KRAKEN
Technologies

Kraken Technologies Limited

Annual Report and
Financial Statements 2021

Contents

CEO's foreword

"In just two years, we've gone from under a million accounts licensed to 17 million – and have now grown to over 24 million since close of FY21"

In the last twelve months, Kraken has become a global platform used by market leaders in energy retail, contracted across 17 million accounts and 7 countries.

We are on target to achieve our goal of 100 million accounts on the platform by 2027 – meaning that Kraken is en-route to becoming one of the largest EnTech platforms worldwide.

Kraken and Octopus Energy's retail and generation businesses reinforce each other to create a uniquely powerful platform, providing incredible value to licensee partners and helping drive the transitions to renewables faster and cheaper. Octopus Energy allows new ideas to be trialed in-market – and if successful the capabilities are built into Kraken. This enables learnings to be gleaned and deployed around the globe helping accelerate Kraken away from traditional competitors.

The Kraken team continues to break through industry benchmarks – not only in terms of the rapid growth of accounts onboarded – but also the platform's capabilities themselves.

This has been forged both organically, by our brilliant internal developers – and inorganically, via the acquisition of external super-specialists, like Upside, Configurable and Smart Pear. Both avenues turbo-charge Kraken's offer into the market – meaning the platform remains unparalleled in its efficiency, flexibility, and comprehensive nature.

By combining joined-up thinking around renewables with a bedrock of powerful technological automation, Kraken is enabling a world where decentralised, decarbonised energy can be a reality – for everyone.

Greg Jackson
Chief Executive Officer

Kraken is a globally scalable platform designed to drive the smart grid and greatly improve the efficiency and customer service of energy suppliers.

The end-to-end platform is based on advanced data and machine learning capabilities and automates much of the energy supply chain, empowering customers to access power when it is cheaper and greener.

At KTL, our philosophy is to build and own the technology stack that underpins and controls the services we provide. Every interaction with Kraken – whether through our employees or customers – is characterised by a drive for efficiency and quality of data.

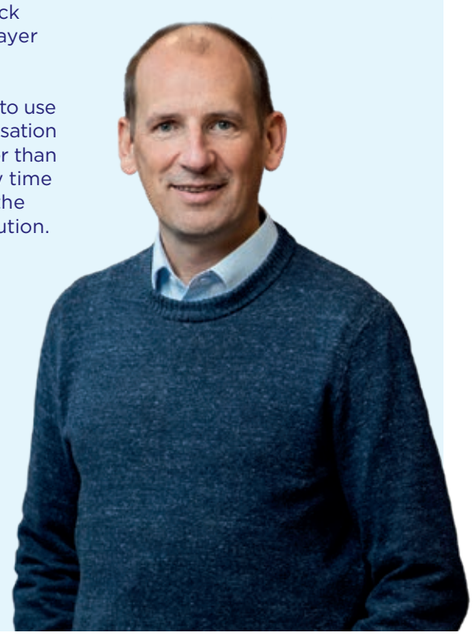
Almost all the tech we use on a day-to-day basis is proprietary to Kraken. This enables us move with more agility than others in the market. We own and protect data customers share with us. We rely less on third parties. We can innovate faster and better to deliver the system changes needed for the future.

Our developers are at the heart of the business. They have a high degree of autonomy and are encouraged to consistently challenge the status quo in pursuit of a simpler path forward.

In the year ending April 21, Kraken took a large leap forward not only in terms of platform capabilities, but also the team itself. We grew our team of developers by 147% in this time – and acquired three tech businesses, adding energy-specific competencies which are now core to Kraken's ever-expanding functionality. Our road map is driven by the unique inter-relationship between technology and operations at all levels within the Octopus Energy Group. We can learn and deploy in a continuous feedback loop – faster than any other player in the market.

Fundamentally, Kraken's goal is to use technology to enable decarbonisation to take place faster and cheaper than ever before. We don't have any time to lose, and Kraken is leading the way forward in the green revolution.

James Eddison
Chief Technology Officer



Directors' report

What we do

Our principal activity is developing and licensing the revolutionary Kraken software platform. Unlike competitors, Kraken has been built with a deep understanding of the energy sector, with a clear vision for its upcoming transition to renewables. It automates much of the supply chain, and enabling previously unheard of levels of customer self-service.

This in turn frees up time and resources, resulting in outstanding service and efficiency. From billing and customer relationship management tools, to management of disaggregated energy sources and communicating directly with industry bodies, Kraken is an 'all-in-one' tech stack.

Enabling a green energy system

Based on advanced data and machine learning capabilities, Kraken enables the creation of the 'smart grid' required for a low cost transition to a green energy system. Kraken is pioneering the use of big data to invert the way we think about the energy system, placing customers at the centre of everything we do.

