

Octopus Energy Group Limited
Annual Report and
Financial Statements 2023



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What we are made of: 10 businesses in 12 countries across 4 continents. We serve more than 5 million customers and have over 40 million contracted accounts on our tech platform, Kraken.

Foreword



Greg Jackson
Chief Executive Officer
and Founder

The energy crisis has put the sector front and centre of the global agenda, and powerfully demonstrated the need for Octopus's vision of secure, flexible, low cost renewable energy. Coupled with the accelerating impact of the climate crisis, the alignment between our mission and the needs of the planet could not be clearer.

Leaning into the challenges of the crisis, Octopus Energy Group Limited (OEG, 'the Group') has continued to build momentum. We've grown rapidly and launched a whole host of new products and services, across all our businesses.

Our Group spans a wide array of activities across many countries, but as a company which directly supplies millions of household and business customers, our commitment to caring for them and our staff has been more important than ever. I'm tremendously proud of the way our team tirelessly supported customers and clients through the darkest days of the ongoing energy crisis.

Our vision for delivering the energy transition is focused on three fronts:

- 1. Getting more green electrons on the grid** through deployment of investor funds managed by Octopus Energy Generation into £5.8bn of renewable assets so far, through our investment in the Xlinks and through advocating for more community supported onshore wind (see infographics on [pages 16 and 18](#) for more detail).
- 2. Electrifying heat and transport** through heat pumps and electric vehicles (see spotlight on [page 20](#) for more detail).
- 3. Enabling a consumer-focused, smarter and more flexible grid**, which is pivotal to integrating the two points above, through intelligent demand: smart tariffs, device control and consumer flexibility (see case studies on [page 26](#) for more detail).

We're building the first 'post-transition' integrated energy company, and this is increasingly enabling us to innovate and deliver pioneering products and services into the market. A great example of this is our end-to-end electric vehicle offering: car leasing through Octopus Electric Vehicles, a home charger installed by Octopus Energy Services, a smart charging tariff offered by Octopus Energy Ltd (OEL) and powered by Kraken, and public charging through Octopus Electroverse.

This puts us in a unique position at the start of a new era of energy: one where people genuinely benefit by actively participating in making energy smarter, greener and cheaper.

Prudent financial management has played a key role in our ability not only to endure the energy crisis but also exit it as a larger, stronger group of businesses.

In addition, the government's Energy Price Guarantee and Energy Bill Support Scheme have both contributed to helping customers to pay for their energy through the worst of the energy crisis.

As a Group, we grew our retail customer base by over half globally in addition to expanding the number of end-customer accounts live on the Kraken platform by 35% to 22 million. Our UK retail business grew organically by c.300k customers and also inorganically through the acquisition of Bulb Energy, which we believe was a good deal for taxpayers, customers and staff (see spotlight on [page 8](#)).

This growth in customers, as well as higher commodity prices, has driven an increase in revenue by nearly 3x to over £12bn. We delivered a £203m net profit (1.6% net profit margin) and improved the Group net asset position from £472m to £975m. We have achieved this after absorbing £69m to keep customer bills lower in the UK retail business during the energy crisis as well as investing



Stuart Jackson
Chief Financial Officer
and Co-founder

to grow our international retail businesses. This profit is reflective of gross margins in the UK retail business recovering to expected levels after being heavily impacted by the energy crisis in FY22, combined with our larger scale, the tech-led competitive advantage we have built, as well as the strength of the Kraken Technologies Ltd (KTL) software business.

Internationally, although our priority has been to build the platform for growth in our international retail businesses (people, technology, business processes), we have still grown customer numbers by 161%. This bodes well as we look to emulate the success of the UK retail business in these markets.

In our software licensing business, KTL, the growth in number of accounts on the platform drove an increase of 59% in annual recurring revenue (ARR) to £127m at year end. KrakenFlex Ltd, our energy flexibility management business, enjoyed revenue growth of 83% and is emerging as a leader in the nascent market. At year end it already managed nearly a quarter of the battery storage capacity in the UK, and over 37k electric vehicles through OEL's Intelligent Octopus EV smart charging tariff.

Our services businesses have continued to grow across the board as we increasingly provide and install the hardware needed for decarbonisation. In particular, Octopus Electric Vehicles (OEV) has achieved phenomenal growth in FY23 with contracted ARR from leasing up over 8x to £99m at year end. Octopus Energy Services expanded its offering this year by launching solar, battery and heat pump installation in the UK and has expanded to Spain and Germany.

The Group closed the year in a strong position with £841m of cash which excludes cash ringfenced as part of the Bulb acquisition and cash used to secure positions with energy industry counterparties. This reflects the £297m of funding as part of the committed cash from the equity investment made by our investors in FY22, the temporary impact of UK government support measures and the profit made this year.

Looking ahead to FY24 this puts OEG in a leading position to accelerate our growth and further improve underlying economics, not just for the benefit of our shareholders but also for the people we serve, those we employ, and the planet.

Overview of Octopus Energy Group Limited 2022/23



+1.8m
customers

Total retail growth from 3.4 million in FY22 to 5.2 million in FY23

32m+

Accounts contracted on the Kraken tech platform

Accounts contracted include accounts that have not yet migrated onto the Kraken platform but are contracted in the pipeline



1.6%

Net profit margin (£203m) versus -3.3% in FY22



3.3GW

Capacity of renewable assets owned by OE Generation managed funds, +500MW this year



+161%

Growth in international Octopus Energy retail customers to 420k



+1,887

New employees with a total of 4,657 at April 2023

x6

Which? Recommended Supplier of the Year for 6 years running (OEL)



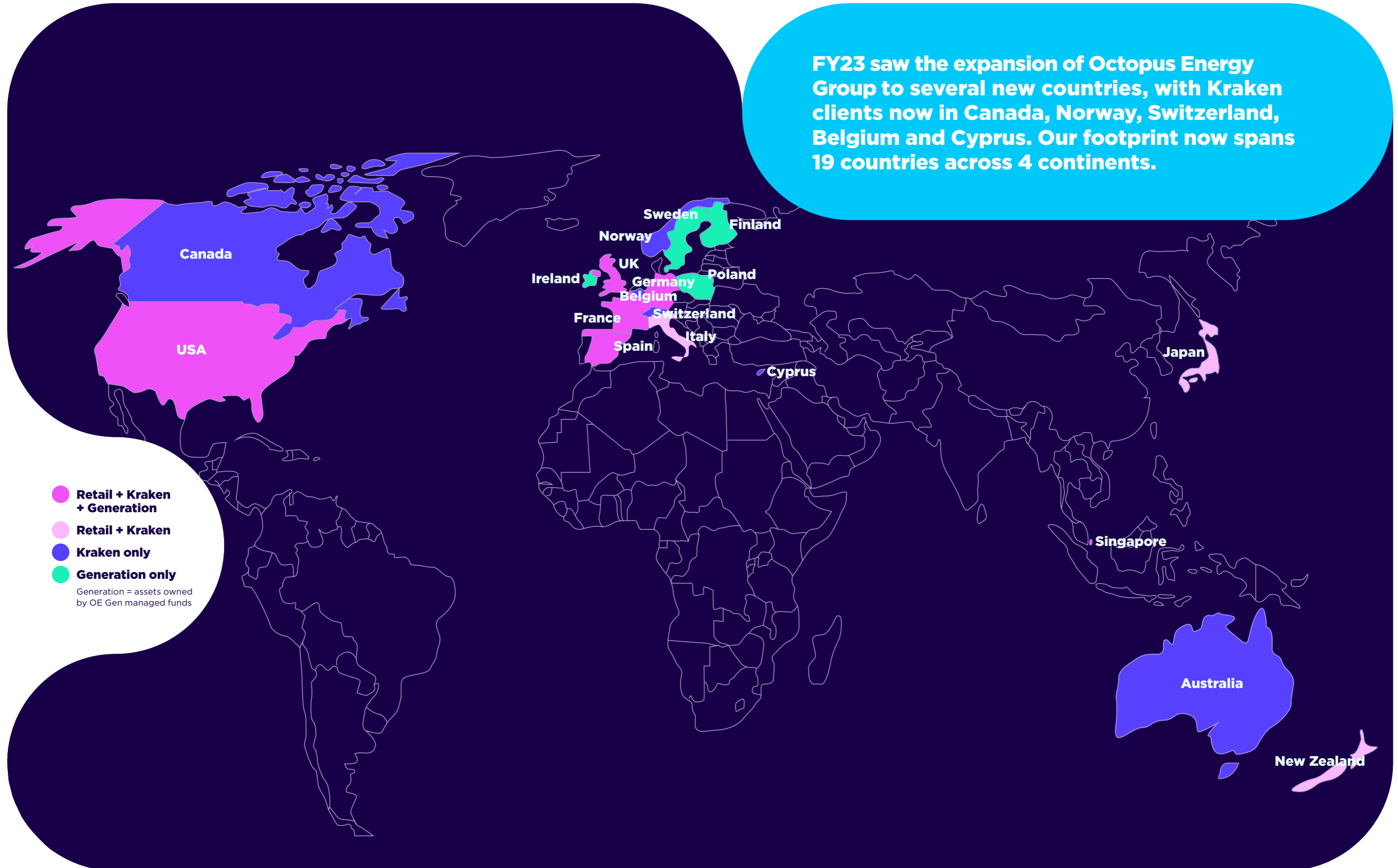
38

Industry awards received of which 76% first place



Octopus Energy Group – international expansion

FY23 saw the expansion of Octopus Energy Group to several new countries, with Kraken clients now in Canada, Norway, Switzerland, Belgium and Cyprus. Our footprint now spans 19 countries across 4 continents.



- Retail + Kraken + Generation
 - Retail + Kraken
 - Kraken only
 - Generation only
- Generation = assets owned by OE Gen managed funds



Spotlight on retail – Bulb acquisition



In FY23, the Group achieved significant growth in retail with the number of Octopus supplied customers growing by over half from 3.4 million to 5.2 million. This growth was driven both organically, in our UK and international retail businesses, and inorganically through the acquisition of Bulb Energy.

In December 2022 we announced the completion of the acquisition of Bulb¹ from Bulb Energy Limited, a company in the government supported Special Administration Regime (SAR), bringing vital reassurance to its 1.5 million customers after a year of uncertainty following Bulb’s collapse in November 2021.

For the Group, the addition of 1.5 million customers made us the second largest domestic energy retailer in the UK, just six years after launching, but more importantly we believe the deal also represented good value for taxpayers and paved the way for a better and more certain future for Bulb’s staff and customers.

Taxpayers

During administration Bulb’s energy supply was unhedged so it consequently exposed taxpayers to significant losses during the price volatility of 2022. The deal with OEGL included a Wholesale Adjustment Mechanism Agreement (WAMA). This structure meant that until Octopus had fully hedged the energy for Bulb’s customers – which it had done by April 2023 – the government agreed to pay the spot market price for those customers. Octopus, on the other hand, agreed to pay back to the government the wholesale price Bulb customers were paying as set by the price cap. This structure ensured that the government (and therefore the taxpayer) was taking on the risk of rising or falling wholesale prices, while Octopus remained fully hedged. Market prices fell considerably through the winter and the government was the sole beneficiary, and as a result is expected to benefit through recovery of £1.2bn more against the total cost of putting Bulb through SAR. The deal also

includes a profit sharing agreement so the taxpayer shares the benefits of any further upside.

Customers

After the deal was completed we successfully migrated Bulb’s customers onto our Kraken platform (and Octopus brand) in under six months, breaking our own industry record for migration speed.

For customers, many of whom experienced a year of uncertainty regarding their energy supply, this represented the best possible outcome. They were swiftly transferred to the only Which? Recommended supplier (for six consecutive years), the most awarded energy company in the UK, and the firm ranked as the best to be switched to according to a survey conducted by MoneySavingExpert.com².

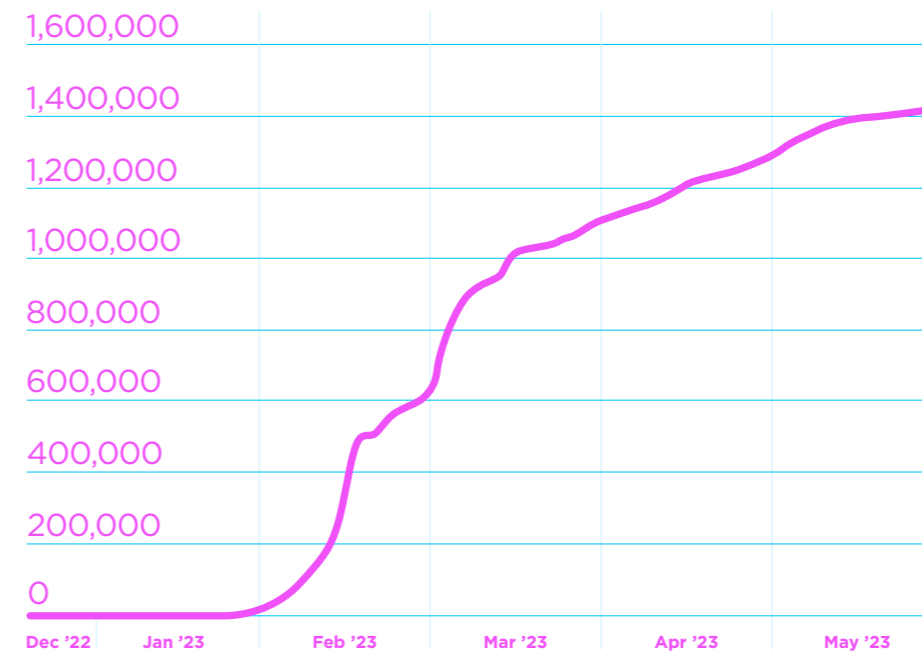
¹ Bulb is now called Octopus Energy Operations Limited (OEOL) and is a subsidiary owned by OEGL. See Note 12 in Financial Statements for further detail.

² Survey of 12,000 customers conducted by MoneySavingExpert.com in March 2022.

“We take our responsibilities very seriously. We will work unbelievably hard to deliver value for taxpayers and to look after Bulb’s staff and customers.”

Greg Jackson, CEO and Founder, at the time of Bulb acquisition

Bulb customer migration



Employees

As part of the deal, we committed to offering all of Bulb’s talented and experienced team of 600 a role at Octopus to help bolster our capacity to support the incoming Bulb customers, and c.90% took a role. The alignment between our companies made this transition smooth and we have been very successful in retaining and looking after the former Bulb team at Octopus. The retention rate of former Bulb employees at Octopus is higher than it was at Bulb.

1.5m
Bulb customers
migrated to Kraken

<6
months
record migration speed

Operational and financial review

What we do

Octopus Energy Group Limited (OEGL) is a global energy and technology group. It consists of businesses that operate across the entire post-transition energy value chain: energy retailers, a software platform provider, installers of heat pumps, solar photovoltaics (PV), smart meters and EV chargers, a renewables fund manager, an EV leasing provider, and more.

OEGL is at the forefront of addressing climate change by driving the green energy revolution globally through technology. Our team is committed to finding the quickest and most efficient routes to bring affordable renewable energy and solutions to customers.

We are driving full energy-system change and reinventing the way energy is consumed through innovation. Fundamental to this effort is the Group’s proprietary software and technology platform – Kraken – which is used by our own Octopus Energy branded supply businesses and also licensed to other major energy suppliers around the world.

Kraken is an advanced ‘operating system’ for utilities which integrates all parts of the utilities system, from managing and optimising renewable energy resources to delivering excellent customer experiences at the lowest operational cost-to-serve in the market. Based on advanced data and machine learning capabilities, the ‘all-in-one’ tech stack automates much of the energy supply chain and is designed to enable customers to access power when cheaper and greener.

“Our role is simple. We will bring about a sustainable global energy system faster and cheaper through technology”

Greg Jackson, CEO and Founder

Operational review

Despite the challenging environment, this year we have made excellent progress in our mission to build the first ‘post-transition’ integrated energy company. Overall, we weathered the crisis while managing to accelerate strategic growth, navigating huge increases in prices and volatility to deliver first time profits. There was growth across the board, in particular in the UK retail business with the acquisition of Bulb (now called Octopus Energy Operations Limited, or OEOL), Kraken Technologies Limited (KTL), Octopus Electric Vehicles Limited (OEV), KrakenFlex Limited (KFL), and Octopus Energy Generation Holdco Ltd (OE Gen).

Highlights this year include:

- The Group ended FY23 with a total of 4.7 million UK customers and 420k international customers on supply, an increase of 1.8 million (+52%) year on year.
- Our UK retail business grew to 17% (FY22: 11%) share of the domestic market with the acquisition of 1.5 million customers from Bulb and continued organic growth of c.300k customers in OEL. This lifts our combined UK retail business to number two by market share of domestic meters.
- Bulb was the largest acquisition for OEGL to date, having been acquired following an open competition run by Bulb’s special administrators (see spotlight on [page 8](#) for more detail).
- We laid foundations for retail growth internationally with Kraken localisation, progression of wholesale trading agreement arrangements, establishment of robust risk management, and rollout of innovative tariffs first developed in the UK.
- Kraken continues to deliver strong performance across current licensing deals with

notable recent wins and more in the pipeline to sign in FY24. At year end, there were 21.8 million accounts live on our Kraken platform – a growth of +35% versus prior year.

- KrakenFlex grew incredibly strongly, particularly in consumer assets. There was a 15x YoY growth of small assets, with over 37k electric vehicles being controlled by Intelligent Octopus at year end. Overall capacity managed by the platform grew 100% to 1,750MW and contracted capacity grew over 100% from 1,400MW to 3,000MW.
- KrakenFlex manages nearly a quarter of the battery energy storage in the UK as of July 2023, and has also expanded internationally by launching in Texas, New Zealand, Belgium and Japan.
- OEV accelerated its rapid growth path from FY22 into exponential growth this year with a 420% growth in leased fleet size.
- We are laying the foundations for exponential growth in energy transition services having launched solar, battery and heat pump offerings in the UK, and expanded to Spain (with solar) and Germany (with heat pumps).
- Growth in our existing services’ offerings continued with the installation of 628k smart meters and 11k EV chargers, supported by a new logistics and distribution centre in Slough.
- OE Gen, through funds managed on behalf of investors, grew its assets under management (AUM) by over £1bn to £5.8bn and added 500MW of generation assets to its current portfolio. It also scaled its investment in offshore wind, with \$1bn deployed, and opened six new offices in the USA, Singapore, Germany, France, Spain and Italy (see [page 6](#) for more detail).

★ Trustpilot

Maintained industry-leading Trustpilot scores in all our markets:

- Octopus Energy Limited **4.7** (FY22: 4.7)
- Octopus Electric Vehicles **4.8** (FY22: 4.9)
- Octopus Energy Germany **4.7** (FY22: 4.4)
- Octopus Energy France **4.8** (FY22: 4.8)
- Octopus Energy Italy **4.8** (FY22: n.a.)
- Octopus Energy Spain **4.7** (FY22: n.a.)

- Octopus Energy Japan, our joint venture with Tokyo Gas, experienced the fastest organic growth outside the UK to date, growing by 150k customers to almost 170k this year (see spotlight on [page 36](#) for more detail).
- UK industry recognition, both within and outside the Energy sector – including:
 - Named the only Which? Recommended supplier, achieving that status for the sixth year running.
 - Named ‘Utility of the Year’ at the Utility Week Awards.
 - Named ‘Tech Company of the Year’ at the British Data Awards.
 - Winner of the The ‘Customer Service Recognition’ award at the British Renewable Energy Awards.

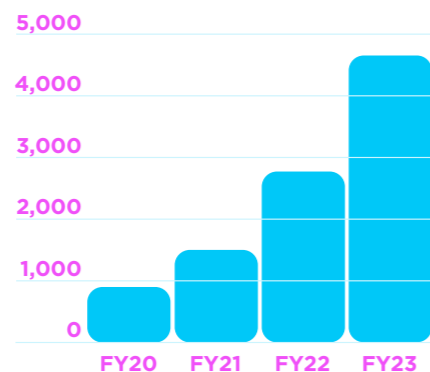
Operational and financial review (cont.)

- Gold awards for 'Best Customer Service' and 'Customers at the Heart of Everything' at the UK Customer Experience Awards.
- Winner of the 'Net Zero Energy Developer Award' at the Green Energy Awards.
- Winner of the 'Product Innovation Award' at the Reuters Responsible Business Awards, for pioneering the low-cost transition to heat pumps.
- Winner of the 'Employer of the Year Award' at the Lloyds Bank British Business Excellence Awards.
- Winner of the 'Sustainable Tech Business Award' for our Kraken platform at the Go:Tech awards.

• International industry recognition, including:

- OE Germany won the Focus Money award for customer service and was named an 'employer of the future' by the German Institute for Innovation in Sustainability.
- OE Spain was chosen as the only recommended energy supplier in Spain by the OCU (Organization of Consumers and Users).
- OE France was the only electricity supplier to receive the Regulator's 'VertVolt' label for supplying green energy to 100% of its customers and it won two 'ChooseMyCompany' awards for best places to work.
- OE Italy was awarded 'Growth Champion' as one of the fastest growing Italian companies by La Repubblica Affari & Finanza.

Total number of employees at year end



Financial review

The Group successfully navigated the international energy crisis to deliver its first net profit year, generated by the combination of an expanded UK retail business and continued strength in software licensing. Despite the unprecedented market volatility, the Group exited the crisis in a strong fiscal position.

