

Octopus AIF Management Limited

Annual report and financial statements

For the year ended 30 April 2023

Registered number: 08802172



COMPANY INFORMATION

Directors	E Lederman C Køppen J C N Digges J P Averill S M Grant (appointed 7 th September 2022) C R Hulatt (resigned 25 th November 2022)
Company Secretary	Octopus Company Secretarial Services Limited
Company Number	08802172
Registered Office	6 th Floor 33 Holborn London EC1N 2HT
Auditor	Deloitte LLP 1 New Street Square London United Kingdom EC4A 3HQ
Bankers	HSBC plc 31 Holborn London EC1N 2HR

TABLE CONTENTS

	Page
Strategic Report	4
Directors' Report.....	11
Independent Auditor's Report	12
Financial Statements	18
Statement of Comprehensive Income	18
Balance Sheet	19
Statement of Changes in Equity	20
Notes to the Financial Statements	21-26

STRATEGIC REPORT

For the year ended 30 April 2023

Business review and key performance indicators

The results for the Company show a pre-tax profit of £2,266,232 (2022: £2,318,424) and turnover of £47,782,231 (2022: £109,630,279) for the year. The profit after tax for the Company is £2,077,453 (2022: £1,896,326).

During the year, the Company saw the launch of Octopus Future Generations VCT, The Octopus Group's first new Venture Capital Trust ("VCT") in several years, which has been well received by investors. While management fees rose slightly driven by good performance of renewable energy funds, as a result of more challenging markets for early-stage companies, the Company did not earn any performance fees in 2023 from its Venture Capital funds which led to the significant decrease in overall revenue.

During the year the Company paid a dividend to its parent company, Octopus Capital Limited, of £2,500,000 (2022: £6,500,033). The Company has no debt (2022: £nil) and shareholders' funds amount to £5,085,795 (2022: £5,508,342).

Risk Management, Principal Risks and Uncertainties

Taking risk is an inherent part of the Company's business activities. Governance frameworks are established to help ensure that the Company only takes on risks it understands, can manage, and where the potential benefits justify the risk, are taken.

Principal risks are assessed to consider current and emerging risks facing the Company.

Strategic and Business Risk

The Risk of Tax Legislation Changes

The risk of tax legislation changes significantly impacting the Company's product range.

Mitigations

To manage this risk to the business, executives and relevant investment teams ensure that they have a detailed understanding of current tax legislation and are aware of evolving HMRC rules on the horizon. A clear strategy is in place to expand the current non-tax offerings for example through institutional fundraising.

Change in risk in current year: increased (due to political uncertainty in the UK).

Operational Risk

The Risk of Critical Outsourced Provider Failure

The risk that an outsourced provider fails to provide the service required either through their own organisational failure, or through substandard performance.

Mitigations

The Company delegates portfolio management services to Octopus Investments Limited, a fellow group Company, along with Octopus Renewables Limited. In addition to this, the Company outsources certain activities like fund administration to third-parties. Third party due diligence frameworks and policies are in place to assist in mitigating the risks associated with outsourcing. Conditions that the business does not have an appetite for include 1) arrangements where senior personnel delegate their responsibilities to a third party, and 2) arrangements which could undermine the firm's regulatory status and obligations. Initial and ongoing due diligence is performed on third parties and scrutiny is increased if the nature of the relationship necessitates greater oversight and assurance.

Change in risk in current year: no change.

STRATEGIC REPORT

For the year ended 30 April 2023

Risk Management, Principal Risks and Uncertainties (continued)

The Risk of Control Failure Resulting in operational errors

The risk that inadequate or failed processes, people, systems and controls or from external events could result in direct financial losses, reputational damage and failure to attract new clients.

Mitigations

Effective governance and oversight arrangements are in place through a Board Committee and the three lines of defence. Policies and procedures outline internal controls and escalation protocols. These measures significantly reduce the risk posed by events which could cause harm to clients, markets, and the reputation of the business. Management is active in seeking knowledge on changes to the business environment which may have an impact on the way the Company does business. The Company also has business continuity and disaster recovery plans in place, and insurance is in place to mitigate significant financial loss.