Future developments

Kraken Technologies Limited (KTL) continues to develop at remarkable speed – both in terms of accounts contracted and number of engaged partners, but also in terms of technical proficiency and as an organisation itself. We expect this to continue at an expedited pace in the coming year.

From a technical perspective, the team is committed to building a platform uniquely placed to service the energy transition. As has been the case up until this point, Kraken will continue to originate proprietary functional capabilities needed in order to create a smoother, simpler journey for both Kraken customers and end consumers, while delivering a cheaper, faster transition to renewables.

Events after the balance sheet date

The immediate parent Company, Octopus Energy Group Limited, agreed a £423m investment deal with Generation Investment Management for a c.13% stake in the business on 27 September 2021.

KTL has signed a licensing agreement with EDF UK to migrate their 5.8m accounts onto the Kraken platform.

Canada Pension Plan Investment Board have made c3.5% equity investment in Octopus Energy Group Limited for £105m.

Further details are provided in note 20 to the financial statements.

Dividends

The Directors did not recommend an interim or final dividend to be paid during the period (2020: £nil).

Going concern

The Company's financial statements have been prepared on a going concern basis, on the grounds that the Company is profitable and cash generative. The Company's forecasts and projections have been reviewed with specific consideration to the current Coronavirus pandemic in the UK. In addition to this the Company has the support of its immediate parent Company Octopus Energy Group Limited. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements.

Directors

The Directors who served throughout the year, and subsequently, were as follows: G Jackson, S Jackson, J Eddison, C Hulatt, S Rogerson, J Briskin.

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Our growth highlights

Key stats between April '20 and April '21

99.9%
Average uptime for Kraken platform

5.9m
Electricity and gas meter points migrated

+236%
New employees

32,487
New commits – or Kraken 'versions'

1.3m
Lines of code added

152
Individual contributors to the Kraken platform

9
Different source systems migrated into Kraken

Engaging with our stakeholders

This report sets out how the Directors comply with the requirements of Section 172 Companies Act 2006, including employee engagement, and how these requirements are considered in the Board's decision making throughout the year.

It is the Board's priority to ensure that the Directors have acted both individually and collectively in good faith, and in the way that they consider, would be most likely to promote the success of Kraken Technologies Limited for the benefit of its members as a whole and with regard to all its stakeholders. The requirements of Section 172 of the Company Act can be summarised as follows:

A Director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the Company's employees,
- the need to foster the Company's business relationships with suppliers, customers and others,
- the impact of the Company's operations on the community and the environment,
- the desirability of the Company maintaining a reputation for high standards of business conduct, and
- the need to act fairly between members of the Company.

The following paragraphs summarise how the Directors' fulfil their duties:

Risk management
Risk management is a key function of the Board's role in oversight of the business and Kraken's success in achieving its strategic objectives and mission.

The principal risks and uncertainties facing the Company are outlined on page 10.

Our people
People are the most important part of Kraken Technologies. We treat our employees with the respect they deserve, both for their dedication to developing a revolutionary software platform, as well as the breadth of experiences they share.

We put particular focus and effort in nurturing a culture of autonomy, empowerment and trust. We encourage straight-forward, honest and transparent communication. All permanent staff also own shares of Octopus Energy Group, so derive added benefit from the ongoing growth and success of the business, helping to align employee values with those of shareholders.

Informal, regular access to our senior management team drives accountability at all levels. We achieve this via a number of channels – from open internal messaging to a weekly 'Family Dinner' where more than 1,500 staff across the entire Group, and across the world, are invited to the same online meeting. Family Dinner is an important time for the whole Company to learn about the latest business developments. During these sessions, employees are encouraged to ask questions directly to the CEO and to celebrate the achievements and challenges of their teams together.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of employees becoming disabled, every effort is made to ensure that their employer within the Group continues to make sure that appropriate training and development is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Our customers
The Company is built on a foundation of obsessively delivering an outstanding technology platform. Our mantra is to offer straightforwardness and trust through breaking down traditional service barriers, instead championing simple processes and nurturing honest relationships between the team and our customers. The fundamental principles of pragmatism, simplicity and honesty are ingrained in all areas of the business. The result is unparalleled engagement with stakeholders both internally and externally.

Business relationships
We carefully select partners and suppliers to work with on a number of factors including their reputation within their industry and ability to demonstrate care and quality throughout their process. Our onboarding process is grounded in our business and personal principles, including our undertakings and provisions outlined in our Modern Slavery Statement.

We operate under the Prompt Payment Code for all suppliers that are onboarded to ensure that suppliers are paid on time, to provide them with clear guidance on our payments processes and to encourage good practice throughout the supply chain.

Community and environment
The Company is helping the world move towards a decarbonised future, based on renewable power generation through the use of technology.

During this period the Company also completed the acquisition of Upside Energy, now rebranded Kraken Flex. This brings significant functionality to manage both demand and supply side assets dynamically in response to the needs of the Grid and the wholesale market. This is a critical element in the large scale supply of renewable energy.