Revenue increased 197% in the period to £12,540m (FY22: £4,225m), mainly driven by growth in the UK energy retail business (+49% to 4.7 million customers) combined with large increases in wholesale energy costs. The Group delivered its first year of profitability as gross margin in the UK retail business recovered to expected levels. This recovery comes after being heavily impacted in FY22 and early FY23 by wholesale market price volatility combined with a large proportion of customers rolling onto Standard Variable Tariffs (SVTs) resulting in exposure to unhedged energy positions. We were able to close out this exposure in early FY23 by planning for low fixed product uptake and high SVT penetration. Gross profit increased to £1,013m (8.1%) from £246m (5.8%).

The higher gross profit, together with our larger scale, competitive advantage from our differentiated products and services, and low unit operating cost thanks to our technology and operating model, resulted in a net profit of £203m, compared to a £141m loss in FY22.

Total administration expenses increased 76% from £425m in FY22 to £746m. Included within this is £198m (FY22: £146m) of expense for the expected credit loss provisions at 2023 year end. The increase in provision is reflective of our higher revenue, however, the rate at which we provision the revenue has remained relatively constant year on year. As part of this, unbilled losses have fallen as a result of operational and tech improvements – a great example of leveraging the Kraken platform to enable systematic operational improvements. The Group continues to invest in international retail and energy services, both scaling up in existing markets, entering new ones, and launching new products and services. Reflecting this, staff costs increased to £158m (FY22: £89m). Total depreciation and amortisation was £157m (FY22: £108m), driven by the investments we have made in sustainable growth of both customers and technology.

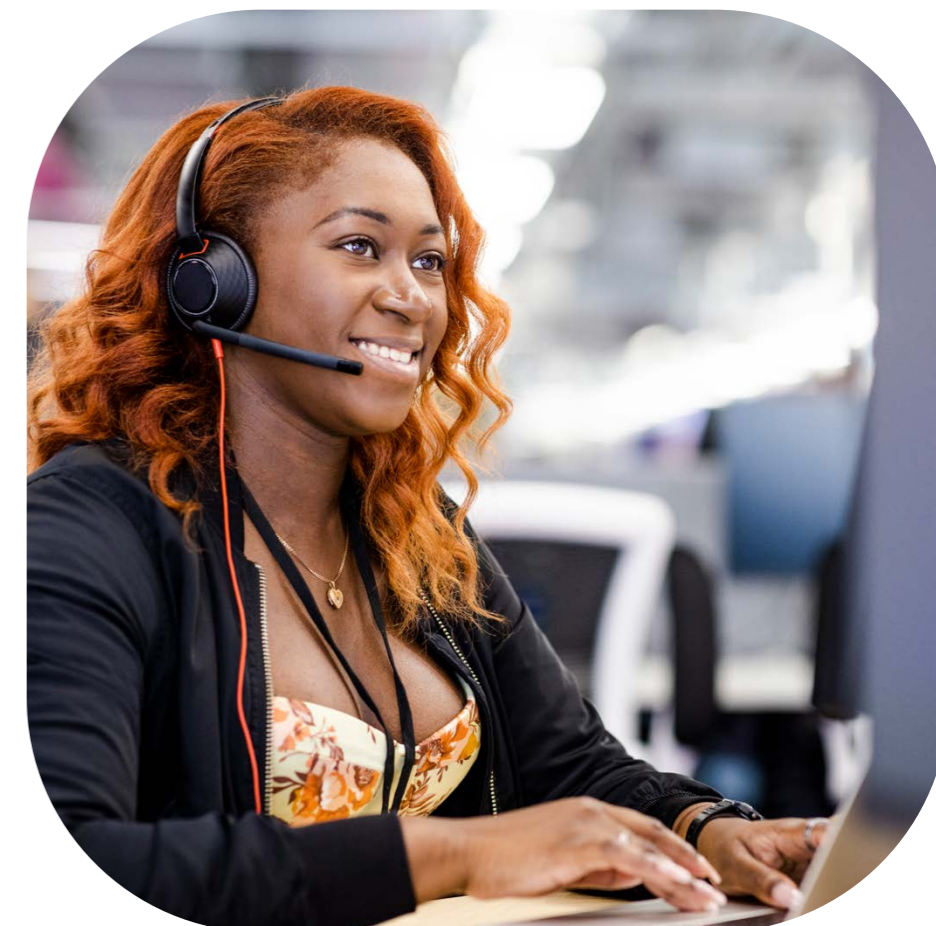
There has been a 106% increase in net assets, and the Group closed the year with £841m cash (FY22: £236m), which excludes the £2,847m of ring fenced cash as part of the Bulb acquisition and cash used to secure positions with energy industry counterparties. This is driven by £297m of additional shareholder funding as part of the committed cash from the equity investment made by our investors in FY22, the temporary impact of UK government support measures, and retained earnings.

The UK government's Energy Bill Support Scheme and Energy Price Guarantee schemes provided significant support to households in the face of unprecedented energy cost rises. These interventions reduced otherwise anticipated bad debt and the additional working capital that would have been required to extend credit through winter to customers who pay by fixed direct debit.

Non-current assets have increased in the year by 120% to £859m (FY22: £391m), as part of the deal agreed with the UK government to acquire Bulb's 1.5 million customers (see Note 12 for further detail), there has been an increase in goodwill of £124m, closing FY23 at £211m (FY22: £87m). Alongside the increase in customer acquisition costs capitalised as part of the acquisition, intangible assets have increased overall from £197m in FY22 to £315m in FY23, an increase of £118m. Furthermore, there has been a significant increase in right of use assets – £260m additions have been capitalised in FY23, with a net closing position of £263m (FY22: £34m) – driven by the expansion of Octopus Electric Vehicles Limited, with total active leases of 6,750 at year end compared to 1,300 in FY22, with a corresponding increase in lease liabilities.

In addition to the movement in non-current liabilities from lease liabilities, there has been a £2,745m increase in trade and other payables to £2,790m (FY22: £45m), primarily driven by the agreement entered into as part of the Bulb acquisition (see Note 12 for further details). The Group's external loan facility has been retired and Group remains corporate debt-free in FY23.

Despite the unprecedented market volatility, the Group exited the crisis delivering its first year of profitability.



Operational and financial review (cont.)

Retail

Revenue from energy supply increased from £4,023m to £12,303m, ending FY23 with a total of 4.7 million UK and 420k international customers on supply, +1.8 million/+51% year on year growth. We have achieved this growth both organically and through consolidation of the sector through the crisis, including the acquisition of Bulb in FY23 and failed supplier Avro in FY22. As well as substantial growth in customer numbers, the historically high wholesale prices also drove the large increase in revenue.

Gross margin in UK retail recovered to expected levels (6.6% in OEL) after being heavily impacted in prior periods by the volatility caused by the energy crisis, as described above. We have been able to deliver a position of profit through this period as a result of this higher gross profit combined with underlying competitive advantage we have built, not just through tech-led operational efficiency but also innovative products and outstanding customer service. This is after maintaining our commitment this year to keep our SVT prices below the price cap through a loyalty discount and a reduction in standing charges. The cost of providing this was £63m as the vast majority of our customers remained on the SVT throughout the year. On top of this, we opted to move customers on historically high fixed tariffs back onto our SVT at a cost of c.£5m.

Internationally we faced many of the same challenges with highly volatile prices through FY23 and so our priority was to prepare for growth by investing in people and capability and testing new propositions with customers. Despite this, we still achieved significant growth with the number of Octopus customers across our seven non-UK countries reaching c.420k (up 161%).

Licensing

There has been continued strength in the licensing business, with total accounts on the platform growing to 21.8 million, including 12 million external accounts, a 35% increase on last year. FY23 saw the completion of Origin Energy (Australia) customer migration, which was a highly complex, ambitious transformation, and the rapid migration of 2.2 million Bulb accounts (1.5m customers).

Contracted annual recurring revenue (ARR) at year end reached £127m, up 59% on FY22, due to continued growth of accounts on the platform. Booked revenue for the year was down slightly (-12%) to £101m because of the timing of one-off migration fees from KTL clients. The majority of the fees for the E.ON and Origin migrations were booked in FY21/22 and with the EDF UK migration just beginning at the start of FY24.

Prospects for KrakenFlex Limited are strong as flexibility becomes more important to support the growth of renewable energy. This year turnover was up 150% on FY22, to £2m and contracted ARR for FY23 was up by over 3x, to £4.2m (FY22: £1.4m).

Services

Revenue from services has increased from £80m to £144m. As part of this Octopus Electric Vehicles Ltd has reported £37m of revenue during FY23, a £32m or nearly 650% increase from FY22. Contracted ARR from vehicle leasing reached £99m at year end, and there was significant growth in the fleet of EVs on its balance sheet from 1,300 cars in FY22 to 6,750 cars at year end (£227m capitalised in the year).

During this year, Octopus Energy Services Ltd launched heat pumps in the UK, Spain and Germany. The option to acquire the remaining 80% of Renewable Energy Devices Limited was exercised and the Group is now manufacturing its own heat pumps, with the launch of our first model planned for late 2023.

Generation

As at 30 April 2023 OE Gen was managing a portfolio of 250 large scale infrastructure assets and nearly 4,500 small scale (solar rooftop) assets as well as developers and other portfolio companies, which in aggregate total £5.8 billion in assets under management. Generation revenue has increased £7m, a 37% increase on FY22 from £19m to £26m, driven by OE Gen's continued growth trajectory during its second year of trading within the Group. The business expanded its investment portfolio and geographical presence with an additional 500MW of generation assets added to the portfolio, representing an increase of 18% to 3.3GW.

KPIs

This table sets out our Key Performance Indicators (KPIs) and changes in the last twelve months.

	30 April 2023	30 April 2022	% change
Octopus Energy supplied customers	5,161,422	3,416,808	51%
Accounts migrated onto Kraken platform¹	4,859,487	7,422,330	(35%)
Total accounts live on Kraken platform²	21,795,056	16,098,780	35%
Assets under management (AUM) by OE Gen managed funds	£5.8bn	£4.2bn	38%
Capacity of renewable generation assets owned by OE Gen managed funds	3,260MW	2,760MW	18%
Revenue	£12,540m	£4,224m	197%
Gross margin	8.1%	5.8%	39%
Operating profit/(loss)	£265m	£(180)m	248%
Net profit/(loss)	£203m	£(141)m	244%
Net assets	£975m	£473m	106%

¹ Refers to meter points which have been migrated onto the platform during the year.

² Accounts on the Kraken platform at year end including those supplied by OEGL businesses.

Future developments

The Directors expect the Group to continue growing rapidly during the forthcoming year both through organic and acquisitive means. This growth will be fuelled by significant opportunities in domestic and international energy supply (such as our agreement to acquire Shell Energy Retail in the UK and Germany), alongside Kraken licensing, EVs, heating and deepened access to energy markets via our Flex platform.

We continue to invest in building proprietary technology to support growth in customers on the platform, supplier efficiency, flexibility services, customer service quality and further innovations in generation and supply.

Growth in customers on the Kraken platform will be through both the Group's own energy supply businesses in the UK and globally, as well as through new licensing agreements with other energy suppliers around the world. Since year-end, OEGL has also announced that Kraken Technologies has signed new licensing agreements with Plenitude (part of Eni, one of the world's largest energy companies), Tokyo Gas (one of the largest utilities in Japan) and Energy Queensland (Australia). Our newly established Kraken For Utilities has also signed its first four licensing agreements post-year end, including Severn Trent, Portsmouth Water, Cuckoo Fibre and Leep Utilities.

£69m

Costs absorbed to keep customer bills lower

Octopus Energy Generation

We are backing cheaper, greener energy globally

Octopus Energy Generation highlights for FY23:

- £1.5bn of managed funds deployed into renewables
- 500MW of generation assets added by managed funds - up 18% to 3.3GW, enough to power 2.3 million homes
- Scaling of offshore wind investments - £800m of managed funds deployed including into Lincs, Hornsea and Simply Blue
- 1 in 10 solar farms in the UK owned by funds managed by us
- HYRO JV with RES with plans to invest £3bn of managed funds into green hydrogen for heavy industry
- Fan club: 3 turbines providing cheap, green electricity for local customers, 30 more in the pipeline

“The more green power we can build, the faster we can reduce our dependence on gas imports and drive down energy bills for people in the UK and the rest of Europe.”

Zoisa North Bond, CEO of Octopus Energy Generation

Investing in Xlinks

“Going green will cut energy costs for Britain. Freeing ourselves from volatile fossil fuels was already important to help combat climate change, but it’s now clear we need to do this for affordability and security.”

Greg Jackson, CEO and Founder

Renewable power from Morocco to the UK

Highlights for FY23:

Xlinks is developing the incredibly ambitious project to build the world’s largest subsea power cable to deliver renewable energy from Morocco to the UK.

We’re proud to be backing the company through an additional £5m investment in the company in FY23. Please see Note 14 for more information.



Powering

7 million

homes in the UK

Delivering

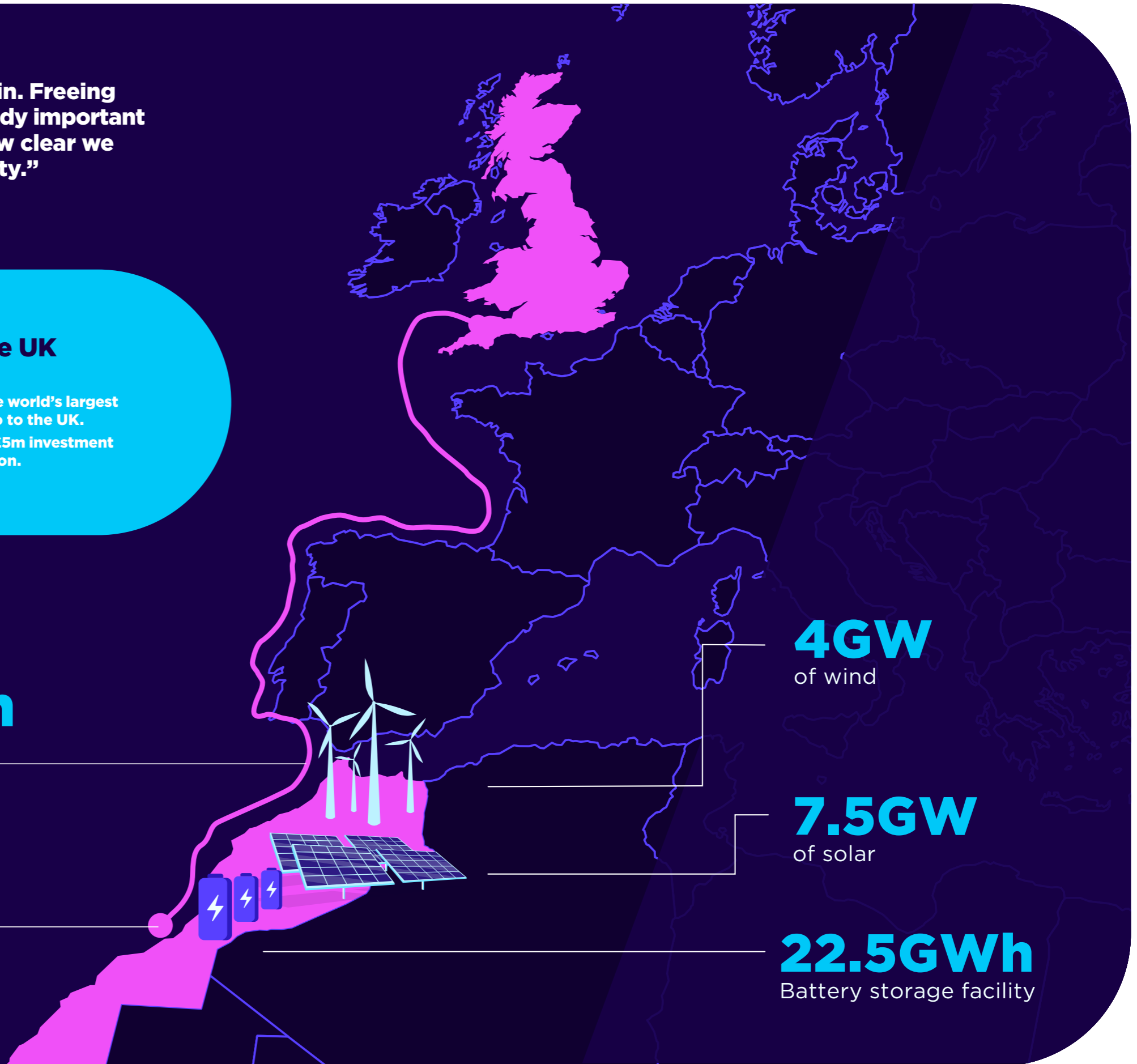
3.6GW

for an average of
20 hours a day

4GW
of wind

7.5GW
of solar

22.5GWh
Battery storage facility





Spotlight on electrification – accelerating the EV transition



At Octopus, we want to make the EV transition as simple as possible by helping drivers discover electric cars and making it easy and affordable for them to make the switch.

Octopus Electric Vehicles (OEV): continuing its exponential growth

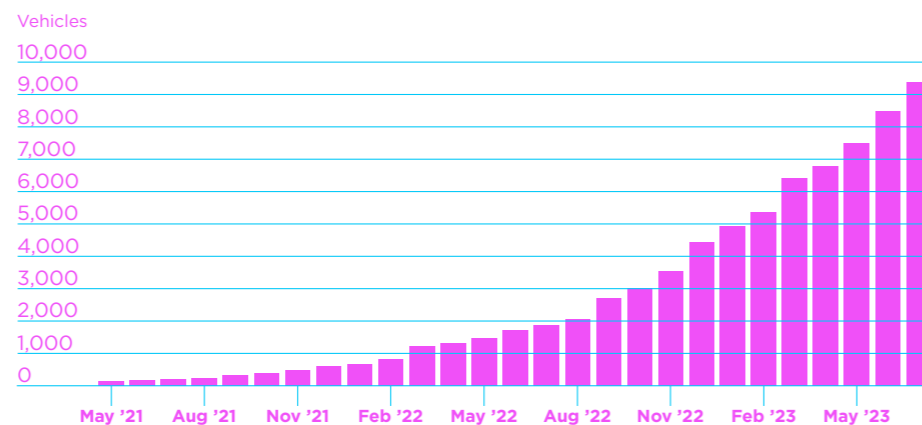
OEV offers the customers the whole EV package: car leasing, a charger, energy, insurance, servicing, maintenance, breakdown and tyres. It does this by seamlessly combining capabilities from across the Group, including smart tariffs from Octopus Energy Ltd (powered by Kraken), a home charger installed by Octopus Energy Services and public charging via Octopus Electroverse. This is a unique proposition in the market and is a perfect example of how

we can leverage our vertically integrated business model as a Group. Since last year OEV's phenomenal growth has accelerated – here are the key highlights from FY23.

- Revenue increased 648% to £37m (from £5m in FY22) and contracted ARR from leasing reached £99m.

- The number of vehicles in our fleet increased 420% to 6,750 (from 1,300 in FY22).
- 3,100 employers now have OEV salary sacrifice schemes, with a total of c.640,000 employees in aggregate (+210% from 205,000 in FY22).
- To enable this growth the size of the team has grown to 240 (+60% from 150 in FY22).

Fleet growth



★ Trustpilot
1,500 reviews
4.8
Excellent ★★★★★

“The best company I have dealt with in a long time. Every person I spoke to was helpful, knowledgeable and polite. Good value car and complete setup. Highly recommended. Great experience all round.”

Trustpilot customer

Octopus Electroverse – public charging made simple

Electroverse aggregates over 450,000 charge points across the UK and Europe into one ecosystem, offering a one-stop solution for managing public EV charging. Users can see live availability data on each charge point, its price per kWh, how to access the charge point (app or Electrocard), and much more. With an open approach to our customer base, anybody can join Electroverse; however, Octopus Energy customers can be billed through their existing direct debit – with Intelligent and Go (EV tariff) customers receiving a discount.

Launched in FY21, Electroverse has experienced explosive growth this year and is now used by approximately 1 in 5 UK EV drivers. Here are some key highlights from FY23:

- Integrated with Apple CarPlay and Android Auto which enables use of the app through a car's infotainment system.
- Launched 'plug & charge' which allows users with compatible cars to start charging sessions by simply plugging into the charge point.
- Piloted Electroverse Business for EV fleet management (fully launched since year end).

Electroverse generates revenue through the B2B fleet platform, through supply of electricity to charge point operators, and through software licensing agreements with car manufacturers.

“Historically, public charging has been a terrible experience for EV drivers due to a fragmented charging network, multiple cards and apps, and a confusing pricing system. We launched Electroverse to change this.”

Matt Davies,
 Director of Electroverse

4.7
stars on
Apple's App Store

Sustainability report

Octopus Energy set out in 2016 to build a greener, cheaper and fairer energy system in the UK. Now we are at the forefront of driving the green energy revolution globally; doing it faster and cheaper through technology.

We are driving full energy-system change and are reinventing the way energy is consumed through physical and technological innovation. We are delivering the energy transition on three fronts: growing renewable energy generation (mainly through deployment of funds managed by Octopus Energy Generation), electrifying heating and transport, and delivering a smarter, more flexible grid. Fundamentally, our business offers decarbonising products and services which are underpinned by building active loyalty and trust with customers.

Climate-related financial disclosure (CFD)

The Group has included CFDs as required by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. Due to the nature of our core business and strategy, we have incorporated how we have met the CFD focus areas throughout this report. These are shown in the table below.

