

**Octopus Energy Limited**

Annual report and financial statements

For the year ended 30 April 2020

Registered number: 09263424

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**COMPANY INFORMATION**

**Directors**  
G Jackson  
S Jackson  
J Eddison  
C Hulatt  
S Rogerson  
J Briskin

**Company Secretary** Octopus Company Secretarial Services Limited

**Company Registration Number** 09263424

**Registered Office**  
6<sup>th</sup> Floor  
33 Holborn  
London  
EC1N 2HT

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

**Bankers**  
HSBC plc  
31 Holborn  
London  
EC1N 2HR

## Table of Contents

<b>Directors' Report .....</b>	<b>4-7</b>
<b>Strategic Report .....</b>	<b>8-12</b>
<b>Directors' Responsibilities Statement.....</b>	<b>13</b>
<b>Independent Auditor's Report .....</b>	<b>14-16</b>
<b>Statement of Comprehensive Income .....</b>	<b>17</b>
<b>Balance sheet .....</b>	<b>18</b>
<b>Statement of Changes in Equity.....</b>	<b>19</b>
<b>Notes to the Financial Statements .....</b>	<b>20-30</b>

## **DIRECTORS' REPORT**

30 April 2020

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 2020.

### **Future developments**

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

### **Events after the balance sheet date**

Details of significant events since the balance sheet date are contained in note 22 to the financial statements.

### **Dividends**

The directors did not recommend interim or final dividend to be paid during the period (2019: £nil).

### **Directors**

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

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

### **Director's 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 s418 of the Companies Act 2006.

Deloitte LLP has indicated its willingness to be reappointed for another term and a resolution to reappoint them will be proposed at the next Annual General Meeting.

## **DIRECTORS' REPORT (continued)**

30 April 2020

### **Engaging with our stakeholders**

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

It is the Board's priority to ensure that the Directors have acted both individually and collectively in the way that 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 with regard to all its stakeholders. The requirements of Section 172 of the Company Act can be summarised as follows:

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

- a. the likely consequences of any decision in the long term,
- b. the interests of the company's employees,
- c. the need to foster the company's business relationships with suppliers, customers and others,
- d. the impact of the company's operations on the community and the environment,
- e. the desirability of the company maintaining a reputation for high standards of business conduct, and
- f. 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 oversight of the business and the Company's success in achieving its strategic objectives and mission.

The principal risks and uncertainties facing the Company are outlined in the Strategic Report.

#### **Our People**

We treat our people with respect reflecting the breadth of experience and insight they can share - nurturing a culture of empowerment and trust which encourages open, honest communication between all our staff and at all levels. From open access to our senior management team, through any number of informal channels, to our weekly pan global 'Family Dinner' where we invite all staff to come together to learn about business news and ask questions directly to our CEO.

This open culture is rewarded by an incredible sense of personal accountability from our team that underpins the excellence they deliver, and which again results in humbling accolades from customers and others. This wonderfully engaged and loyal team continues to develop as the business scales.

All permanent staff own a part of the Company, so derive added benefit from the ongoing growth and success of the business, helping to align employee values with those of other shareholders.

## **DIRECTORS' REPORT (continued)**

30 April 2020

### **Our Customers**

We have built Octopus Energy (the Company) on the strong foundation of obsessively and iteratively delivering outstanding experiences for our customers. We aim to deliver trust and joy through simple processes and honest relationships between our team and those who trust us to supply their energy, enabled by a unique operating model that works symbiotically with our award winning proprietary technology platform "Kraken".

### **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 clear on our business and personal principles, including our undertakings and provisions outlined in our Modern Slavery Statement.

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

### **Community and Environment**

The Company is helping the world move towards a decarbonised future, underpinned by renewable power generation; our technologies support system-wide change to end the world's dangerous reliance on fossil fuels.

Alongside this, all the electricity we supply is matched by 100% renewable sources including wind, hydro and solar power from UK green generators. 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 almost 100 small-scale renewable energy generators across the UK.

We, unusually for an energy company, would prefer our customers to burn less gas, but whilst we work for a world driven by green electrification we do offer a "Super Green" tariff which allows customers to offset the carbon associated with any gas they burn. They can do this for only a few pounds a month by supporting various renewable energy-based projects around the world.