Change in risk in current year: no change.

Financial Risk

Credit risk

The risk that the Company suffers a loss due to a counterparty failing to meet contractual obligations.

Mitigations

The Company's principal financial assets are cash and trade and other receivables. The credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. Management regularly reviews aged balances and maintains an active dialogue with any counterparties in arrears to maximise recovery of amounts owed.

The credit risk on cash balances is limited, and the Company has a policy to only deposit cash in institutions that are AAA credit related (or equivalent).

Change in risk in current year: no change.

Liquidity risk

The risk that the Company, although solvent, either does not have available sufficient financial resources, or cannot secure sufficient financial resources without excessive cost, to meet its financial obligations as they fall due.

Mitigations

To maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company holds its cash reserves in a current account. The Company is required to report to the FCA on its Capital Adequacy via its FIN066 quarterly return with minimum levels of Liquid Assets maintained largely based on the Funds Under Management of the Company.

Management monitors the cash flow forecasts of the Company monthly, and the projections are shared with the Board committees as part of the financial reporting. Stress scenarios are included which details impacts to the Company's cash under adverse scenarios and ensures smooth running of operations.

The Company has complied with its Liquid Assets required throughout the current and prior year and this is expected to be the case in future years too.

Change in risk in current year: no change.

STRATEGIC REPORT (continued)

For the year ended 30 April 2023

Treating customers fairly

Treating customers fairly is part of the Company's business ethos and ensures its regulated business complies with the FCA principle, "A firm must pay due regard to the interests of its customers and treat them fairly". The fair treatment of customers is central to the corporate culture. The Octopus Group is a certified B Corp and has changed its Articles of Association so that we are legally required to manage our business in line with the interests of all our stakeholders.

A conflicts committee is responsible for ensuring that customers are treated fairly in decisions that the Company makes, whether that be ensuring that Octopus does not unfairly benefit at the expense of the customer, or different customers within Octopus products. This is achieved through identification of actual or perceived conflicts, controls over the handling of sensitive information and training and support to employees to manage identified conflicts.

Business ethics and governance

The Board is responsible for ensuring that the activities of the Company are conducted in compliance with the law and applicable governance and regulatory regimes, and with prevailing best practice for the financial services industry. This includes reviewing internal controls, ensuring that there is an appropriate balance of skills and experience represented on the board, and ensuring that the financial statements give a true and fair view of the state of affairs of the Company. Further detail can be found in the statement of directors' responsibilities on page 11.

Section 172 statement

The Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term.

The Company is part of the Octopus Group, a certified B-Corp company and as part of the Board's decision-making process, the Directors and its Committee consider the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term.

Illustrations of how s172 factors have been applied by the Board can be found throughout the Strategic Report as follows:

Matter	Reference
the need to foster the Company's business relationships with customers	Page 7 (Treating customers fairly)
the impact of the Company's operations on the community and the environment	Page 8 (SECR)
the desirability of the Company maintaining a reputation for high standards of business conduct	Page 6 (Principal Risks)

Task Force on Climate-related Financial Disclosures (TCFD)

Climate change is one of the most critical challenges facing civilisation as we know it today. Companies have a vital role to play in addressing climate change and Octopus believes that measuring, managing, and communicating sustainability performance is an essential part of the company's responsibility.

Task Force on Climate-related Financial Disclosures (TCFD) is split between:

- TCFD recommendations, which focus on assessing the financial impact of climate change on business models in order to help organisations build resilience to climate change into their strategy.
- TCFD disclosures, which help businesses demonstrate the extent to which the recommendations have been implemented and provide decision useful information to investors.

The Octopus Group integrates both recommendations and disclosures within Octopus Investment Limited's processes (herein "Octopus Investments"), as delegated manager of the Company's non-renewable energy funds, which can be seen at www.octopusinvestments.com.

STRATEGIC REPORT (continued)

For the year ended 30 April 2023

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

For the Company's renewable energy funds, portfolio management is delegated to Octopus Renewables Limited which is part of Octopus Energy Generation. Climate related risks and related strategies are integrated into Octopus Renewables Limited processes, which can be seen at www.octopusenergygeneration.com.