Focus area	CFD requirement	Page number
Governance	a) Describe the governance arrangements to assess and manage climate-related risks and opportunities	Page 38 (corporate governance), page 10 (what we do)
Risk management	b) Describe how the company identifies, assesses and manages climate-related risks and opportunities c) and d) Describe the integration of climate-related risks into the company's overall risk management process - Describe the principal climate-related risks and opportunities; - Describe the time periods for assessment e) Describe the actual and potential impacts of these principal risks and opportunities on the business model and strategy	Page 38 (corporate governance), page 32 (principal risks and uncertainties), and the Spotlights in the report
Scenarios	f) Analyse the resilience of the company's business model and strategy to different climate-related scenarios	This section (see below)
Metrics & targets	g) Describe the targets used by the company to manage climate-related risks and opportunities and the company's performance against those targets h) Describe the key performance indicators used to assess progress against targets used to manage climate-related risks and opportunities and describe the calculations on which those key performance indicators are based	This section (see below)

Resilience to climate-related scenarios

There are many potential pathways to net zero, each with different likelihoods and dependencies, and associated risks and opportunities. In order to ensure the resilience of our regulatory and operational strategy, we've used [Network for Greening the Financial System \(NGFS\) scenarios](#) to make a qualitative assessment of certain scenarios that could impact our transition plan.

Net Zero 2050

- Ambitious climate policies are introduced immediately.
- Carbon removal is used to accelerate the decarbonisation but kept to the minimum possible and broadly in line with sustainable levels of bioenergy production.
- Net CO₂ emissions reach zero around 2050, giving at least a 50% chance of limiting global warming to below 1.5°C by the end of the century, with no or low overshoot (< 0.1°C) of 1.5°C in earlier years.

In this scenario, physical risks are relatively low but transition risks are high. It requires fast technology change and smooth, immediate policy implementation.

Delayed transition

- New climate policies are not introduced until 2030.
- The level of action differs across countries and regions based on currently implemented policies, leading to a 'fossil recovery' out of the economic crisis brought about by COVID-19.
- The availability of carbon dioxide removal technologies is low, pushing carbon prices higher than in Net Zero 2050. Emissions exceed the carbon budget temporarily and decline more rapidly after 2030 to ensure a 67% chance of limiting global warming to below 2°C.

This scenario assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C. Negative emissions are limited, and there are higher transition and physical risks than the Net Zero 2050 scenario.

Nationally Determined Contributions (NDCs)

- The moderate and heterogeneous climate ambition reflected in the conditional NDCs at the beginning of 2021 continues over the 21st century.
- Emissions decline but lead nonetheless to 2.6°C of warming associated with moderate to severe physical risks.

This includes all pledged policies even if not yet implemented, with transition risks being relatively low.

Current policies

- Only currently implemented policies are preserved, leading to high physical risks.
- Emissions grow until 2080 leading to about 3°C of warming and severe physical risks. This includes irreversible changes like sea level rise.

This scenario brings with it the highest physical and transition risks. It helps us consider the long-term physical risks to the economy and financial system if we continue on our current path to a 'hot house world'.

The Group is in a strong position to navigate all proposed climate scenarios due to the nature of our core business and strategy to accelerate the energy transition. The Group's strategy is achievable across all scenarios and we don't envision needing to pivot meaningfully in favour of one scenario over another. However, the more aggressive scenarios (Net Zero 2050 and Delayed Transition) will accelerate opportunities for the Group and enable faster growth.

The risks outlined in this report are more likely in the Current Policies and Delayed Transition scenarios. In the Net Zero 2050 scenario, the risks are largely mitigated and the opportunities able to be realised in the shorter term. The opportunities would largely remain the same in each scenario, and we believe we are well positioned to capitalise on them.

Climate-related metrics and targets

As a Group, we are focused on delivering the energy transition as fast as possible and all our businesses are focussed on capturing the opportunities arising from the transition. Therefore, there are no specific targets or metrics used to manage climate-related risks as our financial-related KPIs are applicable for us to achieve our climate goals. For more information on our financial-related KPIs refer to [page 15](#) of this report.

The Group has signed up to the Business Ambition for 1.5°C and we are in the process of setting our long-term science-based net zero targets. We are continuously improving our carbon accounting in line with best practice.

Streamlined environmental carbon reporting (SECR)

The Group complies with all mandatory energy and carbon reporting regulations for the year 1 May 2022 to 30 April 2023 in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and the reporting requirements of the Streamlined Energy and Carbon Reporting Framework Regulations.

Sustainability report (cont.)

For this report, we are disclosing Scope 1 and Scope 2 Greenhouse Gas (GHG) emissions in absolute tonnes of carbon dioxide equivalent (CO₂e) in line with the GHG protocol methodology. For FY23 we have employed the operational control approach to determine the boundaries of our impact. Therefore, in our Scope 1 and Scope 2 calculations, we have included the energy consumption for our facilities as well as the fuel use of vehicles under the Group's operational control. We have only reported on material subsidiaries. For FY23 we have also applied the market-based methodology to make our carbon reporting more accurate and transparent. Our carbon accounting software partner is ISO 14064-1 certified as assured by Lloyd's Register

Quality Assurance. The report is based on internal data without external verification.

The Group's carbon emissions intensity (using the location-based methodology) has remained relatively consistent from FY22 to FY23, moving by 0.02 tCO₂e. This is predominantly driven by the increase of mobile combustion emissions as OES has continued to expand operations to install low carbon technologies, such as heat pumps, solar panels, batteries and smart meters. We are continuing the shift of our fleet to EVs, up to 52% at year end. The volume of electricity purchased has increased. This is because the Group has nearly doubled the number of facilities reported and many of our reported properties

in FY22 were only within our control for part of the year. The significant expansion in FY23 includes the acquisition of the Bulb offices and reflects rapid growth and oversizing to prepare for anticipated growth. Our market-based emissions are lower than location-based emissions because we purchase renewable electricity where possible (including by being our own electricity supplier). We are continuing to work to increase the number of our facilities supplied with renewable electricity.

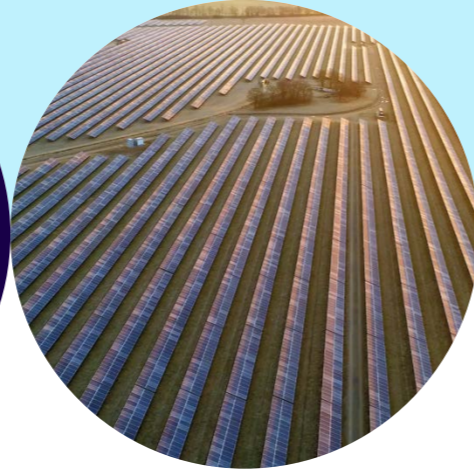
	FY23	FY22
Scope 1		
Stationary combustion (heating gas)		
Usage (kWh)	14,368	13,852
Emissions (tCO ₂ e)	2.6	2.5
Mobile combustion (vehicle fuel)		
Petrol (litres)	84,535	14,155
Diesel (litres)	274,268	104,182
Emissions (tCO ₂ e)	884	304
Total Scope 1		
Emissions (tCO ₂ e)	887	306
Intensity (tCO ₂ e)/£m revenue)	0.10	0.10
Scope 2 - location-based methodology		
Electricity usage (kWh)	2,800,667	481,300
Emissions (tCO ₂ e)	542	102
Intensity (tCO ₂ e)/£m revenue)	0.04	0.02
Scope 2 - market-based methodology		
Electricity usage (kWh)	2,800,667	-
Emissions (tCO ₂ e)	307	-
Intensity (tCO ₂ e)/£m revenue)	0.03	-
Total Scope 1 & 2 - location-based methodology		
Emissions (tCO ₂ e)	1,429	409
Intensity (tCO ₂ e)/£m revenue)	0.12	0.10
Total Scope 1 & 2 - market-based methodology		
Emissions (tCO ₂ e)	1,194	-
Intensity (tCO ₂ e)/£m revenue)	0.10	-

As a Group, we are focused on delivering the energy transition as fast as possible and all our businesses are focused on capturing the opportunities arising from the transition.





Spotlight on grid flexibility – building the future energy system



We're furthering our global leadership on flexibility which will be a crucial part of the future energy system. The world is moving to an electrified, demand-centric energy system with customers right at its heart.

It will be vastly more complex: a smart, digitised, dynamic and interconnected grid analogous to the internet. This revolution is needed to unlock the potential of renewables to decarbonise society and achieve net zero.

In this future, those that control the interaction with the customer will capture the value, and we are building these propositions for customers now. Kraken is the engine to help us do this faster and better than our competitors and we see this as a long-term value driver and differentiator for the Group.

“The end-to-end platform is based on advanced data and machine learning capabilities, empowering customers to access power when it is cheaper and greener.”

Alex Schoch, Head of Flexibility, Octopus Energy Group Ltd

Intelligent Octopus: the next generation tariff for smart devices

Intelligent Octopus (IO) is the world's first dynamic, dispatchable tariff. It is powered by a proprietary first-of-a-kind intelligent demand platform, running on Kraken, called 'SmartFlex'. It optimises in real-time the use of low-carbon devices, such as electric vehicles (EVs), heat pumps, smart thermostats, and home batteries to balance supply and demand. Tightly integrated into the Kraken ecosystem, it allows for seamless device management, billing and customer support. The result is less stress on the grid and cheaper bills for customers.

Customers simply set their preferences, and with no additional effort, Kraken optimises the device's schedule by considering a range of variables such as grid demand, prices and eligibility for flexible service contracts. Through a combination of rewarding customers by lowering their bills, developing trust through usage

transparency, and allowing customers to choose when they need their devices, we are creating a more informed and engaged customer base.

At year end, in the UK we were managing 37,000 EVs daily, equating to 241MW (about the size of a small gas power plant). By October 2023, this had already grown to 81,000 EVs and over 500MW. This makes IO the UK's largest virtual power plant, which we are already starting to monetise through a range of markets. For example, we were the first to enter the Capacity Market with EVs. IO is only just getting started as we expand to other smart devices and roll out internationally (it is already live in the US and New Zealand).

The SmartFlex platform can be deployed at other Kraken clients to make demand across their customer book flexible, unlocking next-generation smart tariffs, creating new value for customers, and reducing trading costs. It will ensure Kraken clients are ready for the energy transition.

Saving Sessions: rewarding customers for using less at peak times over winter

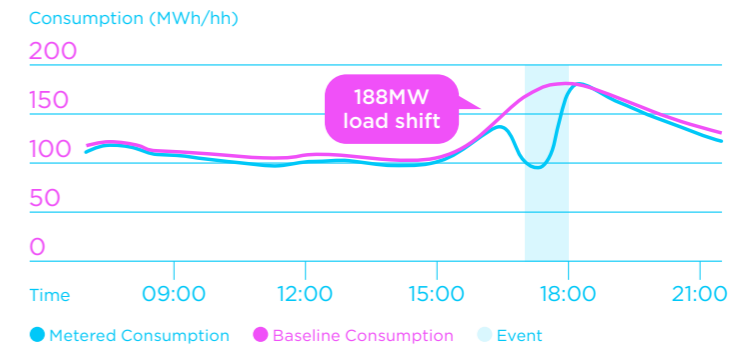
After Octopus trials laid the foundation for National Grid ESO to create the Demand Flexibility Service (DFS), we launched Saving Sessions to incentivise our customers to reduce their consumption at times of peak stress on the grid over winter, creating value for the grid. This allowed customers with a smart meter to directly participate in the balancing of the grid for the first time – a landmark for domestic flexibility. The response was huge: we had over 700,000 sign up to take part in the one to two hour-long sessions and, on aggregate, our customers shifted 1.9GWh of demand (the equivalent of about 2 million washing machine runs). This made up 56% of the volume of the DFS, at a peak reduction of 188MW. In return we paid out £5.4m to our customers, 96% of whom were interested in taking part again in the future.

On top of rewarding customers and generating revenue for the Group (c. 10% margin), this also reduced the need for National Grid ESO to call upon 'dirty' coal-fired power plants to prevent power cuts. We have proven that consumer-driven flexibility is ready to deliver a low-carbon, cost-effective resource to the grid at gigawatt scale and is a real alternative to fossil fuel contingency.

“Loving the 1st of the @OctopusEnergy #SavingSessions. Would gladly do this for an hour a week. Makes a nice change to our routine and feels pretty cosy too.”

Octopus Energy customer on Twitter/X

Demand reduction delivered by customers during a Saving Session



Zero Bills homes

This year we launched Octopus Zero Bills, the first-of-its-kind energy tariff with zero energy bills for five years, *guaranteed*, for new homes kitted out with the right combination of solar panels, a home battery and a heat pump that meet our specifications. The goal is to minimise import and maximise export and we achieve this smart control of the home system by our Intelligent Octopus engine.

With domestic heating currently responsible for 14% of the UK's total carbon emissions alone, Zero Bills represents a crucial step on our journey to net zero. We're working with housing developers and providers across the UK to make Zero Bills the new standard for new homes, with ambitions for 50,000 by 2025. First, we're targeting new build homes – 200,000 of them are built each year in the UK. But

we're also working hard to address retrofit applications where the equipment could be installed on homes that meet the required specification. With the UK's housing stock recently ranked the worst in Europe, we've got no time to lose.

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.

Further details on stakeholder engagement are set out on [page 41](#) within the Corporate Governance Report.

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 OEGL 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 they consider to be in good faith and 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. In all cases the Board is responsible for setting and monitoring these high standards and receives regular updates for discussion at Board meetings.

Risk management

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

The Board regularly reviews risks, including those which are climate-related, through the monthly management reporting process and during quarterly Board meetings.

Management also reviews risks, on a weekly basis through a series of detailed operations reporting packs. OEGL balances risk and agility through a sophisticated mix of stress testing, reporting and frequent senior level oversight across the spectrum of risks. This enables the Group to understand and prepare for the impact of risk crystallisation and react fast as required.

The principal risks and uncertainties facing OEGL are detailed later in this strategic report.

Our people

People are the most important part of the Group and the Board is passionate about creating a business which people want to be part of. Everything we have built at OEGL was built by our people and the continuous feedback loop from the people that make up our business allows us consistently to find better ways of working together.

The Board puts particular focus on nurturing a culture of autonomy, empowerment and trust, and encouraging straightforward, honest and transparent communication. It monitors employee engagement through regular updates from the Senior Management Team on data from Officevibe (internal employee ratings and feedback) and Glassdoor (external). The Board also maintains its accessibility via ad hoc but regular engagement with the OEGL employee community often in the form of visits to OEGL's London headquarters or regional offices. Recent examples include travelling to OEGL's Manchester and Weybridge offices to engage with OEGL Operations, Flexibility and Electric Vehicles teams.

All permanent staff own shares or are granted share options in the 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 all members of staff across the world are invited to the same online meeting. Family Dinner is an important time for the whole Group to learn about the latest business developments, and occasionally members of the Board may also join. During these sessions, employees are encouraged to ask questions directly to the CEO and to celebrate the achievements and challenges of their teams together.

Our customers

OEGL is built on a foundation of obsessively trying to deliver outstandingly positive experiences for customers and the Board is committed to upholding and promoting this. The fundamental principles of pragmatism, simplicity and honesty are ingrained in all areas of the business, including the Board. It monitors customer engagement through regular updates from the business on a whole range of customer metrics including Trustpilot scores, quarterly complaints performance, customer switching data, and market research including customer happiness index and Net Promoter Score. The result of this focus across all areas of the business, including the Board, is phenomenal engagement with our customers.

Further details are set out on [pages 38 and 39](#) within the Corporate Governance section.

Suppliers

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 Group is helping the world move towards a decarbonised future, underpinned by renewable power generation. Our technologies support system-wide change to end the world's reliance on fossil fuels. Alongside this, the electricity we supply is matched with appropriate renewable certificates. We are also strong supporters of locally-sourced renewable energy, pioneering local energy innovation with numerous tech trials and constantly growing our base of 'community energy' contracts.

The business also uses funds under its own control to support vulnerable and low-income households who are struggling with their energy bills, through the Octo Assist Fund.

Shareholders

We are committed to openly engaging with our shareholders and all shareholder interests are represented at the Group's Board meetings. Our Board comprises representatives from each of our five major external shareholders and convenes formally on a quarterly basis to review business performance and discuss strategic topics and opportunities. Additionally the shareholders meet annually for an Octopus Energy Group Strategy Day where they engage with Senior Management around longer-term strategic matters and topics that relate to the Group's various businesses. In addition to these meetings, the Group provides a monthly financial performance reporting pack to all of our investor shareholders and reserves time with each of them to cover any resulting queries. Finally, the Group maintains ongoing accessibility and engagement with its shareholders via the Investor Relations, Finance and Communications teams.

Engaging with our stakeholders (cont.)

Business conduct

We aim to supply energy and services in ways which are economically, environmentally and socially responsible. The Board is responsible for setting and monitoring these high standards of business conduct, including the culture and reputation of the Group, and receives regular updates at Board meetings.

The Group abides by our Modern Slavery Statement and is committed to ensuring that all operations are compliant with relevant laws. We also apply this philosophy to supplier relationships by carefully selecting partners and suppliers to work with based on a number of factors, including their integrity within their industry.

The Senior Management Team keeps the Board up to date with the business and relationships with key stakeholders, including customers. The Senior Management team monitors various forms of customer communication closely and all handle some customer communications directly to retain a first-hand understanding of customer and employee sentiment, and the impact of our actions on customers as a business.

Our Board considers key stakeholders in all of its key decisions

Here are some of the decisions the Board made this year which demonstrate how key stakeholders have been taken into account:

1. The decision to pursue more pragmatic customer growth in international retail businesses

In FY23, due to market volatility and resulting higher working capital levels required in the business, the Board made the decision to pursue international retail growth less ambitiously than planned.

This was in order to ensure the financial stability of the Group and ensure that we exited the energy crisis in a strong position. In prioritising financial stability, the Board considered all stakeholders as the business continuing to thrive is beneficial to all stakeholders mentioned.

2. The decision to acquire Bulb

In the decision to acquire Bulb, the Board considered a whole range of stakeholders: taxpayers (the public), staff and customers. For more detail please see the spotlight on [page 8](#).

It also considered shareholders through the potential for financial returns on the acquisition for the Group, and the consequences of the decision in the long term with the ability of the Group to successfully integrate the acquisition operationally and financially.

3. The decision to make a follow-on investment in Xlinks

While a small investment, we committed to further invest in Xlinks to continue to drive forward one of the most visionary energy projects in the world, helping to address the growing demand for firm power capacity.

The Board primarily considered the major benefits to the community and environment by supporting the decarbonisation of the UK grid to help fight climate change, increasing energy security and reducing cost to consumers.

People are the most important part of the Group and the Board is passionate about creating a business which people want to be part of.



Principal risks and uncertainties

The Board and Senior Management Team identify, assess, and manage risks associated with the Group's business objectives and strategy in the following categories:

Wholesale market risk

The Group faces wholesale market risks through its retail businesses, and in particular through Octopus Energy Limited and Octopus Energy Operations Limited (together the 'retail businesses'). The retail businesses follow a strict and sophisticated hedging policy, and do not speculate on market movements, nor assume or rely on market movement in either direction.

The retail businesses make forward commitments for power and gas delivery for each customer that is acquired or renewed onto a fixed price contract, for the duration of the term offered to the customer and allows for some expected attrition. Daily adjustments are made to correct the wholesale position for variances in demand and renewable generation versus forecast.

This largely locks in margin for customers across the life of their contracts and provides a basis for financial planning. Variances to expected margin for fixed products come about as a result of 'shaping loss' (tailoring a hedge constructed from freely available market products to the specific consumption shape of the Group's portfolio) and 'imbalance costs' (consumption turns out differently from hedged-for expectations). These risks are monitored closely for the retail businesses.

For customers on variable price contracts, the retail businesses execute a rolling hedge that follows the price-cap methodology. The methodology has operated on a six-month cycle but that has subsequently moved to a three-month cycle. Due to the price cap calculation, they are able to amend the pricing of this product to reflect the hedge cost and therefore benefit from relatively stable margins in the variable book to the extent that customer refixing behaviour is stable.

This has not been the case through the period due to rapidly escalating prices above price cap (with prices peaking up to 10x that of prior year) and a significantly higher proportion of customers ended fixed contracts and remained on the standard variable tariff. This has resulted in higher than normal gross margin volatility. The Group has been able to withstand volatility following equity injections during this period. The subsequent implementation of an industry-wide Market Stabilisation Charge reduces volume risk in the event of a falling market and enables the Group to hedge for a larger standard variable customer base with more confidence.

The Group is exposed to climate change and the impact it has on customer consumption and generation availability. While the underlying trend in consumption is minor, higher short-term price and demand volatility has been observed, particularly in the US. The Group has market risk policies in each region that reflect the specific market conditions and volatilities.

Cash flow and liquidity risk

We are a prudently run, profitable and strongly-backed group of businesses. The Group manages cash responsibly and has clear sight to expected cash requirements, using both a multi-year long-term monthly financial model and a short-term daily cash flow model. The Group monitors financial risks at a business unit level and on a consolidated basis and regularly reports this position to shareholders. It undertakes stress and sensitivity testing on forecast performance to ensure that sufficient capital is maintained through a set of quantified 'liquidity buffers' which reserve significant capital specifically to absorb potential liquidity risks. The stress testing includes the impact of cold weather and correlated material increases in wholesale price for this additional consumption volume, customer payment distress and other performance/macro-driven potential shocks.

