

## **Octopus Energy Limited**

Annual report and financial statements

For the year ended 30 April 2019

Registered number: 09263424



**COMPANY INFORMATION**

**Directors**

G Jackson  
S Jackson  
J Eddison  
C Hulatt  
S Rogerson

**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

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## **DIRECTORS' REPORT**

30 April 2019

The directors present the annual report on the audited financial statements of Octopus Energy Limited ("the Company"), together with the financial statements and auditor's report, for the year ended 30 April 2019.

### **Future developments**

Details of future developments can be found in the Strategic Report on p6.

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

Details of significant events since the balance sheet date are contained in note 18 to the financial statements.

### **Dividends**

The directors did not recommend interim or final dividend to be paid during the period (2018: £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

### **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.

### **Going concern**

The Company's business activities are set out in the Business Review which forms part of the Strategic Report. The Strategic Report also describes the funding line available to the Company's immediate parent company, Octopus Energy Holdings Limited. The Company is currently in a net liability position, but the Company has the support of its immediate parent company, Octopus Energy Holdings Limited. Based on this support, and the projections of the business over the foreseeable future, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Auditor**

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

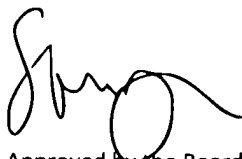
- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's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

**DIRECTORS' REPORT (continued)**

30 April 2019

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.



Approved by the Board and signed on its behalf by:

S Jackson  
Director  
13 November 2019  
Registered office:  
6th Floor,  
33 Holborn,  
London, EC1N 2HT

## STRATEGIC REPORT

30 April 2019

### 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. Octopus Energy commits to do this in a way which provides low, transparent, sustainable pricing for customers with a high proportion of renewable and low-carbon energy.

### Business review and key performance indicators

#### KPIs

	30 Apr 19	30 Apr 18	% change
Trust Pilot score	9.6	9.6	-
Meter points	1,190,654	367,313	+324%
Households	690,503	198,685	+347%

### Business review

The Directors are delighted to report that during this third full year of trading, the Company has grown more than threefold, again maintained top Trustpilot customer ratings across all its brands and won important accolades both within sector and outside of it (including Which? Supplier of the Year – the only supplier ever to be rated 5\* in each category and Which? Utilities Brand of the Year; Uswitch Most Recommended Supplier; REA British Renewable Energy Company Award; UK Employee Experience Award Best Company to Work For; Digital Project of the Year from Business Green Leaders). Octopus has delivered this level of service at the same time as migrating all customers onto its proprietary platform Kraken, twice being appointed Supplier of Last Resort (Iresa, Gen4U), undertaking an acquisition (Affect Energy), launching M&S Energy as a full white label product, delivering another market-first product (the Outgoing Octopus, export tariff) and commencing Half Hourly Settlement. Octopus Energy closed the year with access to significant additional capital per the note below.

During this period OFGEM has implemented a price cap that is contributing to the structural change in the market by compressing margins of those suppliers that need to charge high rates to compensate for their poor levels of efficiency. Whilst Octopus has been investing in the growth of the business in the period it has headroom to operate profitably below the price cap.

Continued investment in the proprietary Kraken platform, which is designed from the outset to operate with smart meter data, enables the Company to increase further its already industry leading levels of operational efficiency. In addition, Octopus Energy remains the only energy supplier in the market, and one of the few in the world, that offers a suite of market tracking and granular time of use products (Octopus Agile, Tracker, Go).

All three of the acquisitions made during this period have been fully integrated into the Kraken system and customer losses have been well inside expectations.

Octopus Capital Limited has continued to provide substantial committed funding during this period via the Company's immediate parent company Octopus Energy Holdings Limited. Octopus Energy Holdings Ltd is able to draw-down as required to fund the growth forecast over the medium term and operates a comprehensive hedging policy to mitigate market risk. This funding supports the Directors review that going concern basis of preparation for these financial statements is appropriate (after consideration of the risks and uncertainties detailed below) as set out in Note 1 to the financial statements.