Shareholders
Our immediate shareholder is, Octopus Energy Group Limited. Our ultimate shareholders are:

1. Octopus Capital, who have supported our vision, mission, and growth since inception
2. Origin Energy who, in 2020, invested over £200m of equity into the Group to support continual growth
3. Tokyo Gas, who invested over £150m this year – and together with whom the Group is expanding into Japan through a joint venture
4. Generation Investment Management, who in September 2021 committed to invest 423m in the Group
5. In December 2021 Canada Pension Plan invested £105m in the Group
6. Our People; all employees own a part of the Group, so derive added benefit from the growth and success of the business to which they contribute.

We are committed to openly engaging with our shareholders and all shareholder interests are represented at the Company's board meetings. Employee shareholder interests – i.e. the interests of those that make up the Company – are represented by the three founding board members. Minority corporate shareholders have additional Reserved Matter protections.

Business conduct
We aim to provide technology to deliver green energy in ways which are economically, environmentally and socially responsible. The executive team is deeply engaged in the detail of the business and relationships with key stakeholders, they have a fundamental understanding and extensive knowledge of data flows, structures and customer behaviours that underpin the systems.

This sets the expectation across the business that excellent customer service is at the centre of what we do and is borne of a detailed understanding of our value chain and the high ethical and operational standards to which we work. We also apply this philosophy to supplier relationships, which we know work best when there is deep understanding and appreciation of the activities each party undertakes and the constraints under which they work.

Approved by the Board and signed on its behalf by:

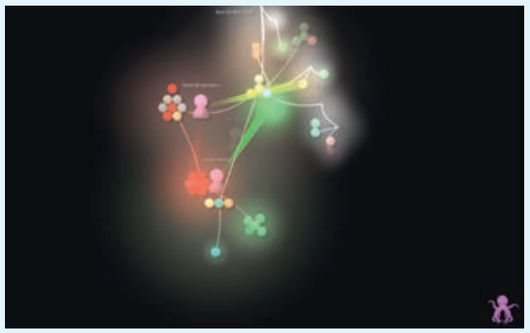
S Jackson
Director

23 December 2021
Registered office:
6th Floor, 33 Holborn
London EC1N 2HT

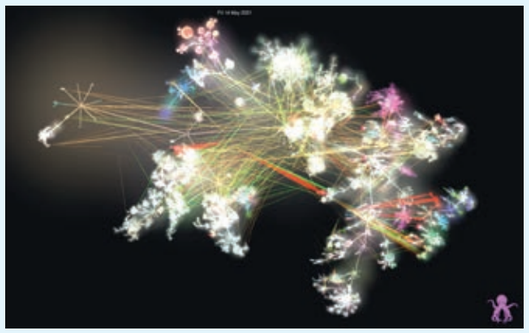
Kraken platform development since inception

Illustrations of Kraken in early stage development in 2015 – and again earlier this year, in May 2021. Different colours delineate separate languages, and nodes represent separate branches of Kraken code.

2015



2021



Strategic report

Kraken Technologies Limited experienced phenomenal growth in FY21, as E.ON implemented Kraken to service its 6 million+ customers, and we initiated Year 1 of KTL's overseas presence.

This laid the groundwork for upcoming international localisations of Kraken instances, while the team and technology learned to migrate accounts with extraordinary expedience. A few other key highlights of the year are shown below.

During 2021, Kraken Technologies Limited:

- Grew revenue to £69.4m – increased 584% from FY20.
- Active customer accounts grew from 1.4m in the prior year to 5.9m (excluding wholly owned Octopus Energy Group Limited energy supply companies).
- Entered a strategic partnership with Tokyo Gas to design and develop a Kraken based customer service platform for the Japanese market.
- Acquired Upside Energy Limited, a pioneer in smart grid technology, forming the basis of the now-named Kraken Flex team.
- Acquired Smart Pear Limited, who developed a Data Communications Company adapter, which has already had a major positive impact on customer experience.
- Acquired Configurable, a specialist software for tailor-made dynamic tariffs.
- Helped deliver >£100m cost savings for Kraken licensees.
- Maintained operational performance or 'uptime' above 99.9%.

Our KPIs

This table sets out our Key Performance Indicators and changes in last twelve months.

	30 April 2021	30 April 2020	% change
Accounts already migrated	5,881,007	1,357,358	**333%**
Number of employees	111	33	**236%**
Revenue (£000s)	69,440	10,150	**584%**
Operating profit (£000s)	46,084	9,400	**390%**
Net profit (£000s)	44,787	7,581	**491%**
Net assets (£000s)	52,554	7,581	**593%**

Principal risks and uncertainties

Management identifies, assesses, and manages risks associated with the Company's business objectives and strategy in the following categories:

Cashflow and liquidity risk
Kraken Technologies Limited manages cash responsibly and has clear sight to expected cash requirements. It is a high gross margin, cash generative business for which existing clients generate stable, predictable income.