We're incredibly proud that in 2019 the Renewable Energy Association gave us the award for 'the company that's done the most to advance UK renewables'.

### **Ultimate Shareholders**

Our Shareholder is Octopus Energy Group Limited (formerly Octopus Energy Holdings Limited)

We are committed to openly engaging with our shareholder and all shareholder interests are represented at the Company's board meetings.

**DIRECTORS' REPORT (continued)**

30 April 2020

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

Approved by the Board and signed on its behalf by:



S Jackson  
Director  
30 October 2020  
Registered office:  
6th Floor,  
33 Holborn,  
London, EC1N 2HT

## STRATEGIC REPORT

30 April 2020

### 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 do this in a way which provides renewable and low-carbon energy at low, transparent, sustainable prices for customers. The Company's operations are centred around the proprietary Kraken technology platform.

### Business review

The Directors are delighted to report that during this financial year (our fourth full year of trading) the company has more than doubled in size, in part as a result of the acquisition of four customer portfolios (Co-op Energy, GB Energy, Flow Energy and Engie domestic customers) and has at the same time maintained its top Trustpilot customer rating and a high Glass Door rating as an employer.

In addition, Octopus Energy continues to collect accolades both from within and outside the energy sector, including being named a Which? recommended provider for the third year in a row, a continuing top TrustPilot customer rating, and high Glassdoor employer rating. It has also won a nod from a trilogy of the most respected awards for ethical business - the Business in the Community (established by the Prince of Wales) Awards, the Reuters Clean Energy Transition, and the Green Apple Environment Awards. The Company also won the coveted Amazon Scale-up awards for Innovation/Disrupter, and for Entrepreneur of the Year for CEO, Greg Jackson. In addition, the Company continues to hold numerous wins for outstanding customer experience, including coming 29 out of 271 organisations ranked by the UK Institute of Customer Service in their Customer Satisfaction Index, the highest out of any utilities provider (not just energy). The Company has achieved all this at the same time as rapidly migrating acquired customers (which sat on three different systems) onto the proprietary Kraken system and improving overall efficiency levels.

As a result of this high level of efficiency, the Company continues to have significant headroom to operate profitably below the price cap.

At the end of April 2020, Octopus Energy Group Limited announced an investment from Australian company Origin Energy Pty in excess of £200m, and subsequent restructuring of funding provision for Octopus Energy Limited. As a result of the Origin deal, debt outstanding to Octopus Capital Limited has been paid down and Octopus Energy Limited is now funded directly from its immediate parent company, Octopus Energy Group Limited. Octopus Energy Group Limited has sufficient capital availability to enable the Company to meet its stretching growth plan over the medium term even in the event of a capital consuming cold winter and some incremental Covid-related non-payment.

The Covid pandemic struck prior to the end of this financial period and Octopus was able to immediately move to a remote working model and simultaneously improve operational performance. The Company has subsequently observed modest increases in non-payment but amounts are small and the Company is sufficiently well capitalised to be able to withstand meaningful increases in credit risk.



## STRATEGIC REPORT (continued)

30 April 2020

### Going Concern

Notwithstanding net current liabilities of £62m as at 30 April 2020, 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, including sensitivity of cashflow from operations to a cold winter. These forecasts and projections have also been reviewed with specific consideration of the current Coronavirus pandemic in the UK, including the potential impact on our customer base. In particular, the business has experienced limited impact in recent months in terms of bad debts and the long contractual positions experienced by many commercial energy suppliers. Nonetheless, the Directors continue to monitor performance closely and consider the implications of economic trends and downside risk sensitivities.

The company has received a letter confirming ongoing financial support from its immediate parent company that underpins the going concern position. The immediate parent company, Octopus Energy Group Limited has received equity injections as well as access to financing through committed loans from banks and cash generated by other Group businesses. The bank loans are backed by investor guarantees.

Therefore the directors are confident 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.