## **STRATEGIC REPORT (continued)**

30 April 2019

Subsequent to the balance sheet date, the business has agreed to acquire the customer books of Co-op Energy, Flow Energy and the former GB Energy, which in total will add around 300,000 customers and bring the Company's total customer book above one million. All of these will be integrated into the Octopus Energy business. In addition, Octopus has announced expansion into Australia (platform agreement with Hanwha Energy Corporation and into Germany via acquisition of 4Hundred GmbH).

### **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).

#### *Green Energy Risk*

The company is a leading advocate of decarbonisation and is driving the uptake of renewable energy through supply of 100% renewable electricity to British households and businesses via a combination of renewable PPAs and REGOs. As demand for renewable energy increases REGO prices may see a corresponding rise.

#### *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 Group can plan capital allocation accordingly. There are three 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.
- (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 growing underlying levels of customer persistency. In addition, Octopus has been careful to acquire customers across a range of channels to reduce the concentration of attrition risk.
- (3) 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.

## **STRATEGIC REPORT (continued)**

30 April 2019

### *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) credit 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. The potential impact and likelihood of processes failing and operational risk materialising is assessed on a regular basis. 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.

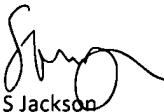
### *Brexit risk*

The Company has considered the effect on the activities performed following the exit of the UK from the European Union. Although the 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

### **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 and capability as well as embracing the opportunities to leverage the Kraken platform at scale both in the UK and globally.

Approved by the Board and signed on its behalf by:



S Jackson  
Director

13 November 2019

Registered office:

6th Floor,  
33 Holborn,  
London, EC1N 2HT



## **DIRECTORS' RESPONSIBILITIES STATEMENT**

30 April 2019

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 2019 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 16.

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 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.

#### 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF OCTOPUS ENERGY LIMITED (continued)**

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 Financial Reporting Council'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.

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 directors' report.

## INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF OCTOPUS ENERGY LIMITED (continued)

### 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; or

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  
13 November 2019

**STATEMENT OF COMPREHENSIVE INCOME**

30 April 2019

	Notes	30 Apr 19 £'000s	30 Apr 18 £'000s
<b>TURNOVER</b>	3	459,960	129,200
Cost of sales		(456,417)	(123,389)
<b>GROSS PROFIT / (LOSS)</b>		3,543	5,811
Administrative expenses		(37,496)	(11,170)
<b>OPERATING PROFIT / (LOSS)</b>		(33,953)	(5,359)
Interest payable to group entities		(3,458)	(2,074)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	(37,411)	(7,433)
Tax credit on loss on ordinary activities	7	7,062	1,517
<b>LOSS FOR THE FINANCIAL YEAR</b>		(30,349)	(5,916)

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 has been prepared.


The notes on pages 16 to 25 form part of these financial statements.

**BALANCE SHEET**

At 30 April 2019

	Notes	2019 £'000s	2018 £'000s
<b>FIXED ASSETS</b>			
Tangible fixed assets	9	422	186
Intangible fixed assets	10	33,227	11,896
Fixed asset investment		23	-
		<u>33,672</u>	<u>12,082</u>
<b>CURRENT ASSETS</b>			
Debtors – due within one year	8	100,833	46,526
Cash at bank and in hand		23,851	4,953
		<u>124,684</u>	<u>51,479</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(143,229)</u>	<u>(55,622)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>(18,545)</u>	<u>(4,143)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>15,127</u>	<u>7,939</u>
<b>CREDITORS: amounts falling due after more than one year</b>	11	<u>(58,103)</u>	<u>(20,566)</u>
<b>NET ASSETS / (LIABILITIES)</b>		<u>(42,976)</u>	<u>(12,627)</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	12	-	-
Profit and loss account		(42,976)	(12,627)
<b>SHAREHOLDERS' DEFICIT</b>		<u>(42,976)</u>	<u>(12,627)</u>

The financial statements of Octopus Energy Limited (registered number: 09263424) were approved by the Board of Directors and authorised for issue on 13 November 2019. They were signed on its behalf by:



S Jackson  
Director

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

The notes on pages 16 to 25 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**

