

Octopus Energy Limited
Annual Report and
Financial Statements 2023



Contents

Strategic Report


- 02 Foreword
- 04 Overview of Octopus Energy Limited 2022/23
- 06 Looking after customers through multiple crises
- 10 Operational and financial review
- 14 Engaging with our stakeholders
- 18 Principal risks and uncertainties

Governance

- 22 Corporate governance – Wates Principles
- 25 Directors' report
- 27 Directors' responsibilities statement

Financial Statements

- 30 Independent auditor's report
 - 33 Statement of profit and loss
 - 34 Balance sheet
 - 35 Statement of changes in equity
 - 36 Notes to the financial statements
- Statutory Company information



We supply gas and renewable¹ electricity to millions of customers in Great Britain, driving innovation with greener smart tariffs that save customers money. We champion outrageously good customer service and fair and transparent prices, and are the most awarded energy company in the country.

¹ Our renewable electricity is sourced both directly from UK renewable generators and from the open market, fully backed by renewable energy guarantee of origin (REGO) certificates (in line with fuel mix disclosure regulations).

Foreword



Greg Jackson
Chief Executive Officer
and Founder

FY23 was a year dominated by the energy crisis and the many challenges it threw not only at us, but more importantly, at energy customers. Not only has Octopus Energy Limited (OEL, the Company) weathered the storm, but we put enormous effort into helping customers, and in doing so we also attracted nearly 300k new customers, and exited the crisis in a stronger position than we entered it.

Our continued growth in OEL this year has been purely organic¹ and I'm honoured that our obsession of looking after customers continues to result in so many choosing to join us, often as a result of word of mouth. I'm proud of everything we've done to help customers through multiple crises (see case study on [page 6](#)) and it's clear that customers recognise and value this too. They have flocked to us from other suppliers whose service is typically of lower quality.

The Regulator Ofgem expects energy retailers to make a target operating profit of 2.4% (based on the energy price cap methodology). We continued to hold our prices below the price cap to help customers, however, we have made a profit for the first time. Last year's operating margin was -4.8% rising to 2.6% this year. After seven years of losses, this modest profit was delivered despite lower-than-cap prices as a result delivering better

efficiency than typical in the sector. Octopus is demonstrably an efficient, prudent and sustainable business and this will enable us to accelerate our mission to make energy smarter, greener and cheaper by reinvesting in the business and continuing to be a force for positive change in the sector.

OEL is where it all began for the Octopus Energy Group (OEG, the Group) and it is still the largest part of the business. As we deliver new and innovative products, they are increasingly integrated with other parts of the Group. For example, our Intelligent Octopus EV smart tariff is powered by Kraken's Flex platform, but is delivered to customers through OEL. This deep integration will increasingly build long-term value for the Company and the Group as we drive towards a future that's more sustainable for all.



Rebecca Dibb-Simkin
Chief Product and
Marketing Officer

Over the last eight years we've built Octopus Energy from the ground up to look after customers. It's everyone's job to do this, from our CEO through to every single Energy Specialist. As a team, we talk to tens of thousands of people a day and through our technology and obsession with customers we constantly strive to make their experience even better.

Over the last 12 months we've grown to nearly 1,000 energy specialists and we've done everything we can to make the energy and cost of living crises easier. Our OctoAssist fund which supports our most vulnerable customers has grown to £15m, and we've now distributed over 42,000 electric blankets for free over the last two winters (38,000 in FY23). We've called for standing charges to be abolished or reduced and for extra support to be introduced for vulnerable customers. We've switched on 24/7 support with our team in New Zealand, and still aim to answer the phone within two minutes.

Alongside our customer obsession, we've continued to drive the innovation we're famous for – our pioneering 'demand response' trial with National Grid laid the foundations for the Demand Flexibility Service which saw millions of customers paid to use less energy when the grid was stretched (to stop extra coal being switched on). We have a waiting list of over 50,000 customers for Octopus Energy heat pumps, and our Cosy Octopus tariff is the first ever energy tariff designed for clean heating. Our Zero Bills homes programme helps housebuilders make sustainable new homes with solar panels, home batteries and heat pumps – plus a guarantee of no energy bills for five years. But we're most proud that at the end of a hard winter for our customers and our brilliant team, we were awarded Which? Recommended Supplier status for a record sixth year in a row.

¹ The acquisition of Bulb and its 1.5 million customers is in a separate entity also owned by our parent company Octopus Energy Group Ltd.

Overview of Octopus Energy Limited 2022/23



£69m

Amount borne by OEL in FY23 to keep prices lower

60,000

Customers supported by the Octopus Energy Assistance Fund since the start of the energy crisis in FY22



1.9%

Net profit margin (£182m) versus -4.1% in FY22



3.5m

Retail customers at 30 April 2023 versus 3.2 million at 30 April 2022

The acquisition of Bulb and its 1.5 million customers is in a separate entity also owned by our parent company Octopus Energy Group Ltd



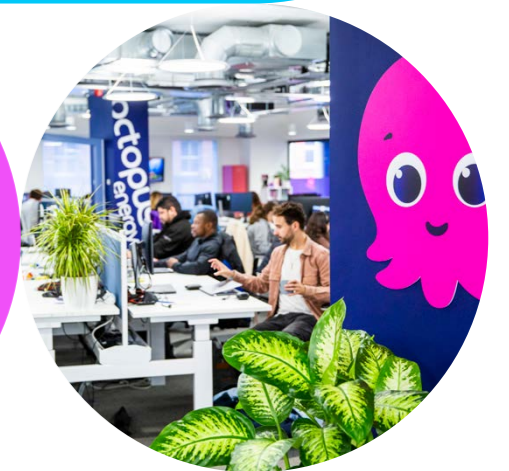
96%

Employees approve of CEO Greg Jackson

Glassdoor FY23 (FY22: 98%)

x6

Which? Recommended Supplier of the Year for 6 years running



7,606,477 messages

Sent to customers in FY23 versus 6,331,775 in FY22



23

Industry awards received

Looking after customers through multiple crises

What's happened since last year?

The UK energy crisis which began in FY22 really hit customers hard this year. The delay in the wholesale market price rises fed through to customers' bills over winter 2022/23, right when consumption is highest. Without the Energy Price Guarantee, the energy bill for the median household would have risen above £4,000 per year, but instead was capped at £2,500. This came at the same time as high inflation in the rest of the economy (in part due to higher energy prices) causing a serious cost of living crisis for consumers.

The combination of different government support schemes and increasing concern from many customers about their bills drove large increases in the number contacting us. This in turn put a huge strain on our team of Energy Specialists, who at times absorbed a 100% increase in customer contact as they worked tirelessly to support our customers.

