S) Energy Services Limited (formerly SSE Energy Services Group Limited)

Report on the audit of the financial statements

Opinion

In our opinion, OVO (S) Energy Services Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2020 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 March 2020; the consolidated income statement, the consolidated and company statements of cash flows and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Independent Auditor's Report to the Members of OVO (S) Energy Services Limited (formerly SSE Energy Services Group Limited) (continued)

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

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

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

Independent Auditor's Report to the Members of OVO (S) Energy Services Limited (formerly SSE Energy Services Group Limited) (continued)

Responsibilities for the financial statements and the audit (continued)

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

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

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

Other required reporting

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

- we have not 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

KE Finn

....
Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountant and Statutory Auditors
Bristol

31 March 2021

OVO (S) Energy Services Limited

Consolidated Income Statement for the Year Ended 31 March 2020

	Note	2020 £ m	2019 £ m
Revenue	4	3,633	3,604
Cost of sales		(3,094)	(3,044)
Gross profit		539	559
Administrative expenses		(433)	(556)
Exceptional administrative expenses	5	(473)	(63)
Impairment of financial asset		(67)	(39)
Fair value losses on derivatives	24	(4)	(47)
Operating loss	5	(438)	(146)
Finance income	6	1	3
Finance costs	6	(37)	(55)
Loss before tax		(474)	(198)
Income tax credit	10	95	28
Loss for the year		(379)	(170)

The above results were derived from continuing operations.

Total other comprehensive income
The Group had no other comprehensive income in the current or prior financial years

OVO (S) Energy Services Limited

(Registration number: 11046212)
Consolidated Statement of Financial Position as at 31 March 2020

	Note	31 March 2020 £ m	31 March 2019 £ m
Assets			
Non-current assets			
Property, plant and equipment	11	16	31
Right of use assets	12	48	-
Intangible assets	13	65	423
Defined benefit pension asset	22	23	-
Deferred tax assets	10	105	22
Derivative financial assets	24	38	23
		295	499
Current assets			
Inventories	15	1	1
Trade and other receivables	16	1,167	1,068
Cash and cash equivalents	17	13	15
Total current assets		1,181	1,084
Total assets		**1,476**	**1,583**
Current liabilities			
Trade and other payables	18	(1,158)	(1,312)
Lease liability	19	(15)	-
Provisions	20	(62)	(5)
Derivative financial liabilities	24	(78)	(59)
Total current liabilities		(1,313)	(1,376)
Non-current liabilities			
Lease liability	19	(32)	-
Amounts due to related parties	18	-	(958)
		(32)	(958)
Total liabilities		(1,345)	(2,334)
Net assets/(liabilities)		**131**	**(751)**
Equity			
Share capital	21	609	-
Capital contribution reserve		21	-
Merger reserve		(585)	(585)
Retained earnings/(accumulated losses)		86	(166)
Total equity		**131**	**(751)**

The notes on pages 24 to 64 form an integral part of these financial statements.

The financial statements on pages 16 to 64 were approved by the Board on 31 March 2021 and signed on its behalf by:

....
Vincent Casey
Director

OVO (S) Energy Services Limited

(Registration number: 11046212)
Company Statement of Financial Position as at 31 March 2020

	Note	31 March 2020 £ m	31 March 2019 £ m
Assets			
Non-current assets			
Investments in subsidiaries	14	493	441
Amounts due from related parties		-	11
		493	452
Current assets			
Trade and other receivables	16	168	1,288
Cash and cash equivalents	17	10	-
Total current assets		179	1,288
Total assets		**672**	**1,740**
Current liabilities			
Trade and other payables	18	(3)	(1,315)
Non-current liabilities			
Amounts due to related parties	18	-	(964)
Total liabilities		(3)	(2,279)
Net assets/(liabilities)		**669**	**(539)**
Equity			
Share capital	21	609	-
Capital contribution reserve		21	-
Retained earnings/(accumulated losses)		39	(539)
Total equity		**669**	**(539)**

No income statement is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company made a loss for the financial year of £31m (2019 - loss of £539m).

The financial statements on pages 16 to 64 were approved by the Board on 31 March 2021 and signed on its behalf by:

....

Vincent Casey
Director

OVO (S) Energy Services Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2020

	Share capital £ m	Capital contribution reserve £ m	Merger reserves £ m	(Accumulated losses) £ m	Total equity £ m
At 1 April 2018	-	-	(585)	-	(585)
Loss for the year	-	-	-	(170)	(170)
Credit in respect of employee share awards	-	-	-	4	4
At 31 March 2019	-	-	(585)	(166)	(751)

	Share capital £ m	Capital contribution reserve £ m	Merger reserves £ m	(Accumulated losses)/retained earnings £ m	Total equity £ m
At 1 April 2019	-	-	(585)	(166)	(751)
Loss for the year	-	-	-	(379)	(379)
Transfer of pension asset from parent company (net of tax)	-	-	-	19	19
New share capital subscribed	1,218	-	-	-	1,218
Capital reduction	(609)	-	-	609	-
Capital contribution reserve movements	-	21	-	-	21
Credit in respect of employee share awards	-	-	-	3	3
At 31 March 2020	609	21	(585)	86	131

The notes on pages 24 to 64 form an integral part of these financial statements.