30 April 2019

	Called-up share capital	Profit and loss account	Total
	£'000s	£'000s	£'000s
<b>At 30 April 2017</b>	-	(6,711)	(6,711)
Loss for the period	-	(5,916)	(5,916)
<b>At 30 April 2018</b>	-	(12,627)	(12,627)
Loss for the period	-	(30,349)	(30,349)
<b>At 30 April 2019</b>	-	(42,976)	(42,976)

The notes on pages 16 to 25 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

30 April 2019

### 1. Accounting Policies

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

#### Basis of accounting and preparation of financial statements

Octopus Energy Limited ('the Company') is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 6.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

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

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its ultimate parent, Octopus Capital Limited, which may be obtained from the registered office Company Secretary, Octopus Capital Limited, 6th Floor, 33 Holborn, London, EC1N 2HT. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, the presentation of a cash flow statement, related party transactions with other group entities and remuneration of key management personnel.

#### Going concern

The Company's business activities are set out in the Business Review which forms part of the Strategic Report. The Strategic Report also describes the funding line available to the Company's immediate parent company, Octopus Energy Holdings Limited. The Company is currently in a net liability position, but the Company has the support of its immediate parent company, Octopus Energy Holdings Limited. Based on this support, and the projections of the business over the foreseeable future, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### 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.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

30 April 2019

### 1. Accounting Policies (continued)

#### 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.

#### 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.

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.

#### 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 accrued income to the extent that it is considered recoverable, based on historical data.

#### Cost of Sales

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

#### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

30 April 2019

### 1. Accounting Policies (continued)

All financial assets and liabilities are initially measured at transaction price (including transaction costs) in the Company's financial statements. These are subsequently measured at amortised cost.

#### Interest Payable

The company makes use of a loan facility from Octopus Energy Holdings Limited. The interest rate payable on the loans is 12% and the loans are payable on the initial £15.7 when the company makes profits in excess of £25 million and the remainder when the working capital facilities are paid back.

#### Derivatives and Hedging

The company mitigates its exposure to fluctuation in commodity prices by hedging. When these contracts are initiated as to fulfil the supply requirement for customers, the Company classifies them as 'own use' and outside the scope of FRS 102 section 11 and 12. The volume of energy delivered to the Company is in line with customer usage and no contracts are entered into and are always settled through physical deliveries of commodities.

#### Related party transactions

The Company has taken advantage of the exemption in paragraph 33.1A of FRS 102 not to disclose transactions with Octopus Energy Holdings Limited, Affect Energy Limited, Octopus energy Services Limited and Octopus Electric Vehicles Limited.

#### 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.

#### 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 5) and pension (see note 15). Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### Restricted cash

At 30 April 2019, total cash and cash equivalents included cash amounting to £5,047k (2017: £4,973k ) held as collateral by creditors in relation to service supplied but not invoiced and are therefore not available for immediate use.

### 2. Critical accounting judgements and Key Sources of Estimation uncertainty

In the application of the Company's accounting policies, which are described above, 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

30 April 2019

### 2. Critical accounting judgements and Key Sources of Estimation uncertainty (continued)

*Key source of estimation uncertainty — revenue recognition and accrued income*

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

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

The current amortization period for acquisition customer costs in Intangibles is 3 years however there is no reliable historical information to determine that this is appropriate. Management will continue evaluating the appropriateness of the estimate used as historical information becomes available.

*Key source of estimation uncertainty — bad debt*

Bad debt is provided on 1.5% on Domestic and 3% on Commercial revenue. This is calculated based on industry norms and analysis of our debt book.