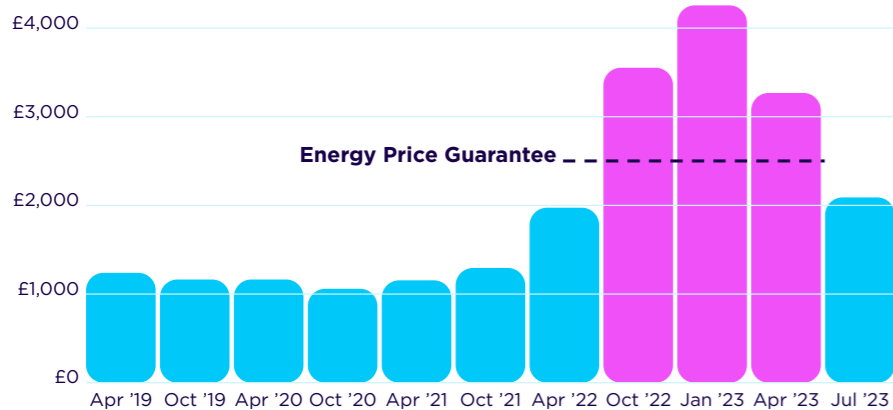
An update on how we're supporting our customers

Octopus Energy set out to put customers at the heart of fairer, cheaper and greener energy for the very first time. Never have our founding principles been more important as we navigate our customers through difficult times, demonstrating even more advanced and effective approaches to identifying and appropriately handling customer vulnerability during 2022.

Since last year, we have increased the total package of support for our customers, expanding some initiatives, such as the Assistance Fund and electric blankets, and introducing new ones such as Saving Sessions. We've widened and improved our policy to make sure we are supporting any already or newly struggling customers, for example, those who've fallen into debt for the first time.

How the Ofgem price cap on a typical household's annual energy bill¹ has changed

The price cap **during** and **either side** of the UK government's Energy Price Guarantee, which set the limit at £2,500.



¹ For a typical household on a price-capped, dual-fuel tariff paying by direct debit. Source: Ofgem.

Energy helpers

Tailored, genuinely impactful energy-saving advice.

We've trained 119 Energy Helpers who visit customers around the country to share ways they can use less energy, tailored to each home. As well as sharing useful tips on energy efficiency, they are equipped with thermal imaging cameras in the colder months so that they can identify where heat is escaping from customers' homes and suggest low-cost ways to stop this. They can also support with account questions, booking smart meter upgrades and helping with meter readings.

In FY23 our Energy Helpers visited around 250,000 homes with a particular focus on households struggling the most with their bills.

Octo Assist Fund

£15m (up from £5m) fund to vulnerable and low-income households struggling with their energy bills.

This year we tripled the size of our assistance fund which was established to support in FY22. As of July it has helped 62,000 customers with £7.1m of monetary credits and personalised account support. For example, a customer who is a single-parent student nurse contacted us as she was struggling to afford her energy bills as well as childcare costs. We gave her a six-month standing charge holiday and £250 bill credit which enabled her to reduce her direct debit.

Keeping prices low

£69m - Amount borne by OEL in FY23 to keep prices as low as possible.

Our Management Team agreed this year to continue to keep our standard variable tariff below the UK's price cap, by giving a loyalty discount to existing customers and a 4% reduction in standing charges at our expense. On top of this, we opted to move customers on historically high fixed tariffs back onto our Standard Variable Tariff (SVT) at a cost of c.£5m, and gave c.4.2k struggling customers standing charge holidays worth around £100 each.

Saving Sessions

£5.4m paid to customers for using less at peak times over winter.

We launched Saving Sessions to pay our customers to reduce their consumption at times of peak stress on the grid. On aggregate, our customers shifted > 1.9GWh of demand (the equivalent of about 2 million washing machine runs) for which they were rewarded with OctoPoints, which can be turned into prizes, donations to our Octo Assist fund for customers in need, or account credit.

On top of rewarding customers and generating a margin (c.10%), this also meant that National Grid didn't need to call upon 'dirty' coal-fired power plants to prevent power cuts.

Electric blankets

38,000 blankets sent out to customers most struggling with energy bills (on top of 4,200 in FY22).

Targeted at those with heat dependency and mobility issues, these blankets can heat a person for 2.7p an hour versus £4.70 a day (the cost of heating a whole home using a gas boiler). Our analysis of smart meter data found that customers who got an electric blanket saved 19% on their bills on average in the winter months after getting their blanket. For a median household at the Energy Price Guarantee of £2,500 that's the equivalent to £475.

For example, an elderly customer who was having to care and provide financially for her daughter suffering from a debilitating illness contacted us. We sent her an electric blanket which helped with both her daughter's conditions and with her energy bills.

Broadening our skill sets for the crisis

Thanks to partnerships with experts, we've upskilled ALL our operations teams in Vulnerability Awareness, which equips them with broader financial, emotive and practical skills and knowledge to deliver enhanced vulnerable customer support.

We trained 150 Home Energy Helpers to offer life-changing energy-saving advice and practical help to those with heat dependency and mobility issues. A number of leaders and employees chose to complete accredited Vulnerability Training, meaning three or four people in every team are now fully trained. Thanks to our 'Helping Hands' Slack channel and keyword searches, high priority customer calls and emails are fast tracked to our specialists.

“We do everything we can but sometimes that doesn't feel enough. There are sometimes customers we speak to weekly, just to have a chat; people who really have nowhere else to go. Those calls are the toughest.”

Energy Specialist

Looking after customers through multiple crises (cont.)



In a crisis,
service matters.



The only Which? Recommended
energy supplier 2023



Which? Recommended 6 years running



octopus energy

Operational and financial review

What we do

Octopus Energy Ltd (OEL) supplies gas and renewable electricity to 3.5 million customers^{1,2} in Great Britain – providing greener power not only under our own brand, but also via our partners, Ebico Living, London Power, Co-op Energy and Affect Energy.

We believe that technology can fundamentally change the face of the energy market and, using Kraken Technology Limited's proprietary tech platform Kraken, OEL is championing outrageously good customer service and fair and transparent prices.

Our Energy Specialists are the core of OEL. Thanks to their unfaltering dedication to helping customers, in 2023, we were recommended by Which? for a record sixth year in a row, and since year end we were ranked the top rated energy supplier by Citizens Advice. OEL remains officially the single most awarded energy company in the country.

“Our mission is to make energy smarter, greener and cheaper, and to be a force for change in the sector.”

Greg Jackson, CEO and Founder

Operational review

During the year, the Company has continued to grow, and now supplies 3.5 million customers¹ (FY22: 3.2 million), or 12% (FY22: 11%) of households in Great Britain. This growth is despite the very low rates of switching due to the energy crisis. We truly believe this reflects the tireless work we have done to support our customers through multiple crises (see more on [page 6](#)) – not only is this the right thing to do, but customers recognise this and are switching to us as a result.