### Business review and key performance indicators

#### KPIs

	30 Apr 20	30 Apr 19	% change
Accounts	2,261,713	1,159,715	+95%
Households	1,433,997	666,503	+115%
Trust Pilot score	9.6	9.6	-
Glass Door Score	4.8-5.0	-	
Revenue	1,206m	460m	+162%
Gross Margin	4.6%	0.8%	+592%
Operating Loss	48m	34m	+41%
Net Loss	47m	30m	+57%
Net assets	(89,961)k	(42,976)k	+109%

### Financial overview

We are delighted to have increased gross margin 592% from 0.8% [2019] to 4.8% [2020], increasing gross profit from £3.5m to £55m. Revenue has increased by 162% year on year as a result of the significant growth in customers from 0.7m households to over 1.4m as of 30 April 2020. As outlined in the Business Review this growth has come from both organic customer acquisition and the acquisition of portfolios from other suppliers.

The increase in losses is a reflection of our continued investment in rapid growth but investments in brand, platform, continued obsessive focus on customers, together with technology-led pricing and risk management have enabled the Company to make material improvements in gross margin at the same time. There has also been material underlying gains in operating efficiency reflecting continuous platform development and scale efficiency.

## **STRATEGIC REPORT (continued)**

30 April 2020

Intangible assets have increased from £33.2m as of 30 April 2019 to £82.5m as of 30 April 2020, this increase is due to the customer acquisition costs associated with the net additional 767,494 customers that have joined Octopus Energy since 30 April 2019.

Working capital balances continue to increase reflecting the scale of the business, timing of the seasonal 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). The Company benefits indirectly from a further guaranteed debt facility designed to support working capital demands in the event of an unusually cold winter.

Net liabilities have increased due to losses, driven by the investments in customer growth noted above but the business benefits from a letter of support from its parent Octopus Energy Group Ltd (formerly known as Octopus Energy Holdings Ltd).

This growth in assets is offset by an increase in industry payables and accruals to give net liabilities of £90m as of 30 April 2020.

### **Principal risks and uncertainties**

The Management Committee 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, rely upon, nor benefit from, 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 "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 and effectively provides a six month hedge (against a product for which prices can be varied).

#### *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 on a weekly basis to ensure that short-term liquidity is optimised and maintained; 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 principle risks to liquidity and the Company monitors these closely as well as utilising proprietary modelling / forecasting tools:

- (1) Mark to market risk that arises from commodity price movements: The Company no longer carries this risk, which was removed as part of a wider trading arrangement.

## **STRATEGIC REPORT (continued)**

30 April 2020

- (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 that all contribute to
- (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.

### *Commercial Risk*

The Company generates two 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
  - (c) close monitoring of customer account performance and strict processes for non-payment.

### *Operational Risk*

Operational risk arises from a weakness or failure in a business's systems and controls. The Company relies on efficient and well-controlled processes in particular in respect of its IT system and associated security. The potential impact and likelihood of processes failing and operational risk materialising is assessed on a regular basis and aspects have been subject to external assessment in the past and aspects have been subject to external assessment in the past. 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. Octopus also has a disaster recovery plan in place covering current business requirements.

### *Brexit Risk*

The Company has considered the effect on the activities performed following the exit of the UK from the European Union. Although the final outcome is unclear, the conclusion was that the current business model would be sustainable in the event of a Hard Brexit and the Directors do not consider that there would be a material impact to the financial statements.

### *Covid Risk*

Since the reporting date of 30 April 2020, there has been an increase in market specific volatility and global uncertainty primarily driven by the outbreak of the Coronavirus (COVID-19). The situation has evolved rapidly but management have been able to harness smart meter data to obtain a near real-time understanding of how household behaviours have been changing throughout the pandemic and adapt hedging processes accordingly. 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 limited impact in recent months in terms of bad debts and the long contractual positions experienced by many commercial energy suppliers.

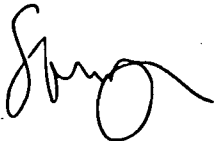
**STRATEGIC REPORT (continued)**

30 April 2020

**Future developments**

The Directors expect the business to continue growing quickly during the forthcoming year as a result of further significant investment in the business, to drive efficiency, service quality and enhanced capability.

Approved by the Board and signed on its behalf by:



S Jackson  
Director  
30 October 2020  
Registered office:  
6th Floor,  
33 Holborn,  
London, EC1N 2HT

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

30 April 2020

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**

### **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 2020 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; and
- the related notes 1 to 22.

