

Octopus Energy Limited
Annual Report and Financial Statements 2022

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**“This year our operations teams
have once again proven their
resilience and commitment in the
face of market unpredictability.”**

Greg Jackson Chief Executive Officer

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Foreword

02

In FY22 Octopus Energy Limited (OEL, the Company) grew by over a million customers and doubled in revenue - making Octopus Energy Limited now the fourth largest domestic supplier in the UK. In a year defined by the onset

of the energy crisis, our priorities were clear - ensure our financial resilience, look after our team and do all we can to help customers through the crisis. I'm proud of our achievements on all three.

Playing our part in helping the UK through the crisis, we took on c.600,000 retail customers from the failed supplier, Avro - the single largest customer migration among the c.30 companies to have failed.

We took the decision to hold prices as far below cap as possible - the only large supplier to do so. This incurred over £150m in reduced revenue and earnings, and we are grateful to shareholders for supporting us, and supporting customers to this extent. No other company did the same. It's part of our belief that doing the right thing by customers and society delivers long run value.

While building value in our retail business is important, and our leadership in tech, brand and service provides economic advantage, these are just one part of the picture. Octopus Energy Group Limited (OEG, the Group) are building a business that drives the whole energy transition using a customer- and tech-led approach, across renewable generation, consumer flexibility, storage, electric vehicles, heat pumps, the smart grid and more.

Greg Jackson

Chief Executive Officer

This year our operations teams have once again proven their resilience and commitment in the face of market unpredictability. Their hard work and dedication is reflected in OEL's consistently excellent customer feedback. I am beyond proud of them and our topflight tech team that enable us to respond to what have been previously unheard-of levels of demand.

More recently, the UK Government announced two schemes - the Energy Price Guarantee and the Energy Bills Support Scheme. Both of these schemes aim to mitigate the impact of volatile market prices on energy retailers.

While OEL's revenue doubled to £3.9bn, the business made a net loss of £161.6m due to our decision to keep prices below the energy price cap. Without this decision, we'd have made a modest profit.

Aside from this, we've demonstrated the remarkable value of our model in looking after customers through the crisis. Our Winter Workout campaign used smart meters, machine learning and consistently effective communications to help c.250,000 customers reduce their energy consumption last winter. Over 30,000 tips were submitted by our community. Understanding the physics of heating, we began a programme to provide our most vulnerable customers with electric blankets - analysis showed that this reduced bills by 19% while staying warm. It's remarkable that, despite the crisis, we won the Which? Recommended award for an unprecedented 5th year in a row.

We'll continue working hard to use technology to support customers through the crisis, and to deliver a cleaner, cheaper energy system which may make this the last fossil fuel crisis.

Tara Mullen
Head of UK Operations

Over the last 12 months the OEL Team have demonstrated incredible resilience in the face of the energy crisis. The team grew to nearly 1,000 energy specialists to support a rapid expansion to now 3.2 million customers in the UK at the end of FY22, including the integration of nearly 600,000 customers via the Supplier of Last Resort process. This was the single largest onboarding of customers in the UK market last year and was completed smoothly in just three months.

This year undoubtedly saw one of the most challenging periods that the energy industry has faced in recent history. During the peak week related to the UK price increase, in just two days the team supported more than 250k worried customers by phone and email and took 2 million meter reads with 98% web availability. Unlike many other suppliers, we quickly adapted to meet inbound demand - which at times peaked at 10x versus a usual period.

OEL has always tried to give customers as much information as possible on the state of the market and the prices of their energy. Alongside this, we've also provided information on how customers can make personal energy efficiency savings - as well as giving extra financial support where needed. This included the specialist 'Octo Assist' fund that delivered £5m to vulnerable customers - all on top of keeping prices as low as possible.

Our operations ethos is based on the principles of autonomy and empathy. The team this year are well positioned to continue growing, while retaining those same attitudes of efficiency, honesty and kindness.

Overview of Octopus Energy Limited – growth highlights from FY22

04

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+£2.01bn

Revenue increase

106% growth vs FY21

Net loss of £161.6m

largely reflecting OEL's
decision to keep bills
lower for customers
during the crisis

998

Energy specialists

+100% vs FY21 at 498

91.4%

Employees recommend

Octopus to a friend

Glassdoor, April 2022

2,990,417

Customer calls answered in FY22

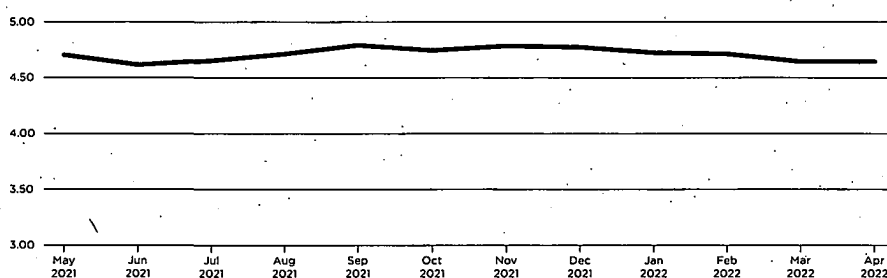
Total retail customers at 30 April



40,000

Customers supported
by the Octopus Energy
Assistance Fund

Trustpilot scores per month



7

Awards won
for customer
service excellence

UK energy crisis - the Octopus Energy Limited response

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What's happened this year?

The energy market in FY22 saw unprecedented rises in the price of gas and, in turn, wholesale prices for power too. It has – and continues to be – a tumultuous time in energy, driven by our dependency on fossil fuels, and made even worse by Russia (the world's largest gas exporter) invading Ukraine. While the UK typically only imports around 3% of its gas from Russia, gas is bought on the global market, meaning the 'going rate' doesn't reflect the UK's relative independence.

Right now, more than 7 million households – or 24% of UK homes – are severely struggling to pay energy bills and are either in, or at risk of, fuel poverty. Many more are finding the rising cost of living increasingly difficult to shoulder.