In addition, core to stability within the UK retail business is a wholesale trading arrangement which removes the risk of cash calls resulting from wholesale market price changes, resulting in increased protection from short-term liquidity pressures.

As part of the Bulb acquisition, a WAMA was put in place in order to reduce risks associated with exposure to unhedged volumes. The terms of this agreement include a wholesale trading agreement similar to that of Octopus Energy Limited.

The Group maintains a mixture of equity funding and secured credit to ensure there is sufficient capital for current and future operations, including under stress scenarios.

Commercial risk

The Group faces several types of commercial risk in the course of its operations.

Risk generated by the competitive environment, against which the Group is well placed thanks to competitive advantage from its proprietary software platform and associated, highly efficient operating model in retail supply.

We have a robust approach to managing credit risk in the retail business, focusing on debt prevention and debt resolution. Debt prevention is intrinsic to our wider business strategy which starts before customer onboarding through our acquisition strategy, use of credit scoring, and default Direct Debit payment method. Debt management continues throughout the whole lifecycle aided by Kraken's debt management capabilities. Debt resolution involves sophisticated monitoring paired with extensive collections processes that escalate commensurately with the debt. In addition, the Group has robust governance and controls which continually monitor account balances and customer repayment abilities. This information is routinely reviewed and insights derived from these meetings drive mitigating actions, resourcing, and financial provision.

In our UK retail businesses, there is supplier risk associated with our energy procurement as a result of the trading agreement in place. Through this, the majority of power and gas purchased by our UK retail entities is placed with one supplier.

Customer concentration risk applies to our licensing business as the majority of the Group's licensing revenue comes from a small number of clients. This risk is reducing over time as we expand our client base and will continue to do so thanks to a pipeline of new business opportunities, including the entry of our licensing business into new industries such as water and broadband and further diversification of geographic regions.

OEV faces residual value risk for the resale of EVs at the term of customer leases on the used car market, which could fall due to general economic deterioration or more specific reasons such as supply chain shortages. To mitigate this risk, OEV monitors the market closely and ensures quoted resale values in new leases are conservative.

There were no other material changes to these risks during the financial year.

Operational risk

Operational risk arises from a weakness or failure in a business's systems and controls. The Group continues to enhance its controls and processes, particularly with respect to its IT system and security. The potential impact and likelihood of processes failing 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 to bring each potential risk back to within acceptable levels. The Group also has a disaster recovery plan in place covering current business requirements.

OEGL is built to minimise significant risks arising from operational process and system changes. Kraken enables the Group to maintain a highly granular, continuously updated view of key metrics in energy. By automating processes which elsewhere are delivered by humans and spreadsheets, the Group is able to deliver additional control and reliability through automated software testing and defined coding standards – as well as reducing manual error. Kraken's continuous integration, continuous deployment approach means that Kraken is typically updated through over 100 small changes per day – with full rollback – as opposed to a more traditional release cycle. And Kraken's ability to manage data from across the business and across functions reduces risk of error in translation, extraction and manipulation.

OEGL continues to improve its security controls to address both the cyber attacks it detects and cyber risks that are tracked through internal risk management processes. Attacks seen in the year include credential stuffing, Distributed Denial of Service (DDOS) and phishing attacks that are commonplace in many, or perhaps any, business. For the corporate IT environment we continue to harden our Software-as-a-Service (SaaS) tools and put greater emphasis on identity and zero-trust controls. From a Kraken perspective we have hardened the application to deal better with external attacks, using both Amazon Web Services (AWS) native security controls and controls built directly into the application. A key project for the year ahead is to achieve ISO 27001 certification to demonstrate efficacy of our information security risk management processes.

Principal risks and uncertainties (cont.)

While the Kraken application is not dependent on any specific infrastructure (or cloud services provider) to run, it has only been deployed to AWS to date. This has some risks associated with it which are mitigated through a close supplier relationship with AWS. In addition, if it were necessary then replatforming to another cloud provider would be possible.

Organic growth of Octopus branded businesses globally, acquisition (especially in the UK), and an increase in the number of Kraken customers, has resulted in an increase in the amount of data held in Kraken. This includes personal data, including data defined as special category data under General Data Protection Regulation (GDPR). OEGL takes the risk of a data breach very seriously not only from the perspective of the potential impact of fines through GDPR (in relevant territories) and the impact of reputational damage on business goals, but also the human impact on its end customers. Kraken continues to improve controls around data security with a particular focus on making data retention periods more granular for clients, improving access controls across the application and support services, introducing new data loss prevention controls, and continuing to ensure the auditability of actions involving customer data.

Regulatory risk

Government regulation and decisions relating to transition to net zero can have an impact on much of OEGL. The Group primarily faces regulatory risk through its retail businesses. In the UK, the Regulation team monitors changes through regular engagement with the Regulator and other bodies. Our operational teams have detailed knowledge of the requirements

of their market, and our product teams participate in advisory boards and committees to help shape future regulation. We also maintain relationships with government departments and other stakeholders to ensure our business model is well understood and the implications for retailers and customers of policy changes are considered. Across other markets, local management monitor and respond to potential and actual changes in regulations.

In FY23, for the retail businesses we have been engaging with the Regulator on material changes including the price cap, the new financial resilience framework and programmes to support customers with bills during the energy crisis (including the Energy Bills Support Scheme and the Energy Price Guarantee). The Board is updated on material changes to regulation and of the impact on the Group when regulation is being developed and when implemented.

Climate-related risks and opportunities

Physical risks

Physical risks are those that relate to the physical impact of climate change on the Group's assets. OEGL-owned assets are at risk of physical impacts from extreme weather events such as storms and flooding. The increased frequency of weather incidents and changing long-term climate trends could lead to asset damage and operational risks.

The Group's properties in the UK include offices, a heat-pump manufacturing facility and a low carbon technology complex. We don't envision a major climate-related risk to our properties, or capital goods and are confident in our facility managers' ability to take mitigating measures such as maintenance and insurance.

Octopus Energy Generation monitors the impact of climate-related risks on its portfolio of assets (such as the impact of weather on equipment and downtime, and the impact of changes to weather patterns on energy yields) and takes steps to mitigate these. Within the overall Group, these risks are not significant.

Climatic and environmental changes also pose a number of interconnected risks to supply chains, especially increasing frequency of extreme weather events and climate-related social disruptions. Mitigation of these environmental and social risks is essential to building sustainable supply chains and ensuring the Group's resilience to future climate change scenarios.

Transition risks

Transition risks relate to the Group's overall climate change strategy, including commitments of achieving net zero, and the role OEGL plays in driving the energy transition. The transition to a lower carbon future is ingrained within the Group's strategy. As such, OEGL is well positioned to take advantage of the opportunities that arise from green energy transition. For how the Group addresses opportunities and risks see the Governance section of this report on [page 38](#).

Our policy, legal, and sustainability professionals regularly monitor emerging climate-related regulation to ensure we are acting as necessary. We are also active in industry groups such as the Transition Plan Task Forces Working Group and the Sustainable Markets Initiative.

As a supplier of gas in a number of retail energy markets, we will be impacted by policy to reduce emissions arising from heating, cooling and energy use in buildings and the phasing out of fossil fuels including gas boilers. As the UK's largest installer of heat pumps including our own designed heat pump we are well prepared for this impact, and consider it a clear opportunity for further electrification of heat and consumer flexibility in line with our vision for secure, flexible, low cost renewable energy.

Opportunities

Government policies across the world have shown that renewable energy generation, the electrification of heat and transport and the role of consumers in a greener grid are key net zero pathways. Energy security concerns are also leading many countries to reduce their reliance on fossil fuels. The Group is well positioned to capitalise on the investment, product and service opportunities that the energy transition presents. We are focused on the following opportunities:

We are driving electrification:

OEGL is making it as easy and affordable as possible for customers to switch by offering a complete EV package, combining capability from across the Group. This includes smart tariffs from OEL (powered by Kraken), a home charger installed by OES and public charging via Electroverse. Please see 'Spotlight on electrification' on [page 20](#) for more detail. OEGL is already the UK's biggest EV-only leasing company and experiencing rapid growth with the increasing demand for EVs. The potential for further growth in the UK and new markets is significant.

As key enablers of the electrification of homes and transport, we expect the markets for heat pumps, solar panels, home batteries and EV chargers to grow significantly. OES installs all of these technologies in the UK, and is expanding internationally (already in Germany and Spain). In addition, we are developing our own domestic heat pump product for manufacture which aims to drive down the cost of heat pumps.

We are taking the lead on energy flexibility:

OEGL is building the energy system required to limit global warming. Diversification of energy generation via wind, solar, small scale hydropower, and demand-side management such as storage and energy efficiency improvements can increase energy reliability and reduce vulnerabilities to climate change. With this in mind, OEGL is rapidly growing one of the largest domestic flexibility portfolios. Our products harness flexibility from all major consumer energy assets and provide aggregated demand for grid management. Our rapidly-growing portfolio of 1,400MW+ controllable demand is now paving the way for grids to accommodate more smart energy assets without undermining network security. Further building the Kraken platform, OEGL will be able to deliver climate-responsive energy markets according to current and projected climate change, smart-grid technologies, robust transmission systems and improved capacity to respond to supply and demand. Please see 'Spotlight on flexibility' on [page 26](#) for more detail.

We are innovating through technology:

Technology is a critical enabler for accelerated climate action and can provide opportunities to lower emissions growth, create social and environmental co-benefits, and achieve various Sustainable Development Goals. Kraken Technologies has designed a revolutionary energy technology platform (which it licenses to clients) that delivers operational efficiency to support the transition to a decentralised, decarbonised energy system by leveraging advanced data and machine learning capabilities.

We are growing renewable generation by investing funds managed by OE Gen on behalf of its investors:

OEGL is going above and beyond to advance renewables across the UK – and globally – making renewable energy more affordable and accessible to a wider public while delivering a sustainable energy ecosystem for the world. In the race to reduce our reliance on fossil fuels, our projects and products, such as Intelligent Octopus and Winder, offer a new path to tackle climate change. By adding flexibility to the energy system we will help enable higher penetration of renewables in the energy supply mix and save millions of metric tonnes of CO₂ emissions. Please see 'Spotlight on generation' on [page 16](#) for more detail.



Spotlight on new markets – expanding into Japan and Asia



In 2021 we announced a strategic partnership with Tokyo Gas, Japan’s largest city gas distributor, in which they invested in the Group and we jointly kick-started Octopus’s expansion into the Asian market.

Octopus Energy Japan: bringing our exciting approach to the world’s largest competitive energy market

The agreement saw us jointly launch Octopus Energy Japan, in which OEGL has a 30% stake. This was a landmark for us as we brought our unique, exciting approach to renewable energy and technology to Asia for the first time, in the world’s third-largest economy and largest competitive energy market.

The approach here is in line with our global strategy – to provide customers with great customer service and fair and transparent prices – and this is already proving extremely successful in the Japanese market. With 170,000 retail customers at year end, Japan is now our second largest market after the UK. The new business has grown at an incredible speed, adding

thousands of domestic customers each week and experiencing the fastest organic growth outside the UK in our history. On top of this, it is operating at the highest customer operation efficiency of any Kraken client at over 7,500 customers/FTE at year end. We’ve already expanded our offering into solar and EVs and are now targeting millions of customers in the next few years.

Launchpad for further expansion

For the Group, the success in Japan establishes the localisation of Kraken in an Asian market and has provided a launchpad for expansion with the establishment of our technology innovation and retail hub in Tokyo where Kraken has a team of 45. Post year end, our partnership developed further, as we signed licensing agreements with Tokyo Gas for Kraken and KrakenFlex.

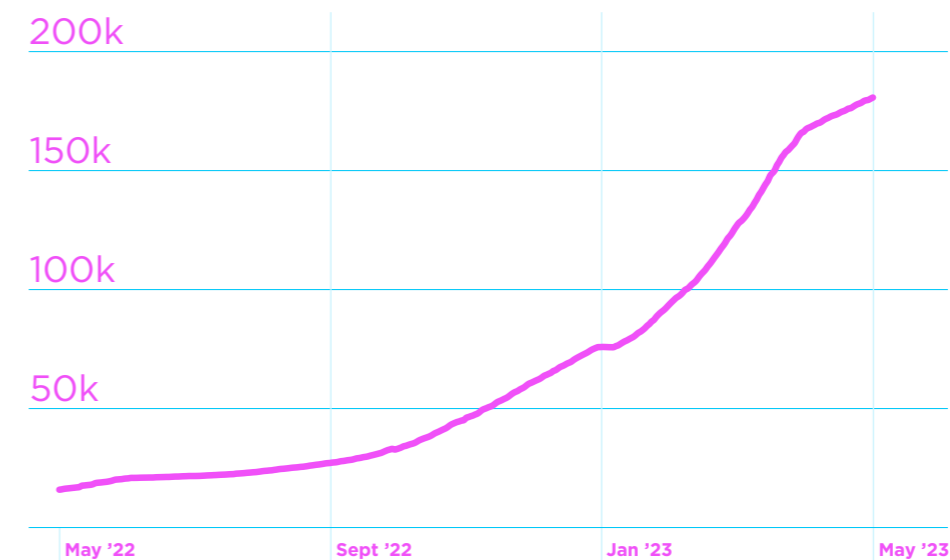
In May 2023 we announced a further commitment to invest £1.5 billion in the Asia-Pacific region by 2027. £300m of this will be the Group’s capital to expand our Tokyo hub and increase the size of the team there, creating up to 1,000 jobs. The remaining £1.2 billion will be funds managed by OE Gen on behalf of its investors and will be invested into solar and wind generation in the region, with half of the money going into Japanese renewables. Already, OE Gen has invested managed funds into Yotsuya Capital, an innovative Japanese solar developer, to develop their pipeline of 250MW of new solar farms over the next five years.



“We are incredibly proud of the pace at which we’ve been able to grow our energy retail business here in Japan, helping drive Japan’s road to net zero.”

Hajime Nakamura, CEO of Octopus Energy in Japan

Octopus Energy Japan customers



Why Japan?

The Japanese energy market currently relies heavily on fossil fuels with only about 20% of its electricity coming from renewables (mostly hydro). This investment comes as Japan works to shift towards a clean energy future, by aiming to nearly double this to 38% by 2030. Having committed to net-zero emissions by 2050, the large-scale adoption of renewable energy is critical. In Tokyo Gas we have found a partner with a similar vision for renewable energy expansion in the market and now, with them, we are taking on the incredible challenge of helping Japan make the transition.

Corporate governance – Wates Principles

The Group is committed to and has applied the principles of corporate governance contained in the Wates Corporate Governance Principles for large private companies for the year ended 30 April 2023. Further explanation of how each principle has been applied is set out below.

Principle One:

Purpose and Leadership

Our vision is to drive the renewable energy transition cheaper and faster through technology – for customers and the planet. The Group is deeply committed to enabling decarbonisation of our energy system, and all its products and services are positioned to do this as quickly as possible. We are part of the UN Race to Zero, helping build momentum around the shift to a decarbonised energy system through our involvement in Business Ambition for 1.5°C (OEGL), and our leading position in Tech Zero.

OEGL's Board comprises investor representatives and founding executives, plus one independent non-executive Director chosen for their expertise in energy, especially the key areas of market and trading risk. The Board believes that the OEGL mission is of utmost importance with all members supporting OEGL's vision and bringing different expertise and perspectives.

Customer centricity is at the heart of the Group's ethos and this is a key focus of all Board members. Practically, this means holding ourselves to a higher standard than just 'treating customers fairly' and instead challenging ourselves on how we can create and deliver ever better service, product and value for retail customers, as well as a relentless focus on identifying how we can deliver more value for our technology licensing customers and investors in Generation.

The Group's culture of autonomy, empowerment and trust was originally and decisively set by the founders plus those early joiners to management – all of whom are still in our C-suite today; as well as our initial investor, Octopus Capital. For more detail on how the Board engages with our people, please see 'Engaging with our stakeholders' on [page 28](#). The relatively flat hierarchy cultivated across the Group provides managers with strong visibility across team practices and processes. Additionally this allows employees access to appropriate channels both within and outside their teams in the event of a need to raise conduct or practice concerns.

The strategy of the Group follows a set of guiding principles. These principles are on OEGL's view of the future renewables-led energy system, of value flowing to an empowered consumer, and of the role of technology to drive efficiency and lower costs. The guiding principles are referred to as a frame of reference for various decisions across all levels of the business.

For additional information on our vision and purpose, please refer to the strategic report – What we do (see [page 10](#)).

Principle Two:

Board Composition

The Board comprises eight members, of which the current chairman is Simon Rogerson, CEO of the largest shareholder, Octopus Capital.

There are two members from OEGL's initial investor, Octopus Capital, as well as three founders (our CEO, CTO and CFO), two members from subsequent separate investors in OEGL, and one independent. The Chair will proactively request input from each of the Board members to facilitate constructive debate on all topics.

Also in attendance of all Board meetings is a roster of external observers. These include further personnel from OEGL investors as well as our Director of Strategy, our Head of Strategic Finance and Director of Investor Relations. Between these Board members and observers, there is a wide range of experience across both the energy industry as well as other expertise. Other executives join Board meetings from time to time, not only to contribute their expertise, but also to develop Board experience and create a path to Board membership from a wider pool of people.

An independent non-executive Director brings an important non-partisan perspective. This person helps to shape key elements of the Group's hedging policy and also brings deep experience to our discussions on finance, customer, regulatory and strategic topics.

The size of the Board has been carefully considered to ensure the propensity for a broad debate as well as efficient decision making. Board members have deep and current business experience in energy and other sectors.

In terms of communications, channels are open not only to top level management and Executive Directors, but also deliberately further down into the business. A matrix of formal and informal communication channels has been established across stakeholders and open access to the Board, Non-Executive Director and observers mean that employees are also 'part of the discussion' for key decisions such as large acquisitions or strategic resolutions.

While OEL is the only energy company in the UK to have a negative median gender pay gap (on average women earn more than men), and more than half of the most senior roles in the Group are held by women, all eight Board members today are male, with a major constraint being the fact that the Group's founders and founding investors are male. Gender diversity, and diversity more generally, is a topic that is important to OEGL and is under active discussion. Boards and executive teams of companies within the Group are increasingly more diverse.

Principle Three:

Director Responsibilities

The Board has a clear understanding of, and is committed to maintaining, its accountability and responsibilities, including ensuring governance processes, systems and controls are fit for purpose and identifying initiatives to strengthen them. As the Group continues to grow within existing markets and expand internationally, the

Board recognises the need to ensure these processes and controls remain adequate.

The Board receives regular updates on both financial and non-financial performance. This in turn is provided to the Senior Management team by the Strategic Finance team. The Board and observers receive monthly packs on financials, which are comprehensive and contain information about the business. On top of this, ad hoc Board Strategy meetings are held periodically to discuss strategy.

This year the Group created an Audit Oversight Committee, which monitors and reviews the integrity of financial statements, significant reporting issues, accounting and hedging policies, and material financial and non-financial information presented. Internal working groups are also established flexibly as needed for Operations and Tech requirements (for example, Debt and Payments working group) or the Recruitment and Opportunities working group self-established by employees to promote ethnic diversity within the business. This self-determining feature is highly celebrated by the management team and will continue to be encouraged going forward.

For further information on how Directors fulfil their roles and discharge their responsibilities, please refer to the Directors' responsibilities statement on [page 43](#).

Principle Four:

Opportunity and Risk

The Board is regularly engaged in identifying opportunities to create and preserve value for OEGL, as well as being aware of and monitoring major risks to the Group's future via the Audit Oversight Committee. Board approval is required for material investments and other major

strategic decisions. Management typically embraces opportunities to move fast in low risk ways, then learn and scale. Time is spent on larger risks (particularly financial) at Board level.

The Board has often provided guidance on the prioritisation of opportunities for the Group, especially at times where there are multiple attractive routes for potential capital investment.

The recent volatility of the energy market has meant particularly active discussion this year between Senior Management and the Board. The team uses scenario planning across a number of dimensions to inform their decisions. Together with members of the Board, the Senior Management team and Group analysts regularly evaluate and re-evaluate opportunities and any material risks that arise. This heightened level of engagement will likely continue to ensure the safe passage of the Group's retail business during this more volatile period.

The Group considers climate-related risks and opportunities as an integrated element of the Group's strategy. At each quarterly Board meeting, the Board formally identifies risks and opportunities for the Group, including those that are climate-related. These are then assessed by the Board against the importance of each opportunity and risk to our mission to help deliver the green energy revolution. The Board recognises that the Group is not immune from climate-related risks and uses this meeting to manage the business's position in, and potential opportunities of, a transitioning energy sector.

Corporate governance – Wates Principles (cont.)

Principle Five:

Remuneration

The Board has delegated remuneration to executives and the allocation of equity to employees has been managed through Board approved policies. As founders, our Executive Directors are material shareholders, which naturally creates alignment between their remuneration and the performance, behaviours, purpose, values and strategy of the Group. However, as the Group's operations expand, so does the need for more sophisticated remuneration and oversight and therefore the Group plans to introduce a Remuneration Committee.

Principle Six:

Stakeholder Relationships and Engagement

The Board is aware of the influence it has on the stakeholders of OEGL and is committed to promoting the values of fairness and transparency within the relationships with said stakeholders. With some stakeholders, such as potential investors or suppliers, the Board acts as an enabling channel.