Company Statement of Changes in Equity for the Year Ended 31 March 2020

	Share capital £ m	Capital contribution reserve £ m	(Accumulated losses) £ m	Total equity £ m
At 1 April 2018	-	-	-	-
Loss for the year	-	-	(539)	(539)
Total comprehensive income	-	-	(539)	(539)
At 31 March 2019	-	-	(539)	(539)

	Share capital £ m	Capital contribution reserve £ m	(Accumulated losses)/retained earnings £ m	Total equity £ m
At 1 April 2019	-	-	(539)	(539)
Loss for the year	-	-	(31)	(31)
Total comprehensive income	-	-	(31)	(31)
New share capital subscribed	1,218	-	-	1,218
Capital reduction	(609)	-	609	-
Capital contribution reserve movements	-	21	-	21
At 31 March 2020	609	21	39	669

OVO (S) Energy Services Limited

Consolidated Statement of Cash Flows for the Year Ended 31 March 2020

	Note	2020 £ m	2019 £ m
Cash flows from operating activities			
Loss for the year		(379)	(170)
Adjustments to cash flows from non-cash items			
Depreciation, amortisation and impairment		461	109
Finance income	6	(1)	(3)
Finance costs	6	37	55
Share based payment transactions		3	4
Income tax expense	10	(95)	(28)
		26	(33)
Working capital adjustments			
Fair value losses/(gains) on derivatives	4	4	47
Increase in trade and other receivables	16	(87)	(63)
(Decrease)/increase in trade and other payables	18	(125)	150
Increase/(decrease) in provisions	20	57	-
Cash generated from operations		(125)	101
Income taxes (paid)/received	10	(12)	7
Net cash flow from operating activities		(137)	108
Cash flows from investing activities			
Interest received	6	1	3
Acquisitions of property plant and equipment		(1)	(6)
Acquisition of intangible assets	13	(77)	(113)
Net cash flows from investing activities		(77)	(116)
Cash flows from financing activities			
Interest paid	6	(37)	(55)
Proceeds from intercompany financing		260	-
Payments to finance lease creditors		(11)	-
Net cash flows from financing activities		212	(55)
Net decrease in cash and cash equivalents		(2)	(63)
Cash and cash equivalents at 1 April		15	78
Cash and cash equivalents at 31 March		13	15

The proceeds from intercompany financing comprise the net cash receipt as part of transactions that also invoved non cash movements through the issue of shares of £1,218m and the settlement of intercompany loans of £958m.

OVO (S) Energy Services Limited

Company Statement of Cash Flows for the Year Ended 31 March 2020

	Note	2020 £ m	2019 £ m
Cash flows from operating activities			
Loss for the year		(31)	(539)
Adjustments to cash flows from non-cash items			
Impairment		-	493
Finance income	6	-	(1)
Finance costs	6	33	51
Income tax expense	10	(2)	(4)
		-	-
Working capital adjustments			
Decrease/(increase) in trade and other receivables	16	1,133	(1,287)
(Decrease)/increase in trade and other payables	18	(1,298)	1,338
Net cash flow from operating activities		(165)	51
Cash flows from investing activities			
Interest received	6	-	1
Investment in subsidiaries	14	(52)	-
Net cash flows from investing activities		(52)	1
Cash flows from financing activities			
Interest paid	6	(33)	(52)
Proceeds from intercompany financing		260	-
Net cash flows from financing activities		227	(52)
Net increase in cash and cash equivalents		10	-
Cash and cash equivalents at 1 April		-	-
Cash and cash equivalents at 31 March		10	-

1 General information

OVO (S) Energy Services Limited ("The Company") is a private company limited by shares and incorporated, domiciled and registered in the United Kingdom. The registered number is 11046212 and the registered office is 1 Rivergate, Temple Quay, Bristol, BS1 6ED.

These financial statements were authorised for issue by the Board on 31 March 2021.

2 Accounting policies

Statement of compliance
The Group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS") and the applicable legal requirements of the Companies Act 2006.

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 accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS") and the applicable legal requirements of the Companies Act 2006 and interpretations as issued by the IFRS Interpretations Committee (IFRS IC).

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

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

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

2 Accounting policies (continued)

Going concern
The Group made a loss of £379m for the year ended 31 March 2020 and had closing net assets of £131m.

The financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future as a result of continued trading with OVO Group companies. The Directors have additionally received confirmation that OVO Group Limited intend to support the Group for at least 12 months from the date of approval of these financial statements.

The ability of OVO Group Limited to provide this support has been considered within the OVO Group Limited financial statements, available on request from the registered office showing in note1, where the OVO Group Limited Directors concluded that the Group has sufficient liquidity to continue as a going concern. This assessment has been updated as at 31 March 2021.

Under the base case, and the severe downside scenarios considered, the Group has sufficient liquidity to continue as a going concern and is compliant with all financial covenants throughout 2020 and 2021. Accordingly, the Directors have areasonable expectation that the Group has adequate liquidity, and resources to continue operating for a period of at least 12 months from the date of approval of the financial statements, and therefore the financial statements have been prepared on a going concern basis.

Having considered these matters, the Directors do not believe there are any material uncertainties to disclose in relationtothe Company's ability to continue as a going concern.

Basis of consolidation
The Group financial statements comprise the consolidated financial statements of the Company and its subsidiary undertakings as at 31 March 2020.