Retaining a best-in-class customer satisfaction score amongst any large energy supplier continues to be an important goal for OEL. Our Trustpilot score remained the same at 4.7/5 in FY23 and the percentage of our customers who would be 'very disappointed' to no longer be a customer has risen from 58% pre-crisis to 65%. This is despite the huge growth in operations and customers through the acquisition of Bulb by the Group (while the Bulb acquisition is still a separate entity – Octopus Energy Operations Ltd, or OEOL – since we have rebranded to Octopus Energy, there is only one Trustpilot score for both). This is testament to how smoothly the migration of customers onto Kraken was executed, and how OEL has helped the team to rapidly onboard and train staff to match the migration speed.

Further recognition of our work during the year has come from the accolades we have continued to collect from within and outside the energy sector. As well as the previously mentioned sixth 'Which? Recommended energy supplier' award, we also won:

- 'Best Utility' at the Utility Week Awards.
- 'Customer Service Recognition' award at the British Renewable Energy Awards.
- Gold award for 'Best Customer Service' and 'Customers at the Heart of Everything' at the UK Customer Experience Awards.
- 'Employer of the Year Award' at the Lloyds Bank British Business Excellence Awards.

Maintaining our extremely high standards of customer service in spite of the challenges brought by the energy and cost of living crises has made this year the most demanding year yet for our Operations teams. In the face of unprecedented circumstances they have demonstrated admirable commitment and adaptability. However, despite continuing to win awards it is important to acknowledge the effect this has had on morale, as reflected in our Glassdoor score which has decreased from 4.6 to 4.2. We continue in our efforts to provide a supportive environment and to foster growth and well-being for our team members.

We continued this year to engage with policy makers and regulators to promote a stable and sustainable market which protects customers. We successfully advocated for winter energy bills support through the Energy Bills Support Scheme (EBSS) and the Energy Price Guarantee. Unlike several other suppliers we used the EBSS to reduce our customers' direct debits. Furthermore, we also held the prices of our SVT below the Energy Price Guarantee (EPG) by reducing standing charges by £27 per customer at our expense (a total discount of £63m).

We're furthering our global leadership on flexibility, which will be a crucial part of the future energy system. Over winter, our customers shifted a total of 1.9GWh of energy use (the equivalent of about 2 million washing machine runs) during Saving Sessions, earning £5.4m as a result. This made up over half of the total volume shifted in National Grid's Demand Flexibility Service. At year end, we were managing 37,000 electric vehicles on Intelligent Octopus (IO), our next generation tariff for smart devices, which automatically optimises demand for the cheapest and greenest times for our customers. OEL is driving the move to an electrified, demand-centric energy system with customers right at its heart.

Financial review

Revenue has increased by 141% year on year to £9.4bn (FY22: £3.9bn), in part due to the organic growth in customers outlined in the operational review but mainly due to the energy crisis causing large increases in the wholesale prices of energy which peaked during FY23.

Gross profit is up for the year, driven by the continued organic growth of our customer base, which has grown by nearly 300k customers (9%), as well as gross margin recovering to expected levels after being heavily impacted in prior periods. This was particularly in FY22 and early FY23 and the impact was largely due to wholesale market price volatility combined with a large proportion of customers rolling onto SVT tariffs 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.

¹ The acquisition of Bulb and its 1.5 million customers is in a separate entity also owned by our parent company Octopus Energy Group Ltd.

² Our renewable electricity is sourced both directly from UK renewable generators and from the open market, fully backed by renewable energy guarantee of origin (REGO) certificates (in line with fuel mix disclosure regulations).

Operational and financial review (cont.)

High wholesale energy costs meant that the price-capped SVT has been the cheapest option for customers, resulting in a majority of the book remaining on the SVT, so gross margins are more reflective of those at the price cap less the discount given to our customers. As a result, our gross margin for FY23 increased from 2.9% to 6.6%, returning us to a more typical level than FY22.

This gross profit 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. A total discount of £63m was applied to the vast majority of our customers as they 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.

Bad debt charge for the year has decreased as a percentage of revenue from 2.7% to 1.6%, with underlying collections performance and efficiency improvements realised during the 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. In addition, The UK government’s Energy Bill Support Scheme and the government’s Energy Price Guarantee provided significant support to households over the period to at least June 2023 in the face of unprecedented energy costs rises which would otherwise have been passed on to households through the price cap mechanism. These interventions have reduced otherwise anticipated bad debt.

Due to the energy crisis, in order to best support our current customers, organic growth was less heavily pursued this year. Accordingly, we reduced marketing activity and there was a slight drop in marketing spend on a per customer basis. The decrease in acquisitions contributed to the decrease in customer acquisition intangible asset from £139m to £67m.

The higher gross profit, along with increased operating efficiency from scale, improved underlying debt performance and relative lower marketing spend, resulted in operating margin increasing from -4.8% to 2.6%.

In the prior year OEL deployed £633m of working capital on behalf of the industry and customers of the failed energy supplier Avro, in order to buy energy at very inflated prices through the winter 2021/22 energy crisis. This additional cost was subsequently approved by Ofgem for repayment to OEL from the energy industry levy during the course of the year from April 2022 and a further amount from April 2023. We subsequently accelerated cash from these repayments by entering into a factoring agreement, receiving cash of £633m in May 2022. During the current financial year, a further claim was submitted and approved by Ofgem, totalling £37m. The debt was factored and cash of £35m was received in February 2023.

The Company repaid intercompany loans during the year and as at the year end had no loans outstanding.

The Company’s working capital ratio has increased from 0.79 to 0.92. Factors that have contributed to this include the cash accelerated from the debt factoring agreement for the Supplier of Last Resort (SOLR) levy and temporary impact from UK government support measures. The Company benefits from substantial capital provided by OEL’s parent company Octopus Energy Group Limited which is a combination of equity as well as a currently undrawn debt facility designed to provide additional support in the event of a cold winter.

Net liabilities decreased significantly from £250m to £64m, driven by profits generated throughout the year as well as the repayment of all loans during the year, and the Company closed the year in a strong cash position.