As the Company is part of the Octopus Group Holdings Limited group, the Governance, Risk Management, and Metrics are presented in relation to the Octopus Group which includes the Company alongside the other fund management entities controlled by Octopus Group Holdings Limited. Where applicable, the relevant entity and committees performing the activities have been referenced.

Governance:

Governance is performed by the Octopus Investments Board as portfolio manager of the Company's non-renewable energy funds, and oversight is provided by the Company's board of Octopus Investments through reviews of its service delivery. The Octopus Investments Board is supported by the Responsible Investment (RI) Committee, which is made up of a Founder, Chief Executive Officer, Chief Investment Officer, Head of Investment Products, Head of Impact and Sustainability and Chief of Staff.

The RI Committee have set a RI Policy which outlines the Company's approach to managing and disclosing climate related risks in line with TCFD guidance. The Investment Heads are then responsible for ensuring that climate related risks are integrated within decision making, and the Head of Impact and Sustainability is responsible for ensuring that disclosures are accurate and fulfil reporting requirements.

Where climate-related risks and opportunities are identified, they are discussed with the RI Committee and if it is deemed that further measures should be taken, the issues are incorporated within the Company's overall risk management framework.

Each year, the RI Committee reports back to the Octopus Investments Board on performance against the RI Policy, this review includes an overview of climate related risks, their materiality and how we are tracking against metrics and targets such as carbon emissions.

Where risks have been identified, the RI Committee will set appropriate targets to reduce exposure through engagement, and where necessary, divestment.

Climate strategy:

Octopus is most exposed to the impact of climate-related risks and opportunities through its investment portfolios, and the impact this could have on investment performance. The below is the identification of risks across all of the asset classes that the Company invests, along with the strategy to managing these risks.

Octopus is on a mission to invest in the people, ideas and industries that will change the world. We mainly invest across three broad themes: building a sustainable planet, revitalising healthcare and empowering people.

For the most part Octopus benefits from many of the climate-related issues associated with a transition to a lower-carbon economy and a 1.5-degree climate pathway and is also taking steps to ensure that the investments we make remain resilient to the physical risks associated with a 4-degree pathway.

Each investment team is responsible for ensuring that climate-related risks are integrated within the investment and portfolio management process. This analysis demonstrates that for the most part Octopus is resilient to these risks, over the short, medium and long term, by the very nature of the asset classes in which we invest:

- Real Estate – Our lending business provides short term loans (max 2 years) which means that they are less exposed to physical risks. Analysis has not uncovered risks that are not being assessed and mitigated within the lending process. Furthermore, Octopus Healthcare Fund has set minimum efficiency ratings or specific targets to improve the energy efficiency of the overall portfolio.

STRATEGIC REPORT (continued)

For the year ended 30 April 2023

Climate strategy (continued)

- Infrastructure – Our infrastructure team is focussed on funding infrastructure which will accelerate the transition to net zero. With the launch of the Octopus Sustainable Infrastructure Fund, the Company recognises that many transition climate-related risks present upside opportunities. For example, the phasing out of ICE presents increased demand for EV charging infrastructure etc. Infrastructure remains exposed to physical climate risks, and these are assessed within the investment process as part of due diligence, and within ongoing portfolio management decisions.
- Venture Capital – Our ventures team are backing tech enabled businesses with improved energy efficiency and reduced exposure to physical risks when compared with industry incumbents. While the portfolio continues to be assessed against climate-related risks, the team have not identified risks that pose a material risk to investment performance.
- Renewable Energy – Our renewable energy funds consider climate-related risks and opportunities as an integrated element of their strategy. Our funds portfolio's include assets in development, construction and operations as well as energy transition portfolio companies and developers, adding new renewable capacity to the grid and avoiding carbon. Whilst our funds investment strategy is aligned to transitional opportunities arising from climate change, renewable energy sites and businesses are not themselves exempt from the potential physical impacts of climate change. All our renewable energy funds are classified as dark green (Article 9) under the new Sustainable Finance Disclosure Regulation ("SFDR") and in line with EU Taxonomy analysis, climate related risks are assessed for all investments with mitigation plans for material risks