Commercial risk
Potential risks to KTL include:

- Customer concentration risk – majority of external revenue in the year ended April 2021 came from two clients. Material change in either of the two clients will have a material impact on the financial results of the Company. This is expected to change in the near-term future, thanks to a pipeline of new business opportunities
- Cyber Security – Risk of disruption or damage from any incident involving data resulting in financial loss, reputational damage or legal claims
- Foreign Exchange Risk/Currency risk – a portion of revenue is generated in foreign currencies whereas the majority of the cost is incurred in Sterling. Fluctuation in FX can impact revenue and bottom line
- Competition – Company faces competition from established multinational companies as well as regional and local providers. Also faces competition from new entrants who bring niche products to the market
- Intellectual property risk – protecting IP is crucial to the success of the Company as any misappropriation or misuse would have an adverse impact on competitive position. Risk of infringement claims by third parties which could lead to expensive litigation
- Global regulations and compliance – the Company has clients spread globally and must manage a multicultural workforce, immigration, tax, political and economic conditions

Operational risk
Operational risk arises from a weakness or failure in a business's systems and controls. KTL continues to enhance its controls and processes, particularly with respect to its IT system and security.

The potential impact and likelihood of processes failing and operational risk materialising is assessed on a regular basis and aspects have been subject to external assessment.

Where these likelihoods are felt to be outside of the Directors' appetite for risk, management actions and/or control improvements are identified in order to bring each potential risk back to within acceptable levels. The Company also has a disaster recovery plan in place covering current business requirements.

Directors' responsibilities statement

For the year ended 30 April 2021

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'. 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 year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, including FRS 102, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Our key acquisitions in 2021

2021 saw the acquisition of three specialist technology companies. From software that manages complex, disaggregated energy assets, to a smart adapter that solves a plethora of current industry issues around smart metering, these teams were specifically brought on board to supercharge the capabilities of the platform. Their addition to the team means we can offer an even better, smoother service to customers. It is a great pleasure to welcome such experts in their field into KTL.

"These acquisitions add other potent, differentiated layers to the rapidly expanding Kraken tech stack offering."

Upside

In October 2020, the Company purchased Upside Energy Limited, a UK-based Distributed Energy Resource Management System.

Now the basis of 'Kraken Flex', the cloud-based platform controls distributed energy assets with machine learning and artificial intelligence to match supply and demand – ultimately helping the electricity grid deal with the natural volatility of renewable generation.

Asset classes under management include (amongst many others) EVs, EV charging, Solar, Wind and Heat Pumps, and the Kraken Flex team now leads the dialogue around key national energy services, such as Dynamic Containment and Balancing Market Wider Access operational reporting.

The move establishes the base of a new technology innovation centre for KTL – and adds another potent, differentiated layer to the rapidly expanding Kraken tech stack offering.

517MW

Capacity under management (now on track for 1GW of dispatchable power by the end of 2021)

49

Employees (+23 FTEs in total at year end, up from 26 since the acquisition)

Smart Pear

In April 2021, the Company invested in upgrading our customer onboarding experience – via the purchase of Smart Pear.

Smart Pear tech is a cloud based, native Data Communications company (DCC) smart adapter communications gateway, plus an integrated 2nd generation smart network.

Bringing this technology and know-how into Kraken Technologies Ltd means the Company owns a full technology stack and is in total control of our own infrastructure. It allows Kraken to remove entirely the ongoing operational issues experienced with the incumbent third parties in the market.

Built from scratch by the team at SP, the tech aligns perfectly with BEIS expectations that more connected chargers must be rapidly brought online. The cost savings, improvements to smart meter customer experience, as well as ability to deliver new, innovative revenue lines to Kraken, are immense.

"The team at Smart Pear are a major asset for Kraken: as renowned industry experts, they regularly advise Government and Industry bodies on both smart metering and data security topics."

Configurable

In February 2021, the Company purchased Configurable from Marvel Labs, New Zealand.

Configurable is an advanced energy software created by Wellington-based Marvel Labs, the brilliant team also behind NZ-based electricity retailer Powershop.

The software enables licensees of the platform to create more complex, tailor-made dynamic tariffs that support green energy, drive the smart grid and lower energy bills for both business and domestic customers.

The times of generic fixed and standard tariffs are now changing, and the way we generate and consume energy is changing dramatically. Configurable's data modelling algorithms support this change – by allowing the Kraken team to build more bespoke energy products for the future.

"The future of retail energy across the globe looks bright as Configurable becomes part of Octopus Energy Group. We are so excited to be joining forces with an organisation that has a global reach and who shares our ambitions to play a major role in accelerating the decarbonisation of electricity systems and the transition to a net zero world through use of smart technology."