Future developments

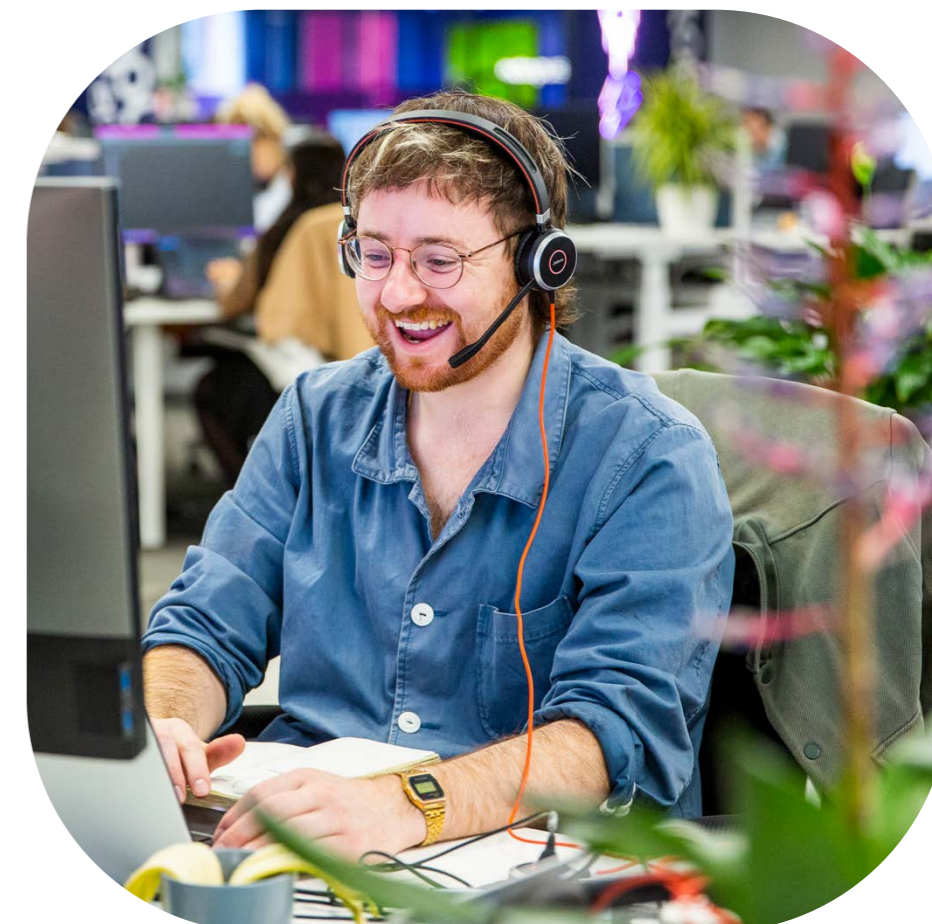
The Directors expect the Company to continue growing during the forthcoming year both through organic and acquisitive means.

KPIs

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

	30 April 2023	30 April 2022	% change
Customers¹	3,471,812	3,185,962	9%
Trustpilot score	4.7	4.7	0%
Glassdoor score	4.2	4.6	(9%)
Revenue	£9,437m	£3,911m	141%
Gross margin	6.6%	2.9%	128%
Operating profit/(loss)	£243m	£(188)m	229%
Net profit/(loss)	£182m	£(162)m	213%
Net liabilities	£64m	£250m	(74%)

¹ Does not include the 1.5 million customers acquired from Bulb which are in a separate entity (Octopus Energy Operations Ltd, OEOL) also owned by our parent company Octopus Energy Group Ltd.



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 year¹.

Further details on stakeholder engagement are set out on [page 22](#) 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 OEL 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 Company'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. OEL 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 Company to understand and prepare for the impact of risk crystallisation and react fast as required.

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

Our people

People are the most important part of the Company and the Board is passionate about creating a business which people want to be part of. Everything we have built at OEL 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 OEL employee community often in the form of visits to OEL's London headquarters or regional offices.

All permanent staff own shares or are granted share options in OEGL, 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 Company 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

OEL is built on a foundation of obsessively delivering 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 22 to 24](#) 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 Company 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, we buy renewable certificates to match the total quantity of electricity supplied to our customers. 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 Company'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 Company. In addition to these meetings, the Company 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 Company maintains ongoing accessibility and engagement with its shareholders via the Investor Relations, Finance and Communications teams.

¹ Mostly the Board has consistent Directors/shareholder representation at a Group level and at each key subsidiary and accordingly matters are considered at a Group level or Company level depending on their nature and whether they are common to more than one subsidiary or not. The comments throughout the Annual Report and Accounts reflect the activity of the Directors through either the Group or Company meetings and in respect of the activities of the Group or Company as relevant and as appropriate to the matter involved.

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 Company, and receives regular updates at Board meetings.

The Company 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.

Decisions made by the Board

Decisions made by the Board are outlined in the OEGL annual report.

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 Company's business objectives and strategy in the following categories:

Wholesale market risk

The Company follows a strict and sophisticated hedging policy, and does not speculate on market movements, not assuming or relying on market movement in either direction.

OEL makes 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 Company'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 subsequent implementation of an industry-wide Market Stabilisation Charge reduces volume risk in the event of a falling market and enables the Company to hedge for a larger standard variable customer base with more confidence.

Cash flow and liquidity risk

We are a prudently run, profitable and strongly-backed business. The Company 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. 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.

The Company operates financial models on two levels:

1. Detailed daily cash flow model that provides sight to the next three months. This is formally reviewed together with key liquidity drivers and other performance indicators on a weekly basis to ensure that short-term liquidity is optimised and to give early sight to potential changes in peak funding requirement.
2. Long range forecast model that generates a rolling forecast for Profit and Loss (P&L), Balance Sheet and monthly peak cash (and potential variances to) over the next three years. Through this, the Company can plan cash flow and funding.

There are four principal risks to liquidity and the Company monitors these closely as well as utilising proprietary modelling/forecasting tools:

1. **Mark to market risk** that arises from commodity price movements. The Company is not exposed to mark to market related liquidity risks as a result of the terms of an agreement with our supplier providing us hedging services which removes the risk of cash calls resulting from wholesale market price changes, resulting in increased protection from short-term liquidity pressures.
2. **Customer account management:** the Company undertakes careful, systematic monitoring and management of customer accounts to ensure that monthly direct

debit amounts are suitable for consumption levels to avoid excessive debt/credit building up.

3. **Customer attrition risk:** the business has extensive data sets that enable sophisticated prediction of customer attrition, both at an individual customer level and across the portfolio, and aims to minimise it through investing in brand, customer experience and account features. The temporary Market Stabilisation Charge is also important to moderate risk from significant attrition events in a falling wholesale market and the associated loss on consequent long hedge positions. In addition, the Company has been careful to acquire customers across a range of channels to reduce the concentration of attrition risk.
4. **Weather risk:** the Company generally hedges to seasonally normal temperatures and when weather causes deviations customer consumption can outturn higher or lower than hedged leaving an exposure to, at times, volatile prompt prices. Exposures are mitigated by forecasting weather up to two weeks out and proactively placing trades to meet forecasted deviations. Additionally the Company holds sufficient capital to protect against a modelled P5 deviation.

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

Commercial risk

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

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

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 Company 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.

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.

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 Company 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 Company also has a disaster recovery plan in place covering current business requirements.

OEL is built to minimise significant risks arising from operational process and system changes. Kraken enables the Company 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 Company is able to deliver additional control and reliability through automated software testing and defined coding standards – as well as reducing manual error.

OEL 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.

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 Amazon Web Services (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 OEL has resulted in an increase in the amount of data held. This includes personal data, including data defined as special category data under General Data Protection Regulation (GDPR). OEL 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 OEL. 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.