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

#### **Basis for opinion**

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

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

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

## **Independent auditor's report to the members of Octopus Energy Limited (continued)**

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **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.

**Independent auditor's report to the members of Octopus Energy Limited (continued)**

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  
30 October 2020



**STATEMENT OF COMPREHENSIVE INCOME**

30 April 2020

	Notes	30 Apr 20 £'000s	30 Apr 19 £'000s
TURNOVER	5	1,206,115	459,960
Cost of sales		(1,151,158)	(456,417)
<b>GROSS PROFIT / (LOSS)</b>		54,957	3,543
Administrative expenses		(102,867)	(37,496)
<b>OPERATING PROFIT / (LOSS)</b>		(47,910)	(33,953)
Interest payable to group entities	9	(7,679)	(3,458)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	(55,589)	(37,411)
Tax credit on loss on ordinary activities	10	8,604	7,062
<b>LOSS FOR THE FINANCIAL YEAR</b>		(46,985)	(30,349)

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 20 to 30 form part of these financial statements.

**BALANCE SHEET**

At 30 April 2020

	Notes	2020 £'000s	2019 £'000s
<b>FIXED ASSETS</b>			
Intangible fixed assets	11	82,472	33,227
Tangible fixed assets	12	735	422
Investments		23	23
		<u>83,230</u>	<u>33,672</u>
<b>CURRENT ASSETS</b>			
Debtors – due within one year	13	365,314	100,965
Deferred Tax Asset	14	8,739	(132)
Cash at bank and in hand		16,255	23,851
		<u>390,308</u>	<u>124,684</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(452,843)</u>	<u>(143,229)</u>
		<u>(62,535)</u>	<u>(18,545)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>20,695</u>	<u>15,127</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	<u>(110,656)</u>	<u>(58,103)</u>
<b>NET ASSETS / (LIABILITIES)</b>		<u>(89,961)</u>	<u>(42,976)</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	16	-	-
Profit and loss account		89,961	42,976
<b>SHAREHOLDERS' DEFICIT</b>		<u>89,961</u>	<u>42,976</u>

The financial statements of Octopus Energy Limited (registered number: 09263424) were approved by the Board of Directors and authorised for issue on 30 October 2020. They were signed on its behalf by:



S Jackson  
Director

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

The notes on pages 20 to 30 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**

30 April 2020

	<b>Called-up share capital</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
<b>At 30 April 2018</b>	-	(12,627)	(12,627)
Loss for the period	-	(30,349)	(30,349)
<b>At 30 April 2019 and 1 May 2019</b>	-	(42,976)	(42,976)
Loss for the period	-	(46,985)	(46,985)
<b>At 30 April 2020</b>	-	(89,961)	(89,961)

The notes on pages 20 to 30 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

30 April 2020

### 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. 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 Capital Limited as at 30 April 2020, which may be obtained from the registered office Company Secretary, 6th Floor, 33 Holborn, London, EC1N 2HT.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

30 April 2020

### 2.3 Going concern

Notwithstanding net current liabilities of £62m as at 30 April 2020, 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, including sensitivity of cashflow from operations to a cold winter. These forecasts and projections have also been reviewed with specific consideration of the current Coronavirus pandemic in the UK, including the potential impact on our customer base. In particular, the business has experienced limited impact in recent months in terms of bad debts and the long contractual positions experienced by many commercial energy suppliers. Nonetheless, the Directors continue to monitor performance closely and consider the implications of economic trends and downside risk sensitivities.

The company has received a letter confirming ongoing financial support from its immediate parent company that underpins the going concern considerations. The immediate parent company, Octopus Energy Group Limited has received Equity injections as well as access to financing through committed loans from banks and cash generated by other Group businesses. The bank loans are backed by investor guarantees.

Considering together the risks facing the company and its access to liquidity the directors are confident 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 accounting judgement – acquisition of customer books

Management has exercised judgement in respect of assessing the acquisition of customers from CO-OP and Engie as asset acquisitions since the Company acquired the customer books and the associated working capital balances only. The cost of acquiring the customer books has been recorded as customer acquisition intangibles as set out in Note 11.