Ari Sargent
CEO Marvel Labs

"At KTL, our philosophy is to build and own the technology stack that underpins and controls the services we provide."

James Eddison
Chief Technology Officer

Key business highlights for FY21

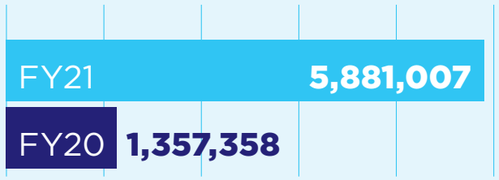
What's happened this year?

+584%

Revenue increase year on year

Accounts migrated

Number of accounts migrated between April 2020 and April 2021



+390%

Operating profit from FY20 to FY21

6

Number of countries present*

*As of November 2021, OE retail is now present in 7 countries

7

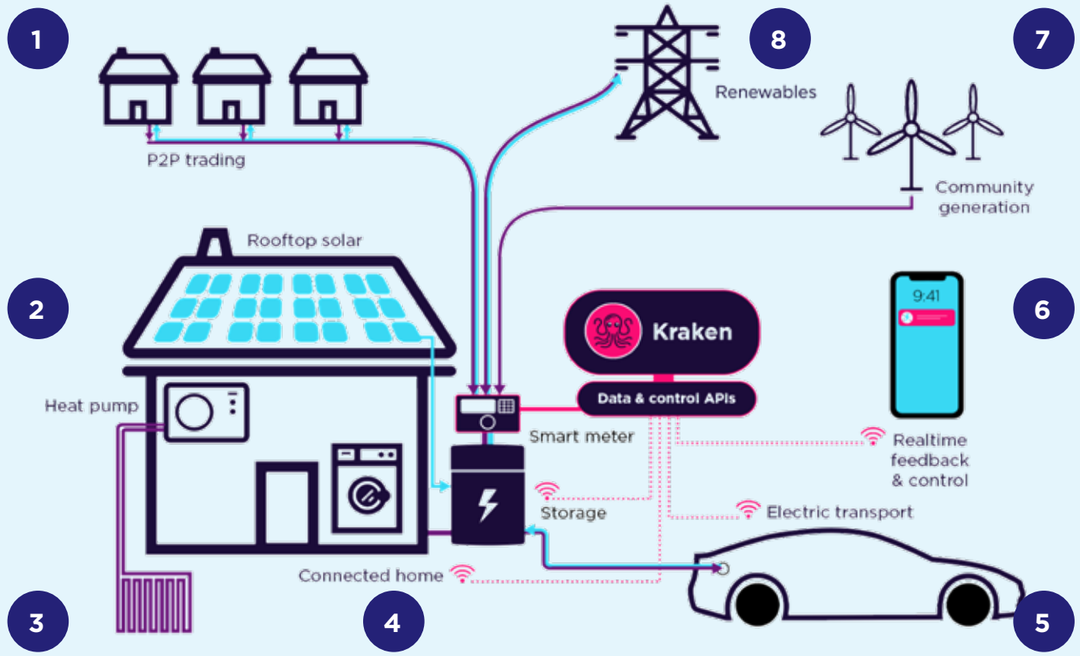
Companies licensing Kraken

+147%

Number of Kraken developers

The Smart Grid

Octopus Energy is building balanced, holistic, end-to-end solutions to create a renewable energy system for the future.



1 P2P trading and individual balancing mechanisms

2 Development of new technologies including decarbonisation of heat, via Octopus Energy Centre of Excellence

3 Octopus Energy Services help customers install meters, EV chargers and heat pumps

4 Over 3m domestic customers, now in 7 retail markets, with outstanding people and award-winning service

5 Octopus Electric Vehicles and the Electric Juice Network

6 24.6m contracted accounts on Kraken; plus Kraken Flex control APIs & optimisation algorithms

7 Community Energy JV; O&O Wind Turbines; >200MW Renewable PPAs

8 Octopus Renewables energy generation – with >£3bn in renewables assets

Figures represented as of November 2021

Independent auditor's report

To the members of Kraken Technologies Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Kraken Technologies Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 April 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of Directors

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

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

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

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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. This includes the UK Electricity Act

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Anthony Matthews FCA
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

23 December 2021

Financial statements

Statement of comprehensive income

For the year ended 30 April 2021

	Notes	2021 £000s	2020 £000s
Turnover	5	**69,440**	10,150
Cost of sales		**(19,608)**	(218)
Gross profit		**49,832**	9,932
Administrative expenses		**(3,748)**	(532)
Operating profit		**46,084**	9,400
Interest payable to group entities		**(3,054)**	(41)
Profit on ordinary activities before taxation	6	**43,030**	9,359
Tax credit/(charge) on profit on ordinary activities	9	**1,757**	(1,778)
Profit for the financial year		**44,787**	7,581

All amounts relate to continuing operations.

There is no other comprehensive income or loss and as such no separate statement of other comprehensive income or loss have been prepared.