In FY23, 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 the impact on the Company both as regulation is being developed and when implemented.

We've not only weathered the energy crisis and grown, but also looked after customers better than anyone else.



Corporate governance – Wates Principles

Octopus Energy Group¹ 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. The Group's commitment to rigorous corporate governance is demonstrated throughout the wider organisation and is a core component of the Company's business strategy.

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 Company 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.

OEL's Board comprises investor representatives and founding executives. The Board believes that the OEL mission is of utmost importance with all members supporting OEL's vision and bringing different expertise and perspectives.

Customer centricity is at the heart of the Company'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.

The Company'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 14](#). The relatively flat hierarchy cultivated across the Company 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 Company follows a set of guiding principles. These principles are on OEL'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 Composition¹

The Board comprises six members, of which the current chairman is Simon Rogerson, CEO of Octopus Capital Ltd.

There are two members from OEGL's initial investor, Octopus Capital Ltd, as well as three founders (our CEO, CTO and CFO), and one member from subsequent separate investors in OEGL. 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 OEL 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.

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 women make up 56% of the highest paid roles in the business, the six Board members today are male, with a major constraint being the fact that the Company's founders and founding investors are male. Gender diversity, and diversity more generally, is a topic that is important to OEL and is under active discussion.

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 Company continues to grow, 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 OEGL 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 27](#).

Principle Four:

Opportunity and Risk

The Board is regularly engaged in identifying opportunities to create and preserve value for OEL, as well as being aware of and monitoring major risks to the Company'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 Company, 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 Company 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 business during this more volatile period.

The Company considers climate-related risks and opportunities as an integrated element of the Company's strategy. At each quarterly Board meeting, the Board formally identifies risks and opportunities for the Company, 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 Company 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.

¹ Mostly the Board has consistent Directors/shareholder representation at a Group level and at each key subsidiary and accordingly matters are considered at a Group level or Company level depending on their nature and whether they are common to more than one subsidiary or not. The comments throughout the Annual Report and Accounts reflect the activity of the Directors through either the Group or Company meetings and in respect of the activities of the Group or Company as relevant and as appropriate to the matter involved.

Corporate governance – Wates Principles (cont.)

Principle Five:

Remuneration

The Board has delegated remuneration to executives and the allocation of Group equity to employees has been managed through Board approved policies. As founders, 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.

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 Company strategy. The Board is therefore welcome to join parts of OEL 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.1,600 employees) 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 14](#).

Principle Six:

Stakeholder Relationships and Engagement

The Board is aware of the influence it has on the stakeholders of OEL 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.

Directors' report

Future developments

We have included a statement on future developments in the Strategic Report which you can find on [page 12](#).

Events after balance sheet date

In September 2023, Octopus Energy Group entered into an agreement with Shell Energy (Impello Limited) to purchase its 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 Competition and Markets Authority (CMA).

Research and development activities

In FY23, there were no expenditures incurred for research and development activities.

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've 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 14](#).

Financial risk management objectives and policies

The Company 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 Company 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 Company 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 18](#).

Political donations

The Company hasn't made any donations or incurred any expense to any registered UK political party or other EU political organisation.

Branches

The Company does not have any branches in or outside the UK.

Policy on employing people living with disabilities

Across OEL, 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 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. There are significant peaks and troughs through the year with April generally the low point of the cashflow cycle. On the basis of funding received from Group, along with available facilities and trading lines, the forecast cash flow shows ample 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 18](#) along with consideration of the Company's principal risks and uncertainties.

The Company has evolved a sophisticated financial forecasting model which it tracks and calibrates carefully based on actual performance and changes in both the Company's hedge book and forward wholesale market prices. The Directors have actively considered

Directors' report (cont.)

downside sensitivities of cashflows from operations including that which would arise from a cold winter. 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 weather event. This is considered together with significant but correlated wholesale price increases.

The going concern analysis assumes that some customers are retained on the standard variable tariff reflecting the protections provided under the current price cap mechanism while a portion of customers are acquired onto or switch to our fixed products as the market softens.

Directors

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

Directors' indemnities

The Company 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 Company's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period.

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

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

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 Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Octopus Energy Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 April 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 22.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- financing and hedging facilities;
- business model, regulatory changes 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 Company's ability to continue as a going concern for a period

of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company'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 one area of focus to be the intercompany charges between Octopus Energy Limited (OEL) and its sister company Kraken Technology Limited (KTL), where there could be a risk of manipulating profitability for either company. We performed a detailed analysis on intercompany balances to identify any such one-off charges between KTL and OEL and performed a test of detail on such balances.

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that

Independent auditor's report (cont.)

To the members of Octopus Energy Limited

may indicate risks of material misstatement due to fraud;

- enquiring of management 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 Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

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

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

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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



Anthony Matthews (FCA)

(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

31 October 2023

Statement of profit and loss

For the year ended 30 April 2023

	Notes	30 April 2023 £m	30 April 2022 £m
Turnover	4	9,437.1	3,911.1
Cost of sales	6	(8,817.5)	(4,425.6)
Other income	5	-	626.8
Gross profit		619.6	112.3
Administrative expenses	6	(376.3)	(300.7)
Operating profit/(loss)		243.3	(188.4)
Finance costs, net	9	(16.2)	7.6
Profit/(loss) on ordinary activities before taxation		227.1	(180.8)
Tax on (profit)/loss	10	(45.3)	19.2
Profit/(loss) for the financial year		181.8	(161.6)

All amounts recognised in the statement of profit and loss relate to continuing operations for the years ended 30 April 2023 and 30 April 2022.

There is no other comprehensive income or loss and as such no separate statements of other comprehensive income or loss have been prepared. The notes on [pages 36 to 48](#) form part of these financial statements.

Balance sheet

At 30 April 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Intangible assets	11	67.8	139.6
Tangible assets	12	7.8	3.6
Deferred tax asset	14	10.7	31.3
		86.3	174.5
Current assets			
Debtors – falling due within one year	13	1,529.1	1,486.6
Cash at bank and in hand		230.2	138.5
		1,759.3	1,625.1
Current liabilities			
Creditors – falling due within one year	15	(1,909.9)	(2,049.5)
		(150.6)	(424.4)
		(64.3)	(249.9)
		(64.3)	(249.9)
Capital and reserves			
Called-up share capital	16	-	-
Other reserves		7.0	3.2
Profit and loss account		(71.3)	(253.1)
		(64.3)	(249.9)

The financial statements of Octopus Energy Limited (registered number: 09263424) were approved by the Board of Directors and authorised for issue on 31 October 2023. They 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

The notes on [pages 36 to 48](#) form part of these financial statements.