*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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

30 April 2020

### *Key source of estimation uncertainty — amortisation of acquisition costs*

The current amortization period for acquisition customer costs in Intangibles is 3 years however the attrition rate is heavily dependent on the acquisition channel. Management will continue evaluating the appropriateness of the estimate used as more information becomes available.

### *Key source of estimation uncertainty — bad debt provisioning*

The provision is reviewed on a monthly basis. Revision to the provision rates are recognised in the period of revision and future periods. Management will continue evaluating the appropriateness of the estimate used as historical information becomes available.

## 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 and therms 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 substantially 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,

## NOTES TO THE FINANCIAL STATEMENTS (continued)

30 April 2020

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 (Co-op, GB and Flow - £27.9m, Engie - £6.1m).

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.

### 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: 3-5 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 7) and pension (see note 19). Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

30 April 2020

**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:

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
Domestic	1,172,446	454,311
Commercial	33,669	5,649
<b>Total</b>	<b>1,206,115</b>	<b>459,960</b>

**6. Loss on Ordinary Activities before Taxation**

Loss on ordinary activities before taxation is stated after charging:

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
Depreciation of tangible fixed assets (note 12)	274	131
Amortisation of intangibles (note 11)	30,021	8,689
Provision for doubtful debt	22,584	7,048
Legal and professional	4,401	1,624
Staff and consultancy costs	19,951	6,355
Marketing costs	13,213	7,851
General admin expenses	7,853	5,032
Audit fee	370	160
Business acquisitions	3,641	-
Operating lease rentals:		
- land and buildings	569	579
	<u>102,867</u>	<u>37,469</u>

The analysis of auditor's remuneration is as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
Fees payable to the Company's auditor for the audit of the annual accounts	277	160
<b>Total fees payable to the Company's auditor</b>	<u>277</u>	<u>160</u>

The Company's auditor did not provide any non-audit services to the Company (2019: nil).



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

30 April 2020

**7. Staff Costs**

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

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Administration and sales	433	195
	<u>433</u>	<u>195</u>

Their aggregate remuneration comprised:

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
Wages and salaries	12,952	5,474
Social security costs	1,356	519
Other pension costs (see note 18)	498	169
	<u>14,806</u>	<u>6,162</u>

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

The Company has capitalised £568k (2019: £1,258k) of salary and £93k (2019: £106k) of Social security costs as part of intangible assets.

**8. Directors' Remuneration and Transactions**

**Directors' remuneration**

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
Emoluments	382	451
Company contributions to defined contribution pension schemes	19	19
	<u>401</u>	<u>470</u>

Directors' remuneration is included in Note 7 (Staff Costs).

**Remuneration of the highest paid director:**

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
Emoluments	159	150
Company contributions to defined contribution pension schemes	8	6
	<u>167</u>	<u>156</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

30 April 2020

At the balance sheet date retirement benefits were accruing to 3 directors (2019: 3) in respect of defined contribution pension schemes.

**9. Interest payable and similar charges**

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
Loan interest	7,679	3,458

**10. Tax on profit on ordinary activities**

The tax charge/(credit) comprises:

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Current Tax</b> (see note below)		
UK corporation tax		(7,002)
Adjustments in respect of previous periods	267	(164)
<b>Total current tax credit</b>	<u>267</u>	<u>(7,166)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(8,822)	(45)
Rate change	9	
Adjustments in respect of previous periods	(58)	149
Total deferred tax in the year (see note 14)	<u>(8,871)</u>	<u>104</u>
<b>Total tax recognised in Statement of Comprehensive Income</b>	<u><u>(8,604)</u></u>	<u><u>(7,062)</u></u>

**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:

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
Loss on ordinary activities before tax	<u>55,589</u>	<u>37,411</u>
Credit on loss on ordinary activities at blended UK corporation tax rate of 19% (2019: 19%)	(10,562)	(7,108)
<b>Effects of:</b>		
Disallowed expenses and non-taxable income	1,740	55
Adjustments in respect of previous periods	209	(14)
Change in rate from DT to CT	9	5
<b>Tax credit for the year</b>	<u><u>(8,604)</u></u>	<u><u>(7,062)</u></u>

The standard rate of tax applied to the reported profit on ordinary activities is 19% (2019: 19%).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