Risk Management:

Climate-related risks are identified, assessed, and managed within the investment process, and this information is consolidated at a firm level to maintain an understanding of all climate risks which could impact fund, and subsequently company, performance. The Impact and Sustainability team have developed a series of tools which support responsible investment. In the context of climate related risks and opportunities for unlisted companies:

- The Responsible Investment (RI) Tool is completed by the investment manager and assesses a portfolio companies' exposure to climate related risks and opportunities as part of the due diligence process, and then as part of ongoing portfolio management.
- The RI Tool is built using the SASB (Sustainability Accounting Standards Board) materiality map which outlines key sustainability issues which should be considered across different sectors. The Tool also incorporates the SASB climate overlay which highlights which sustainability issues are climate risks, and the Impact and Sustainability team has assessed whether these risks are financially material in a 1.5-degree climate pathway or a 4-degree climate pathway.
- The Engagement Tool is completed by the portfolio company, it captures information and data that helps the team to understand their exposure to issues which are considered material to all investments. For example, it captures data relating to greenhouse gas emissions, and where companies do not have access to available data – provides access to licensed tools that allow them to measure emissions quickly and easily.

Currently, 83% of portfolio companies across the Octopus group have completed the Engagement Tool and we are aiming for all companies to have completed this in 2024.

At a fund level, as with all sustainability issues, climate related risks that have been identified within Investment Committee meetings will be discussed, and where risks are considered material to investment performance these issues will be incorporated within the risk register and assessed on an ongoing basis.

At a firm level, material climate risks will be reviewed by the RI Committee, and steps will be taken to mitigate exposure where it is deemed that further measures should be taken.

STRATEGIC REPORT (continued)

For the year ended 30 April 2023

Metrics and targets:

Greenhouse Gas Emissions is one climate-related risk that Octopus has identified as having the potential to impact the financial performance of funds, products, and the wider business. As a result, Octopus has taken steps to measure and report on Scope 1, 2 and 3 (business travel and purchased goods and services (PG&S)) emissions across the Group as well as those associated with investment portfolios.

- Scope 1&2 (location-based emissions): 326 tCO₂e
- Scope 3 (business travel and PG&S): 1,434 tCO₂e
- Scope 1-3 per UK employee: 2.65 tCO₂e

The Octopus Group has set a target to reach Net Zero by 2030 across operational emissions associated with Scope 1 & 2 emissions and Scope 3 emissions for business travel and PG&S.

Scope 1 emissions are calculated by taking Octopus Group's amount of natural gas used to heat office buildings and multiplying this by DEFRA's UK emission factor.

Scope 2 emissions are calculated by taking Octopus Group's amount of electricity used in buildings and multiplying this by DEFRA's UK emission factor. The electricity emissions have been calculated using both the Market-based approach and the Location-based approach.

- Location-based approach: calculated using the average electricity emissions for the national grid.
- Market-based approach: specific electricity emissions for source of electricity and residual grid mix for non-specific sources.

The energy usage across the fund management activities of the Octopus Group, which include the Company and Octopus Investments Limited, are:

- Electricity: 806,874 KWH
- Natural Gas: 889,811 KWH
- Transportation*: 295,802 KWH

*Transportation energy usage was calculated from mileage claims from petrol, diesel, and battery vehicles.

In calendar year 2022, the Octopus Group reduced its carbon footprint by almost 20%, which is good progress towards the 30% reduction target by 2025. Octopus uses the portfolio emissions to identify portfolio hotspots and provide support to help companies reduce their emissions and set their own targets. More information on our Net Zero plan can be found on our website www.octopusgroup.com/net-zero-plan.

In quarterly meetings, the Responsible Investment Committee review climate-related risks that have been identified within the investment process and continue to provide oversight over risks and opportunities that could impact the performance of the investment business.

STRATEGIC REPORT (continued)

For the year ended 30 April 2023

Future developments

The Company plans to grow its existing fund base and to build on the strong progress in 2023 after launches of new funds such as Octopus Future Generations VCT. This includes the launch of Octopus' first Affordable Housing fund, as well as the launch of a Sustainable Infrastructure fund.