The Board has open access to communication with the workforce. This is put into practice informally via direct discussions with employees beyond the Senior Management team.

On occasion, members of the Board may also join the weekly Family Dinner – whereby all employees are invited onto the same video conference and topics (both positive and negative) are discussed in a truly open forum. Family Dinner is a key channel for informing employees of the latest Group strategy. The Board is therefore welcome to join parts of OEGL workforce discussions on an informal basis. On occasion, the Senior Management team may also request more senior employees to email or call members of the Board directly – either to provide an update on certain projects or to receive advice.

Finally, the wellbeing of the operations workforce (c.4,500 employees globally) is monitored more formally through the use of Officevibe – a platform that allows employees to indicate their level of happiness in the office on a daily basis, or as often as they wish. In the case that ratings are dipping, Team Leaders will follow up with the team to understand any challenges or issues. In this way, problems are often resolved quickly in an environment conducive to honest feedback.

For further information on how we engage with our stakeholders please refer to our Section 172 statement on [page 28](#).

Directors' report

Future developments

We've included a statement on future developments in the Strategic Report which you can find on [page 15](#).

Events after balance sheet date

In September 2023, Octopus Energy Limited agreed to purchase Shell's UK and German household energy to business.

This will result in Octopus Energy Limited taking on c.1.3 million UK energy customers and c.0.5 million UK telecommunications customers and Octopus Energy Germany taking on c.0.1 million German energy customers. This acquisition is subject to approval from both Ofgem and the Competition and Markets Authority (CMA).

Research and development activities

We invest in the development of our own technologies and products. Kraken is continuously developing and improving its products to meet the needs of the Group and its customers. Our Services business is designing and producing heat pumps for manufacture and sale by the Group. The Group will make Research and Development expenditure credit claims where this research and development qualifies.

Dividends

The Directors did not recommend an interim or final dividend to be paid during the period (FY22: £nil).

Engaging with employees and other stakeholders

We have included a statement on engaging with our people and other stakeholders in line with our Section 172 requirements in the Strategic Report, which you can find on [page 28](#).

Sustainability reporting

We have included a dedicated section on sustainability

reporting in the Strategic Report which includes Climate-related Financial Disclosure (CFD) and streamlined environmental carbon reporting (SECR). This can be found on [page 22](#).

Financial risk management objectives and policies

The Group has a strict risk assessment and management policy in which the main risks to the business are considered. These include wholesale market risk, credit risk, cash flow and liquidity risk. The Group has policies in place in order to mitigate these risks. With strict and sophisticated hedging policies, we ensure a prudent and tech-led approach to wholesale risk. Alongside cash flow management and planning the Group ensures there is sufficient capital for current and future operations. For further detail on financial risk management please refer to principal risks and uncertainties on [page 32](#).

Political donations

The Group hasn't made any donations or incurred any expense to any registered UK political party or any political organisation in the UK, EU or elsewhere.

Branches

As of Year End the Group does not have any branches in or outside the UK.

Policy on employing people living with disabilities

Across the Group, we work hard to hire, promote and treat people on the basis of their merits and abilities. Our people are our strongest asset and the unique skills and perspectives people bring to the team are the driving force of our success.

As an equal opportunity employer we do not discriminate on the basis of any protected attribute, and we welcome applications for employment

from anyone. Our commitment is to provide equal opportunities, an inclusive work environment, and fairness for everyone.

Some examples of what we've been doing include:

- Our Talent Acquisition Team ensures diversity is considered in all of our recruitment processes across every part of the Group and we're continuing to roll out unconscious bias training and ensure our job adverts are gender neutral.
- We run regular disability, neurodiversity and wellbeing events to promote awareness about different conditions so we can understand and support colleagues and customers; for example, in 2023 we had a series of events around Mental Health Awareness Week.

The list above certainly isn't exhaustive and all employees can get involved in making their organisation, departments and teams feel like home for everyone. Those in leadership positions are expected to set an example on this, but that doesn't stop anyone taking the initiative and making a great idea happen.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have assessed the liquidity of the business through a detailed going concern forecast and considered the associated hedge position required, which is procured through a third party without collateral requirements. This includes consideration of commitments by Octopus Energy Group to fund international operations, committed acquisitions, and excludes consideration of Octopus Energy Retail 2022 which has separate

Directors' report (cont.)

funding arrangements. There are significant peaks and troughs through the year with April generally the low point of the cash flow cycle. On the basis of existing funding received from shareholders, along with available facilities Directors' report and trading lines, the forecast cash flows show headroom through the going concern period even under stressed conditions reflecting reasonable sensitivities identified. The general approach to hedging expected supply requirements is set out on [page 32](#) along with consideration of the Group's principal risks and uncertainties including increased risks from recent cost of living increases.

The Group assembles a set of sophisticated financial forecasting models from all divisions which it tracks and calibrates carefully based on actual performance. The largest cash flow movements are driven by the energy supply business and this forecasting includes changes in both the hedge book and forward wholesale market prices. Previous UK government support measures arising over the winter of 2022/23 are not anticipated to continue in the forecasts, existing and new regulatory requirements arising over the period have been considered, and assumptions of increased customer movements (together with increased numbers of fixed price contracts) included. The Directors have also actively considered downside sensitivities of cash flows from operations including that which would arise from a cold winter in the context of the energy crisis. The Directors have evaluated risks based on historical weather data, which is used to model a range of increased consumption that could arise from an unusual, sustained cold winter during a winter month over the forecast period.

Octopus Energy Group Limited has previously received equity injections as well as access to financing through committed loans from banks, trading counterparties and cash generated by other Group businesses. The bank loans were backed by investor guarantees. The business also continues to actively consider further investments and additional working capital facilities or equity injections although the Going Concern position does not assume these additional facilities in the forecasts. Corporate investment across the Group and acquisition activity is continually monitored to reflect the economic and regulatory environment.

Following the detailed process above the Directors have a reasonable expectation that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

Directors

The Directors who served throughout the year were as follows: G Jackson, S Jackson, J Eddison, C Hulatt, S Rogerson, M Lawrence, J Briskin, T B Hodges, and W Elgohary (resigned 19 June 2023).

Directors' indemnities

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

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 Group'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 Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



S Jackson
CFO and Co-founder

31 October 2023
Registered office:
UK House, 5th Floor, 164-182
Oxford Street London, United
Kingdom, W1D 1NN

Directors' responsibilities statement

For the year ended 30 April 2023

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 Group financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The Directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. 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 the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the 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.



Independent auditor's report

To the members of Octopus Energy Group Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Octopus Energy Group Limited (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit and loss;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (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 Group and the parent 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.

Our evaluation of the Directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included our assessment of the entity's:

- financing and hedging facilities;
- business model, regulatory changes, ringfenced subsidiaries and medium-term risks;
- committed acquisitions and equity injections;
- assumptions including customer behaviour related judgements used in the forecasts;
- amount of headroom in the forecasts (cash and covenants);
- sensitivity analysis including cold winter scenarios; and
- model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent 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 Group's and the parent 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 parent 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 Group's industry and its control environment, and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the Directors about their own identification and assessment

of the risks of irregularities, including those that are specific to the Group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the Group 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, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licence and UK Electricity and Gas Acts, Utilities Act, Energy Act, and licenses, legislations that surround the UK energy industry including Carbon Emissions, ROCs, LECs, CERT, and CESP.

We discussed among the audit engagement team including relevant internal specialists such as IT and analytics regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud arose from risk of management bias in the accounting for the acquisition of Bulb. We challenged management's analysis using technical specialists and subject matter experts to review the accounting judgements taken and tested relevant balances to underlying sources.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of

Independent auditor's report (cont.)

To the members of Octopus Energy Group Limited

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 in-house 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 Group and of the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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, UK

31 October 2023

Consolidated statement of profit or loss

For the year ended 30 April 2023

	Notes	Year ended 30 April 2023 £m	Year ended 30 April 2022 £m
Revenue	4	12,540.0	4,224.6
Cost of sales	5	(11,527.5)	(3,978.6)
Gross profit		1,012.5	246.0
Administrative expenses	5	(745.6)	(424.9)
Share of net loss of associate	13	(1.7)	(1.2)
Operating profit/(loss)		265.2	(180.1)
Finance income	7	51.1	27.7
Finance expense	7	(33.3)	(13.3)
Profit/(loss) before tax		283.0	(165.7)
Income tax expense	8	(80.2)	24.7
Profit/(loss) for the financial year		202.8	(141.0)
Profit/(loss) attributable to:			
Owners of the parent		202.8	(140.9)
Non-controlling interests		-	(0.1)
Profit/(loss) for the financial year		202.8	(141.0)

Reflecting the immaterial values currently involved, the translation of overseas subsidiaries is currently included within the profit or loss and not separately disclosed. There are no other items of other comprehensive income and therefore a separate statement of other comprehensive income is not presented.

The notes on [pages 55 to 89](#) form part of these financial statements.

Consolidated statement of financial position

At 30 April 2023

	Notes	30 April 2023 £m	30 April 2022 £m
Non-current assets			
Property, plant and equipment	9	29.5	14.6
Right of use assets	9	263.3	33.8
Goodwill	10	211.2	87.2
Intangible assets	10	315.3	197.3
Investments accounted for using the equity method	13	-	2.2
Investments in financial assets	14	6.7	1.0
Trade and other receivables	15	24.4	24.4
Deferred tax asset	16	8.7	30.1
Total non-current assets		859.1	390.6
Current assets			
Trade and other receivables	15	2,299.0	1,568.1
Cash and cash equivalents	17	3,687.7	235.7
Inventory	18	9.6	1.3
Total current assets		5,996.3	1,804.1
Current liabilities			
Trade and other payables	19	(2,815.0)	(1,601.1)
Borrowings		(0.3)	(40.0)
Lease liabilities	24	(39.6)	(4.6)
Total current liabilities		(2,854.9)	(1,645.7)
Non-current liabilities			
Trade and other payables	19	(2,789.8)	(45.1)
Lease liabilities	24	(231.9)	(31.2)
Borrowings		(3.8)	-
Total non-current liabilities		(3,025.5)	(76.3)
Net assets		975.0	472.7
Capital and reserves			
Called up share capital	21	-	-
Share premium account	22	1,072.7	775.0
Non-controlling interests		-	11.8
Other reserves	23	21.4	6.4
Accumulated losses		(119.1)	(320.5)
Total equity		975.0	472.7

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The notes on pages 55 to 89 form part of these financial statements. The consolidated financial statements were approved and authorised for issue by the board and were signed on its behalf by:



S Jackson
CFO and Co-founder
31 October 2023

Registered office: UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom W1D 1NN
Registered number: 09718624

Company statement of financial position

At 30 April 2023

	Notes	30 April 2023 £m	30 April 2022 £m
Non-current assets			
Property, plant and equipment	9	0.7	0.2
Investments	11	102.2	43.3
Trade and other receivables	15	24.4	24.4
Total non-current assets		127.3	67.9
Current assets			
Trade and other receivables	15	530.6	728.8
Cash and cash equivalents	17	474.4	34.9
Total current assets		1,005.0	763.7
Current liabilities			
Trade and other payables	19	(14.1)	(1.8)
Borrowings		-	(40.0)
Total current liabilities		(14.1)	(41.8)
Non-current liabilities			
Trade and other payables	19	(5.3)	(9.4)
Total non-current liabilities		(5.3)	(9.4)
Net assets		1,112.9	780.4
Capital and reserves			
Called up share capital	21	-	-
Share premium account	22	1,072.7	775.0
Other reserves	23	21.4	6.4
Accumulated profits/(losses)		18.8	(1.0)
Total equity		1,112.9	780.4

The total profit for the Company in the year is £19.8m (2022: £6.9m).

These Company financial statements have been prepared in accordance with International Financial Reporting Standards. The notes on pages 55 to 89 form part of these financial statements. The Company financial statements were approved and authorised for issue by the board and were signed on its behalf by:



S Jackson
CFO and Co-founder
31 October 2023

Registered office: UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom W1D 1NN
Registered number: 09718624

Consolidated statement of changes in equity

For the year ended 30 April 2023

	Notes	Called up share capital £m	Share premium £m	Share based payments reserve £m	Accumulated profits £m	Total equity to owners £m	NCI £m	Total equity £m
At 1 May 2021		-	381.8	1.5	(179.6)	203.7	(0.1)	203.6
Comprehensive loss for the year		-	-	-	(140.9)	(140.9)	(0.1)	(141.0)
Total comprehensive profit for the year		-	-	-	(140.9)	(140.9)	(0.1)	(141.0)
Shares issued during the year		-	393.2	-	-	393.2	-	393.2
Business combination		-	-	-	-	-	11.9	11.9
Employee share scheme options		-	-	4.9	-	4.9	-	4.9
At 1 May 2022		-	775.0	6.4	(320.5)	460.9	11.8	472.7
Prior year adjustments		-	-	-	(1.4)	(1.4)	-	(1.4)
Comprehensive profit for the year		-	-	-	202.8	202.8	-	202.8
Total comprehensive profit for the year		-	-	-	202.8	202.8	-	202.8
Shares issued during the year	21/22	-	297.7	-	-	297.7	-	297.7
Acquisition of non controlling interest		-	-	-	-	-	(11.8)	(11.8)
Employee share scheme options	23	-	-	15.0	-	15.0	-	15.0
At 30 April 2023		-	1,072.7	21.4	(119.1)	975.0	-	975.0

The notes on pages 55 to 89 form part of these financial statements.

Company statement of changes in equity

For the year ended 30 April 2023

	Notes	Called up share capital £m	Share premium £m	Share based payments reserve £m	Accumulated profits £m	Total equity £m
At 1 May 2021		-	381.8	1.5	(7.9)	375.4
Comprehensive profit for the year		-	-	-	6.9	6.9
Total comprehensive profit for the year		-	-	-	6.9	6.9
Shares issued during the year		-	393.2	-	-	393.2
Employee share scheme options		-	-	4.9	-	4.9
At 30 April 2022		-	775.0	6.4	(1.0)	780.4
Comprehensive profit for the year		-	-	-	19.8	19.8
Total comprehensive profit for the year		-	-	-	19.8	19.8
Shares issued during the year	21/22	-	297.7	-	-	297.7
Employee share scheme options	23	-	-	15.0	-	15.0
At 30 April 2023		-	1,072.7	21.4	18.8	1,112.9

The notes on pages 55 to 89 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 April 2023

	Year ended 30 April 2023 £m	Year ended 30 April 2022 £m
Cash flow from operating activities		
Profit/(loss) after tax	202.8	(141.0)
Adjustments for:		
Depreciation of property, plant and equipment	37.3	7.9
Amortisation of intangible assets	121.3	100.0
Finance (income)/cost	(17.8)	9.6
Share of loss on joint venture/associate	1.7	1.2
Share based options	15.0	4.9
Taxation expense	80.2	(24.7)
Increase in trade and other receivables	(1,029.8)	(584.5)
Increase in trade and other payables	2,941.8	530.3
Increase in provisions and accruals	180.6	453.0
Increase in inventory	(6.7)	(0.2)
Industry levy receivable	622.8	(624.6)
Corporation tax paid	(46.8)	11.0
Net cash generated from operating activities	3,102.4	(257.1)
Cash from investing activities		
Purchase of property, plant and equipment	(20.5)	(18.1)
Purchase of right of use asset	(260.2)	(5.8)
Purchase of intangible fixed assets	(57.9)	(131.2)
Purchase of associates (net of cash acquired)	-	(0.3)
Purchase of subsidiaries (net of cash acquired)	195.0	(10.6)
Investments in financial assets	(5.7)	-
Deferred consideration for subsidiaries	-	(0.7)
Net cash used in investing activities	(149.3)	(166.7)
Cash flows from financing activities		
Increase in lease liability	224.7	26.9
Acquisition of non-controlling interest	(12.0)	-
Loans received	-	40.2
Loans repaid	(40.0)	(8.6)
Interest paid	(16.6)	(8.3)
Interest received	44.9	-
Issue of ordinary shares	297.9	517.4
Net cash flow from financing activities	498.9	567.6
Net increase in cash and cash equivalents	3,452.0	143.8
Cash and cash equivalents at the beginning of the year	235.7	91.9
Cash and cash equivalents at the end of the year	3,687.7	235.7
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,687.7	235.7
Restricted cash	2,846.7	-

The notes on pages 55 to 89 form part of these financial statements.

Notes to the financial statements

For the year ended 30 April 2023

1. Company information

Octopus Energy Group Limited and its subsidiaries (together referred to as the 'Group') are primarily engaged in the provision of energy. The Group's principal activity is as an energy technology pioneer, driving the green energy revolution through technology. The Group encompasses businesses that engage in energy supply, both as a retailer and software platform provider, vehicle leasing, installation of smart meters, and other energy related assets.

Octopus Energy Group Limited is a private company limited by shares and registered in England and Wales, registered number 09718624. Its registered office is located at UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN.

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of section 479A of the Act: Affect Energy Limited, Centre for Net Zero Limited, Kraken Labs Limited, KrakenFlex Limited, Octopus Energy Collective Limited, Octopus Energy Development Partnership LP Limited, Octopus Energy Eco Limited, Octopus Energy Generation No.1 Limited, Octopus Energy Generation No.2 Limited, Octopus Energy Heating Limited, Octopus Energy Hydrogen Group Limited, Octopus Energy Hydrogen Limited, Octopus Energy Hydrogen Tech Limited, Octopus Hydrogen Production 1 Limited, Octopus Hydrogen Production Limited, Octopus Energy Payments Limited, Octopus Renewable Energy Income Partnership GP LLP, Octopus Renewables Infrastructure Partnership V GP LLP, Renewable Energy Devices Limited, SB Trading Company (SBTC) Ltd and Smart Pear Limited. OEGL will guarantee the debts and liabilities of its UK subsidiaries, at the balance sheet date in accordance with section 479C of the Companies Act 2006.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted international accounting standards and International Financial Reporting Standards as issued by the IASB.

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

The consolidated financial statements are prepared in Sterling (£), which is the functional currency of the Company and presentational currency of the Group. Foreign operations are included in accordance with the policies set out in Note 2.14. Rounding is taken to the nearest tenth of a million.

The principal accounting policies adopted are set out below:

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group (its subsidiaries) made up to 30 April each year. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the financial statements (cont.)

For the year ended 30 April 2023

2. Significant accounting policies (cont.)

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Group.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

In accordance with the exemption available under section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the Group.

2.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Notes to the financial statements (cont.)

For the year ended 30 April 2023

2. Significant accounting policies (cont.)

2.4 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have assessed the liquidity of the business through a detailed going concern forecast and considered the associated hedge position required, which is procured through a third party without collateral requirements. This includes consideration of commitments by Octopus Energy Group to fund international operations, committed acquisitions, and excludes consideration of Octopus Energy Retail 2022 which has separate funding arrangements. There are significant peaks and troughs through the year with April generally the low point of the cash flow cycle. On the basis of existing funding received from shareholders, along with available facilities Directors' report and trading lines, the forecast cash flows show headroom through the going concern period even under stressed conditions reflecting reasonable sensitivities identified. The general approach to hedging expected supply requirements is set out on [page 32](#) along with consideration of the Group's principal risks and uncertainties including increased risks from recent cost of living increases.

The Group assembles a set of sophisticated financial forecasting models from all divisions which it tracks and calibrates carefully based on actual performance. The largest cash flow movements are driven by the energy supply business and this forecasting includes changes in both the hedge book and forward wholesale market prices. Previous UK government support measures arising over the winter of 2022/23 are not anticipated to continue in the forecasts, existing and new regulatory requirements arising over the period have been considered, and assumptions of increased customer movements (together with increased numbers of fixed price contracts) included. The Directors have also actively considered downside sensitivities of cash flows from operations including that which would arise from a cold winter in the context of the energy crisis. The Directors have evaluated risks based on historical weather data, which is used to model a range of increased consumption that could arise from an unusual, sustained cold winter during a winter month over the forecast period.

Octopus Energy Group Limited has previously received equity injections as well as access to financing through committed loans from banks, trading counterparties and cash generated by other Group businesses. The bank loans were backed by investor guarantees. The business also continues to actively consider further investments and additional working capital facilities or equity injections although the Going Concern position does not assume these additional facilities in the forecasts. Corporate investment across the Group and acquisition activity is continually monitored to reflect the economic and regulatory environment.

Following the detailed process above the Directors have a reasonable expectation that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

2.5 Revenue

The Group's revenue is mainly derived from energy supply. The Group also derives income from licensing, leasing of electric vehicles, energy smart meter installation and energy generation. Revenue from contracts with customers is recognised when its performance obligations are satisfied, i.e., when control of an asset (i.e. the goods or services) is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. An asset is transferred when (or as) the customer obtains control of that asset. Depending on the nature of the performance obligations, revenue is recognised either over time or at a point in time.

Revenue is measured as the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, Value Added Tax).

The majority of revenue arose within the United Kingdom; however revenue is also generated in Australia, Germany, Spain, France, Italy, New Zealand and the United States.

The Group applies the five-step process set out in IFRS 15, Revenue from contracts with customers, to ensure an appropriate revenue recognition policy is in place, i.e.:

1. Identify the contract with a customer.
2. Identify the separate performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the separate performance obligations.
5. Recognise revenue when/as each performance obligation is satisfied.

The nature of the services the Group provides, and of the amounts which the customer is charged, is such that the result of this process is generally clear, since the services provided are separately identifiable and priced, and the customer is generally invoiced either upfront or on completion of the service. The invoiced prices in the contract are considered standalone selling prices, and therefore determining the transaction price does not require significant judgements.