The Company and its subsidiaries have previously been part of the SSE plc group and the Company has previously taken the exemption from preparing consolidated financial statements under Section 400 of the Companies Act 2006. For the year ended 31 March 2020, this exemption is no longer available and therefore the Company has prepared consolidated financial statements for the first time.

The Group was formed on 1 April 2018 as part of a group reconstruction undertaken by SSE plc. As this involved the business combination of entities under common control, the Company has elected not to apply acquisition accounting under IFRS 3 and has elected to apply predecessor accounting principles. The assets and liabilities of the subsidiaries acquired from SSE plc have been recognised at their previous book values and no new goodwill has been recognised. The difference between the aggregate value of assets and liabilities acquired and the value of shares issued by the Company as consideration has been recognised in a merger reserve.

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.

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

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

No income statement is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company made a loss for the year of £31m (2019: £539m).

2 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective
The following have been applied for the first time from 1 April 2019 and have had an effect on the financial statements:

IFRS 16 Leases
The Group had to change its accounting policies as a result of adopting IFRS 16. The Group has adopted IFRS 16 Leases retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 7%.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

• applying a single discount rate to a portfolio of leases with reasonably similar characteristics
• accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
• excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
• using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The associated right-of-use assets were measured on a modified retrospective basis as if the new rules had always been applied.

2 Accounting policies (continued)

IFRS 16 Leases (continued)

Reconciliation of the impact of adoption:

	Group £m	Company £m
Operating lease commitments disclosed as at 31 March 2019	-	-
Discounted using the lessee's incremental borrowing rate	-	-
(Less): Short-term leases not recognised as a libility	-	-
Add/(less): Contracts reassessed as lease contracts	(16)	-
Add/(less) Adjustments as a result of a different treatment of extension and termination options	-	-
Lease liability recognised as at 1 April 2019	**(16)**	-

Of which are:	Group £m	Company £m
Current lease liabilities	(4)	-
Non-current lease liabilities	(12)	-
	(16)	-

Adjustments recognised in the balance sheet on 1 April 2019:	Group £m	Company £m
Right-of-use assets	16	-
Lease liability	(16)	-

2 Accounting policies (continued)

Other new accounting standards and amendments

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

- Prepayment Features with Negative Compensation - Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

None of these other standards, interpretations and amendments effective for the first time from 1 April 2019 have had a material effect on the financial statements

New standards, interpretations and amendments not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Revenue recognition

Recognition

The Group earns the majority of its revenue from the supply of electric and gas, which comprises sales to domestic end-user customers based on actual electric and gas consumption including an estimate of the value of electric and gas supplied to customers between the date of the last meter reading and the year end. Revenue is recognised "over time" consistent with the delivery of electricity and gas to the customer, as we consider the receipt and consumption of the benefits of the electricity and gas to be simultaneous. Further information is included in Note 3.

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

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

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

2 Accounting policies (continued)

Transaction price

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

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

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

2 Accounting policies (continued)

Revenue recognition (continued)

Contract assets and receivables

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

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

Contract liabilities

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

Net basis of measurement of contract balances

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

Capitalisation of costs to obtain or fulfil a contract

The incremental costs of obtaining a contract are recognised as an asset if certain criteria are met. The Group incurs broker commissions for customers who have signed-up through broker sites. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense customer acquisition costs because the amortisation period of the asset that the Group otherwise would have used is one year or less.

Exceptional items

Exceptional items are those charges or credits that are considered unusual by nature and/or scale and of such significance that separate disclosure is required for the financial statements to be properly understood.

Classification of charges or credits as exceptional items will generally be non-recurring, although exceptional expenses may impact the same financial statement line over time.

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.

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 up to 4% of their base pay. All costs related to the scheme are expensed in the income statement in the year 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 obligations to pay further amounts. The Group has enrolled in the automatic pension scheme since acquisition by OVO Energy Limited.

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.

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

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

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

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

Past-service costs are recognised immediately in profit or loss.

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 Group 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**
Fixtures, fittings and equipment	4 to 10 years straight line
Motor vehicles	4 to 10 years straight line

Intangible assets

Development assets and software

Software assets include the costs of developing and installing products for use within the business. Software is amortised once the development of the software is complete and has been implemented. The useful life of the asset is assessed on the basis of the nature of the asset and an expected useful life is applied accordingly. The amortisation period is as follows:

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**
Other intangible assets	3 years straight line
IT software and internally developed software costs	3 years straight line
Trade names	10 years straight line
Contractual customer relationships	10 years straight line
Engineer network	10 years straight line

Investments

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

2 Accounting policies (continued)

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade receivables
Trade receivables are predominantly amounts due from customers for the sale of electricity, gas and other services performed in the ordinary course of the Group's business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables do not carry any interest and are held at transaction price less an appropriate impairment recognised where the loss is probable. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. Further detail on this model and application within these accounts can be found within the Critical accounting estimates note.

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 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.

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

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

2 Accounting policies (continued)

Leases
The below policy has been applied in 2020 following the adoption of IFRS 16 as noted above.

In the previous year, the company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. Leases in which substaintially all the risks and rewards of ownership are retained by the lessor were classified as 'operating leases'. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

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

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

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

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

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

2 Accounting policies (continued)

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

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

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

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

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

The modification is accounted for as a separate lease if both:

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

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The Group then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

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

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

2 Accounting policies (continued)

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

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

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

Financial instruments

Initial recognition
Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

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

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

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

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

2 Accounting policies (continued)

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

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

Financial liabilities are classified into one of the following two categories:-

· financial liabilities at amortised cost; or
· financial liabilities at fair value through the profit or loss (FVTPL).