Approved by the Board and signed on its behalf by:



E Lederman

Director

18 August 2023

Registered Office:

6th Floor

33 Holborn

London, EC1N 2HT

DIRECTORS' REPORT

For the year ended 30 April 2023

The directors present the annual report on the audited financial statements of Octopus AIF Management Limited ("the Company"), a company regulated by the Financial Conduct Authority ('FCA') as an Alternative Investment Fund Manager ('AIFM'), together with the financial statements and auditor's report, for the year ended 30 April 2023.

Principal activities

The principal activity of the Company during the year was that of fund management.

Directors

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

E Lederman

C Køppen

J C N Digges

J P Averill

S M Grant (appointed 7th September 2022)

C R Hulatt (resigned 25th November 2022)

Directors' indemnities

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

Dividends

During the year the Company paid dividends to its parent company, Octopus Capital Limited, of £2,500,000 (2022: £6,500,033). The Directors do not propose a final dividend in relation to 2023.

Going concern

The financial statements have been prepared using the going concern basis of accounting.

The conflict in Ukraine is having significant ramifications to many businesses both that have direct operations in Ukraine and Russia as well as in their wider supply chain. The knock-on effect, particularly into energy markets, has caused unprecedented increases in inflation across the world that have not been seen for over a generation. While inflation was initially forecast to fall more quickly, the peak has been much higher than expected and despite hopes that it would not be sustained, it has yet to fall back to Central Banks targets.

However, the Company has considerable financial resources together with long-term investment management agreements across multiple funds with varying asset classes and a recurring revenue base. The funds have a history of strong performance, are managed by experienced investment teams and many have investors who have committed their capital for a period longer than 12 months. The Company itself has a small, fixed cost base and thus is insulated from potential inflationary increases that may be seen in costs.

As such the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of signing of these financial statements. With a view of the prevailing economic conditions, the Directors are satisfied that there is no material uncertainty leading to a significant doubt in this regard and that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT (continued)

For the year ended 30 April 2023

Strategic report

The Company has chosen in accordance with Companies Act 2006, s. 414C (11) to set out in the Company's Strategic Report information required by Sch. 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) to be contained in the Directors' Report. It has done so in respect of future developments, engagement with suppliers, customers and others, Streamlined Energy and Carbon Reporting (SECR), and financial risk management objectives and policies.

Reduced disclosure

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The notable area of disclosure which will be affected is related party disclosures, financial instruments and the cash flow statement: these will be disclosed in the annual accounts of the Company's ultimate parent company, Octopus Group Holdings Limited, but not the Company or other subsidiary companies, who will adopt the exemption to disclose in its own accounts.

Events after the end of the reporting period

Details of events after the end of the reporting period can be found in note 12.

Auditor

Each director who held office at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information needed by the company's auditor in connection with preparing their report of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be 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 s.418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and will be proposed for re-appointment in accordance with section 485 of the Companies Act 2006

Directors responsibility statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

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

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

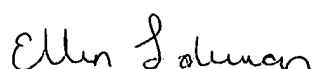
DIRECTORS' REPORT (continued)

For the year ended 30 April 2023

Directors responsibility statement (continued)

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

Approved by the Board and signed on its behalf by:



E Lederman

Director

18 August 2023

Registered Office:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCTOPUS AIF MANAGEMENT LIMITED

For the year ended 30 April 2023

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Octopus AIF Management Limited (the 'company'):

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

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 12.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCTOPUS AIF MANAGEMENT LIMITED (continued)

For the year ended 30 April 2023

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCTOPUS AIF MANAGEMENT LIMITED (continued)

For the year ended 30 April 2023

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

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

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

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

As a result of performing the above, we identified the greatest potential for fraud to be presented in accuracy of the investment advisory fee revenue – specifically whether the fee was calculated in accordance with the underlying funds' governing documents. We note that the basis for the fee charges varies considerably between funds. Our specific procedures performed to address it are described below:

- obtained an understanding of the relevant internal controls and evaluated the effectiveness of the design and implementation of these controls. We independently recalculated the investment advisory fees charged in line with the underlying funds' governing documents for a sample of management fees.