30 April 2020

**11. Intangible Assets**

	Software £'000s	Customer Acquisition £'000s	Total £'000s
<b>Cost</b>			
At 30 April 2019	4,154	40,201	44,355
Additions	986	78,280	79,266
At 30 April 2020	5,140	118,481	123,621
<b>Amortisation</b>			
At 30 April 2019	(1,027)	(10,101)	(11,128)
Charge for the year	(1,723)	(28,299)	(30,021)
At 30 April 2020	(2,750)	(38,400)	(41,149)
<b>Net book value</b>			
At 30 April 2019	3,127	30,100	33,227
At 30 April 2020	2,391	80,081	82,472

**12. Tangible Fixed Assets**

	Equipment £'000s	Total £'000s
<b>Cost</b>		
At 30 April 2019	608	608
Additions	587	587
At 30 April 2020	1,196	1,196
<b>Depreciation</b>		
At 30 April 2019	(186)	(186)
Charge for the year	(274)	(274)
At 30 April 2020	(460)	(460)
<b>Net book value</b>		
At 30 April 2019	422	422
At 30 April 2020	735	735

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

30 April 2020

**13. Debtors**

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	153,242	45,587
Provision for doubtful debt	(47,715)	(9,155)
Amounts owed by group undertakings	1,782	2,339
Other debtors	3,010	23,214
Prepayments	50,079	1,254
Accrued income	204,916	37,594
	<u>365,314</u>	<u>100,833</u>

Prepaid expenses include £47.4m of cash held by industry parties such as network operators. During lower consumption periods some of this cash will be released.

**14. Deferred Taxation**

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
At beginning of year	(132)	(32)
Recognised during year	8,871	45
Adjustment in respect of prior years	-	(145)
At end of year	<u>8,739</u>	<u>(132)</u>

The deferred taxation balance is made up as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
Accelerated capital allowances	32	6
Other timing differences	10	-
Losses	8,660	(142)
RDEC	37	4
At end of year	<u>8,739</u>	<u>(132)</u>

**15. Creditors**

**Amounts falling due within one year:**

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
Trade creditors	32,106	21,406
Taxation and social security	3,056	813
Other creditors	195,284	32,514
Amount owed to group undertaking	2,024	-
Accruals and deferred income	220,373	88,496
	<u>452,843</u>	<u>143,229</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

30 April 2020

**ii) Amounts falling due after more than one year**

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
Amounts owed to group undertakings	<u>110,656</u>	<u>58,103</u>

Amounts owed to group undertakings include intercompany loans due to Octopus Capital Limited £89,256k (2019: £-) and Octopus Energy Group Limited £21,400k (2019: £58,103k).

**16. Called-Up Share Capital**

	<b>2020</b>	<b>2019</b>
	<b>£'s</b>	<b>£'s</b>
<b>Allotted, called-up and fully-paid</b>		
1 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

The Company did not issue any Ordinary shares during the year (2019: £1).

**17. Financial Commitments**

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

	<b>2020</b>	<b>2019</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Expiry date:</b>		
Within 1 year	569	579
Between 2 and 5 years	5,753	1,051
After 5 years	<u>3,420</u>	<u>-</u>
	<u>9,744</u>	<u>1,630</u>

**18. Share based payments**

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

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

30 April 2020

### **19. Retirement benefit schemes**

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

Contributions are usually made as a percentage of an individual employee's gross annual salary. The total costs charged to the Statement of Comprehensive Income of £498k (2019: £75k) represents contributions payable to the scheme by the Company.

### **20. Ultimate Parent Undertaking and Controlling Party**

The immediate parent Company and controlling party is Octopus Energy Group Ltd (formerly known as Octopus Energy Holdings Ltd), a Company incorporated in the United Kingdom and registered in England and Wales.

The ultimate parent Company is Octopus Capital Limited, 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 Company Secretary, Octopus Energy Group Limited, 6<sup>th</sup> Floor, 33 Holborn, London, EC1N 2HT.

### **21. Related Party Transactions**

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

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

As at 30 April 2020, the company owed £89,256k to Octopus Capital Limited, in addition to £21,400k to Octopus Energy Group Limited.

### **22. Subsequent events**

Since the reporting date of 30 April 2020, the directors are not aware of any matters or circumstances that have significantly or may significantly affect the Company.