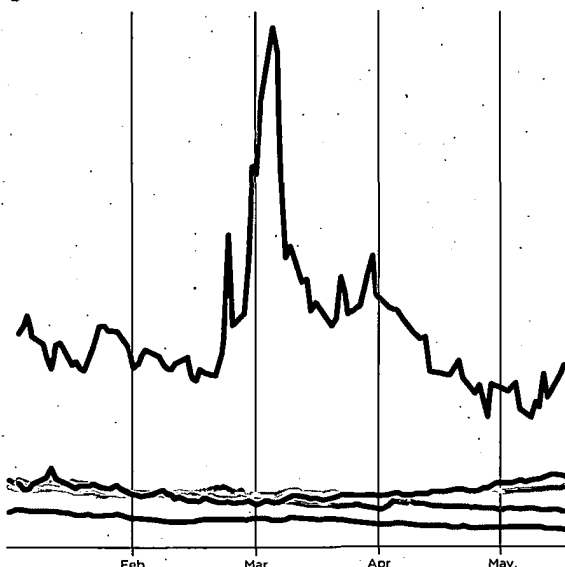
What is OEL doing about it?

OEL is committed to fair prices that truly reflect the cost of energy that we buy on the market. We made the decision to support customers to the maximum extent possible – even if that meant foregoing short term profit. We created a package totalling £150m to mitigate some of the impact of rising costs, with various schemes and initiatives to keep tariffs lower for our customers, and targeted extra support to those most impacted.

Comparative gas prices in FY22 vs prior years

Using National Balancing Point front month prices

- 2022
- 2021
- 2020
- 2019
- 2018



Keeping prices low

Stats from FY22

£150m

Amount borne by OEL to keep prices as low as possible

Despite the market rising this year to 5x that of historical rates (and even up to 10-12x at peak periods), our management team agreed that OEL should price our variable tariff £48 below the UK's new price cap. This is because we strive to support customers during such extraordinary times. In total, OEL has incurred the cost of £150m in keeping prices as low as possible. We can also afford to do this because we run a lean, efficient and tech-enabled business, meaning our operating costs are much lower than other legacy suppliers.

Electric blankets

Stats from FY22

4,200

Blankets sent out to customers most struggling with energy bills

- On average, customers were able to spend 19% less than other customers over the winter period thanks to the use of the blanket, given electricity required for use costs c.2.7p/hour.
- Annualised, and adjusted for weather related impacts on electricity and gas usage, we found that a blanket costing just £25 can provide customers savings of c.£300/year.
- At time of publication, a total of 8,000 electric blankets are in customer homes with 10,000 more committed for the most vulnerable in winter 2022.

Assistance fund Stats from FY22

£5m

Fund for vulnerable and low-income households

On top of pricing below the UK's national price cap, OEL also established a £5m fund for vulnerable and low-income households.

At time of publication, **the fund has tripled to £15m**, and 55,000 customers have received direct assistance with monetary credits and personalised account support.

Over 45,000 customers sent OEL tips during the Winter Workout.

Winter Workout Stats from FY22

250,000

Customers signed up to the scheme

- OEL provided easy, low-cost tips for customers to follow to help bring their own energy bills down without spending.
- Tips included practical suggestions such as plugging drafts, shutting doors to unused rooms, drawing curtains before nightfall, honing timings on a thermostat switch-on.
- During the trial period (c.3 months), an average customer spent typically 8% less on energy bills. Annualised, this would result in c.190kg of CO₂ reduction.
- Collectively, Winter Workout customers saved £4.8m on their bills during the initiative.

The future security of the energy market

The Group's collective solution to the energy crisis is simple: more renewable generation to reduce our dependence on gas and provide cheaper, greener homegrown energy.

As such, OEL has been working relentlessly within our industry, and with the government, to rapidly invest into British renewable power. We do this primarily via our sister company, Octopus Renewables Limited, who manage investment funds into on and offshore wind, increase battery storage where relevant, and enable mass, demand-side flexibility – for the benefit of UK energy consumers. Tariffs linked to our local 'Fan Club' wind farms now enable nearby OEL households to access significant, real-time discounts on energy prices when the wind is blowing.

The electrification of heat and transport is key to accelerating energy security in the UK market. OEGL has built a cohesive offering of customer facing products – from intelligent flexible electricity tariffs in OEL, to our Services business installing heat pumps, domestic solar panels, EV chargers, and (at the time of writing) over a million smart meters.

More electric vehicles, heat pumps and domestic solar panels connected to the grid puts power into consumer hands, enabling them to spend less on energy, engage more closely with their usage – and ultimately be more self-sufficient.

Leveraging our trusted relationship with customers, we will continue to drive the transformation to a fairer, more affordable renewable energy system, all enabled by technology.

Directors' report

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What we do

OEL supplies gas and renewable energy to 3.2 million customers in the UK – providing cheaper, greener power not only under our own brand, but also via our partners M&S Energy, London Power and Co-op 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 2022, we were recommended by Which? for a record five years in a row, as well as winning Best Utility at the Utility Week Awards. Additionally, OEL was named 'Energy Supplier of the Year' at the USwitch Awards 2022 for the second year running and 'Best Company' at the British Renewable Energy Awards. This means that OEL remains officially the single most awarded energy company in the UK.

Octopus Energy has Operations
offices in five locations around
the UK today.

The Directors present the annual report on the audited financial statements of Octopus Energy Limited ('the Company'), together with their financial statements and auditor's report, for the year ended 30 April 2022.

Future developments

Details of future developments can be found in the Strategic Report.

Events after the balance sheet date

On 9th May 2022, OEL signed an agreement to factor receivables related to the Avro Supplier of Last Resort. This agreement accelerated the receipt of £633m from a bank.

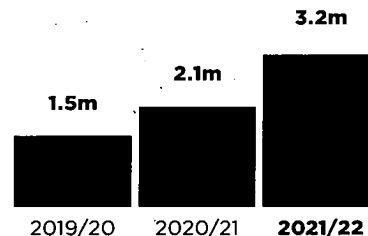
In September 2022 the UK Government announced the Energy Bills Support Scheme (EBSS). The EBSS is a scheme which forms part of the Government's cost of living assistance package for energy consumers from October 2022 to March 2023. The EBSS provides domestic electricity customers in Great Britain with £400 of support, delivered by electricity suppliers, such as OEL, over six months from October 2022.