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCTOPUS AIF MANAGEMENT LIMITED
(continued)**

For the year ended 30 April 2023

Matters on which we are required to report by exception

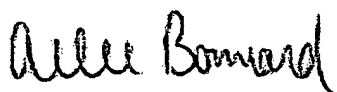
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Allee Bonnard (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

18 August 2023

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2023

	Note	2023 £	2022 £
TURNOVER	2	47,782,231	109,630,279
Cost of sales	3	(45,522,879)	(107,282,442)
GROSS PROFIT		<u>2,259,352</u>	<u>2,347,837</u>
Administrative expenses		(33,427)	(29,413)
Finance Income		40,307	-
PROFIT BEFORE TAXATION		<u>2,266,232</u>	<u>2,318,424</u>
Tax on profit	6	(188,779)	(422,098)
PROFIT FOR THE FINANCIAL YEAR		<u>2,077,453</u>	<u>1,896,326</u>

All amounts relate to continuing operations.

There were no items of other comprehensive income in the current or prior period.

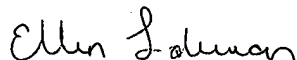
The notes on pages 21 to 26 form part of these financial statements.

BALANCE SHEET

As at 30 April 2023

	Note	2023 £	2022 £
CURRENT ASSETS			
Debtors – due within one year	7	17,016,101	17,046,971
Cash at bank		5,069,337	6,521,693
CREDITORS: amounts falling due within one year	8	(16,999,643)	(18,060,322)
NET CURRENT ASSETS		<u>5,085,795</u>	<u>5,508,342</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,085,795</u>	<u>5,508,342</u>
NET ASSETS		<u>5,085,795</u>	<u>5,508,342</u>
CAPITAL AND RESERVES			
Called up share capital	9	2,000	2,000
Share premium		198,000	198,000
Profit and loss account		<u>4,885,795</u>	<u>5,308,342</u>
SHAREHOLDER'S FUNDS		<u>5,085,795</u>	<u>5,508,342</u>

The financial statements of Octopus AIF Management Limited (registered number: 08802172) were approved by the Board of Directors and authorised for issue on 18 August 2023. They were signed on its behalf by:



E Lederman

Director

The notes on pages 21 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2023

	Called-up share capital	Share premium	Profit and loss account	Total
	£	£	£	£
At 30 April 2021	2,000	198,000	9,912,049	10,112,049
Dividends paid (note 9)	-	-	(6,500,033)	(6,500,033)
Total profit for the financial year	-	-	1,896,326	1,896,326
At 30 April 2022	2,000	198,000	5,308,342	5,508,342
Dividends paid (note 9)	-	-	(2,500,000)	(2,500,000)
Total profit for the financial year	-	-	2,077,453	2,077,453
At 30 April 2023	<u>2,000</u>	<u>198,000</u>	<u>4,885,795</u>	<u>5,085,795</u>

The notes on pages 21 to 26 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2023

General information

Octopus AIF Management Limited 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 Directors Report on page 4. 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 financial statements are also presented in pounds sterling.

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

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' issued by the Financial Reporting Council.

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 Group Holdings Limited, which may be obtained from the Company Secretary, Octopus Group Holdings Limited, 6th floor 33 Holborn, London, EC1N 2HT. Exemptions have been taken in these Company financial statements in relation to the presentation of a cash flow statement, related parties and financial instruments.

In line with paragraph 33.1A of FRS 102, the Company did not disclose transactions with wholly owned Group companies wherein any subsidiary undertaking which is a party to the transactions is wholly owned by a member of the Group.

Going concern

The financial statements have been prepared using the going concern basis of accounting.

The conflict in Ukraine is having significant ramifications to many businesses both that have direct operations in Ukraine and Russia as well as in their wider supply chain. The knock-on effect, particularly into energy markets, has caused unprecedented increases in inflation across the world that have not been seen for over a generation. While inflation was initially forecast to fall more quickly, the peak has been much higher than expected and despite hopes that it would not be sustained, it has yet to fall back to Central Banks targets.