Statement of changes in equity

For the year ended 30 April 2023

	Called up share capital £m	Share-based payment reserves £m	Profit and loss account £m	Total £m
At 30 April 2021 and 1 May 2021	-	1.0	(91.5)	(90.5)
Employee share scheme options	-	2.2	-	2.2
Loss for the period	-	-	(161.6)	(161.6)
At 30 April 2022 and 1 May 2022	-	3.2	(253.1)	(249.9)
Employee share scheme options	-	3.8	-	3.8
Profit for the period	-	-	181.8	181.8
At 30 April 2023	-	7.0	(71.3)	(64.3)

Notes to the financial statements

For the year ended 30 April 2023

1. Company information

Octopus Energy Limited ('the Company') is a private company, limited by shares, and incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the contents page and the nature of the Company's operations and its principal activities are set out in the strategic report.

2. Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

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

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

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

2.2 Financial Reporting Standard 102 – reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of its parent company Octopus Energy Group Limited as at 30 April 2023, which may be obtained from the registered office UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN.

2.3 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. 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 shows 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 19](#) along with consideration of the Company's principal risks and uncertainties including increased risks from recent cost of living increases. The Company 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 are 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.

The Company has received a letter confirming ongoing financial support from its parent company Octopus Energy Group Limited that underpins the going concern position.

Following the detailed process above the Directors have a reasonable expectation that the Company 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.

2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Energy supply revenue is recognised on the basis of electricity and gas supplied during the period and is attributable to the supply of electricity and gas. This includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the year-end. Any unbilled revenue is included in prepayments and accrued income to the extent that it is considered recoverable, based on historical data.

2.5 Cost of sales

Costs are recognised in line with revenue. Where actual invoices have not been received, the latest industry data is used to ensure accuracy of the accrual recognised.

2.6 Taxation

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

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

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

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

Deferred tax assets and liabilities are not discounted.

2.7 Intangible fixed asset

Intangible assets consist of software assets and costs of acquiring customers.

- Software assets are included at cost to the extent that they can be recovered by future revenues and include both external purchases as well as employment cost of the development team. They are amortised over the useful economic life of the asset. Development costs have been capitalised in accordance with FRS 102 Section 18 'Intangible Assets other than Goodwill' and are therefore not treated, for dividend purposes, as a realised loss. Any expenditure incurred that does not relate to development of the final asset in use is expensed as incurred. There was no such expense in the current period. The amortisation is treated as an admin expense. Software assets start to be amortised at the point it becomes available for use, over a period of 3 years in a straight-line basis and are reviewed for impairment on an annual basis.
- Capitalised customer acquisition costs relate to the directly attributable cost of acquiring customers via the different acquisition channels including purchases from other suppliers. The assets are amortised over a period of 3 years in a straight-line basis.
- 'Other intangibles' do not have a period for amortisation and instead an impairment review is carried out every year.

Notes to the financial statements (cont.)

For the year ended 30 April 2023

2. Significant accounting policies (cont.)

2.8 Tangible fixed assets

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

Equipment: 3-10 years.

2.9 Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the life of the lease.

2.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are discounted where the impact of discounting the expected future cash flows is material.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

2.11 Pensions

The Company operates a defined contribution pension scheme for employees and the pension charge represents the amounts payable by the Company to the scheme in respect of the year. These costs are included as part of staff costs (see Note 8) and pension (see Note 20). Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2.12 Share based payments

Octopus Energy Group Limited operates an equity-settled, share based payment scheme, under which the Company receives services from employees as consideration for equity instruments of the parent. The fair value of the employee services received in exchange for the grant of the equity instrument is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted. The fair value of the equity instruments issued is measured using the Black-Scholes model. The share price from the most recent investment round along with the exercise price, the time to expiration, the risk free rate and a measure of volatility are all input into the Black-Scholes model. The expense for the share options granted is recognised over the period between the grant date and the vesting date of those options, which is the period over which all of the specified vesting conditions are satisfied, adjusted for annual attrition rates. A reasonable allocation is made of the parent Company's total expense, considering where each individual's service is rendered, with a corresponding adjustment to equity.

3. Significant judgements and estimates

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

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

We do not expect material future sensitivities for these estimates and therefore no further information has been disclosed.

3.1 Key source of estimation uncertainty – 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 Octopus 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. Further details on accrued income can be found in Note 15.

During the period we saw consistently higher than usual prices for energy consumers, which was a significant contributor to a cost of living crisis. This financial pressure led to customers using less energy. However the calculation methodology as set by the industry around annual consumption values – Estimated Annual Consumption and Annual Quantity (EACs and AQs) – which we use to calculate the kWhs customers have used, is such that there is a lag in how these values adapt to submitted meter reads and therefore to customers' reduction in energy usage.

In order not to overstate our revenue and costs we have therefore applied reducing percentages ('demand destruction'). These percentages were calculated using smart meter data and only needed to be applied to the relatively small percentage of revenue and costs which remained unbilled at year end. 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 2.4.

3.2 Key source of estimation uncertainty – amortisation of acquisition costs

An estimate is made by management in determining the amortisation period for customer acquisitions costs in intangible assets. We note that there is a rebuttable presumption that amortisation based on the revenue generated by an activity that includes the intangible asset must demonstrate that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. In this case, the intangible asset (being the monies spent in order to gain the customer) and the revenue generated (consumption of energy from the customer) are highly correlated. Had the Group not spent this money in order to acquire the customer, there would be no revenue generated from this customer. Therefore, the Group amortise the customer acquisition asset over the period it is expecting to generate revenue from the customer, this is deemed to be 3 years.

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 historic 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 11.

3.3 Key source of estimation uncertainty – bad debt provisioning

The Company'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 assess 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 historic 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 historic 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 an £66.66 monthly bill discount (EBSS) 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 13.

Notes to the financial statements (cont.)

For the year ended 30 April 2023

3. Significant judgements and estimates (cont.)

3.4 Key judgement – Accounting for government support schemes

The Energy Price Guarantee (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 EPG tariff rates are expected to reduce the average annual domestic household bill for the period from 1 October 2022 to 31 March 2023 to approximately £2,500 per annum. EPG rates increased to approximately £3,000 per annum from 1 April 2023 expected to remain in place until 31 March 2024. However from 1 July 2023 only small discounts are being applied under the scheme.

The government is compensating energy suppliers for the difference between the previously expected price cap and the reduced EPG rates with payments made in arrears. The Company estimates and recognises turnover in accordance with existing Company policy gross of EPG discounts. Charges are recoverable from customers based on the net figure, with the EPG discount recoverable from the government.

The Energy Bill Relief Scheme (EBRS) scheme has been introduced for non-domestic customers, providing government supported unit rates at £211/MWh for electricity and £75/MWh for gas. EBRS support is calculated on the differential between the EBRS rate, and the wholesale price of electricity or gas at either, the inception of a customer's fixed price contract, or from the date of delivery for variable, deemed and all other contracts. This is subject to a maximum discount. 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.