Additionally, the UK Government announced the Energy Price Guarantee (EPG). The EPG will reduce the unit cost of electricity and gas so that a typical household in Great Britain will save around £700 this winter. The EPG will be in place from 1 October 2022 until 31 March 2023 and will pay suppliers, such as OEL, any consumption used by consumers over and above the Government's Price Cap.

Following an industry consultation subsequent to year end and determination in September 2022 a further claim has been submitted for consideration by Ofgem in recent weeks relating to the Avro SOLR process and represents a further c.10% of the increased total claim of £760m. No value has been recognised for this additional claim submitted post year-end reflecting the additional basis for a further determination only being provided subsequent to 30 April 2022 and it accordingly has been treated as a non-adjusting post balance sheet event. It is also subject to agreement and finalisation with Ofgem and at an early stage of that process.

On 28 October 2022 OEGL executed an agreement with the special administrators of Bulb Energy to acquire a business containing Bulb's 1.5 million customers. The sale will be completed following a statutory process called an Energy Transfer Scheme, which will transfer the relevant assets of Bulb into a new separate entity that will protect consumers during the transfer process. The process is subject to approval by the High Court, at a hearing scheduled for 11 November 2022. There is no impact on OEL expected in the next 12 months as the acquired business will remain separate and ring fenced from OEL over that period.

Number of OEL customers in the UK



Dividends

The Directors did not recommend interim or final dividend to be paid during the period (2021: £nil).

Directors

The Directors who served throughout the year and as of the date of this report were as follows, except as noted:

- C Hulatt
- J Eddison
- G Jackson
- S Jackson
- S Rogerson
- J Bowie (appointed 28 June 2022)
- J Briskin (resigned 28 June 2022)

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.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Engaging with our stakeholders

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

Directors' report (continued)

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It is the Board's priority to ensure that the Directors have acted both individually and collectively in the way that they consider, in good faith, what would be most likely to promote the success of the Company 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, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

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

The following paragraphs summarise how the Directors fulfil their duties:

Risk management

Risk management is a key function of the Board's role in overseeing the business. The Board regularly reviews risks during the monthly management reporting process and also during quarterly Board meetings. Management also review risks on a weekly basis through a series of detailed operational reporting packs. Octopus 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 the Company are outlined in the Strategic Report.

+20%

Operating efficiency FY22 vs FY21

Our people

People are the most important part of OEL. We treat our employees with the respect they deserve, both for their dedication to outrageously

good customer service, as well as the breadth of experiences they share.

We put particular focus and effort in nurturing a culture of autonomy, empowerment and trust. We encourage straight-forward, honest and transparent communication.

All permanent staff 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 3,000 staff across the entire Company, and across the world, are invited to the same online meeting. Family Dinner is an important time for the whole Company to learn about the latest business developments.

During these sessions, employees are encouraged to ask questions directly to the CEO and to celebrate the achievements and challenges of their teams together.

This culture then cascades through the business, with other layers of management continuing this open and transparent culture through their own standups, regular check ins and messaging channels.

OEL is an inclusive business, welcoming applications for employment from anyone, no matter their background. Applications for employment by disabled persons are particularly fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Our customers

OEL is built on a foundation of obsessively delivering outstandingly positive experiences for customers. The fundamental principles of pragmatism, simplicity and honesty are ingrained in all areas of the business, including the senior management team. The Board and Senior Management team regularly review customer service metrics including Trustpilot scores and customer complaint volumes and with the Group's wider international presence these can be benchmarked internationally. The result of this focus across all areas of the business is phenomenal engagement with our customers.

Business relationships

We carefully select partners and suppliers to work with on a number of factors including their reputation within their industry and ability to demonstrate care and quality throughout their process. Our onboarding process is grounded on our business and personal principles, including

Octopus Energy's Leicester offices were one of the earliest operations hubs to open within the UK.

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 dangerous reliance on fossil fuels.

Alongside this, the electricity we supply is matched with appropriate carbon credits. We are also strong supporters of locally-sourced renewable energy; working on the sharp edge of local energy innovation with numerous tech trials and constantly growing our base of 'community energy' contracts, which now includes more than 400 small-scale renewable energy generators across the UK.

Ultimate shareholders

Our ultimate shareholders comprise six key groups:

1. Octopus Capital, who have supported the Octopus Energy vision, mission, and growth since inception
2. Origin Energy who, in 2020, invested over £215m of equity into OEGL to support

continual growth with a further £37m received within the year and £94m post year end

3. Tokyo Gas, who invested over £150m in 2021 and an additional £45m in FY23 – and together with whom OEGL is expanding into Japan through a joint venture
4. Generation Investment Management, chaired by climate champion Al Gore, have invested £286m to acquire a 9% minority stake in OEGL to unlock licensing, strategic and financing partnerships with a further £25m committed in FY23
5. Canadian Pension Plan Investment Board, one of the largest global pension funds, provided equity investment of £106m in the year for a 3% minority stake, with a further £106m committed in FY23

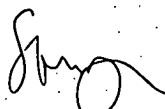
6. Our People: all employees own a part of OEGL, so derive added benefit from the growth and success of the business to which they contribute. We are committed to openly engaging with our shareholders and all shareholder interests are represented at the Company's board meetings. Employee shareholder interests – i.e. the interests of those that make up the Company – are represented by the three founding board members. Minority corporate shareholders have additional Reserved Matter protections.

Business conduct

We aim to provide green energy in ways which are economically, environmentally and socially responsible. The executive team is deeply engaged in the detail of the business and relationships with key stakeholders, including customers. Senior executives monitor various forms of customer communication closely and all handle some customer communications directly to retain a first hand understanding of customer sentiment and the impact of our actions on customers as a business.

The business continues to achieve outstanding levels of staff engagement as it scales. We also apply this philosophy to supplier relationships, which we know work best when there is deep understanding and appreciation of the activities each party undertakes and the constraints under which they work.

Approved by the Board and signed on its behalf by:



S Jackson
Director

31 October 2022

Registered office:

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

Strategic report

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Principal activities

The principal activity of the Company during the year was that of supply of gas and electricity to domestic and commercial customers in Great Britain. The Company commits to providing renewable, low-carbon energy at transparent, affordable and sustainable prices for customers. Given the nature of the UK's energy system, and in line with industry practice, OEL buys Renewable Energy Guarantee of Origin certificates. The Company's operations are run on the Group's proprietary Kraken technology platform, whose aim is to transform the energy system so that 100% renewable energy is accessible by everyone.