The notes on pages 24 to 32 form part of these financial statements.

Balance sheet

At 30 April 2021

	Notes	2021 £000s	2020 £000s
Fixed assets			
Intangible assets	10	**111,656**	1,616
Tangible assets	12	**58**	–
Investments	11	**13,933**	–
		125,647	1,616
Current assets			
Debtors – due within one year	13	**12,493**	5,001
Cash at bank and in hand		**4,511**	5,422
		17,004	10,423
Creditors: amounts falling due within one year	14	**(90,097)**	(4,458)
Net current (liabilities)/assets		**(73,093)**	5,965
Net assets		**52,554**	7,581
Capital and reserves			
Called-up share capital	15	**–**	–
Other reserves		**186**	–
Profit and loss account		**52,368**	7,581
Total equity		**52,554**	7,581

The financial statements of Kraken Technologies Limited (registered number: 12014731) were approved by the Board of Directors and authorised for issue on 23 December 2021. They were signed on its behalf by:

S Jackson
Director

Registered office:
6th Floor, 33 Holborn
London EC1N 2HT

The notes on pages 24 to 32 form part of these financial statements.

Statement of changes in equity

For the year ended 30 April 2021

	Called-up share capital £000s	Share option reserves £000s	Profit and loss account £000s	Total £000s
At 1 May 2020	**–**	**–**	**7,581**	**7,581**
Total profit for the year	–	–	44,787	44,787
Other reserves	–	186	–	186
At 30 April 2021	**–**	**186**	**52,368**	**52,554**

The notes on pages 24 to 32 form part of these financial statements.

Notes to the financial statements

For the year ended 30 April 2021

1. Company information

Kraken Technologies Limited is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is shown on the Company information page. The nature of the Company's operations and its principal activities are outlined in the Directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements accounting and preparation of financial statements

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis unless otherwise specified within these accounting policies.

The functional currency of the Company is considered to be pounds sterling (£) because that is the currency of the primary economic environment in which the Company operates.

2.2 Financial reporting standard 102 – reduced disclosure exemptions

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the following disclosure exemptions available to it in respect of its separate financial statements:

(a) The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
(b) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);
(c) The requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
(d) The requirements of Section 12 Other Financial Instruments paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
(e) The requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23, concerning its own equity instruments, as the Company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein;
(f) The requirement of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of its parent Company Octopus Energy Group Limited as at 30 April 2021, which may be obtained from the registered office Company Secretary, 6th Floor, 33 Holborn, London, EC1N 2HT.

2.3 Going concern

The Company's financial statements have been prepared on a going concern basis, on the grounds that the Company is profitable and cash generative. The Company's forecasts and projections have been reviewed with specific consideration to the current Coronavirus pandemic in the UK. In addition to this the Company has the support of its immediate parent Company Octopus Energy Group Limited. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements.

3. Significant judgements and estimates

In the application of the Company's accounting policies, which are described below, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key source of estimation uncertainty — useful life of software development costs

The current amortisation period for software development costs is 3 years, this is management's best estimate of the intangible assets useful life, over which it is expected to produce economic benefit to us. This best reflects the development cycle of the updates required to the software. Refer to note 4.5 for further detail.

Key source of estimation uncertainty — fair value of software acquisition

During the year, the Company acquired the underlying Kraken intangible asset from Octopus Energy Limited based on a fair value calculation. Management was required to apply judgement and make assumptions to estimate the fair value. The key assumptions include the growth rate of customers at the existing clients of the Company which in turn means growth in the number of customers transitioning on to the Kraken platform and the related revenues based on existing customer contracts and the required ongoing maintenance capital spend to ensure smooth running of the operations. A key judgment related to the discount rate to be used for the calculation given that the Group is funded through equity and operates in a unique business with limited comparable peers. The fair value calculated to acquire the asset is ultimately the value that was paid at the time of the acquisition and therefore is recorded appropriately. However, this amount drives the amortisation of the asset from the date of the acquisition which could lead to a material change should these estimates change as well as having an impact on future impairment assessments if an impairment indicator was identified. Refer to note 10 for details on acquisition of intangible assets.

Significant judgement – revenue recognition

Kraken Technologies Limited must make a judgement when recognising revenue to ensure that this takes place at the point when it has met its performance obligation to customers. Further details of the nature of revenue recognition may be found in the relevant accounting policy and notes to the financial statements.

4. Principal accounting policies

4.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recorded at the fair value of the consideration received or receivable.

Licensing agreements are in place between Kraken Technologies Limited and its customers, the revenue is recognised as follows:

i. Initial setup fee

Revenue is recognised based on contractual milestones achieved in the initial setup of the Kraken platform for use by our customers.

ii. Migration fee

Revenue is recognised on successful transfer of customers on to the Kraken platform.

iii. Ongoing license fee

Revenue is recognised per day per account that is managed on the Kraken platform for the customer.