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

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

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

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

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

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

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

2 Accounting policies (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for trade receivables and contract assets. The Group applies the simplified approach available in IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

In estimating a loss allowance we consider historical experience and forward-looking informed credit assessment relating to customer specific trends and conditions alongside other factors such as the current state of the economy. We consider reasonable and supportable information that is relevant and available without undue cost or effort.

Due to the global financial uncertainty arising from the COVID-19 pandemic, management has considered the elevated credit risk on trade receivables.

Commodity derivatives

Within its regular course of business, the Group routinely enters into sale and purchase derivative contracts for commodities such as electricity and gas. Where the contract was entered into and continues to be held for the purpose of receipt or delivery in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as "own use" contracts and are measured at cost. These contracts are not within the scope of IFRS 9.

Derivative commodity contracts which are not designated as own use contracts are accounted for as trading derivatives and are recognised in the balance sheet at fair value. Where a hedge accounting relationship is designated and is proven to be effective, the changes in fair value will be recognised in accordance with the rules noted above. There are currently no designated hedge relationships in relation to commodity contracts.

Share capital

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

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty abouttheseassumptions and estimates could result in outcomes that require a material adjustment to the carrying amount ofassets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key areas involving estimates and judgements that has the most significant effect on the amounts recognised in the financial statements are explained below.

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

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

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

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

This estimate is subject to an internal validation process which compares calculated unbilled volumes to a theoretical real-time billing benchmark measure of unbilled volumes with reference to historical consumption patterns adjusted for seasonality/weather and aggregated metering data used in industry reconciliation processes. Unbilled revenue recognised on the Group Balance Sheet was £640m.

Impairment of trade receivables (estimation uncertainty)
Impairments against trade receivables are recognised where the loss is expected. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. For energy customers the impairment is calculated by splitting the portfolio into segments and The Directors have based their assessment of the level of impairment on collection rates experienced within each segment to date. The estimates and assumptions used to determine the level of provision will continue to be reviewed periodically and could lead to changes in the impairment provision methodology which would impact the income statement in future years.

The assumption that future performance of customer debt settlement will be reflective of past performance is the most significant assumption within the expected credit loss provisioning model. To address this risk, the Group reviews the provision rates for each segment on a regular basis to ensure they are based on the most up to date assumptions and use forward looking information. Due to the financial uncertainty arising from the COVID-19 pandemic, management has considered the elevated credit risk on trade receivables and included an additional overlay to historic decay curves. The total expected credit loss provision, including the COVID-19 overlay, for the year ended 31 March 2020 was £34m. In order to test the sensitivity of the impairment of the Group's trade receivables balance, the Group has considered the impact of an additional ageing of trade receivables which requires an extra 0.5% of revenue being provided for. This would lead to an increase in the expected credit loss provision of £18m in 2020.

Derivative financial instruments (accounting judgement)
Within its regular course of business, the Group routinely enters into sale and purchase derivative contracts for electricity and gas. Where the contract was entered into and continues to be held for the purpose of receipt or delivery in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as "own use"contracts and are measured at cost.These contracts are not within the scope of IFRS9. The percentage of contracts that are deemed to meet own-use criteria (approximately 70% in relation to electricity and approximately 40% in relation to gas) is considered to be an area of accounting judgement that significantly impacts the level of unrealised gains and losses on derivatives that are recognised in the financial statements.

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

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

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

Having assessed the level profits made by the Group since the year end and forecasts of revenue and costs for the coming years, the Directors believe it is probable that the Group will generate sustainable profits and therefore a deferred tax asset has been recognised. Deferred tax assets in respect of tax losses are expected to reverse over the next 5 to 7 years.

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

4 Revenue

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

	2020 £ m	2019 £ m
Sale of gas and electricity	3,336	3,300
Installation of Smart Meters	186	196
Sale of home and emergency cover	56	57
Voiceline revenue	40	40
Broadband revenue	15	11
	3,633	3,604

All the revenue reported in the year is sold within the UK.

5 Operating loss

Arrived at after charging:

	2020 £ m	2019 £ m
Depreciation expense	10	12
Depreciation on right of use assets	10	-
Amortisation expense	42	38
Impairment loss	399	58

5 Operating loss (continued)

Exceptional administrative expenses
Total exceptional costs of £473m were recognised in the year. Following the acquisition of the Group by OVO, an exercise was undertaken to review the fair value of the tangible and intangible assets. We have reassessed UELs for system assets that will ultimately be retired and replaced with OVO systems and as a result we recognised an impairment charge of £399m. In addition, £13m exceptional costs were recognised in relation to the costs that were incurred due to the restructuring of the Group. An onerous contract was also identified during the year, which the Group has provided for, which makes up the remaining balance of £61m recognised in exceptional costs for the year.

Prior year exceptional costs of £63m consisted of £58m impairment relating to discontinued marketing and data management software assets and £5m costs incurred in the transfer and integration of the GB domestic electricity supply business from SSE Energy Supply Limited to the Group.