Business review

During this financial year the Company has grown by over 50%, now supplying 3.2 million UK customers – or over 12% of households in Great Britain.

In addition, during this period, OEL continued to collect accolades both from within and outside the energy sector, including being named a Which? Recommended provider for an unprecedented fifth year in a row, a continuing top Trustpilot customer rating, and a top Glassdoor employer rating for both the Company and CEO, Greg Jackson. Its commitment to drive renewable energy and the Net Zero transition has been recognised by the Renewable Energy Awards and Business Green Leaders for the past three years running, plus winning Gold in the Green Energy Awards as a Net Zero Energy Developer. In addition, the Company continues to hold numerous wins for outstanding customer service, such as both the UK Business Awards and the UK Customer Satisfaction Awards for Best Customer Experience.

OEL is funded directly from its immediate parent company, OEGL. OEGL has sufficient capital availability to enable the Company to meet a wide range of stressed outcomes during this highly uncertain winter 2022/23.

The energy crisis during the second half of 2021 saw unprecedented increases in wholesale prices and the scale of this crisis has impacted the whole energy sector. OEL has continued to follow its prudent hedging policy to minimise the impacts of the crisis on the business and its customers.

Going concern

Notwithstanding net current liabilities of £393.1m as at 30 April 2022, up from £213.6m the prior year, 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 shareholders, along with available facilities and trading lines, the forecast cash flow shows significant 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 16 along with consideration of the Company's principal risks and uncertainties. The UK Government's Energy Bill Support Scheme and the Government's Energy Price Guarantee provide significant support to households over the period to at least April 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 reduce otherwise anticipated bad debt and the working capital required to extend credit through winter to customers who pay by fixed direct debit. As noted on page 17 these regulatory changes are subject to review and expected to cease in their current form from April 2023 although the extent of the change is not yet known at the time of issuing the financial statements. Depending on the extent of the revisions there is a potential for higher levels of bad debt as customers are exposed to significantly higher prices. However this will occur during the cash accretive part of the going concern period and therefore unlikely to present liquidity issues during this period.

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 downside sensitivities of cashflows from operations including that which would arise from cold winter in the context of the energy crisis. The Directors have evaluated risks based on historic 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 combined with high wholesale prices and set off against the higher proportion of cash collection that tracks consumption volume as a result of the Energy Price Guarantee scheme.

The going concern analysis assumes that a majority of a customers are retained on the standard variable tariff reflecting the protections provided under the current price cap mechanism and the stability afforded by the Market

Our KPIs

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

	30 April 2022	30 April 2021	% change
Customers	3,185,962	2,074,874	54%
Trustpilot score	4.7	4.8	(0.1%)
Glassdoor score	4.6	4.5	0.1%
Revenue	£3,911m	£1,897m	106%
Gross margin	2.9%	3.1%	(0.2%)
Operating loss	£(188.4)m	£(117.3)m	61%
Net loss	£(161.6)m	£(1.5)m	10,886%
Net liabilities	£(249.9)m	£(90.5)m	176%

Stabilisation Charge mechanism. Higher potential customer bad-debt could arise as a result of current macroeconomic trends. The Directors accordingly continue to monitor performance and sensitivity analyses closely and note that the Company is sufficiently well funded and capitalised to withstand a range of compounded scenarios over the 12 month period following the date of signing of the financial statements.

O EGL has 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 although the Going Concern position does not assume these facilities are secured. Corporate investment across the group and acquisition activity is also being tailored to reflect the current economic and regulatory environment.

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

Following the 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.

Financial overview

Revenue has increased by 106% year on year as a result of the significant growth in customers from 2.1 million households to 3.2 million as of 30 April 2022. As outlined in the Business Review, this growth has come from organic customer acquisition as well as the acquisition of the Avro Energy customers. The energy crisis, which began in the second half of 2021 and has been exacerbated by the invasion of Ukraine, has resulted in unprecedented increases in wholesale prices and volatility; the scale of this crisis has impacted the entire energy sector, influencing a reduction in gross profit margin. Gross margin has decreased from 3.1% in FY21 to 2.9% in FY22, however gross profit increased in value from £59m to £112m.

FY22 gross margin reflects the way that OEL has absorbed some of the cost increases facing customers by:

- holding the variable tariff below price cap despite, at times, costs that were significantly above it; and
- permitting a high proportion of customers transferring to the variable tariff even though growth in variable volume was exposed to higher market prices.

Due to the energy crisis and in order to best support our current customers, organic growth was less heavily pursued this year, which is also reflected in the customer acquisition intangible asset figures. However, we acquired c.600k customers by acting as the SOLR for Avro, and the costs of this acquisition were capitalised as

“Our operations ethos is based on the principles of autonomy and empathy.”

Tara Mullen Head of UK Operations

customer acquisition costs and reflected in the growth of the customer acquisition asset.

Bad debt charge for the year as a percentage of revenue has decreased from 2.8% in FY21 to 2.7% in FY22. Given the current energy crisis and increased customer debt, management believe this to be a significant improvement year on year. This reflects developments in the Kraken system that identify and resolve issues that prevent billing ahead of the twelve month regulatory limit. In addition the Company has made further developments to the system and process that underpin improved credit risk management and collections performance.

Operating margin has increased to -4.8% from -6.2%, reflecting the continued improvement by the Company of operational processes as well as investment in advanced technologies which allows the business to operate efficiently. Excluding the exceptional sale of the intangible asset in the prior year, the loss before tax has increased by £53.5m.

Retaining a best-in-class customer satisfaction score amongst any large energy supplier has been an important goal for OEL in the past year. The last 12 months' Trustpilot customer satisfaction scores remained highly stable versus FY21 – moving from 4.8 to 4.7/5 on average. This is a point of particular success for the operations team, given the incredible growth in staff, in turn requiring growth in training and rapid onboarding, while also dealing with increasingly concerned customers given the ongoing energy crisis and the complexity of integrating the Avro book.