Revenue streams are analysed between as follows:

Provision of energy

- Revenues from the provision of electricity and gas are recognised when the Group fulfils its performance obligation by transferring a promised good or service to a customer. An asset is deemed to be transferred when the customer obtains control of the asset. Energy supply is recognised over time as the customer receives and consumes the energy supplied and appropriately reflects the pattern of transfer.

For amounts that haven't been billed to the customer, the revenue is estimated using contracted tariff rates and estimated usage. This amount is reflected as contract assets at the end of the financial period. Further information can be found within Note 3 – critical accounting judgements and key sources of estimation and uncertainty.

Licensing revenue

- Licensing agreements are in place between Kraken Technologies Limited and its customers. The revenue is generated from development, licensing, and related services. Development services' revenue is recognised over time as the system is made ready for use by the customer. Licensing fees, customer migration and operating services are each recognised over time as the customer uses and benefits from the services simultaneously. The methods used appropriately reflect the pattern of transfer of services to customers.

Metering revenue

- Revenue is derived from the installation and replacement of smart meters, electric chargers and heat pumps across UK households for existing and new Octopus Energy customers, contracted through meter asset providers. The revenue in relation to the provision of these services is recognised as the service is provided.

Other revenue

- The Group generates revenue from short-term rentals of EVs. Revenue is recognised on a straightline basis over the lease term.
- Fund management turnover is received in relation to investment management services provided to funds who own and construct renewable energy assets. The revenue from these services is recognised over the period that these services are provided to its customers.
- All other revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes.

A **contract asset** is recognised for revenue where the performance obligation (being the provision of utilisation and subscription services) has been completed, but payment remains conditional on acceptance by the customer. Once invoiced, the amount recognised as contract assets is reclassified to trade receivables. Contract assets arise from unbilled revenue, where services have been provided but not billed.

A **contract liability** is recognised if a payment is received from a customer before the Group transfers the related goods or services or for instances where the customer is invoiced in advance. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Notes to the financial statements (cont.)

For the year ended 30 April 2023

2. Significant accounting policies (cont.)

2.6 Intangible assets

Intangible assets are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation. Intangible assets are amortised over their useful economic life as follows:

- Software: 3 years
- Customer acquisitions: 3 years
- Fund contracts: 10-25 years

Intangible assets acquired as part of a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an asset and are identifiable. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition.

Goodwill is not amortised as it is expected to have an indefinite useful economic life, but is reviewed for impairment on an annual basis.

Software development costs

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

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

Subsequent to initial recognition, software development costs are reported at cost less accumulated amortisation and accumulated impairment losses. Total software development costs less their estimated residual value are amortised over their useful economic life on a straight-line basis over a period of three years. Amortisation starts when the asset is available-for-use. Costs associated with maintaining computer software are recognised as an expense.

Research and other development expenditure that does not meet the criteria for capitalisation as a software development cost are recognised as an expense in the Consolidated Statement of Comprehensive Income.

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is charged to write down the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

- Right of use assets: Over life of lease
- Office equipment: 3-5 years
- Motor vehicles: 3 years
- Energy generation assets: 20 years

2.8 Impairment of non-financial assets

Non-financial assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash generating unit (CGU) to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased. In accordance with IAS 38, Intangible Assets, goodwill is not amortised, but is reviewed for impairment on an annual basis.

2.9 Investments in subsidiary undertakings

A subsidiary is an entity controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its return.

Investments are stated at cost less a provision for any impairment in value. Costs of the investments include all costs directly related to the acquisition of the investments.

2.10 Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. The carrying amount of the investment is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income, adjusted where necessary to ensure consistency with the accounting policies of the Group. In some cases, certain conditions in the agreements may dictate the level of returns from an investment, which will impact how the investment is measured. Further detail has been provided in Note 13. Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

2.11 Inventory

Inventory is stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, inventories are assessed for impairment. If inventories are 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.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.13 Financial instruments

A financial asset or a financial liability is recognised only when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements (cont.)

For the year ended 30 April 2023

2. Significant accounting policies (cont.)

The Group uses forward contracts to hedge power and gas delivery for each of its customers. These contracts are considered to fall outside the scope of the application of IFRS 9 when they are entered into as part of the Group's normal business activity, 'own use' and as such are excluded from application of IFRS 9.

Financial assets

The Group's financial assets comprise cash and cash equivalents (see Note 2.12 above), trade receivables, investments in equity, contract assets, prepayments and other receivables.

Trade receivables are initially measured at their transaction price. Other financial assets are measured at their fair value on initial recognition. Financial assets are accounted for on an amortised cost basis, using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Investments in equity are held at fair value, with any gains or losses taken to the statement of profit or loss. Transaction costs are expensed and not capitalised within the initial cost of the asset.

The Group recognises a loss allowance, for expected credit losses on its financial assets which are held at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. When the expected credit loss for trade receivables is determined, the Group makes use of the simplified approach, whereby the loss recognised is equal to the lifetime expected credit losses.

Lifetime expected credit losses represent the expected losses that may result from possible default events. The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The expected lifetime credit losses of the trade receivables and contract assets are estimated using a provision matrix. The matrix is based on the Group's historical credit loss experience, adjusted for forward-looking factors, that are specific to the trade receivables. This approach is also used for estimating the expected lifetime credit loss of the contract assets. At 30 April 2023 and 2022 an average expected credit loss has been used within the provision matrix.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

When applicable, certain ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired; or,
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

The Group's financial liabilities comprise trade payables, accruals and other payables and lease liabilities.

Trade payables are initially recognised at fair value, which is usually the original invoice amount and are subsequently held at amortised cost using the effective interest method. If payment is due within one year or less, payables are classified as current liabilities. If not, they are presented as non-current liabilities.

The Group recognises the WAMA (for further details see Note 3 – Wholesale Adjustment Mechanism Agreement) as fair value through profit or loss, the financial liability is designated as held for trade on the basis that it is a derivative. The liability is measured at fair value on initial recognition and re-measured to fair value at each reporting date. Gains and losses arising from changes in the fair value are recognised in the profit or loss in cost of sales or interest.

The lease liabilities are measured in accordance with IFRS 16 (see Note 2.15 below). All other financial liabilities are classified as held at amortised cost. These liabilities are initially measured at fair value less transaction costs and subsequently measured using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.14 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

For the purpose of presenting consolidated Financial Statements, the assets and liabilities of the Group's non-sterling functional currency subsidiary undertakings, joint ventures and associates are translated into pounds sterling at exchange rates prevailing at the balance sheet date. The monthly results of these subsidiary undertakings, joint ventures and associates are translated into pounds sterling each month at the average rates of exchange for that month.

2.15 Leases

As a lessee, the Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises right-of-use assets representing the right to use the underlying assets, and lease liabilities representing obligations to make lease payments.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The Group enters into lease agreements with respect to the provision of EVs on lease. Leases for which the Group is a lessor are classified as operating leases, as the terms of the lease do not substantially transfer all the risks and rewards of ownership to the lessee. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Notes to the financial statements (cont.)

For the year ended 30 April 2023

2. Significant accounting policies (cont.)

2.16 Finance income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest rate method.

2.17 Taxation

Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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 income.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Deferred tax balances are not recognised in respect of temporary differences arising on initial recognition (other than on a business combination) that do not affect profit or loss. In respect of business combinations, deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.18 Share-based employee remuneration

The Group operates equity-settled, share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (e.g. profitability and sales growth targets and performance conditions). The fair value has been determined using the Black-Scholes Model with the use of external valuation support.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based payment compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

2.19 Government grants

Government grants are recognised in the profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred are recognised in the income statement in the period in which they become receivable. These are offset against costs to which they relate.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

When preparing consolidated financial statements, management makes a number of 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 key significant judgements include:

Acquisition of Octopus Energy Operations Limited (OEOL) – assessment of business combinations vs asset acquisitions

With reference to Note 12, as part of the acquisition of OEOL management have first considered if the group of assets acquired represents a business combination and as such whether the transaction falls within the scope of IFRS 3. A business combination transaction requires the determination of whether:

- What is acquired constitutes a 'business' as defined in IFRS 3, and
- Control has been obtained.

IFRS 3 requires a judgement to be made in determining whether assets acquired and any liabilities assumed constitute a business. If they are not considered to be a business, then the transaction should be accounted for as an asset acquisition and business combination accounting would not apply. The Group has obtained the inputs and associated outputs (i.e. revenue generation) of the business, such as its employees coming over and systems, fulfilling the definition of a business and therefore accounted for as a business combination.

As part of the acquisition, management have deemed that the Group acquired control, in line with IFRS 10, of OEOL (via Octopus Energy Retail 2022 Limited). The Group acquired 100% of the share capital of the newly formed entity OEOL, following the hive down of Bulb Energy Limited, see Note 12 for further details.

Accounting for financial instruments at Fair values through the Profit or Loss

The classification of financial instruments affects the valuation of financial instruments for reporting purposes. With reference to Note 12, as part of the acquisition of OEOL, the hive down created a financial instrument called the Wholesale Adjustment Mechanism Agreement, as it incorporates rights to receive and obligations to pay cash. Based on the requirements of IFRS 9 management have carefully considered the framework to ensure the classification of the financial instrument corresponds to the measurement basis.

Under IFRS 9 a judgement is made to distinguish whether the financial liability should be recognised as a financial liability at fair value through profit or loss (FVTPL), or other financial liabilities, that are measured at amortised cost using the effective interest rate method.

In order to meet the definition of FVTPL the liability has to be held for trade, for which one of the following criteria has to be met in order to meet the classification:

- It is incurred principally for the purpose of repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Management has considered the above criteria and concluded the financial liability as a derivative, as the contract will be settled at a future date, it requires no initial investment and it changes in value in response to energy prices. Thus, recognising the fair value of the liability at the balance sheet date of £2,707m.

Accounting for customer support schemes

Government support schemes include, the Energy Bill Relief Scheme (EBRS) and the Energy Price Guarantee (EPG). The EPG scheme sets a government supported unit price for both gas and electricity for domestic customers at a level below the quarterly-calculated price cap. The EBRS was introduced for non-domestic customers, providing government supported unit rates at £211/MWh for electricity and £75/MWh for gas. The EBRS scheme was replaced on 31 March 2023 by the Energy Bills Discount Scheme (EBDS) which operates on similar principles. EBDS remains in legislation until 31 March 2024, with only small discounts now being applied.

Notes to the financial statements (cont.)

For the year ended 30 April 2023

3. Judgements in applying accounting policies and key sources of estimation uncertainty (cont.)

There is judgement in determining whether this revenue meets the definition of revenue under IFRS 15 Revenue from contracts with customers. Management have considered the definition of revenue under IFRS 15 and concluded that the discounts received from the government meet the definition of revenue. The Group has determined that it is appropriate to apply the requirements of IFRS 15 'Revenue from Contracts with customers', this is because the revenue arises through the supply of electricity and gas to a customer. The government is effectively settling a portion of customers' energy bills. The Group remains entitled to receive consideration for the supply of electricity and gas based on either the existing price cap structure of customers' fixed or variable priced contracts and the price is unchanged.

We observe that the application of IAS20 'Government Grants', a grant relating to income, may be reported separately as 'other income' or deducted from the related expense. The difference between the chosen accounting treatment and the accounting treatment under IAS20 would have resulted in a similar accounting outcome.

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. Further details on the capitalisation criteria for internally developed software can be found in Note 2.6.

Assessment of contracts as a lease

As part of our electric vehicle leasing business a key judgement is made on whether the contracts we have entered into transfers the right of use of an asset to our business or whether the right to use the asset is being transferred to another party. We have determined that the rights to the vehicle are transferred to the business when the arrangement conveys to the business the right to control the use of the vehicles. Other indicators of a lease arrangement are transferring ownership to us by the end of the lease term, having the option to purchase the vehicle, and the lease term being for the major part of the vehicle's economic life. Where contracts are assessed to be leases to the business, the vehicles are capitalised in the financial reports in line with IFRS 16.

Key sources of estimation uncertainty include:

Fair value of assets and liabilities acquired through business combinations - Customer acquisition valuations

As an integral component of the Bulb acquisition, we have conducted a comprehensive assessment to estimate the value of the customer book. This estimation is founded on a combination of market data analysis and the collective expertise of our management, ensuring a reliable determination of the fair value associated with the customer book. As these are one-off estimates, there will be no material revision to the carrying amounts of assets and liabilities acquired within the next financial year arising from changes in these estimates.

Accounting for financial instruments at fair values through the profit and loss - Wholesale Adjustment Mechanism Agreement

An estimation must be made by management, to determine the fair value of the WAMA, (see Note 12 for further details), as a financial instrument under IFRS 9. This financial instrument has been valued at the acquisition date and year end, based on all future discounted cashflows, to fulfil the contractual obligations. Any movement associated with this has gone through the profit or loss in costs of sales or interest receivable (see below).

As part of the WAMA, the Group has the following rights and obligations to pay cash:

A. Bulb Energy Limited (the entity in Special Administration Regime) agreed to lend the Group, an amount based on the estimated amount of electricity and gas purchased between 1 October 2022 and 20 December 2022, had it been purchased using an agreed contractual price amount (henceforth called the 'Stub Period Price Cap Amount'). The repayment of this amount will start in May 2024, but with the option to defer the repayment plan by one year, if certain conditions are met. No interest will accrue on the amount to be repaid. The Group has therefore discounted this liability on the balance sheet date, to reflect the net present value. This has resulted in a credit to the profit and loss of £50.2m. This has been credited to cost of sales. Before the impact of discounting the total amount presented on the balance sheet, associated with this amount is equivalent to £1,057.8m (liability). These amounts, along with the

discounting are presented within the FVTPL liability (see Note 20). At the hive down date, this right to receive cash was valued at £1,057.8m after discounting (asset). This initial asset was recognised on the balance sheet as part of the goodwill calculation, see Note 12 (part of the WAMA contract).

- B. For the period from 20 December 2022 until 31 March 2023, the Group will receive funds from Bulb Energy Limited (the entity in Special Administration Regime), to pay its energy supplier. It is agreed the funding will support the actual day ahead cost of electricity and gas, whereas the subsequent repayment will be at fixed rate, based on an agreed price cap amount. The repayment of these funds, including any adjustment for agreed price cap amount, will start in May 2024, but with the option to defer the repayment plan, by one year, if certain conditions are met. No interest will accrue on the amount to be repaid. The Group has therefore discounted this liability on balance sheet date, to reflect the net present value. This has resulted in a credit to the profit and loss of £109.7m, which has been taken to cost of sales. Before the impact of discounting the total amount presented on the balance sheet, associated with actual energy costs was equivalent to £571.8m, additionally the amount associated with the agreed price cap amount, before the impact of discounting was equivalent to £1,209.6m. These amounts, along with the discounting are presented within the FVTPL liability within Note 20. At the hive down date, this obligation and the repayment of the Stub Period Price Cap Amount was valued at £887.1m after discounting. This initial liability was recognised on the balance sheet as part of the goodwill calculation, see Note 12 (part of the WAMA contract).
- C. It was agreed the Group would pay Bulb Energy Limited (the entity in Special Administration Regime), any difference between the actual price paid for a forward looking hedge for the period from April 2023 to June 2023, compared to if it had been placed on 17 November 2022. At the hive down date, this obligation was valued at £42.2m. This initial liability was recognised on the balance sheet as part of the goodwill calculation, see Note 12 (part of the WAMA contract). When the hedge was entered into, this obligation increased to £74.5m, and was subsequently repaid to Bulb Energy Limited (the entity in the Special Administration Regime). The difference, between the amount paid and amount recognised within the goodwill calculation, at the hive down date, (see Note 12 - as part of the WAMA contract) has been debited to cost of sales.
- D. It was agreed that over a certain period, future profits will be shared between the Group and Bulb Energy Limited under a Special Administration Regime. These profits will be based on the consolidation of Octopus Energy Retail 2022 Limited, but be payable by OEOL. At the hive down date, this obligation was valued at £125.5m after discounting. This initial liability was recognised on the balance sheet within the goodwill calculation, at the hive down date, (see Note 12 - as part of the WAMA contract). At the balance sheet date, before the impact of discounting, this amount was value at £28.8m. Including discounting this amount reduces to £27.2m. This amount, along with the discounting is presented within the FVTPL liability (see Note 20).
- E. It was agreed Octopus Energy Retail 2022 Limited would pass back any interest earned on cash balances to Bulb Energy Limited (the entity in Special Administration Regime) over a certain period. At the balance sheet date, this has been accounted for as consideration (see Note 12) payable for the purchase of Octopus Energy Operations Limited. The level of consideration to be paid, is dependent on the amount of cash swept into Octopus Energy Retail 2022 Limited accounts and is therefore related to the underlying performance of the Group.

The value of the WAMA at the balance sheet date is subject to the following estimation uncertainties:

- The discounting used to estimate the present value of the liability. At balance sheet date, management used a discount rate of 3.65%. For every 100 basis points increase in discount rate, this results in a credit to the profit and loss equivalent to £42m.
- The WAMA has an optionality to defer the payment, subject to certain conditions, based on energy prices. This option is available to the Group in circumstances where energy prices are significantly higher than historical averages. The Group has assessed the likelihood of this deferral at 30% as of the year end based on assessment of forecast energy prices compared to the thresholds contained within the arrangement. If the group were to change this to 0% at the balance sheet date, the liability (see Note 20), would increase by £16.2m.
- Dependent on the level of profit generated by the Group which needs to be shared with Bulb Energy Limited (the entity in Special Administration Regime). With exception to the final profit reference period and excluding any profit share adjustments, for every £10m of future profit generated after tax, by the consolidated group, the liability (see Note 20), will increase by £4.1m.

Notes to the financial statements (cont.)

For the year ended 30 April 2023

3. Judgements in applying accounting policies and key sources of estimation uncertainty (cont.)

The final balance of the WAMA recorded in the accounts and submitted to the Joint Energy Administrators (JEAs) is £2.8bn (undiscounted) and this balance has yet to be confirmed as final by the JEAs due to ongoing discussion on the appropriate treatment and finalisation of the value of Wholesale Cost Allowances in particular. The value of the claim will be finalised subsequent to the finalisation of the financial statements and is subject to final interpretation of values under this complex agreement. The Group has provided for their best estimate of the likely outcome supported by legal and other corroborative evidence but note that a range of values could possibly apply up to £2.9bn but is not considered probable. This may ultimately be confirmed through expert determination which could take time to be finalised.

Amortisation of acquisition costs

An estimate is made by management in determining the amortisation period for customer acquisition costs. This estimate is dependent upon the period for which the Group expects to generate revenue from a customer. In determining the period for which we expect to consume the asset's future economic benefits we have reviewed the historical churn of customers.

Any future revision to the amortisation period assumption would be accounted for prospectively, and would change the amortisation charge in future periods but have no retrospective impact on the carrying amounts as at this year end. Further details on amortisation can be found in Note 10.

Revenue recognition

Revenue includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the period end. This is calculated by reference to data received through third party settlement systems, together with estimates of consumption not yet processed through settlements. These volume calculations are carried out on a customer by customer basis, and then multiplied by the customers specific tariff to generate the revenue. Additionally during the period the Group has amended its calculation to reflect the downward trend in consumption observed through the cost of living crisis. These estimates are sensitive to the assumptions used in determining the portion of sales not billed and based on meter readings at the reporting date. We do not expect material future sensitivities for these estimates and therefore no further information has been disclosed. Further details on revenue recognition can be found in Note 2.5.

Provision for bad and doubtful debts

The Group's key bad debt risk relates to energy customer balances, which are mitigated by a very high penetration of direct debit collections, close monitoring of customer account performance and strict processes for non-payment.

Management assesses accrued income to estimate the recoverability and a provision is recognised for the estimated balance that is unlikely to be recovered. This proportion of balance to be included in the provision is derived from historical non-payment trends. The rate of provision is calculated based upon the age of customer balances, the method of payment involved, and the supply status of the customer. This calculation is reviewed on a regular basis.

Implicit in this method is the assumption that historical performance is reflective of future performance. Significant volatility in both the energy market and broader macroeconomic environment places additional emphasis on the consideration of this assumption. To address this risk, management review a suite of key early warning indicators, macroeconomic data and regulatory changes on a regular basis to ensure that the provision rate assumptions are appropriate, and, where necessary, assumptions are updated.

One specific uncertainty is the extent of government intervention to assist customers. Recovery performance in the winter of 2022/23 was aided by the UK government capping unit rates (EPG) and providing a £66.66 monthly bill discount (Energy Bill Support Scheme) to all eligible consumers for 6 months. The assumptions used for the winter of 2023/24 do not assume any similar intervention and so should any similar government subsidisation of energy bills materialise it would represent upside to our recovery rate assumption. Further details on provisions can be found in Note 20.

4. Revenue

Revenue includes revenue generated from energy supply, licensing, metering, other services and generation. The revenue recognition policies are set out in the revenue accounting policy note above (Note 2.5).