6 Finance income and finance costs

	2020 £ m	2019 £ m
Finance income		
Other finance income	1	3
Finance costs		
Interest on borrowings	(37)	(55)

7 Staff costs

Group

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

	2020 £ m	2019 £ m
Wages and salaries	227	247
Social security costs	21	23
Other pension costs	30	32
Share-based payment expenses	3	4
	281	305

The aggregate payroll costs included in the Company accounts during the year was £nil (2019 - £nil).

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

	2020 No.	2019 No.
Administration and support	7,419	8,504

7 Staff costs (continued)

The Company did not have any employees in the current or prior financial year.

8 Directors' remuneration

The Group Directors' remuneration for the year was as follows:

	2020 £m	2019 £m
Remuneration	1.7	1.1

During the year the number of Directors who were receiving benefits and share incentives was as follows:

	2020 No.	2019 No.
Received or were entitled to receive shares under long term incentive schemes	7	2

In respect of the highest paid Director:

	2020 £m	2019 £m
Remuneration	0.6	0.6

9 Auditors' remuneration

	2020 £m	2019 £m
Audit of these financial statements	0.5	-

10 Income tax credit

Tax credited in the income statement

	2020 £ m	2019 £ m
Current taxation		
UK corporation tax	-	8
UK corporation tax adjustment to prior periods	(8)	-
	(8)	8
Deferred taxation		
Arising from origination and reversal of temporary differences	(84)	(40)
Arising from changes in tax rates and laws	(3)	4
Total deferred taxation	(87)	(36)
Tax credit in the income statement	(95)	(28)

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ m	2019 £ m
Loss before tax	(474)	(199)
Corporation tax at standard rate of 19% (2019 - 19%)	(90)	(38)
Decrease in current tax from adjustment for prior periods	(8)	-
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	5	8
Increase from losses carried back	2	-
Decrease from transfer pricing adjustments	(1)	(2)
Deferred tax (credit)/expense relating to changes in tax rates or laws	(3)	4
Total tax credit	(95)	(28)

10 Income tax credit (continued)

Deferred tax

Group
Deferred tax assets and liabilities

2020	Asset £ m	Liability £ m	Net deferred tax £ m
Accelerated tax depreciation	26	-	26
Provisions	1	-	1
Financial assets at fair value through profit or loss	8	-	8
Tax losses carry-forwards	74	-	74
Pension benefit obligations	-	(4)	(4)
	109	(4)	105

2019	Asset £ m
Accelerated tax depreciation	11
Provisions	5
Financial assets at fair value through profit or loss	6
Tax losses carry-forwards	-
Pension benefit obligations	-
	22

10 Income tax credit (continued)

Deferred tax movement during the year:

	At 1 April 2019 £ m	Recognised in income £ m	Recognised in other comprehensive income £ m	At 31 March 2020 £ m
Accelerated tax depreciation	11	15	-	26
Provisions	5	(4)	-	1
Financial assets at fair value through profit or loss	6	2	-	8
Tax losses carry-forwards	-	74	-	74
Pension benefit obligations	-	-	(4)	(4)
Net tax assets/(liabilities)	22	87	(4)	105

Deferred tax movement during the prior year:

	At 1 April 2018 £ m	Recognised in income £ m	At 31 March 2019 £ m
Accelerated tax depreciation	(6)	17	11
Provisions	1	4	5
Financial assets at fair value through profit or loss	(2)	8	6
Tax losses carry-forwards	-	-	-
Pension benefit obligations	-	-	-
Net tax assets/(liabilities)	(7)	29	22

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

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

A change to the main UK corporation tax rate announced in the Budget on 11 March 2020 was substantively enacted on 17 March 2020 by a Budget resolution under the provisions of the Provisional Collection of Taxes Act 1968. The rate effective from 1 April 2020 now remains at 19% rather than the previously enacted reduction to 17%. Deferred tax balances are now remeasured to 19% from the previous rate of 17%.

However, the Spring Budget 2021 announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The net deferred tax asset has been calculated at 19% as this rate has been substantively enacted at the Balance Sheet date. Had the 25% rate been substantively enacted on or before 31 March 2020 it would have had the effect of increasing the net deferred tax asset by £33m.

11 Property, plant and equipment

Group

	Furniture, fittings and equipment £ m	Motor vehicles £ m	Assets under construction £ m	Total £ m
Cost or valuation				
At 1 April 2018	10	138	-	148
Additions	1	3	-	5
At 31 March 2019	11	141	-	152
At 1 April 2019	11	141	-	152
Additions	-	-	1	1
Transfers	-	1	(1)	-
At 31 March 2020	11	142		153
Accumulated depreciation				
At 1 April 2018		109	-	109
Charge for year	3	9	-	12
At 31 March 2019	3	118	-	121
At 1 April 2019	3	118	-	121
Charge for the year	2	8	-	10
Impairment	6	-	-	6
At 31 March 2020	11	126	-	137
Carrying amount				
At 31 March 2020		16		16
At 31 March 2019	8	23	-	31

12 Right of use assets

Group

	Property £ m	Vehicles £ m	Total £ m
Cost or valuation			
At 1 April 2019 - Implementation of IFRS 16	16	-	16
Additions	16	26	42
At 31 March 2020	32	26	58
Accumulated depreciation			
At 1 April 2019	-	-	-
Charge for the year	5	6	10
At 31 March 2020	5	6	10
Carrying amount			
At 31 March 2020	28	20	48
At 31 March 2019	-	-	-

13 Intangible assets

Group

	Software and IT Development £ m	Total £ m
Cost or valuation		
At 1 April 2018	425	425
Additions	113	113
At 31 March 2019	538	538
At 1 April 2019	538	538
Additions	77	77
At 31 March 2020	615	615
Accumulated amortisation		
At 1 April 2018	19	19
Amortisation charge	38	38
Impairment	58	58
At 31 March 2019	115	115
At 1 April 2019	115	115
Amortisation charge	42	42
Impairment	393	393
At 31 March 2020	550	550
Carrying amount		
At 31 March 2020	65	65
At 31 March 2019	423	423

Included within the carrying amount of the Software and IT development costs of £65m are intangible assets under construction of £14m which are not subject to amortisation.