This, combined with a lack of global supply led to highly volatile wholesale prices. This pushed up costs and in turn, fixed tariffs above the price cap levels. More customers than forecast remained on supplier's Standard Variable Tariffs (SVTs) which created short positions in an inflated price situation. Companies without hedging arrangements and prudent risk management policies were left at the mercy of the market, and were forced to pay wholesale costs over and above what could be recovered through the price cap. Over 30 suppliers failed with insufficient cash to continue operating in these extreme conditions.

OEL maintains a prudent data driven approach to hedging and risk management. Customers are hedged and behaviours modelled using Kraken's market leading data granularity allowing OEL to be flexible to sudden changes in customer behaviours. This allowed OEL to minimise the impacts of the crisis on the business and protect its ability to serve its customers.

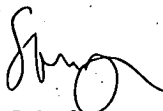
Intangible assets have increased from £122.1m as of 30 April 2021 to £139.6m as of 30 April 2022. This increase is due to the customer acquisition costs associated with the net additional c.1.1 million customers that have joined OEL since 30 April 2021. Approximately 600k of these customers were in relation to the acquisition of Avro customer book.

Working capital balances are scaling with the business, the working capital cycle and management of customer payment adequacy (i.e. working with customers to keep monthly direct debit amounts right for their projected consumption levels). Working capital as a percentage of revenue has decreased to 10.1% from 11.3% in the prior year. The Company benefits from substantial capital provided by OEGL which is a combination of equity and several flexible working capital facilities, including a debt facility designed to provide additional support in the event of a cold winter. The Company carried significant working capital on behalf of the industry during winter 2021/22 through its efforts on the former Avro customers by the supplier of last resort process.

Net liabilities increased, which is largely influenced by increased loans due to Group undertakings substantially driven by the costs of Avro for which the levy claim had not yet been received, as well as higher purchase prices meaning larger trade creditors and accruals. As noted above the business benefits from a letter of support from its parent OEGL.

The Group's principal risks and uncertainties are detailed on page 16.

Approved by the Board and signed on its behalf by:



S Jackson
Director

31 October 2022
Registered office:
UK House, 5th Floor, 164-182 Oxford Street
London, United Kingdom, W1D 1NN

Principal risks and uncertainties

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

Wholesale market risks

The Company follows a strict and sophisticated hedging policy, and does not speculate on market movements, nor does it assume or rely upon market movement in either direction. The Company 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 (the Company does not generally 'lock in' customers with exit fees, and instead models attrition and allows for this). Daily adjustments are made to correct the wholesale position for variances in demand and renewable generation vs 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 and on both the Company performs within expectation. For customers on variable price contracts, the Company executes 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 3 monthly cycle. Due to the price cap calculation, OEL is able to amend the pricing of this product to reflect the hedge cost and therefore benefits from relatively stable margins in the variable book to the extent that customer refixing behaviour is stable. This has not been the case through this 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 additional cost to the Company, which is reflected in our lower gross margin % performance. The Company has been able to stand higher losses resulting from this dynamic thanks to material Group reserves following equity injections during this period. The subsequent implementation of an industry-wide Market Stabilisation Charge reduces volume risk in the event of a falling market and enables the Company to hedge for a larger standard variable customer base with more confidence.

Cashflow and liquidity risk

The Company manages cash responsibly and has clear sight to expected cash requirements.

The Company operates financial models on two levels: 1. Detailed daily cashflow 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 P&L, Balance Sheet and monthly peak cash (and potential variances to) over the next three years. Through this, the Company can plan cashflow 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. As part of the wider trading agreement the Company does not carry this risk.
2. **Customer attrition risk:** the business has now harvested extensive data sets that enable sophisticated prediction of customer attrition, both at an individual customer level and across the portfolio. In addition, the Company continues to invest 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.
3. **Growing underlying levels of customer persistency.** In addition, the Company has been careful to acquire customers across a range of channels to reduce the concentration of attrition risk.
4. **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.

In September 2021, OEL acquired c.600,000 customers from Avro through the Supplier of Last Resort process. The cashflow impacts to the business were carefully planned and managed during this process. This resulted in a large claim from the industry via the SOLR levy claim. Following the year end, this claim has been financed and the cash has been received by the business.

Commercial risk

The Company generates two principal types of commercial risk:

1. that generated by the competitive environment, against which the Company is relatively well placed as a result of its highly efficient operating model; and
2. bad debt risk, which the Company manages through:
 - a) very high penetration of direct debit collections
 - b) the application of credit risk data to target risk reducing measures
 - c) close monitoring of customer account performance and strict processes for non-payment.

There were no key changes to this risk during the financial year.

Operational risk

Operational risk arises from a weakness or failure in a business's systems and controls. The Company utilises efficient and well-controlled processes in particular in respect of its IT system and associated security. The Company's Universal Agent operating model, where energy specialists do not specialise into specific areas of expertise provides the Company with increased flexibility and resilience to unforeseen challenges. The potential impact and likelihood of processes failing and operational risk materialising is assessed on a regular basis and aspects have been subject to external assessment. Where these likelihoods are felt to be outside of the Directors' appetite for risk, management actions and/or control improvements are identified in order to bring each potential risk back to within acceptable levels.

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

The integration of c.600k Avro customers to the Kraken platform demonstrates the effectiveness of the systems in place. In addition to this, customers were fully migrated within three months of acquisition which shows the business's ability to adapt to unforeseen circumstances quickly and efficiently.

Covid risk

The Covid pandemic existed for the majority of this financial period but OEL has not experienced material degradation in operating efficiency or in bad debt. The Company continues to monitor this closely.

In addition, the agile Kraken platform has afforded management real-time sight to payment performance and enabled early and varied interventions to manage potential payment stress. Overall, the business has experienced no material impact in terms of bad debts and the long contractual positions experienced by many commercial energy suppliers.

Regulatory risk

The regulatory environment within which the Company operates is evolving. The introduction of the Energy Bills Support Scheme and the Energy Price Guarantee have been positive in supporting consumers to pay their energy bills over this winter as prices are at unprecedented highs. The introduction of the Energy Prices Bill allows Government to make changes to the Energy Price Guarantee and associated arrangements and they have stated they will review the scheme with the intention of creating a more targeted version from April 2023.