4.2 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains or losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time that the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted.

4.3 Fixed assets

Tangible fixed assets are stated at cost, net of any depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the costs or valuation, less estimated residual value, of each assets on a straight line basis over its useful economic value as follows:

Equipment: 3-5 years.

Notes to the financial statements (continued)

For the year ended 30 April 2021

4. Principal accounting policies (continued)

4.4 Investments

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

4.5 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

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

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Software development and acquisition costs 3 years

4.6 Debtors

Short term debtors are measured at transaction price, less any impairment.

4.7 Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including loans, are measured initially at fair value and are measured subsequently at amortised cost using the effective interest method.

4.8 Pensions

The Company operates a defined contribution pension scheme for employees and the pension charge represents the amounts payable by the Company to the scheme in respect of the year. These costs are included as part of staff costs (see note 7) and pension (see note 16). Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

5. Turnover

	2021 £000s	2020 £000s
Revenue from licensing contracts with customers	69,430	10,150
Revenue from servicing contracts with customers	10	–
	69,440	10,150

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2021 £000s	2020 £000s
Depreciation of tangible assets (note 12)	6	–
Amortisation of intangible assets (note 10)	15,704	175
Legal and professional	1,826	420
IT expenses	858	102
General and administration	1,056	10
	19,450	707

Amortisation of intangible assets is classified within cost of sales.

The analysis of auditor's remuneration is as follows:

	2021 £000s	2020 £000s
Fees payable to the Company's auditor for the audit of the annual accounts	33	20
Total fees payable to the Company's auditor	33	20

7. Staff costs

The average monthly number of employees, including executive Directors, during the year was:

	2021 Number	2020 Number
Employees	67	23

Their aggregate remuneration comprised:

	2021 £000s	2020 £000s
Wages and salaries	4,517	697
Social security costs	613	20
Other pension costs (see note 16)	197	53
	5,327	770

The Company has capitalised £4,146k of salary costs as part of intangible assets.

Notes to the financial statements (continued)

For the year ended 30 April 2021

8. Directors' remuneration and transactions

Directors' remuneration

	2021 £000s	2020 £000s
Emoluments	163	97
Company contributions to defined contribution pension schemes	9	5
	172	102

Amounts due to Directors are also paid out of other companies. Directors' remuneration is included in staff costs (note 7).

Remuneration of the highest paid Director

	2021 £000s	2020 £000s
Emoluments	163	97
Company contributions to defined contribution pension schemes	9	5
	172	102

At the balance sheet date retirement benefits were accruing to 1 Director in respect of defined contribution pension schemes.

9. Tax on profit on ordinary activities

The tax charge comprises:

	2021 £000s	2020 £000s
Current tax (see note below)		
UK corporation tax on profits for the year	–	(1,778)
Adjustments in respect of previous periods	1,767	–
Total current	1,767	(1,778)
Deferred tax		
Deferred tax for the period	64	–
Adjustments in respect of previous periods	(74)	–
	(10)	–
Total tax credit/(charge)	1,757	(1,778)

The charge for the year can be reconciled to the profit per the profit and loss as follows:

	2021 £000s	2020 £000s
Profit on ordinary activities before tax	43,030	9,359
Tax on profit at standard UK tax rate of 19%	(8,176)	(1,778)
Disallowed expenses	(2,641)	–
Adjustments in respect of previous periods	1,693	–
Group relief received for NIL payment	10,881	–
Total tax credit/(charge)	1,757	(1,778)

The standard rate of tax applied to the reported profit on ordinary activities is 19%. Deferred tax has been calculated at 19% at 30 April 2021 which was the rate enacted at the balance sheet date. An increase in the UK corporation rate from 19% to 25% (effective from April 2023) was announced in the 2021 Budget. However as this rate has not been substantially enacted at the balance sheet date, it is not reflected in the deferred tax balances.

10. Intangible fixed assets

	Software costs £000s
Cost	
At 1 May 2020	1,791
Additions*	125,744
At 30 April 2021	127,535
Amortisation	
At 1 May 2020	(175)
Charge for the year	(15,704)
At 30 April 2021	(15,879)
Net book value	
At 1 May 2020	1,616
At 30 April 2021	111,656

* There is £115m included within additions. This relates to the intra-group sale of the Kraken software from Octopus Energy Limited to Kraken Technologies Limited.

11. Investments

	2021 £000s
At 1 May	–
Investments during the year	13,933
At 30 April	13,933

On 30 October 2020 Kraken Technologies Limited purchased the entire share capital of KrakenFlex Limited (formerly known as Upside Energy Limited), a UK-based Distributed Energy Resource Management System for a total consideration of £9.1m.

100% of the privately held shares of Smart Pear Limited were purchased 14th April 2021 for an initial cash consideration of £2.5m. There is £2.3m of deferred consideration payable that represents the fair value of the estimated amounts payable for two separate milestones being achieved.