14 Investments in subsidiaries

Group subsidiaries

Details of the group subsidiaries as at 31 March 2020 are as follows:

14 Investments in subsidiaries (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
OVO (S) Electricity Limited*	Energy Supply	(i) See below	100%	100%
OVO (S) Gas Limited*	Energy Supply	(i) See below	100%	100%
OVO (S) Energy Solutions Limited*	Energy related services	(ii) See below	100%	100%
OVO (S) Retail Telecoms Limited*	Telecommunications	(i) See below	100%	100%
OVO (S) Metering Limited*	Energy Supply	(ii) See below	100%	100%
OVO (S) Home Services Limited*	Energy related services	(ii) See below	100%	100%

* indicates direct investment of OVO (S) Energy Services Limited

(i) Registered office is 1 Rivergate, Temple Quay, Bristol, BS1 6ED.

(ii) Registered office is Grampian House, 200 Dunkeld Road, Perth, Scotland, PH1 3GH.

Summary of the company investments

	31 March 2020 £ m	31 March 2019 £ m
Investments in subsidiaries	493	441

14 Investments in subsidiaries (continued)

Subsidiaries	**£ m**
Cost or valuation	
At 1 April 2018	1
Additions	933
At 31 March 2019	934
At 1 April 2019	934
Additions	52
At 31 March 2020	986
Provision	
At 1 April 2018	-
Provision	493
At 31 March 2019	493
At 1 April 2019	493
At 31 March 2020	493
Carrying amount	
At 31 March 2020	493
At 31 March 2019	441

15 Inventories

	Group 31 March 2020 £ m	Group 31 March 2019 £ m	Company 31 March 2020 £ m	Company 31 March 2019 £ m
Finished goods and goods for resale	1	1	-	-

16 Trade and other receivables

	Group		Company	
	31 March 2020 £ m	31 March 2019 £ m	31 March 2020 £ m	31 March 2019 £ m
Trade receivables	378	370	-	-
Receivables from related parties			161	1,284
Corporation tax debtor	12	-	2	4
Accrued income	628	620	-	-
Prepayments	14	9	-	-
Other receivables	135	69	5	-
	1,167	1,068	168	1,288

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

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment note.

17 Cash and cash equivalents

	Group		Company	
	31 March 2020 £ m	31 March 2019 £ m	31 March 2020 £ m	31 March 2019 £ m
Cash and cash equivalents	13	15	10	-

18 Trade and other payables

	Group		Company	
	31 March 2020 £ m	31 March 2019 £ m	31 March 2020 £ m	31 March 2019 £ m
Amounts falling due within one year:				
Trade payables	35	16	-	-
Accrued expenses	231	504	-	-
Amounts due to related parties	340	235	1	1,315
Corporation tax payable	-	8	-	-
Other payables	553	549	2	-
	1,158	1,312	3	1,315

18 Trade and other payables (continued)

	Group		Company	
	31 March 2020 £ m	31 March 2019 £ m	31 March 2020 £ m	31 March 2019 £ m
Amounts falling due after one year:				
Amounts due to related parties	-	958	-	964
	-	958	-	964

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

19 Leases

Group

Lease liabilities maturity analysis

A maturity analysis of lease liabilities is reported in the table below:

	31 March 2020 £ m	31 March 2019 £ m
Less than one year	(15)	-
Greater than one year	(32)	-
Total lease liabilities	(47)	-

20 Other provisions

Group

	Onerous contracts £ m	Other provisions £ m	Total £ m
At 1 April 2019	-	5	5
Additional provisions	61	6	67
Utilised during the year	(4)	(2)	(6)
Released during the year	-	(4)	(4)
At 31 March 2020	57	5	62

An onerous contract of £61m was recognised during the year, of which £4m has been utilised in the year. Other provisions of £5m relate to specific obligations in relation to industry mutualisation.

21 Share capital

Allotted, called up and fully paid shares

	31 March 2020 No. m	31 March 2020 £ m	31 March 2019 No. m	31 March 2019 £ m
Ordinary Share Capital of £1 (2019 - £0) each	609	609	-	-

New shares allotted

On 12 December 2019 the Company alloted 1,217,270,359 Ordinary Shares having an aggregate nominal value of £1,217,270,359. They were allotted for an aggregate consideration of £1,217,270,359.

Reduction of capital

On 15 January 2020 the company reduced its capital by 608,770,361 of its own Ordinary share capital at a nominal value of £608,770,361. The Ordinary share capital were reduced for a consideration of £608,770,361 and represent 50% of the called up share capital of that class of share.