Depending on the extent of revision to the scheme, there is a potential for higher levels of bad debt that will come from exposing more customers to higher prices. However, this will occur during the cash-accretive part of the annual cycle and therefore is unlikely to present liquidity issues through the Going Concern period.

With other retailers, we will engage with Government and Ofgem to ensure the implications on retailer finances are understood and considered in policy changes.

Future developments

Due to the uncertainties resulting from the wholesale environment, the Company does not anticipate material growth during this period which affords it the opportunity to improve operational processes and the offer to customers.

The Bulb acquisition disclosed in subsequent events in Note 24, is being acquired through a newly incorporated sister company within the Group.

Directors' responsibilities statement

For the year ended 30 April 2022

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). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

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

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

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

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

Independent auditor's report

To the members of Octopus Energy Limited

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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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 24.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Independent auditor's report (continued)

To the members of Octopus Energy Limited

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Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and 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, United Kingdom

31 October 2022

**“We’ve already absorbed
£150m of the cost increase
on behalf of our customers.”**

Rebecca Dibb-Simkin Chief Product and Marketing Officer

Statement of comprehensive income

For the year ended 30 April 2022

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	Notes	30 April 2022 £m	Restated 30 April 2021 £m
Turnover	5	3,911.1	1,897.4
Cost of sales		(4,425.6)	(1,838.3)*
Other income	6	626.8	-
Gross profit		112.3	59.1
Administrative expenses	7	(300.7)	(176.5)
Operating loss		(188.4)	(117.4)
Interest payable	10	(20.1)	(10.0)
Interest receivable	11	27.7	-
Income from sale of intangible asset	13	-	113.5
Loss on ordinary activities before taxation	7	(180.8)	(13.9)
Tax credit on loss on ordinary activities	12	19.2	12.4*
Loss for the financial year		(161.6)	(1.5)

* Prior year numbers have been restated to reflect the increased cost of sales accrual as at 30 April 2021. This has also impacted the tax provision. See Note 17 for more details.

All amounts relate to continuing operations.

There is no other comprehensive income or loss and as such no separate statement of other comprehensive income or loss have been prepared. The notes on pages 27 to 37 form part of these financial statements.

Balance sheet

At 30 April 2022

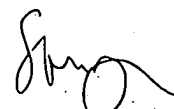
25

	Notes	2022 £m	Restated 2021 £m
Fixed assets			
Intangible fixed assets	13	139.6	122.1
Tangible fixed assets	14	3.6	1.0
		143.2	123.1
Current assets			
Debtors – due within one year	15	1,486.6**	325.8
Deferred tax asset	16	31.3	12.1*
Cash at bank and in hand		138.5	37.4
		1,656.4	375.3
Creditors: amounts falling due within one year	17	(2,049.5)	(588.9)*
Net current liabilities		(393.1)	(213.6)
Total assets less current liabilities		(249.9)	(90.5)
Creditors: amounts falling due after more than one year	17	-	-
Net assets/(liabilities)		(249.9)	(90.5)
Capital and reserves			
Called-up share capital	18	-	-
Other reserves		(3.2)	(1.0)
Profit and loss account		253.1	91.5*
Shareholders equity		249.9	90.5

* Prior year numbers have been restated to reflect the increased cost of sales accrual within creditors as at 30 April 2021. This has also impacted the tax provision. See Note 17 for more details.

** Under Ofgem's regulatory framework, relevant costs incurred as a result of taking on customers from suppliers that have exited the energy market, will be recoverable through the industry levy. The balance as at the year end is within debtors.

The financial statements of Octopus Energy Limited (registered number: 09263424) were approved by the Board of Directors and authorised for issue on 31 October 2022. They were signed on its behalf by:



S Jackson
Director

31 October 2022

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

The notes on pages 27 to 37 form part of these financial statements.

Statement of changes in equity

For the year ended 30 April 2022

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	Called-up share capital £m	Share-based payment reserves £m	Restated Profit and loss account £m	Total £m
At 30 April 2020	-	-	(90.0)	(90.0)
Employee share scheme options	-	1.0	-	1.0
Profit for the period (restated)	-	-	(1.5)*	(1.5)
At 30 April 2020 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	-	3.2	(253.1)	(249.9)

* Prior year numbers have been restated to reflect the increased cost of sales accrual within creditors as at 30 April 2021. This has also impacted the tax provision. See Note 17 for more details.

The notes on pages 27 to 37 form part of these financial statements.

Notes to the financial statements

For the year ended 30 April 2022

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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

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

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

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

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of its parent company Octopus Energy Group Limited as at 30 April 2022, 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

Notwithstanding net current liabilities of £393.1m as at 30 April 2022, up from £213.6m the prior year, 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 shareholders, along with available facilities and trading lines, the forecast cash flow shows significant 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 16 along with consideration of the Company's principal risks and uncertainties. The UK Government's Energy Bill Support Scheme and the Government's Energy Price Guarantee provide significant support to households over the period to at least April 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 reduce otherwise anticipated bad debt and the working capital required to extend credit through winter to customers who pay by fixed direct debit. As noted on page 17 these regulatory changes are subject to review and expected to cease in their current form from April 2023 although the extent of the change is not yet known at the time of issuing the financial statements. Depending on the extent of the revisions there is a potential for higher levels of bad debt as customers are exposed to significantly higher prices. However this will occur during the cash accretive part of the going concern period and therefore unlikely to present liquidity issues during this period.

Notes to the financial statements (continued)

For the year ended 30 April 2022

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2. Significant accounting policies (continued)

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 downside sensitivities of cashflows from operations including that which would arise from cold winter in the context of the energy crisis. The Directors have evaluated risks based on historic 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 combined with high wholesale prices and set off against the higher proportion of cash collection that tracks consumption volume as a result of the Energy Price Guarantee scheme.

The going concern analysis assumes that a majority of a customers are retained on the standard variable tariff reflecting the protections provided under the current price cap mechanism and the stability afforded by the Market Stabilisation Charge mechanism. Higher potential customer bad-debt could arise as a result of current macroeconomic trends. The Directors accordingly continue to monitor performance and sensitivity analyses closely and note that the Company is sufficiently well funded and capitalised to withstand a range of compounded scenarios over the 12 month period following the date of signing of the financial statements.