	Year ended 30 April 2023 £m	Year ended 30 April 2022 £m
Electricity supply	6,950.8	2,435.3
Gas supply	5,352.1	1,587.4
Total energy supply	12,302.9	4,022.7
Licensing revenue	67.3	103.1
Metering service revenue	75.5	70.1
Other services revenue	68.6	10.0
Generation revenue	25.7	18.7
Total revenue from contracts with customers	12,540.0	4,224.6

Revenue from energy supply includes £3,649m from the government in relation to the Energy Price Guarantee and Energy Bills Relief Scheme. An amount of £1,502m was received, and applied in settlement of customers' accounts in respect of the Energy Bill Support Scheme. The cash was effectively received from the government and passed on to customers' and there was a net £nil presentation in respect of this cash in the Group's profit or loss.

5. Operating profit

The operating profit/(loss) is stated after charging/(crediting):

	Year ended 30 April 2023 £m	Year ended 30 April 2022 £m
Direct energy costs	8,402.8	2,106.5
Network charges	1,494.6	941.5
Sales and marketing	44.1	34.0
Amortisation (Note 10)	120.5	100.0
Depreciation (Note 9)	36.7	7.7
General and administration	287.0	160.9
Staff and contractor costs	178.7	95.9
Legal and professional	78.6	26.4
Other costs	1,630.1	930.6
Total	12,273.1	4,403.5

General admin expenses includes £1.9m for auditor's remuneration (2022: £1m). There were no non-audit services provided in FY23 (2022: £0.05m).

In FY22 under Ofgem's regulatory framework, the costs incurred to take on customers from suppliers that exited the energy market were recoverable through the industry levy. There was a credit of £626.8m against cost of sales for amounts agreed to be claimed through the levy. During the current financial year, a further claim was submitted and approved by Ofgem, totalling £37m, the receivable was factored and cash of £35m was received in February 2023.

Notes to the financial statements (cont.)

For the year ended 30 April 2023

5. Operating profit (cont.)

Employee costs consist of:

	Year ended 30 April 2023 £m	Year ended 30 April 2022 £m
Wages and salaries	125.4	72.9
Social security costs	12.4	8.3
Costs of defined contribution scheme	4.6	2.7
Share-based payment charge (see Note 23)	15.0	4.9
	157.4	88.8

The Group has capitalised £14.4m of salary costs as part of intangible assets (2022: £8m) which are not included above. The average monthly number of employees, including Directors, during 2023 was 3,823 (2022: 2,178).

6. Key management personnel compensation

	Year ended 30 April 2023 £m	Year ended 30 April 2022 £m
Short-term employee benefits	0.4	0.5
	0.4	0.5

The Directors are considered to be the key management personnel of the Group (see Note 25).

The highest paid Director received short-term employee benefits of £173k (2022: £163k) and Company contribution to defined contributions pension schemes of £10k (2022: £10k). The highest paid Director contributed the majority of his salary of £130k (2022: £120k) to be used by the Octo Assist fund and an employee support fund, such that after personal taxes the result of this was equivalent to him receiving the minimum wage for the majority of the year.

There are five Directors who did not receive any remuneration in respect of services to the Group. These Directors are employed by the Group's shareholders and do not specifically receive any remuneration through the Group.

7. Finance income/(expense)

	Year ended 30 April 2023 £m	Year ended 30 April 2022 £m
Finance income	51.1	27.7
Interest expense on financial liabilities held at amortised cost	(7.9)	(9.4)
Finance charges payable on lease liabilities	(7.9)	(1.4)
Other interest payable	(17.5)	(2.5)
Finance expense	(33.3)	(13.3)

Under Ofgem's regulatory framework, relevant costs incurred as a result of taking on customers from suppliers that have exited the energy market, are recoverable through the levy. The Group claimed £15.2m (2022: £27.7m) in respect of cost of capital from the levy, this is included in finance income.

The Group paid out guarantee and commitment fees for credit lines it had access to as part of a revolving credit facility. This facility has been closed out within the year.

As part of the agreement signed by Octopus Energy Limited in May 2022 to factor receivables related to the Avro Supplier of Last resort, interest was payable in relation to the factoring of the receivable, included within other interest payable is £16m of this interest.

8. Taxation

a) The taxation (charge)/credit is made up as follows:

	Year ended 30 April 2023 £m	Year ended 30 April 2022 £m
Current taxation		
Corporation tax on losses for the period	(52.4)	0.2
Foreign tax	(0.3)	(0.1)
Adjustments in respect of current income tax of previous year	(6.1)	0.5
Total current tax (charge)/credit	(58.8)	0.6
Deferred tax		
Timing differences	(19.7)	23.1
Adjustments in respect of current income tax of previous year	(4.2)	(1.6)
Impact of rate change on opening DT	2.5	2.6
Total deferred tax at 25% (2022: 25%)	(21.4)	24.1
Income tax (charge)/credit recognised in Consolidated Statement of Profit or Loss	(80.2)	24.7

Deferred tax has been calculated at 25% at 30 April 2023 as this rate has been enacted at the balance sheet date effective from 1 April 2023.

Notes to the financial statements (cont.)

For the year ended 30 April 2023

8. Taxation (cont.)

b) Factors affecting the tax for the period

	Year ended 30 April 2023 £m	Year ended 30 April 2022 £m
Profit/(loss) before taxation	283.0	(165.7)
Income tax:		
Tax credit calculated at UK statutory corporation tax rate of 19% (2022: 19%)	-	31.5
Tax charge calculated at UK statutory corporation tax rate of 19.49% (2023: 19%)	(13.1)	-
Tax charge calculated at UK statutory corporation tax rate of 20.37% (2023: 19%)	(44.0)	-
Effect of:		
Fixed asset difference	(6.3)	(7.1)
Disallowed expenses and non-taxable income	15.8	3.7
Adjustments in respect of prior years	(5.2)	(1.1)
Adjustments in respect of prior periods (deferred tax)	(4.2)	0
Movement in deferred tax not recognised	(22.3)	(7.7)
Difference in UK and overseas rate	3.4	(1.4)
Research and development tax credits	-	(0.2)
Other permanent differences	-	0.5
Impact of rate change	(4.3)	6.5
Income tax (charge)/credit	(80.2)	24.7

9. Property, plant and equipment

	Property, plant and equipment			Right of use assets		Total £m
	Office equipment £m	Motor vehicles £m	Plant and equipment £m	Buildings and leasehold improvements £m	Electric vehicles £m	
Cost						
At 1 May 2022	13.7	0.4	3.4	32.2	11.0	60.7
Additions	18.6	2.2	0.2	33.3	226.9	281.2
At 30 April 2023	32.3	2.6	3.6	65.5	237.9	341.9
Depreciation						
At 1 May 2022	2.6	0.2	0.2	7.0	2.4	12.4
Charge for the period	5.6	0.2	0.2	6.6	24.1	36.7
At 30 April 2023	8.2	0.4	0.4	13.6	26.5	49.1
Net book value						
At 30 April 2023	24.1	2.2	3.2	51.9	211.4	292.8
At 30 April 2022	11.1	0.2	3.2	25.2	8.6	48.3

The electric vehicles included within right of use assets are leased to customers are part of the electric vehicles business.

Company

The Company had £0.7m tangible assets at 30 April 2023 (2022: £0.2m), no further information has been disclosed on the grounds of materiality.

10. Intangible assets

	Software development £m	Customer acquisitions £m	Goodwill £m	Fund contracts £m	Total £m
Cost					
At 1 May 2022	46.9	335.4	87.2	15.3	484.8
Additions	45.0	9.3	0.2	-	54.5
Arising from business combinations	-	184.2	123.8	-	308.0
At 30 April 2023	91.9	528.9	211.2	15.3	847.3
Amortisation					
At 1 May 2022	17.7	181.9	-	0.7	200.3
Charge for year	18.5	101.2	-	0.8	120.5
At 30 April 2023	36.2	283.1	-	1.5	320.8
Net book value					
At 30 April 2023	55.7	245.8	211.2	13.8	526.5
At 30 April 2022	29.2	153.5	87.2	14.6	284.5

Software development cost represents the salaries and other costs associated with the development of the Kraken software. All software development cost assets included above were in use at the reporting period-ends.

Under IFRS goodwill is not amortised but is subject to an annual impairment test. Impairment of goodwill is reviewed annually at the level of the cash generating units (CGU) by comparing the goodwill held to the five year forecast. Each CGU represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. An impairment charge is taken in relation to the goodwill not recoverable. As at 30 April 2023 goodwill impairment testing has resulted in no impairment charges.

CGUs

	Carrying amount of goodwill	
	As at 30 April 2023 £m	As at 30 April 2022 £m
Generation	35.9	35.9
International retail	36.9	36.7
UK retail	123.8	-
Licensing	3.1	3.1
Services	11.5	11.5
	211.2	87.2

£33.3m of goodwill relates to the fund management business, ORL. The recoverable value for the fund management CGU has been calculated using a discounted cash flow model with the forecast growth of funds under management being the key assumption in the discounted cash flow model.

The £123.8m of goodwill arising from business combinations in the year is derived from the acquisition of OEOL (formerly known as Bulb UK Operations Limited), further details can be found in Note 12.

Company

The Company had no intangible assets at 30 April 2023 (2022: £nil).

Notes to the financial statements (cont.)

For the year ended 30 April 2023

11. Investments

Company

	As at 30 April 2023 £m	As at 30 April 2022 £m
Cost		
At 1 May	43.3	16.4
Investments during the period	58.9	26.9
At 30 April	102.2	43.3

Interests in Group undertakings

The list of all subsidiaries is as follows:

Subsidiary undertakings incorporated in the United Kingdom

Name	Address of registered office	Nature of business	Interest 2023
Affect Energy Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Trade of electricity and gas	100%
Centre for Net Zero Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Global energy transition research	100%
Kraken Labs Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Business and domestic software development	100%
Kraken Technologies Limited ¹	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Business and domestic software development	100%
KrakenFlex Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Other information technology service activities	100%
KTL FinCo Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Holding Company	100%
KTL MidCo Limited ¹	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Holding Company	100%
Leyland Metering Services Limited (dormant)	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Meter installation	100%
Octopus Electric Vehicles Limited ¹	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Renting and leasing of cars and light motor vehicles	100%
Octopus Energy Collective Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Holding Company	100%
Octopus Energy Development Partnership GP Limited	6th Floor 33 Holborn, London, England, EC1N 2HT	Holding Company	100%
Octopus Energy Development Partnership LP Limited	6th Floor 33 Holborn, London, England, EC1N 2HT	Holding Company	100%
Octopus Energy Eco Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Provider of Home Heating Cost Reduction Obligation	100%

Octopus Energy Generation Holdco Limited ¹	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Holding company	100%
Octopus Energy Generation No.1 Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Production of electricity	100%
Octopus Energy Generation No.2 Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Production of electricity	100%
Octopus Energy Heating Limited ¹	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Pump development	100%
Octopus Energy Hydrogen Group	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Environmental consulting activities	75%
Octopus Energy Hydrogen Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Other business support service activities	75%
Octopus Energy Hydrogen Tech Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Other business support service activities	75%
Octopus Energy Limited ¹	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Trade of electricity and gas	100%
Octopus Energy Offshore Wind GP SARL	17, boulevard F.W. Raiffeisen, L-2411 Luxembourg	Fund management activities	100%
Octopus Energy Operations Limited (formerly Bulb UK Operations Limited)	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Trade of electricity and gas	100%
Octopus Energy Payments	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Other business support service activities	100%
Octopus Energy Retail 2022 Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Holding company	100%
Octopus Energy Services Limited ¹	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Energy smart meter installer	100%
Octopus Energy Transition GP Sarl	17, boulevard F.W. Raiffeisen, L-2411 Luxembourg	Fund management activities	100%
Octopus Hydrogen (Production 1) Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Other business support service activities	75%
Octopus Hydrogen (Production) Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Other business support service activities	75%
Octopus REIP DM Holdings Ltd	6th Floor 33 Holborn, London, England, EC1N 2HT	Fund management activities	100%
Octopus REIP DM1 Ltd	6th Floor 33 Holborn, London, England, EC1N 2HT	Fund management activities	100%
Octopus REIP DM2 Ltd	6th Floor 33 Holborn, London, England, EC1N 2HT	Fund management activities	100%
OCTOPUS REIP III GP Ltd	2nd Floor, Gaspé House, 66-72 Esplanade, St Helier, JE1 1GH, Jersey	Fund management activities	100%
Octopus REIP IV GP Limited	2nd Floor, Gaspé House, 66-72 Esplanade, St Helier, JE1 1GH, Jersey	Fund management activities	100%

Notes to the financial statements (cont.)

For the year ended 30 April 2023

11. Investments (cont.)

Subsidiary undertakings incorporated in the United Kingdom (cont.)

Name	Address of registered office	Nature of business	Interest 2023
Octopus Renewable Income Partnership GP LLP	6th Floor 33 Holborn, London, England, EC1N 2HT	Holding Company	100%
Octopus Renewables Infrastructure Partnership GP SARL	60 avenue J.F. Kennedy, Luxembourg-1855 Luxembourg	Fund management activities	100%
Octopus Renewables Infrastructure Partnership V GP LLP	60 avenue J.F. Kennedy, Luxembourg-1855 Luxembourg	Fund management activities	100%
Octopus Renewables Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Fund management activities	100%
Renewable Energy Devices Limited	12 Charlestown Drive, Portadown, Craigavon, Armagh, Northern Ireland, BT63 5GA	Manufacture of pumps	100%
SB Trading Company (SBTC) Ltd ¹	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Other business support service activities	100%
Smart Pear Limited	UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN	Other information technology service activities	100%

Subsidiary undertakings incorporated outside of the United Kingdom

Name	Address of registered office	Nature of business	Interest 2023
Kraken Tech Australia Pty Ltd (formerly Octopus Energy Australia Pty Limited)	'Como Centre' Suite 201 Level 2, 644 Chapel Street, South Yarra VIC 3141	Provider of IT engineering services	100%
Kraken Technologies Japan G.K. (formerly Octopus Energy Japan G.K.)	KDX Hakozaki Building 8th Floor, 41-12 Nihombashi Hakozakicho, Chuo-ku, Tokyo, Japan	Business and domestic software development	100%
Kraken Bilgi ve Teknolojileri Danışmanlık ve Ticaret Limited. Şti.	Yesilce Mah. Emirsah SK. No: 21A Kagithane, Istanbul	Business and domestic software development	100%
Octopus Energy Germany GmbH ¹	August Everding Str. 25, 81671 Munich, Germany	Trade of electricity and gas	100%
Octopus Energy Services Germany GmbH ¹	August Everding Str. 25, 81671 Munich, Germany	Energy smart meter installer	100%
Octopus Energy NZ Limited ¹	46 Ellice Street, Mount Victoria, Wellington, 6011	Production of electricity	100%
Octopus Energy US Inc. ¹	2700 Post Oak Blvd FL 21, Houston, TX, 77056-5797, United States	Holding Company	100%
Octopus Energy US Mezzanine LLC	2700 Post Oak Blvd FL 21, Houston, TX, 77056-5797, United States	Holding Company	100%
Octopus Energy LLC	2700 Post Oak Blvd FL 21, Houston, TX, 77056-5797, United States	Trade of electricity and gas	100%

Octopus Energy Generation Singapore Pte Ltd	80 Robinson Road #02-00 Singapore 068898	Fund management activities	100%
Octopus Energy Singapore Holdings Pte Ltd. ¹	80 Robinson Road #02-00 Singapore 068898	Holding Company	100%
Octopus Energy Singapore Pte Ltd.	80 Robinson Road #02-00 Singapore 068898	Trade of electricity and gas	100%
Plüm Énergie SAS ¹	6-8 boulevard Haussmann, 75009 Paris, France	Trade of electricity and gas	100%
Plüm Entreprises & Collectivités SAS	6-8 boulevard Haussmann, 75009 Paris, France	Trade of electricity and gas	100%
Octopus Energy Iberia, S.L.U. ¹	Calle Luis Vives, 6 planta 1 puerta 1. 46003 Valencia (Valencia). España	Holding Company	100%
Octopus Energy Espana, S.L.U.	Calle Luis Vives, 6 planta 1 puerta 1. 46003 Valencia (Valencia). España	Trade of electricity and gas	100%
Octopus Energy Services Espana S.L.U.	Calle Pintor, Sorolla, 5, 2nd floor, Valencia, 46.002, Spain	Energy solar installer	100%
Octopus Energy Italia S.r.l. ¹	Via Del Bozzolo 3, 63100 - Ascoli Piceno, Italy	Trade of electricity and gas	100%
Kraken Technologies US, Inc	Como Centre, 644 Chapel Street, South Yarra, VIC 3141	Provider of IT engineering services	100%
Kraken Technologies Switzerland Sarl	Route du Verney 20, 1070 Puidoux, Switzerland	Provider of IT engineering services	100%
Octopus Energy Generation US, LLC	108 W. 13th Street, Suite 100, Wilmington, Delaware 19801, County of New Castle.	Fund management activities	100%
Octopus Energy LLC	108 W. 13th Street, Suite 100, Wilmington, Delaware 19801, County of New Castle.	Fund management activities	100%
Octopus Energy US Community Solar LLC	108 W. 13th Street, Suite 100, Wilmington, Delaware 19801, County of New Castle.	Fund management activities	100%

All of the above subsidiaries are included in consolidation.

¹ Indicates direct investment of Octopus Energy Group Limited

12. Acquisitions

During the year ended 30 April 2023, the Group made two acquisitions:

- Octopus Energy Operations Limited (formerly Bulb UK Operations Limited)
- SB Trading Company (SBTC) Limited

Below are the summaries of the assets acquired and liabilities assumed and the purchase consideration of:

- a) the total acquisitions
- b) Octopus Energy Operations Limited (formerly Bulb UK Operations Limited)
- c) SB Trading Company (SBTC) Limited

Notes to the financial statements (cont.)

For the year ended 30 April 2023

12. Acquisitions (cont.)

a) Total of acquisitions

The details of the business combinations are as follows:

	Total £m
Intangible assets	184.9
Trade and other receivables	3.0
Non-current assets	187.9
Inventories	1.6
Trade and other receivables	306.3
Cash and cash equivalents	195.0
Total assets	690.8
Trade and other payables	(592.7)
Current liabilities	(592.7)
Total liabilities	(592.7)
Net assets of businesses acquired	98.1
Amount settled in cash	0.5
Fair value of deferred consideration	0.7
Fair value of deferred and contingent consideration	220.7
Total consideration	221.9
Goodwill on acquisition	123.8

b) Octopus Energy Operations Limited (formerly Bulb UK Operations Limited)

	Carrying values £m	Fair value uplift £m	Total £m
Intangible assets	-	183.8	183.8
Trade and other receivables (See note below regarding the WAMA)	-	3.0	3.0
Non-current assets	-	186.8	186.8
Inventories	1.6	-	1.6
Trade and other receivables	306.2	-	306.2
Cash and cash equivalents	195.0	-	195.0
Total assets	502.80	186.8	689.6
Trade and other payables	(592.7)	-	(592.7)
Current liabilities	(592.7)	-	(592.7)
Total liabilities	(592.7)	-	(592.7)
Net assets of businesses acquired	(89.9)	186.8	96.9
Fair value of deferred and contingent consideration			220.7
Total consideration			220.7
Goodwill on acquisition			123.8

The fair values for this acquisition remain provisional as at 30 April 2023.

On 28 October 2022 the UK government approved a deal between the Special Administrators of Bulb Energy Limited under a Special Administration Regime for Octopus Energy Group Limited to acquire Bulb's 1.5 million customers. The transaction was approved by the High Court on 29 November 2022, and completion date was confirmed as the 20 December 2022.

The customers formerly supplied by Bulb Energy Limited (the entity in Special Administration Regime) were transferred to Octopus Energy Operations Limited (formerly known as Bulb UK Operations Limited), along with the related energy supply licences and industry contracts pursuant to the Energy Transfer Scheme.

Along with the transfer of the customers, operational personnel and management systems, it was agreed the trade assets and liabilities would also be hived down into Octopus Energy Operations Limited (OEOL), a newly formed entity. At the same time £160.3m of share capital was issued and Octopus Energy Group Limited (via Octopus Energy Retail 2022 Limited) agreed to acquire 100% of the share capital of OEOL.

The purchase price includes cash consideration for a total of £1. Deferred consideration which is also contingent totalled £220.7m. This consideration is contingent on the amount of receipts recovered from customers and the amount of interest received relating to cash and cash equivalents. Furthermore, deferred consideration is also dependent on future data flows to be received from customers and suppliers.

As part of the transaction to acquire the trade asset and liabilities, OEOL entered into a Wholesale Adjustment Mechanism Agreement (henceforth called 'WAMA'), which:

1. Serves to hedge OEOL energy costs up to 31 March 2023;
2. Details how future profits will be shared between OEOL and Bulb Energy Limited under a Special Administration Regime; and
3. How interest received by Octopus Energy Retail 2022 Limited will be passed back to Bulb Energy Limited under a Special Administration Regime.

The Group has accounted for the points (1) and (2) as a Financial Instrument on acquisition and at the balance sheet date by looking at all future discounted cashflows. Any movement within this period has been taken to the profit or loss account (through cost of sales). Further details can be found in Note 3 – Accounting for Financial Instruments at Fair values through the Profit and Loss. Point (3) has been accounted for as deferred consideration on acquisition and at the balance sheet.

The excess of the fair value of the consideration paid over the value of the assets acquired represents goodwill.