22 Pension and other schemes

Defined benefit pension schemes

The Group sponsors a funded defined benefit pension plan for qualifying UK employees – the Ovo Energy Group of the ESPS. This scheme was established on 14 January 2020 following the acquisition of the company by the Ovo group in order to provide retirement benefits for eligible company employees.

The scheme is sectionalised with separate sections for former members of the Southern Electricity Group of the ESPS and former members of the Scottish Hydro-Electric Pension Scheme. The assets in each section are ring-fenced to provide benefits solely for the members of that section.

The scheme's assets at 31 March 2020 were invested entirely in cash as a short-term investment. The scheme's assets have subsequently been invested in equities, bonds and other asset classes in line with the investment strategy set by the trustees after consulting the company.

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

Risks

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

Inflation risk
The scheme's benefit obligations are linked to inflation, and higher inflation leads to higher liabilities (although, in some cases, caps on the level of inflationary increases are in place to protect against extreme inflation).

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

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	31 March 2020 £ m	31 March 2019 £ m
Fair value of scheme assets	78	-
Present value of scheme liabilities	(55)	-
Defined benefit pension scheme surplus	23	-

22 Pension and other schemes (continued)

Scheme assets

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

	31 March 2020 £ m	31 March 2019 £ m
Fair value at start of year	-	-
Employer contributions	1	-
Net increase in assets from bulk transfers	77	-
Fair value at end of year	78	-

Actual return on scheme's assets

	31 March 2020 £ m	31 March 2019 £ m
Actual return on scheme assets	-	-

Scheme liabilities

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

	31 March 2020 £ m	31 March 2019 £ m
Present value at start of year	-	-
Current service cost	(1)	-
Net increase in liabilities from bulk transfers	(54)	-
Present value at end of year	(55)	-

Amounts recognised in the income statement

	31 March 2020 £ m	31 March 2019 £ m
Amounts recognised in operating profit		
Current service cost	1	-
Amounts recognised in finance income or costs		
Recognised in other finance cost	-	-
Total recognised in the income statement	1	-

22 Pension and other schemes (continued)

Amounts recognised in equity

	31 March 2020 £ m	31 March 2019 £ m
Bulk transfer from parent company	23	-
Amounts recognised in equity	23	-

Principal actuarial assumptions

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

	31 March 2020 %	31 March 2019 %
Mortality rate	1.25	-
Discount rate	1.70	-
Future salary increases	2.50	-
Future pension increases	2.60	-

23 Fair value measurement

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, categorised into either level 1, 2 or 3 based on the degree to which the fair value is observable.

• Level 1 fair value measurements are those derived from unadjusted quoted market prices for identical assets or liabilities.

• Level 2 fair value measurements are those derived from inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

23 Fair value measurement (continued)

Assets measured at fair value 2020

	Date of valuation	Level 2 £ m	Total £ m
Energy derivatives	31 March 2020	38	38

Assets measured at fair value 2019

	Date of valuation	Level 2 £ m	Total £ m
Energy derivatives	31 March 2019	23	23

Liabilities measured at fair value 2020

	Date of valuation	Level 2 £ m	Total £ m
Energy derivatives	31 March 2020	(78)	(78)

Liabilities measured at fair value 2019

	Date of valuation	Level 2 £ m	Total £ m
Energy derivatives	31 March 2019	(59)	(59)

24 Financial instruments

Group

Financial assets

Financial assets at fair value through profit or loss

Derivatives held for trade

	Carrying value		Fair value	
	31 March 2020 £ m	31 March 2019 £ m	31 March 2020 £ m	31 March 2019 £ m
Derivative financial assets	38	23	38	23
Total	**38**	**23**	**38**	**23**

24 Financial instruments (continued)

Valuation methods and assumptions

Fair values for energy derivatives have been determined with reference to closing market prices. The fair values are stated at a specific date and may be different from the amounts which will actually be paid or received on settlement of the instruments.

Financial assets at amortised cost

	Carrying value		Fair value	
	31 March 2020 £ m	31 March 2019 £ m	31 March 2020 £ m	31 March 2019 £ m
Cash and cash equivalents	13	15	13	15
Trade and other receivables	1,167	1,068	1,167	1,068
	1,180	**1,083**	**1,180**	**1,083**

Valuation methods and assumptions

Certain assets have been classified and carried at amortised cost on inception in line with IFRS 9 criteria. The carrying value of these assets are approximately equivalent to fair value due to short-term maturity.

Financial liabilities

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

	Carrying value		Fair value	
	31 March 2020 £ m	31 March 2019 £ m	31 March 2020 £ m	31 March 2019 £ m
Derivative financial liabilities	(78)	(59)	(78)	(59)
	(78)	**(59)**	**(78)**	**(59)**

24 Financial instruments (continued)

Valuation methods and assumptions

Fair values for energy derivatives have been determined with reference to closing market prices. The fair value are stated at a specific date and may be different from the amounts which will actually be paid or received on settlement of the instruments.

Financial liabilities at amortised cost

	Carrying value		Fair value	
	31 March 2020 £ m	31 March 2019 £ m	31 March 2020 £ m	31 March 2019 £ m
Trade and other payables	1,158	1,312	1,158	1,312
	1,158	**1,312**	**1,158**	**1,312**

Valuation methods and assumptions

Certain liabilities have been classified and carried at amortised cost on inception in line with IFRS 9 criteria. The carrying value of these assets are approximately equivalent to fair value due to short-term maturity.