OEGL has 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 although the Going Concern position does not assume these facilities are secured. Corporate investment across the group and acquisition activity is also being tailored to reflect the current economic and regulatory environment.

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

Following the 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.

3. Significant judgements and estimates

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

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

Key source of estimation uncertainty — 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 and selling price estimates. 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.

Key source of estimation uncertainty — amortisation of acquisition costs

The current amortization period for acquisition customer costs in Intangibles is 3 years. Management will continue evaluating the appropriateness of the estimate used as the base of outcome data evolves. Further details on amortisation can be found in Note 13.

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.

In addition, management calculates a bad debt provision based on historic non-payment trends based on age of customer balances and uses these percentages to calculate the bad debt provision. This calculation is reviewed on a regular basis.

The Company also assess accrued income on a regular basis to estimate the recoverability of the customer balances and a provision recognised for the estimated balance that is unlikely to be recovered. This estimation is based on historical customer data. Further details on provisions can be found in Note 15.

4. Principal accounting policies

4.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. 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.

4.2 Cost of sale

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

4.3 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.

4.4 Intangible fixed asset

Intangible assets consist of:

Internally developed software costs 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.

The asset will start to be amortised at the point it becomes available for use, over a period of 3 years in a straight-line basis. This is reviewed for impairment on an annual basis.

Capitalised acquisition costs relate to the direct cost of acquiring customers via the different acquisition channels including purchases from other suppliers

Acquisition Cost is included at cost where it can be directly attributed to a customer. 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 (continued)

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4. Principal accounting policies (continued)

4.5 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.

Residual value is calculated on prices prevailing at the date of acquisition.

4.6 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.

4.7 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.

4.8 Pensions

The Company operates a defined contribution pension scheme for employees and the pension charge represents the amounts payable by the Company to the scheme in respect of the year. These costs are included as part of staff costs (see Note 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.

5. 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:

	2022 £m	2021 £m
Domestic	3,823.8	1,866.3
Commercial	72.6	31.1
Metering commission	14.7	-
	3,911.1	1,897.4

6. Other income

	2022 £m	2021 £m
Other income*	626.8	-

* Under Ofgem's regulatory framework, relevant costs incurred as a result of taking on customers from suppliers that have exited the energy market, will be recoverable through the industry levy.

7. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2022 £m	2021 £m
Depreciation of tangible fixed assets (Note 13)	1.0	0.4
Amortisation of intangibles (Note 12)	86.0	52.2
Provision for doubtful debt	106.4	53.0
Legal and professional	9.5	6.3
Staff and consultancy costs	53.2	31.6
Marketing costs	28.6	23.2
General admin expenses	13.2	6.6
Audit fee	0.8	0.5
Business acquisitions	-	1.2
Operating lease rentals: - land and buildings	2.0	1.5
	300.7	176.5

The analysis of auditor's remuneration is as follows:

	2022 £m	Restated 2021 £m
Fees payable to the Company's auditor for the audit of the annual accounts	0.8	0.5
Total fees payable to the Company's auditor	0.8	0.5

The Company's auditor did not provide any non-audit services to the Company (2021: nil).

8. Staff costs

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

	2022 Number	2021 Number
Administration and sales	1,142.0	732.0
	1,142.0	732.0

Their aggregate remuneration comprised:

	2022 £m	2021 £m
Wages and salaries	37.3	20.7
Social security costs	3.4	2.7
Other pension costs (see Note 21)	1.4	1.1
	42.1	24.5

'Other pension costs' includes those items included within administrative expenses.

The Company has capitalised £nil (2021: £nil) of salary and £nil (2020: £93k) of Social security costs as part of intangible assets.

Notes to the financial statements (continued)

For the year ended 30 April 2022

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9. Directors' remuneration and transactions

Directors' remuneration

	2022 £m	2021 £m
Emoluments	-	0.3
Company contributions to defined contribution pension schemes	-	-
	-	0.3

Directors' remuneration is included in Note 8 (Staff costs).

Remuneration of the highest paid Director

	2022 £m	2021 £m
Emoluments	-	0.2
Company contributions to defined contribution pension schemes	-	-
	-	0.2

At the balance sheet date there were no retirement benefits accruing to Directors (2021: 2 Directors) in respect of defined contribution pension schemes.

Three Directors were remunerated out of OEL in FY21. These Directors are now 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.

10. Interest payable and similar charges

	2022 £m	2021 £m
Loan interest	20.1	10.0

11. Interest receivable and similar income

	2022 £m	2021 £m
Interest receivable	27.7	-

* Under Ofgem's regulatory framework, relevant costs incurred as a result of taking on customers from suppliers that have exited the energy market, will be recoverable through the levy. There is 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.

12. Tax on profit on ordinary activities

The tax charge/(credit) comprises:

	2022 £m	Restated 2021 £m
Current tax (see note below)		
UK corporation tax	–	–
Adjustments in respect of previous periods	(0.1)	(15.2)
Total current tax credit	(0.1)	(15.2)
Deferred tax		
Origination and reversal of timing differences	(17.4)	(5.1)
Rate change	(2.8)	–
Adjustments in respect of previous periods	1.1	7.9
Total deferred tax in the year (see Note 16)	(19.1)	2.8
Total tax recognised in Statement of Comprehensive Income	(19.2)	(12.4)

Deferred tax has been calculated at 25% at 30 April 2022 as this rate has been substantially enacted at the balance sheet date.

Factors affecting tax credit for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	2022 £m	Restated 2021 £m
(Profit)/loss on ordinary activities before tax	180.8	13.9
Credit on loss on ordinary activities at blended UK corporation tax rate of 19% (2020: 19%)	(34.3)	(2.6)
Effects of:		
Disallowed expenses and non-taxable income	0.5	(21.6)
Adjustments in respect of previous periods	0.6	(1.1)
Change in rate from DT to CT	(6.0)	–
Group relief surrendered for NIL payment	20.0	12.9
Tax credit for the year	(19.2)	(12.4)

The standard rate of tax applied to the reported profit on ordinary activities is 19% (2020: 19%).