Similar to the EPG, the Company recognises turnover, gross of the discounts, with the net figure recoverable from customers and the EBRS discount recoverable from the government.

Since the start of the EPG, EBRS and EBDS schemes in October, the Company has recognised £1,408 million of revenue relating to the supply of electricity and £1,174 million relating to the supply of gas from the government, of which a total of £286m remains unbilled and is included within accrued income as a receivable as at the year-end date £72 million is recognised as a trade receivable on the balance sheet at the year-end date.

The Company has determined that it is appropriate to apply the requirements of FRS102 section 23 'Revenue' where the government is effectively settling a portion of customers' energy bills. This is on the basis that the Company remains entitled to receive consideration for the supply of electricity and gas based on either the existing price cap structure or customers' fixed or variable priced contracts and the transaction price is unchanged. The trade receivable arising from the supply of energy is settled both by the customer, and the government. The Company observes that the alternative application of IAS 20 'Government Grants' would have resulted in a similar accounting outcome.

The Energy Bill Support Scheme (EBSS) required energy suppliers to provide electricity customers with a £400 benefit spread over the six-month winter period. The Company provided this support to customers either as a cash benefit, or a credit to their energy account depending on their payment type. Energy suppliers received funding monthly in advance from the government. Cash was restricted until the payment was applied to customers' accounts. During the course of the EBSS scheme which ran from 1 October 2022 to 31 March 2023, the Company received funding of £1,292.6m. There is no restricted cash at the balance sheet date as all payments had been applied to customers' accounts. The Company has determined that it is appropriate to apply the requirements of FRS102 section 23 'Revenue' where the government is effectively settling a portion of customers' energy bills. This is on the basis that the Company remains entitled to receive consideration for the supply of electricity and gas based on either the existing price cap structure or customers' fixed or variable prices contracts and the transaction price is unchanged. The trade receivable arising from the supply of energy is settled both by the customer and the government. The Company observes that the alternative application of IAS 20 'Government Grants' would have resulted in a similar accounting outcome.

4. Turnover

Turnover is all generated by one segment, that of Energy supply and in the UK, hence no segmental or geographical analysis is required. An analysis of the Company's turnover is set out below:

	2023 £m	2022 £m
Domestic – electricity ¹	5,041.4	2,239.2
Domestic – gas ¹	4,166.7	1,584.6
Commercial – electricity ¹	195.4	68.5
Metering commission	20.5	14.7
Commercial – gas ¹	13.1	4.1
Total	9,437.1	3,911.1

¹ The Company has recognised £2,581 million of revenue recoverable 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 is shown in turnover and cost of sales respectively.

5. Other income

	2023 £m	2022 £m
Other income ²	-	626.8
Total	-	626.8

² Under Ofgem's regulatory framework, relevant costs incurred as a result of taking on customers under the Supplier of Last Resort mechanism, were recoverable through the industry levy.

6. Operating profit

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

	2023 £m	2022 £m
Direct energy costs	6,536.8	2,106.5
Network transmission costs	1,244.6	941.5
Other direct costs	1,036.1	1,377.7
Marketing costs	33.8	28.6
Amortisation of intangibles (Note 11)	72.9	86.0
Depreciation of tangible fixed assets (Note 12)	2.4	1.0
General admin expenses	29.6	15.2
Provision for doubtful debt	153.2	106.4
Legal and professional	13.3	10.3
Staff and consultancy costs	71.1	53.2
Total	9,193.8	4,726.3

The above presentation reflects the breakdown of operating expenses by function of expense. Included in legal and professional fees is auditors remuneration of £1m (2022: £0.8m). The Company's auditor did not provide any non-audit services to the Company (2022: nil).

Notes to the financial statements (cont.)

For the year ended 30 April 2023

7. Staff costs

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

	2023	2022
Administration and sales	1,579	1,142
	1,579	1,142

Their aggregate remuneration comprised:

	2023 £m	2022 £m
Wages and salaries	51.5	37.3
Social security costs	4.0	3.4
Other pension costs (see Note 19)	1.9	1.4
Rounding	-	-
	57.4	42.1

Other pension costs includes those items included within administrative expenses.

The company has capitalised £nil (2023: £nil) of salary and £nil (2022: £nil) of Social security costs as part of intangible assets.

8. Directors' remuneration and transactions

At the balance sheet date retirement benefits were accruing to nil Directors (2022: nil) in respect of defined contribution pension schemes. Three Directors are remunerated by other Group companies and the remaining Directors are employed by the Company's shareholders and do not specifically receive any remuneration in respect of the Company.

9. Interest

	2023 £m	2022 £m
Loan interest	(18.8)	(20.1)
Interest on debt factoring arrangement ¹	(16.7)	-
Levy interest receivable ²	15.2	27.7
Other interest receivable	4.1	-
	(16.2)	7.6

¹ As part of the agreement signed by Octopus Energy Limited in May 22 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.

² 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 Company claimed £15.2m (2022: £28m) in respect of cost of capital from the levy. In the prior year numbers there was Other income recognised in addition to a credit within interest receivable and administrative expenses to recognise income and reduce expenses for the costs incurred and agreed to be claimed from the levy.

10. Tax on profit on ordinary activities

	2023 £m	2022 £m
Current tax (see note below)		
UK corporation tax	19.2	-
Group relief	7.7	-
Adjustment in respect of previous periods	(2.2)	(0.1)
Total current tax credit	24.7	(0.1)
Deferred tax		
Origination and reversal of timing differences	21.1	(17.4)
Rate change	(2.4)	(2.8)
Adjustments in respect of previous periods	1.9	1.1
Total deferred tax in the year (see Note 14)	20.6	(19.2)
Total tax recognised in Statement of Comprehensive Income	45.3	(19.2)

Deferred tax has been calculated at 25%.

Factors affecting tax credit for the year

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (25%). The differences are explained below:

	2023 £m	2022 £m
(Profit)/loss on ordinary activities before tax	(227.1)	180.8
Charge/(credit) on loss on ordinary activities at blended UK corporation tax rate of 25% (2022: 19%)	44.3	(34.3)
Effects of:		
Disallowed expenses and non-taxable income	0.4	0.5
Fixed asset differences	(0.3)	-
Adjustments to losses	(0.9)	-
Adjustments in respect of previous periods	(0.3)	0.6
Change in rate from DT to CT	2.1	(6.0)
Group relief received for NIL payment	-	20.0
Tax charge/(credit) for the year	45.3	(19.2)

The standard rate of tax applied to the reported profit on ordinary activities is 25% (2022: 19%).

Notes to the financial statements (cont.)