24 Financial instruments (continued)

Amounts recognised in profit and loss

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

	2020 £m	2019 £m
Opening value of derivatives - net (liability)/asset position	(36)	11
Movement recognised through profit and loss	(4)	(47)
Closing value of derivatives (net liability position)	**(40)**	**(36)**

25 Financial risk management and impairment of financial assets

Group

The Groups'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 effects on the Group's financial performance.

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

Trade receivables are written off only after a period of time has elapsed since the final bill. Enforcement activity continues in respect of these balances unless there is specific know circumstances that removes any value in further action.

The credit quality of financial assets that are neither due or impaired can be assessed by reference to historical information about counterparty default rates. Impaired receivables mainly relate to customers from whom it is unlikely that full payments will be received.

25 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.

The Group measures and manages the commodity risk associated with the financial and non-financial commodity contracts it is exposed to. However, only certain commodity contracts within the Group constitute financial instruments under IFRS 9. As a result, it is only the fair value of IFRS 9 financial instruments which represents the exposure of the Group's commodity price risk under IFRS 7. This is a consequence of the Group's accounting policy which stipulates that commodity contracts which are designated as financial instruments under IFRS 9 should be accounted for on a fair value basis with changes in fair value reflected in profit or equity. Conversely, commodity contracts that are not designated as financial instruments under IFRS 9 will be accounted for as "own use" contracts. As fair value changes in own use contracts are not reflected through profit or equity, these do not represent the IFRS 7 commodity price risk.

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.

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

Capital risk 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.

The Company and 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.

26 Related party transactions

Key management personnel

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

	31 March 2020 £m	31 March 2019 £m
Salaries and other short term employee benefits	1.7	1.1

Summary of transactions with parent entities

On 15 January 2020 the company was acquited by the OVO Energy Group. As at 31 March 2020, the total balance outstanding due from OVO Energy Limited was £440,482,637 (2019: £Nil). The loan incurred no interest charge on the capital balance.

From 1 April 2019 to 15 January 2020 the company was owned by SSE Plc. As at 31 March 2020, the total balance outstanding with SSE Plc was £nil (2019: due to £968,650,969). Please see SSE plc consolidated financial statements for further details.

26 Related party transactions (continued)

Summary of transactions with subsidiaries

As at 31 March 2020, the total balance outstanding due from OVO (S) Electricity Limited was £102,793,201 (2019: due from £945,310,888). The loan incurred interest at a charge of 5.06% which was a total interest cost for the year of £786,362.

As at 31 March 2020, the total balance outstanding due to OVO (S) Gas Limited was £359,717,355 (2019: due from £334,288,717). The loan incurred interest an charge of 5.06% which was a total interest income for the year of £176,466.

As at 31 March 2020, the total balance outstanding due to OVO (S) Metering Limited was £18,889,445 (2019: due from £1,427,973). The loan incurred interest an charge of 5.06% which was a total interest cost for the year of £5,897.

As at 31 March 2020, the total balance outstanding due from OVO (S) Retail Telecoms Limited was £4,809,893 (2019: due from £2,078,474). The loan incurred interest an charge of 5.06% which was a total interest cost for the year of £10,112.

As at 31 March 2020, the total balance outstanding due to OVO (S) Home Services Limited was £3,677,890 (2019: due to £6,553,592). The loan incurred interest an charge of 5.06% which was a total interest income for the year of £365,556.

As at 31 March 2020, the total balance outstanding due to OVO (S) Energy Solutions Limited was £5,421,773 (2019: due to £4,750,301). The loan incurred interest an charge of 5.06% which was a total interest income for the year of £4,226.

27 Parent and ultimate parent undertaking

The company's immediate parent is OVO Energy Ltd.

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

The ultimate controlling party is Stephen Fitzpatrick.

28 Non adjusting events after the financial period

COVID-19

Our investment in technology and shared platforms has ensured a high level of connectivity which means we are able to move to remote operations with minimal disruption. However, unfortunately COVID-19 has impacted our commercial performance in 2020/21, due to some key sales channels within the business experiencing significant interruption as a result of the lockdown.

As a result of COVID-19, we have also recognised additional bad debt charges in 2020/21, in accordance with the requirements of IFRS 9, as the economic consequences of the pandemic have materialised with our customers.

Other post balance sheet events

In May 2020, the OVO Group announced a phase of restructuring to align the existing OVO Retail business and the acquired SSE businesses operationally. With respect to our subsidiary OVO (S) Metering Limited, this involved the creation of an OVO Group Metering division to oversee all metering activity across the OVO Retail Group. The new Group Metering division was largely created from personnel across OVO (S) Metering Limited and the OVO equivalent (OVO Field Force Limited) with some additional functions transferred in from OVO (S) Energy Services Limited.

At this time, no changes have been made to align employee contracts or assets.

As part of the restructure, a voluntary enhanced redundancy programme (VER) was initiated which has resulted in the exit of a number of staff from both the OVO and OVO (S) Metering businesses, to right-size the operation and to operate across all OVO Retail brands.

In addition, through the same VER programme, OVO (S) Metering Limited is ceasing to undertake in-house meter reading activity and has moved to a third party arrangement. As a result, circa 700 meter reading staff (a mix of permanent and contract resource) have left the business.