Notes to the financial statements (continued)

For the year ended 30 April 2021

12. Tangible fixed assets

	IT equipment £000s	Total £000s
Cost		
At 1 May 2020	–	–
Additions	64	64
At 30 April 2021	64	64
Depreciation		
At 1 May 2020	–	–
Charge for the year	(6)	(6)
At 30 April 2021	(6)	(6)
Net book value		
At 1 May 2020	–	–
At 30 April 2021	58	58

13. Debtors

	2021 £000s	2020 £000s
Amounts falling due within one year:		
Trade debtors	12,271	–
Amounts owed by group undertakings	–	5,000
Other debtors	222	1
	12,493	5,001

14. Creditors

	2021 £000s	2020 £000s
Amounts falling due within one year:		
Trade creditors	(61)	(18)
Other creditors	(5,963)	(2,731)
Amounts owed to group undertaking	(83,912)	(1,688)
Accruals and deferred income	(161)	(22)
	(90,097)	(4,458)

Amounts owed to group undertakings include intercompany loans due to Octopus Energy Group Limited for £83,912k. Included in other creditors there is deferred consideration in relation to the acquisition of Smart Pear for a total of £2,300k.

15. Called-up share capital

	2021 £s	2020 £s
Allotted, called-up		
Ordinary shares of £1 each	100	100
	100	100

The Company issued 100 ordinary shares May 2019. These were fully paid 16 October 2020.

16. Share based payments

The Company's employees have been granted share options by the parent company, Octopus Energy Group Limited. The Company makes use of the exemption in Section 26 of FRS 102 to account for the expense based on a reasonable allocation of the parent company's total expense. The Company has calculated its expense based on the number of share options granted and the estimated vesting over 48 months, adjusted for annual attrition rates.

17. Retirement benefit schemes

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company under the control of trustees. Contributions accrue to the scheme for qualifying employees during the dates of their contracts of employment.

Contributions are usually made as a percentage of an individual employee's gross annual salary. The total costs charged to the Statement of Profit and Loss Account of £86k (2020: £53k) represents contributions payable to the scheme by the Company.

18. Ultimate parent undertaking and controlling party

The immediate parent Company and controlling party is Octopus Energy Group Limited, a Company incorporated in the United Kingdom and registered in England and Wales.

At 30 April 2021 the ultimate parent company was Octopus Capital, a Company incorporated in the United Kingdom and registered in England and Wales. Since year end the shareholding has been diluted below 50% by subsequent investments from Generation Investment Management and Canada Pension Plan Investment Board.

Copies of these financial statements can be obtained from the registered office Company Secretary, Octopus Energy Group Limited, 6th Floor, 33 Holborn, London, EC1N 2HT.

19. Related party transactions

The largest group in which the results of the Company are consolidated is that headed by Octopus Capital Limited, 6th Floor, 33 Holborn, London, EC1N 2HT. The smallest group in which they are consolidated is that headed by Octopus Energy Group Limited, 6th Floor 33 Holborn, London, England, EC1N 2HT. Copies of Octopus Capital Limited consolidated financial statements can be obtained from the Company Secretary, 6th Floor 33 Holborn, London, England, EC1N 2HT.

The Company has taken advantage of the exemption available under paragraph 33.1A of the Financial Reporting Standard 102 not to disclose related party transactions with other wholly owned members of the group. In accordance with FRS102 the Company is exempt from disclosing transactions with subsidiaries that are wholly-owned by the group.

Notes to the financial statements (continued)

For the year ended 30 April 2021

20. Subsequent events

Since the reporting date, Octopus Energy Group Limited, the immediate parent Company agreed a £423m investment deal with Generation Investment Management for a c.13% stake in the business on 27 September 2021. The deal consists of £211.5m immediate investment with the remainder to follow by June 2022 subject to certain further funding conditions.

KTL has signed a licensing agreement with EDF UK to migrate their 5.8m accounts onto the Kraken platform. The migration will start in the summer of 2023, with a target of project completion within 18 months.

On 16 December 2021, Canada Pension Plan Investment Board (CPP) made an equity investment in Octopus Energy Group, paying £105m cash for c3.5% holding in the Group. Dependent upon certain conditions being met going forward there is the option for CPP to invest a further £105m.

Statutory Company information

Directors
G Jackson
S Jackson
J Eddison
C Hulatt
S Rogerson
J Briskin (appointed 1 May 2020)

Company Secretary
Octopus Company Secretarial Services Limited

Auditor
Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Bankers
HSBC plc
31 Holborn
London
EC1N 2HR

Designed and produced by Thunderbolt Projects

KRAKEN
Technologies

Kraken Technologies Limited is a company registered in England and Wales
Registered number: 12014731
Registered office: 6th Floor, 33 Holborn, London EC1N 2HT