### 3. 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:

	2019	2018
	£'000s	£'000s
Domestic	454,311	127,421
Commercial	5,649	1,779
<b>Total</b>	<b>459,960</b>	<b>129,200</b>

### 4. Loss on Ordinary Activities before Taxation

Loss on ordinary activities before taxation is stated after charging:

	2019	2018
	£'000s	£'000s
Depreciation of tangible fixed assets (note 9)	131	24
Amortisation of intangibles (note 10)	8,689	2,066
Operating lease rentals:		
- land and buildings	321	213
	<u>9,141</u>	<u>2,303</u>

The analysis of auditor's remuneration is as follows:

	For the year ended 30 Apr 19	For the year ended 30 Apr 18
	£'000s	£'000s
Fees payable to the Company's auditor for the audit of the annual accounts	160	56
<b>Total fees payable to the Company's auditor</b>	<u>160</u>	<u>56</u>

The Company's auditor did not provide any non-audit services to the Company (2018: nil).

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

30 April 2019

**5. Staff Costs**

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

	For the year ended 30 Apr 19 Number	For the year ended 30 Apr 18 Number
Administration and Sales	195	69
	195	69

Their aggregate remuneration comprised:

	For the year ended 30 Apr 19 £'000s	For the year ended 30 Apr 18 £'000s
Wages and salaries	5,474	1,805
Social security costs	519	187
Other pension costs (see note 15)	169	75
	6,162	2,067

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

The Company has capitalised £1,258k (2017: £881k) of salary and £106k (2017: £145k) of Social security costs as part of intangible assets.

**6. Directors' Remuneration and Transactions**

**Directors' remuneration**

	For the year ended 30 Apr 19 £'000s	For the year ended 30 Apr 18 £'000s
Emoluments	451	451
Company contributions to defined contribution pension schemes	19	12
	470	463

Directors' remuneration in relation to the Group share scheme is disclosed in the financial statements of the Company's ultimate parent company, Octopus Capital Limited.

**Remuneration of the highest paid director:**

	For the year ended 30 Apr 19 £'000s	For the year ended 30 Apr 18 £'000s
Emoluments	150	150
Company contributions to defined contribution pension schemes	6	5
	156	155

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

30 April 2019

**6. Directors' Remuneration and Transactions (continued)**

At the balance sheet date retirement benefits were accruing to 3 directors (2018: 3) in respect of defined contribution pension schemes.

**7. Tax on profit on ordinary activities**

The tax charge/(credit) comprises:

	For the year ended 30 Apr 19 £'000s	For the year ended 30 Apr 18 £'000s
<b>Current Tax</b> (see note below)		
UK corporation tax	(7,002)	(1,360)
Adjustment in respect of previous periods	(164)	
<b>Total current tax credit</b>	<u>(7,166)</u>	<u>(1,360)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(45)	(2)
R&D Expenditure credit	-	-
Adjustment in respect of previous periods	149	
<b>Total tax recognised in Statement of Comprehensive Income</b>	<u>(7,062)</u>	<u>(1,362)</u>

**Factors affecting tax credit for the year**

The differences between the total current tax shown above and the amount calculated by applying the rate of UK corporation tax of 19% (2017: 19.9%) to the loss before tax are as follows:

	For the year ended 30 Apr 19 £'000s	For the year ended 30 Apr 18 £'000s
Loss on ordinary activities before tax	<u>(37,411)</u>	<u>(7,434)</u>
Credit on loss on ordinary activities at blended UK corporation tax rate of 19% (2018: 19%)	(7,108)	(1,412)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	-
Disallowed expenses and non-taxable income	55	(2)
Adjustments in respect of previous periods	(14)	102
Change in rate from DT to CT	5	5
<b>Current tax credit for the year</b>	<u>(7,062)</u>	<u>(1,517)</u>

The standard rate of tax applied to the reported profit on ordinary activities is 19% (2018: 19%).

The Company has tax losses of £ nil available for offset against future taxable profits (2018: nil).

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

30 April 2019

**8. Debtors**

	<b>2019</b>	<b>2018</b>
<b>Amounts falling due within one year:</b>	<b>£'000s</b>	<b>£'000s</b>
Trade debtors	45,587	23,125
Provision for doubtful debt	(9,155)	(2,105)
Amounts owed by group undertakings	2,339	753
Other debtors	23,214	212
Prepayments and accrued income	38,848	24,541
	<u>100,833</u>	<u>46,526</u>

\*Amounts owed by group undertakings mainly arises from the tax losses being passed through to Octopus Capital Limited £752k and pass through costs for Octopus Electric Vehicles £1,395k.