For the year ended 30 April 2023

11. Intangible assets

	Software £m	Customer acquisition £m	Total £m
Cost			
At 30 April 2022	1.1	314.1	315.2
Additions	-	1.0	1.0
Disposals	-	-	-
At 30 April 2023	1.1	315.1	316.2
Amortisation			
At 30 April 2022	(0.5)	(175.1)	(175.6)
Charge for the year	(0.3)	(72.5)	(72.9)
Rounding	-	-	-
Disposals	-	-	-
At 30 April 2023	(0.8)	(247.6)	(248.5)
Net book value			
At 30 April 2022	0.6	139.0	139.6
At 30 April 2023	0.3	67.5	67.8

12. Tangible fixed assets

	Equipment £m	Total £m
Cost		
At 30 April 2022	5.5	5.5
Additions	6.6	6.6
Disposals	-	-
At 30 April 2023	12.1	12.1
Depreciation		
At 30 April 2022	(1.9)	(1.9)
Charge for the period	(2.4)	(2.4)
Disposals	-	-
At 30 April 2023	(4.3)	(4.3)
Net book value		
At 30 April 2022	3.6	3.6
At 30 April 2023	7.8	7.8

13. Debtors

	2023 £m	2022 £m
Amounts falling due within one year:		
Trade debtors	825.8	536.9
Provision for doubtful debt	(270.8)	(164.5)
Amounts owed by group undertakings	39.8	8.1
Other debtors	9.5	625.9
Prepayments	171.4	124.4
Accrued income	753.4	355.7
	1,529.1	1,486.6

Prepaid expenses include £160.1m (2022: £104.5m) of cash held by industry parties such as network operators. During lower consumption periods some of this cash will be released.

Under Ofgem's regulatory framework, relevant costs incurred as a result of taking on customers from suppliers that have exited the energy market, were be recoverable through the levy. Included within other debtors in the prior year there was £625m in respect of the amount claimed from the industry levy in respect of the Avro supplier of last resort.

Included within accrued income is a balance of £286.1m relating to EPG revenue not yet billed.

Management regularly assess the provision for doubtful debts. Provision rates are calculated based on historic non-payment trend. Implicit in this method is the assumption that historic performance is reflective of future performance. The provision rates are applied to the different ages, payment methods and supply status of customers to determine an appropriate provision.

The movement in the allowance for doubtful debts is presented below:

	2023 £m	2022 £m
Billed		
Opening balance	(164.5)	(66.1)
Charged to administrative expenses	(159.6)	(115.7)
Avro provision	17.5	-
Receivables written off	35.8	17.3
Closing balance	(270.8)	(164.5)

As part of the Avro customer book acquisition the Company provided for a portion of the debt book as part of the transition through the balance sheet for revenue not earned by Octopus.

Notes to the financial statements (cont.)

For the year ended 30 April 2023

13. Debtors (cont.)

Given the seasonality of energy consumption across the year, customer balances 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 overdue debt, whereby customers have not met a payment obligation. It is the payment obligation that is used as the mechanism to determine the age of the debtors. 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 debt is provisioned.

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

2023	Gross trade debtors £m	Provision for doubtful debt £m	Net trade debtors £m
Ageing			
0-3 months	105.1	37.1	68.2
3-6 months	41.0	22.8	18.2
6-12 months	66.0	50.5	15.5
> 12 months	138.2	127.4	10.8
	350.3	237.8	112.7

There is an additional £11m of provision in relation to the Avro debt book acquired in the previous financial year as well as £22m of provision against non-aged debtors.

14. Deferred taxation

	2023 £m	2022 £m
At beginning of year	31.3	12.1
Recognised during year	(18.7)	19.2
Adjustment in respect of prior years	(1.9)	-
At end of year	10.7	31.3

The deferred taxation balance is made up as follows:

	2023 £m	2022 £m
Accelerated capital allowances	10.7	7.0
Other timing differences	-	0.2
Losses	-	24.1
Intangible asset	-	-
Effect on changes in tax rates	-	-
Adjustments in respect of prior periods	-	-
RDEC	-	-
At end of year	10.7	31.3

15. Creditors

	2023 £m	2022 £m
Amounts falling due within one year:		
Trade creditors	55.6	407.3
Other taxation and social security	0.7	-
Other creditors ¹	804.6	230.8
Amounts owed to group undertaking	60.2	568.6
Accruals and deferred income	988.8	842.9
	1,909.9	2,049.5

¹ Included within other creditors is a balance of £523.0m (2022: £221.6m) relating to customer prepayments. Included within other creditors is a balance of £234.2m relating to EPG overpayments by the government.

16. Called up share capital

	2023 £s	2022 £s
Allotted, called up and fully-paid		
1 Ordinary shares of £1 each	1	1

The Company did not issue any ordinary shares during the current or prior year.

17. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2023 £m	2022 £m
Expiry date:		
Within 1 year	1.0	0.8
Between 2 and 5 years	3.0	3.3
After 5 years	1.4	1.4
	5.4	5.5

18. Share based payments

Octopus Energy Group Limited operates an equity-settled, share based payment scheme, under which the Company receives services from employees as consideration for equity instruments of the parent. The fair value of the employee services received in exchange for the grant of the equity instrument is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted. The fair value of the equity instruments issued is measured using the Black-Scholes model. The share price from the most recent investment round along with the exercise price, the time to expiration, the risk free rate and a measure of volatility are all input into the Black-Scholes model. The expense for the share options granted is recognised over the period between the grant date and the vesting date of those options, which is the period over which all of the specified vesting conditions are satisfied, adjusted for annual attrition rates. A reasonable allocation is made of the parent Company's total expense, considering where each individual's service is rendered, with a corresponding adjustment to equity.

Notes to the financial statements (cont.)

For the year ended 30 April 2023

19. Retirement benefit schemes

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

Contributions are usually made as a percentage of an individual employee's gross annual salary. The total costs charged to the Statement of Comprehensive Income of £1.9m (2022: £1.4m) represents contributions payable to the scheme by the Company.

20. Ultimate parent undertaking and controlling party

The immediate parent Company and controlling party is Octopus Energy Group Ltd, a Company incorporated in the United Kingdom and registered in England and Wales. Copies of these financial statements can be obtained from the registered office: Octopus Energy Group Limited, UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN.

Octopus Energy Group Limited 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 Ltd has significant influence.

21. Related party transactions

The largest group in which the results of the Company are consolidated is that headed by Octopus Energy Group Limited, UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN. Copies of Octopus Energy Group Limited consolidated financial statements can be obtained from UK House, 5th Floor, 164-182 Oxford Street, London, United Kingdom, W1D 1NN.

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

As at 30 April 2023, the Company owed £nil (2022: £nil) to Octopus Energy Holdco Limited, in addition to £28m (2022: £560m) to Octopus Energy Group Limited.

22. Subsequent events

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

Directors

G Jackson
S Jackson
J Eddison
C Hulatt
S Rogerson
J Bowie

Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Bankers

HSBC plc
31 Holborn
London
EC1N 2HR

octopusenergy

Octopus Energy Limited is a company registered in England and Wales

Registered number: 09263424

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