For the year end 30 April 2023 Octopus Energy Operations Limited contributed £2,555.3m revenue and profit after tax £129.7m to the Group.

c) SB Trading Company (SBTC) Limited

	Total £m
Intangible assets	1.1
Non-current assets	1.1
Trade and other receivables	0.1
Cash and cash equivalents	-
Total assets	1.2
Trade and other payables	-
Total liabilities	-
Net assets of business acquired	1.2
Amount settled in cash	0.5
Fair value of deferred consideration	0.7
Total consideration	1.2
Goodwill on acquisition	-

On 17 March 2023, the Group purchased the entire share capital of SB Trading Company (SBTC) Limited, a trading operation that specialises in intraday energy trading. The acquisition will accelerate intraday trading capabilities.

100% of the issued share capital has been acquired for initial cash of £0.5m. The current deferred consideration of £0.7m payable represents the fair value of amounts payable for two separate milestones being achieved.

No further disclosures have been made with regards to the revenue and profit for FY23 on the ground of materiality.

Notes to the financial statements (cont.)

For the year ended 30 April 2023

13. Investments in joint ventures and associates

At 30 April 2023, the detail of the Group's companies accounted for under the equity method are as follows:

Group and parent

Name	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group	
			As at 30 April 2023	As at 30 April 2022
TG Octopus Energy Co., Ltd	Electricity supply	Japan	30%	30%
Co-op Community Energy Limited	Renewable generation	United Kingdom	50%	50%

Group

Name	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group	
			As at 30 April 2023	As at 30 April 2022
Energise Energy Solutions Limited ¹	Meter installation	United Kingdom	25%	25%

¹ Indirectly owned

All of the above are accounted for using the equity method. No further information has been provided on the basis of materiality.

14. Other investments

Group and Company

	As at 30 April 2023 £m	As at 30 April 2022 £m
At 1 May	1.0	-
Investment during the period	5.7	1.0
At 30 April	6.7	1.0

Included in investments in the year is an addition of £5m for the investment in Xlinks First Limited.

15. Trade and other receivables

The following balances are all due to be realised within one year of the reporting date:

	Group		Company	
	As at 30 April 2023 £m	As at 30 April 2022 £m	As at 30 April 2023 £m	As at 30 April 2022 £m
Trade receivables	772.2	401.5	-	-
Other receivables	63.1	644.2	1.2	0.3
Amounts owed by Group undertakings	-	-	503.7	725.3
Prepayments and industry securities	544.3	121.7	25.7	3.2
Contract assets	919.4	400.7	-	-
Total	2,299.0	1,568.1	530.6	728.8

Contract assets include accrued income and the provision for expected credit losses.

Included in trade receivables is £145m for the government EPG and EBRS schemes.

In FY22, included within other receivables was £625m in respect of the amount claimed from the industry levy in respect of the Avro supplier of last resort. Under Ofgem's regulatory framework, relevant costs incurred as a result of taking on customers from suppliers that have exited the energy market were recoverable through the levy. The cash for this receivable was received in FY23.

Trade receivables and contract assets are shown net of provisions, see Note 20 for further details.

Further disclosures relating to trade and other receivables are set out in Note 20.

Non-current trade and other receivables

	Group		Company	
	As at 30 April 2023 £m	As at 30 April 2022 £m	As at 30 April 2023 £m	As at 30 April 2022 £m
Amounts owed from related parties	24.4	24.4	24.4	24.4
	24.4	24.4	24.4	24.4

At 30 April 2023 other receivables include cash amounts owed from Origin Energy and Tokyo Gas in respect of shares issued in March 2021.

Further disclosures relating to trade and other receivables are set out in Note 20.

16. Deferred Tax

	Group		Company	
	As at 30 April 2023 £m	As at 30 April 2022 £m	As at 30 April 2023 £m	As at 30 April 2022 £m
Opening balance	30.1	7.4	-	-
Deferred tax provided on intangibles	-	(1.4)	-	-
P&L movement	(21.4)	24.1	-	-
Closing balance	8.7	30.1	-	-

17. Cash and cash equivalents

	Group		Company	
	As at 30 April 2023 £m	As at 30 April 2022 £m	As at 30 April 2023 £m	As at 30 April 2022 £m
Cash at bank	3,687.7	235.7	474.4	34.9

Of the £3,687.7m cash at bank, £2,846.7m is ringfenced as part of the deal to acquire Octopus Energy Operations Limited (formerly Bulb UK Operations Limited), over a certain period, OEOL is restricted to make any distributions to the wider Octopus Group. The restricted cash balance is made up of a letter of credit account and industry specific restricted accounts.

Notes to the financial statements (cont.)

For the year ended 30 April 2023

18. Inventory

	Group		Company	
	As at 30 April 2023 £m	As at 30 April 2022 £m	As at 30 April 2023 £m	As at 30 April 2022 £m
Inventory	9.6	1.3	-	-

Inventory primarily consists of finished goods used as part of the services business for electric charger, heat pump and solar installations.

19. Trade and other payables

Amounts falling due within one year

	Group		Company	
	As at 30 April 2023 £m	As at 30 April 2022 £m	As at 30 April 2023 £m	As at 30 April 2022 £m
Liabilities held at amortised cost				
Trade payables	116.7	424.3	-	-
Other payables	320.8	33.2	5.0	-
Accruals	1,420.8	896.9	9.1	1.8
Contract liabilities	744.8	240.4	-	-
Liabilities held at fair value through the profit or loss				
Other payables	209.1	3.7	-	-
Amounts owed to related parties	2.8	2.6	-	-
Total	2,815.0	1,601.1	14.1	1.8

Liabilities held at fair value through the profit or loss include £211.9m (2022: £3.7m) of deferred consideration for business combinations, see Note 12 for further details.

Further disclosures relating to trade and other payables are set out in Note 20.

Non-current trade and other payables

	Group		Company	
	As at 30 April 2023 £m	As at 30 April 2022 £m	As at 30 April 2023 £m	As at 30 April 2022 £m
Liabilities held at amortised cost				
Other payables	3.8	4.8	5.3	9.4
Liabilities held at fair value through the profit or loss				
Other financial liabilities	2,707.7	-	-	-
Other payables	50.2	9.4	-	-
Amounts owed to related parties	28.1	30.9	-	-
	2,789.8	45.1	5.3	9.4

Amounts held at fair value through the profit or loss include deferred consideration for business combinations.

For the other financial liabilities held at fair value through the profit and loss, see Note 3 - Accounting for Financial Instruments at Fair values through the Profit and Loss.

Further disclosures relating to trade and other payables are set out in Note 20.

20. Financial instruments

The Group has the following financial assets and financial liabilities at the reporting dates:

	As at 30 April 2023 £m	As at 30 April 2022 £m
Financial assets		
Current assets		
Held at amortised cost:		
Cash and cash equivalents	3,687.7	235.7
Trade receivables	772.2	401.5
Other receivables	63.1	644.2
Contract assets	919.4	400.7
Total assets held at amortised cost	5,442.4	1,682.1
Non-current assets		
Held at amortised cost:		
Other receivables	24.4	24.4
Total non-current assets held at amortised cost	24.4	24.4
Held at fair value through the profit or loss:		
Financial assets	6.7	1.0
Total non-current assets held at fair value	6.7	1.0
Financial liabilities		
Current liabilities		
Held at amortised cost:		
Trade payables	(116.7)	(424.3)
Other payables	(320.8)	(36.9)
Accruals	(1,420.8)	(896.9)
Contract liabilities	(744.8)	(240.4)
Borrowings	-	(40.0)
Lease liabilities	(39.6)	(4.6)
Total current liabilities held at amortised cost	(2,642.7)	(1,643.1)
Held at fair value through the profit or loss:		
Other payables	(209.1)	(3.7)
Amounts owed to related parties	(2.8)	(2.6)
Total non-current liabilities held at fair value	(211.9)	(6.3)
Non-current liabilities		
Held at amortised cost:		
Other payables	(3.8)	(4.8)
Lease liabilities	(231.9)	(31.2)
Total non-current liabilities held at amortised cost	(235.7)	(36.0)
Held at fair value through the profit or loss:		
Other financial liabilities	(2,707.7)	-
Other payables	(50.2)	(9.4)
Amounts owed to related parties	(28.1)	(30.9)
Total non-current liabilities held at fair value	(2,786.0)	(40.3)

Notes to the financial statements (cont.)

For the year ended 30 April 2023

20. Financial instruments (cont.)

The Group's financial risk management framework addresses the main risks arising from the Group's financial instruments, which are liquidity risk, credit risk and market risk. The Directors review and agree policies for managing these risks, which are summarised below:

Liquidity risk: The Group uses short and long-term cash flow forecasts to manage liquidity risk. A key factor in managing the Group's liquidity risk is the demand and cost of energy. The Group manages this risk by following a strict, sophisticated, and risk-averse hedging policy; our in-house ETRM (energy trade risk management) system and traders enable widespread automation, deep data focus, and unique agility in adapting to market volatility. The Group hedges in line with tariffs offered to customers and generators and utilises demand forecast models, price curves built from wholesale market data, and trade capture to calculate exposures.

The Group manages its cash resources to ensure it has sufficient funds to meet all expected demands as they fall due. Cash management strategies include intra-month, short-term cash flow projections as well as longer term views of monthly cash positions, funding requirements, and financial performance. In addition, core to stability within the UK retail business is a wholesale trading arrangement which removes the risk of cash calls resulting from wholesale market price changes, resulting in increased protection from short term liquidity pressures. As part of the Bulb acquisition, a Wholesale Adjustment Mechanism Agreement (WAMA) was put in place in order to reduce risks associated with exposure to unhedged volumes. The terms of this agreement include a wholesale trading agreement similar to that of Octopus Energy Limited. Risks associated with the repayment of loans to government from the WAMA agreement are mitigated through cash ring-fencing and detailed forecasting to ensure repayment obligations will be met.

Credit risk: credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and contract assets receivables). The Group's exposure to credit risk is mitigated by the nature of its customer base and payment profiles. Cash collections and aged debtor profile payments are reviewed on an ongoing basis, to ensure any issues are escalated and reviewed. In FY22 the largest concentrated receivable was the industry levy claim, which had limited credit risk given the counterparties and the post balance sheet debt factoring. The Group faces credit risk in holding the majority of the Group's cash at a limited number of financial institutions. This risk is mitigated through the investment of cash in short-term money market funds, which ensures liquidity while reducing counterparty risk. In addition, cash not held in money market funds are predominantly held in same-day access accounts. These risks will be further reduced in the near-future through further diversification of financial institutions.

Market risk: Market risk is the possibility that changes in interest rates or foreign exchange rates will adversely affect the value of assets, liabilities or expected future cash flows.

- Interest rate risk: The Group's debt bears a fixed rate of interest and no floating rate debt is current issued.
- Foreign exchange risk: The Group's increasing international presence increases the foreign exchange risk present within the Group. Foreign exchange gains and losses arise in the normal course of business from the recognition of receivables and payables and other monetary items in currencies other than the Group's functional currency.

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

As at 30 April 2023

	On demand £m	< 3 months £m	3-12 months £m	1-5 years £m	> 5 years £m	Total £m
IFRS 16 lease liability	-	-	39.6	213.8	18.1	271.5
Trade payables	-	116.7	-	-	-	116.7
Other payables	-	1,795.4	155.3	54.0	-	2,004.7
Contract liabilities	-	744.8	-	-	-	744.8
Amounts owed to related parties	-	2.8	-	28.1	-	30.9
Other financial liabilities	-	-	-	2,707.7	-	2,707.7
	-	2,659.7	194.9	3,003.6	18.1	5,876.3

As at 30 April 2022

	On demand £m	< 3 months £m	3-12 months £m	1-5 years £m	> 5 years £m	Total £m
IFRS 16 lease liability	-	-	4.6	19.9	11.3	35.8
Trade payables	-	424.3	-	-	-	424.3
Other payables	-	933.8	-	4.8	-	938.6
Contract liabilities	-	240.4	-	-	-	240.4
Amounts owed to related parties	-	2.6	-	30.9	-	33.5
Borrowings	-	-	40.0	-	-	40.0
	-	1,601.1	44.6	55.6	11.3	1,712.6

Credit risk

Given the seasonality of energy consumption across the year, customer balances held within trade receivables fluctuate and as a result a debit position does not necessarily mean that customers are at risk of non-payment or should be credit impaired. Therefore our provision is based on customers' with over due debt, where customers have not met a payment obligation. It is the payment obligation that is used as the mechanism to determine the age of the receivables, if payments made do not cover the obligation for a customer, there is a shortfall on the obligation. The shortfall of a customer is used to determine how much of the customer's receivable is impaired. This debt that is past due is included within gross trade receivables.

	As at 30 April 2023 £m	As at 30 April 2022 £m
Trade receivables not past due	2,186.4	352.6
Trade receivables past due	373.0	194.0
Contract assets	1,009.0	424.5
Less: allowance for impairment	(496.5)	(201.1)
Net trade receivables and contract assets	1,689.9	770.0

IFRS 9 is applicable to the Group's trade receivables and contract assets. The table below shows the movement in the expected credit loss impairment allowance:

	2023 £m	2022 £m
Opening balance	201.1	79.2
Acquired as part of business combination	162.9	-
Charged to administrative expenses	198.3	145.9
Receivables written off	(65.8)	(24.0)
Closing balance	496.5	201.1

The ageing is based on historic payment behaviour of accounts rather than the age of the specific debt. The ageing of the trade receivables overdue can be seen in the table below:

	Gross trade receivables overdue £m	Provision £m	Net trade receivables overdue £m
Total			
< 3 months	112.0	35.1	76.9
3-6 months	43.7	21.2	22.5
6-12 months	70.3	49.2	21.1
> 12 months	147.3	139.1	8.2
	373.3	244.6	128.7

Notes to the financial statements (cont.)

For the year ended 30 April 2023

20. Financial instruments (cont.)

As part of the acquisition of Bulb, there is an additional £130m of provision in relation to the trade receivables book acquired. Furthermore, £11m of provision has been recognised in relation to the Avro customer book acquired in the previous financial year, alongside £22m of provision against non-aged receivables.

Group capital

The Group's capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value, whilst at the same time operating within a capital framework that interacts efficiently with liquidity risk, credit risk and market risk frameworks discussed above.

Movements in the Group's issued capital, share premium, preference shares, and all other equity reserves attributable to the equity holders of the parent are as set out in the Consolidated Statement of Changes in Equity.

21. Share capital

	As at 30 April 2023 No.	As at 30 April 2023 £	As at 30 April 2022 No.	As at 30 April 2022 £
Allotted, called up and fully paid				
A1 Ordinary shares at £0.00025 each	144,976,193	36,244	129,777,236	32,444
A2 Ordinary shares at £0.0001 each	5,616,772	562	5,450,728	545
B Ordinary shares at £0.0001 each	12,479,177	1,248	12,585,285	1,259
C Ordinary Shares at £0.0001 each	3,520,685	352	3,548,215	355
D Ordinary shares at £0.0001 each	3,581,663	358	3,614,069	361
E Ordinary shares at £0.001 each	2,500,000	2,500	2,500,000	2,500
F Ordinary shares at £0.0001 each	3,886,537	389	3,886,537	389
	176,561,027	41,653	161,362,070	37,853

Rights attaching to the shares

Voting rights as a percentage of total voting rights are as follows: A1 Ordinary and A2 Ordinary shares proportionally – 75.001%; B Ordinary shares – 14.999%; and E Ordinary shares – 10%. No other share class confers voting rights.

On a return of assets, after discharging liabilities, any surplus will be used to first pay holders of all share classes pari passu, with the exception of the E Ordinary shares, an amount equal to the nominal value of such shares; secondly an aggregate sum of £10,000 proportionally to the holders of the E Ordinary shares; and any remaining balance will be paid to the holders of all share classes pari passu with the exception of the holders of E Ordinary shares.

Share class	Dividends
A1	Yes
A2	Yes
B	Yes
C	Yes
D	Yes
E	No
F	Yes

On 25 July 2022 an ordinary resolution was passed that the Directors be generally and unconditionally authorised to exercise all power of the Company to allot shares and to grant rights to subscribe for or to convert any security into shares up to an aggregate nominal amount of £4,716.98.

During the year the Company carried out the following share transactions:

- In August 12,487,114 A1 ordinary shares of £0.00025 each were issued and allotted.
- In January 2,711,843 A1 ordinary shares of £0.00025 each were issued and allotted.

22. Reserves

Share premium account

Includes any premiums received on issue of share capital. £297.7m of share premium has been issued in the year.

Other reserves

Comprises the fair value of share options recognised as an expense.

	As at 30 April 2023 £m	As at 30 April 2022 £m
Share options	21.4	6.4

Share options have been awarded to employees, the options vest over a period of 24 to 48 months, with a graded weighting of 50% to 100% respectively. A portion of the total share expense will be recognised equally each year over the vesting period.

Accumulated losses

Includes all current and prior periods retained accumulated losses.

23. Share based payments

The Group grants share options to all of the Group's employees. The exercise price is set dependent upon the employee's joining date. Options are conditional upon the employee completing four years' service (the vesting period). The options are exercisable upon a liquidity event arising. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The share-based payment charge included in profit or loss for the year ended 30 April 2023 was £15m (30 April 2022: a charge of £4.9m).

Details of the number of share options and the weighted average exercise price outstanding during the period are as follows:

	30 April 2023		30 April 2022	
	Weighted average exercise price £	Number	Weighted average exercise price £	Number
Outstanding at beginning of year	8.46	5,591,727	6.02	2,135,361
Granted during the year	13.92	3,125,247	9.45	4,254,324
Exercised during the year	-	-	7.11	248,635
Lapsed during the year	11.75	1,071,384	7.25	549,323
Outstanding at the end of the year	10.36	7,645,590	8.46	5,591,727
Exercisable at year-end	-	-	-	-

The range of exercise prices in respect of options outstanding at 30 April 2023 is £6.55 to £14.69 (2022: £6.55 to £14.69).

Notes to the financial statements (cont.)

For the year ended 30 April 2023

24. Leases

The Group has lease contracts for rental premises, electric vehicle leasing and other equipment used in its operations.

The right of use assets and lease liabilities shown in the Consolidated Statement of Financial Position are in respect of these leases.

The carrying amounts of right of use assets, and the movements during the period, are shown in Note 9 above. All payments due on these leases are fixed under the terms of the relevant lease agreements, with the exception of one that is adjusted annually to RPI.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	As at 30 April 2023 £m	As at 30 April 2022 £m
At 1 May	35.8	8.8
Additions	257.3	31.1
Accretions of interest	10.2	1.4
Payments	(31.8)	(5.5)
At 30 April	271.5	35.8
Current	39.6	4.6
Non-current	231.9	31.2

The following amounts are recognised in the Consolidated Statement of Profit or Loss:

	As at 30 April 2023 £m	As at 30 April 2022 £m
Depreciation of right of use assets	30.7	6.1
Accretions of interest on lease liabilities	10.2	1.4

In respect of leases accounted for under IFRS 16, the Group had total cash outflows for leases of £31.8m in 2023 (2022: £5.5m). The Group also had non-cash additions to right-of-use assets of £260.2m in 2023 (2022: £31.3m).

The Group also has certain leases with lease terms of 12 months or less. The Group applies the 'short term lease' recognition exemptions for these leases. Minimum lease payments under non-cancellable operating leases in respect of these items are as follows:

	As at 30 April 2023 £m	As at 30 April 2022 £m
Leases maturing:		
No later than one year	3.1	0.6
Later than one year and not later than five years	-	-
Total	3.1	0.6

The charge taken through the Consolidated Statement of Profit or Loss in respect of these leases in 2023 totals £3.1m (2022: £0.6m).

25. Related party transactions

The Company is owned by (i) Octopus Energy Holdco Limited (42.28%), which is itself owned by OE Holdco Limited, (ii) OE Holdco Limited (0.18%), (iii) Origin Energy International Holding Pty Ltd (19.28%), (iv) Tokyo Gas United Kingdom Ltd (10.07%), (v) GIM Willow (Scotland) LP (10.21%), (vi) CPP Investment Board (6.47%) and (vii) management and employees via a bare trust arrangement with Octopus Nominees Limited (11.51%). It is the opinion of the Directors that the Group and Company have no single controlling party but that OE Holdco has significant influence.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with key management personnel

The Directors are considered to be the key management personnel. Key management remuneration is disclosed in Note 5. There were no amounts receivable from, or payable to, key management personnel at 30 April 2023 (30 April 2022: £nil).

Transactions with related parties

Transactions between the Group and its related parties are disclosed below:

	As at 30 April 2023 £m	As at 30 April 2022 £m
Sales to related parties	27.0	27.0
Equity funding received	297.7	444.4

Transactions with related parties are carried out at arm's length terms and conditions.

Balances with related parties

	As at 30 April 2023 £m	As at 30 April 2022 £m
Amounts owed from related parties > 1 year	24.3	24.3
These amounts are due as part of the equity investment from Origin Energy and Tokyo Gas in FY21.		
Amounts owed to related parties < 1 year	2.8	2.6
Amounts owed to related parties > 1 year	28.1	30.9

Amounts owed are due to Octopus Capital Limited for the acquisition of ORL.

26. Events after the reporting date

In September 2023, Octopus Energy Group entered into an agreement with Shell Energy (Impello Limited) to purchase their household energy business in the UK (Shell Energy Retail Limited) and Germany (Shell Energy Retail Germany). This will result in Octopus Energy Group's customer base increasing with an additional c.1.3 million UK energy customers, c.0.5 million UK telecommunications customers and c.0.1 million German energy customers. This transaction is subject to approval from both Ofgem and the CMA.

Statutory Company information

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octopusenergy

Octopus Energy Group Limited is a company registered in England and Wales

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