**9. Tangible Fixed Assets**

	<b>Equipment</b>	<b>Total</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Cost</b>		
At 30 April 2018	242	242
Additions	<u>366</u>	<u>366</u>
At 30 April 2019	<u>608</u>	<u>608</u>
<b>Depreciation</b>		
At 30 April 2018	(55)	(55)
Charge for the year	<u>(131)</u>	<u>(131)</u>
At 30 April 2019	<u>(186)</u>	<u>(186)</u>
<b>Net book value</b>		
At 30 April 2018	<u>187</u>	<u>187</u>
At 30 April 2019	<u>422</u>	<u>422</u>

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

30 April 2019

**10. Intangible Fixed Assets**

	Software £'000s	Customer Acquisition £'000s	Other £'000s	Total £'000s
<b>Cost</b>				
At 30 April 2018	2,425	11,681	229	14,335
Additions	1,728	28,520		30,248
Disposal	-	-	(229)	(229)
At 30 April 2019	4,154	40,201	-	44,355
<b>Amortisation</b>				
At 30 April 2018	-	(2,440)	-	(2,440)
Charge for the year	(1,027)	(7,661)	-	(8,688)
At 30 April 2019	(1,027)	(10,101)	-	(11,128)
<b>Net book value</b>				
At 30 April 2018	2,425	9,241	229	11,895
At 30 April 2019	3,127	30,100	-	33,227

**11. Creditors**

**Amounts falling due within one year:**

	2019 £'000s	2018 £'000s
Trade creditors	21,406	8,068
Taxation and social security	813	70
Other creditors	32,514	15,660
Amount owed to group undertaking	-	4,050
Accruals and deferred income	88,496	27,774
	143,229	55,622

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

	2019 £'000s	2018 £'000s
Amounts owed to group undertakings	58,103	20,534

Amounts owed to group undertakings are loans due to Octopus Energy Holdings Limited.

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

30 April 2019

**12. Called-Up Share Capital**

	2019	2018
<b>Allotted, called-up and fully-paid</b>	<b>£'000s</b>	<b>£'000s</b>
1 Ordinary shares of £1 each	-	-

The Company did not issue any Ordinary shares during the year (2018: nil).

**13. Financial Commitments**

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

Expiry date:	2019	2018
Within 1 year	579	286
Between 2 and 5 years	1,051	363
After 5 years	1,630	649
	<b>£'000s</b>	<b>£'000s</b>

**14. 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 £75k (2018: £19k) represents contributions payable to the scheme by the Company.

**15. Ultimate Parent Undertaking and Controlling Party**

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

The ultimate parent Company is Octopus Capital Limited, a Company incorporated in the United Kingdom and registered in England and Wales. The smallest and largest group of undertakings of which the company is a member that draws up group financial statements is that of Octopus Capital Limited. Octopus Capital Limited prepares consolidated financial statements, and copies of these financial statements can be obtained from the registered office Company Secretary, Octopus Capital Limited, 6<sup>th</sup> Floor, 33 Holborn, London, EC1N 2HT.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

30 April 2019

### 16. Subsequent events

Since 30 April 2019, the business has agreed to acquire the customer books of Co-op Energy, Flow Energy and the former GB Energy, which in total will add around 300,000 customers and bring the Company's total customer book above one million. All of these will be integrated into the Octopus Energy business. In addition, Octopus has announced expansion into Australia (platform agreement with Hanwha Corporation and into Germany (acquisition of 4Hundred GmbH).

Octopus Energy has repaid £13.9m on loans to Octopus Energy Holdings Limited.

Following an in-depth review, the EU commission has reapproved the GB Capacity Market (CM) provided that UK Government prospectively addresses a number of conditions. Many of the conditions are reflective of existing domestic policy or existing legal requirements as members of the EU. Current expectation is for the payments to begin by January 2020. The Company has fully provided for these costs and have the funds to pay this at very short notice.

Other than those already listed, the directors are not aware of any further matters or circumstances that have significantly affected or may significantly affect the Company.