Notes to the financial statements (continued)

For the year ended 30 April 2022

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13. Intangible assets

	Software £m	Customer acquisition £m	Total £m
Cost			
At 30 April 2021	0.6	211.2	211.8
Additions	0.5	102.9	103.4
Disposals	-	-	-
At 30 April 2022	1.1	314.1	315.2
Amortisation			
At 30 April 2021	(0.2)	(89.5)	(89.7)
Charge for the year	(0.3)	(85.6)	(85.9)
Disposals	-	-	-
At 30 April 2022	(0.5)	(175.1)	(175.6)
Net book value			
At 30 April 2021	0.3	122.8	122.1
At 30 April 2022	0.6	139.0	139.6

14. Tangible fixed assets

	Equipment £m	Total £m
Cost		
At 30 April 2021	1.9	1.9
Additions	3.6	3.6
At 30 April 2022	5.5	5.5
Depreciation		
At 30 April 2021	(0.9)	(0.9)
Charge for the year	(1.0)	(1.0)
At 30 April 2022	(1.9)	(1.9)
Net book value		
At 30 April 2021	1.0	1.0
At 30 April 2022	3.6	3.6

15. Debtors

	2022 £m	2021 £m
Amounts falling due within one year:		
Trade debtors	537.0	192.9
Provision for doubtful debt	(164.5)	(66.1)
Amounts owed by group undertakings	8.1	11.2
Other debtors	625.9	0.4
Prepayments	124.4	65.8
Accrued income	355.7	121.6
	1,486.6	325.8

Prepaid expenses include £104.5m (2021: £54.4m) 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, will be recoverable through the levy. Included within other debtors is £625m in respect of the amount claimed from the industry levy in respect of the Avro supplier of last resort.

16. Deferred taxation

	2022 £m	Restated 2021 £m
At beginning of year	12.1	8.7
Recognised during year	19.2	3.4
At end of year	31.3	12.1

The deferred taxation balance is made up as follows:

	2022 £m	Restated 2021 £m
Accelerated capital allowances	7.0	1.9
Other timing differences	0.2	0.2
Losses	24.1	10.0
At end of year	31.3	12.1

17. Creditors

	2022 £m	Restated 2021 £m
Amounts falling due within one year:		
Trade creditors	407.2	31.2
Other creditors*	230.8	121.8
Amount owed to group undertaking	568.6	52.6
Accruals and deferred income	842.9	383.3
	2,049.5	588.9

* Included within other creditors is a balance of £221.6m (2021: £128.2m) relating to customer prepayments.

Notes to the financial statements (continued)

For the year ended 30 April 2022

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17. Creditors (continued)

While preparing the financial statements for the year ended 30 April 2022, management noticed that the prior year accrual in relation to cost of sales was understated. In the context of industry defined set costs, management were aware of the significantly increased prices in comparison to what was originally considered at the year end and this information became available before signing off the FY21 financial statements leading to an under accrual of £15.8m. Further, accruals related to costs to be incurred for Renewable Obligations (RO) and Renewable Energy Guarantees of Origin (REGO) were understated by £9.2m and £7.6m respectively. Therefore, these have been retrospectively adjusted in the current year accounts. This has increased cost of sales by £32.6m, decreased corporation tax by £6.2m and increased accruals by £32.6m. This matter does not impact brought forward reserves at 1 May 2020.

18. Called-up share capital

	2022 £s	2021 £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 year (2020: £1).

19. Financial commitments

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

	2022 £m	2021 £m
Expiry date:		
Within 1 year	0.8	2.4
Between 2 and 5 years	3.3	3.4
After 5 years	1.4	2.8
	5.5	8.6

20. Share based payments

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

21. 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 £1.4m (2021: £1.1m) represents contributions payable to the scheme by the Company.

22. 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.

The Group is owned by (i) Octopus Energy HoldCo Limited (39.07%), which is itself owned by Octopus Capital Limited, (ii) Octopus Capital Limited (0.58%), (iii) Origin Energy International Holding Pty Ltd (16.49%), (iv) Tokyo Gas United Kingdom Ltd (7.48%), (v) GIM Willow (Scotland) LP (8.97%), (vi) CPP Investment Board (2.99%) and (vii) management and employees via a bare trust arrangement with Octopus Nominees Limited (24.42%). It is the opinion of the Directors that the Group has no single controlling party but that Octopus Capital Limited continues to have significant influence.

23. 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 2021, the Company owed £nil (2021: £nil) to Octopus Capital Limited, in addition to £560m (2021: £48,751k) to Octopus Energy Group Limited.

24. Subsequent events

On 9th May 2022, OEL signed an agreement to early finance the industry levy receivables related to the Avro Supplier of Last Resort customer acquisition. This agreement accelerated the receipt of £633m of receivables from other industry counterparties.

In September 2022 the UK Government announced the EBSS. The EBSS is a scheme which forms part of the Government's cost of living assistance package for energy consumers from October 2022 to March 2023. The EBSS provides domestic electricity customers in Great Britain with £400 of support, delivered by electricity suppliers, such as OEL, over six months from October 2022.

Additionally, the UK Government announced the EPG. The EPG will reduce the unit cost of electricity and gas so that a typical household in Great Britain will save around £700 this winter. The EPG will be in place from 1 October 2022 until 31 March 2023 and will pay suppliers, such as Octopus Energy Limited, any consumption used by consumers over and above the Government's Price Cap.

Following an industry consultation subsequent to year end and determination in September 2022 a further claim has been submitted for consideration by Ofgem in recent weeks relating to the Avro SOLR process and represents a further c.10% of the increased total claim of £760m. No value has been recognised for this additional claim submitted post year-end reflecting the additional basis for a further determination only being provided subsequent to 30 April 2022 and it accordingly has been treated as a non-adjusting post balance sheet event. It is also subject to agreement and finalisation with Ofgem and at an early stage of that process.

On 28 October 2022 Octopus Energy Group Limited executed an agreement with the special administrators of Bulb Energy to acquire a business containing Bulb's 1.5 million customers. The sale will be completed following a statutory process called an Energy Transfer Scheme, which will transfer the relevant assets of Bulb into a new separate entity that will protect consumers during the transfer process. The process is subject to approval by the High Court, at a hearing scheduled for 11 November 2022. There is no impact on Octopus Energy Limited expected in the next 12 months as the acquired business will remain separate and ring fenced from Octopus Energy Limited over that period.

Statutory Company information

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