However, the Company has considerable financial resources together with long-term investment management agreements across multiple funds with varying asset classes and a recurring revenue base. The funds have a history of strong performance, are managed by experienced investment teams and many have investors who have committed their capital for a period longer than 12 months. The Company itself has a small, fixed cost base and thus is insulated from potential inflationary increases that may be seen in costs.

As such the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of signing of these financial statements. With a view of the prevailing economic conditions, the Directors are satisfied that there is no material uncertainty leading to a significant doubt in this regard and that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover comprises revenue which is recognised to the extent that it is probable that economic benefits will flow to the Company and such revenue can be reliably measured. Revenue represents amounts receivable for services provided in the normal course of business, net of VAT, and includes management fees, initial fees, performance fees as well as a delegated management fee due from Octopus Renewables Limited.

Fees earned from the ongoing management of funds are recognised on an accruals basis to the extent that it is probable that there will be economic benefit and the income can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2023

1. Accounting Policies (continued)

Cost of sales

Cost of sales comprise the fund management fee receivable from the funds that the Company manages that are payable to Octopus Investments Limited and Octopus Renewables Limited under delegated management arrangements. For renewable funds managed on behalf of Octopus Renewables Limited 100% is contractually payable, and for the funds managed on behalf of Octopus Investments Limited, 95% of all management fee income and 100% of all performance fee income (if any) are payable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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.

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

Accrued income

Where services have been provided to customers, but that invoices have not been raised by the Company, the amounts are recorded as accrued income and included as a part of debtors due within one year.

Trade and other debtors

Trade and other debtors that are receivable within one year and do not constitute a financing transaction are recorded at the undiscounted amount expected to be received, net of impairment.

Deferred income

Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Trade and other creditors

Trade and other creditors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2023

1. Accounting Policies (continued)**Related parties**

For the purposes of these financial statements, a party is considered to be related to the company if:

- i. the party has the ability, directly or indirectly, through one or more intermediaries, to control the Company or exercise significant influence over the company in making financial and operating policy decisions, or has joint control over the company;
- ii. the company and the party are subject to common control;
- iii. the party is an associate of the company or a joint venture in which the company is a venturer;
- iv. the party is a member of key management personnel of the company or the company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- v. the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals;
- vi. the party is a post-employment benefit plan which is for the benefit of employees of the company or of any entity that is a related party of the company; or
- vii. the party, or any member of a group of which it is part, provides key management personnel services to the company or its parent.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, 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.

No critical judgements were made by the directors in the process of applying the Company's accounting policies. There are no key sources of estimation uncertainty.

2. Turnover

Turnover is all related to the sale of fund management services.

	2023	2022
	£	£
Management fees	47,782,231	45,686,940
Performance fees	-	63,943,339
	<u>47,782,231</u>	<u>109,630,279</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2023

3. Cost of sales

	2023 £	2022 £
Delegated management fee payable	45,522,879	43,339,103
Performance fee payable	-	63,943,339
	<u>45,522,879</u>	<u>107,282,442</u>

4. Staff Costs

The Company has no employees. The executive directors did not receive any remuneration for services provided to the Company. However, two non-executive directors did receive total remuneration for services provided to the Company of £50,000 (2022: £50,000) which was paid by Octopus Investments Limited, a fellow Group company.

5. Audit Costs

The fee for the financial statement audit of the Company is £22,582 (2022: £37,800). The auditor's remuneration is borne by Octopus Investments Limited, a subsidiary of the parent company, and is not recharged.

Non-audit fees incurred in the year were £9,000 (2022: £8,500).

6. Tax on profit

The tax charge comprises:

	2023 £	2022 £
UK corporation tax on profits for the period	441,760	440,501
Over-provision in respect of prior year	(252,981)	(18,403)
Total current tax	<u>188,779</u>	<u>422,098</u>

Factors affecting tax charge for the year

The tax assessed for the period is lower (2022: lower) than the standard rate of corporate tax in the UK. The differences are explained below.

	2023 £	2022 £
Profit before tax	2,266,232	2,318,424
Tax on profit at UK corporation tax rate of 19.49% (2022: 19%)	441,760	440,501
Effects of:		
Adjustments from previous periods	(252,981)	(18,403)
Current tax charge for the period	<u>188,779</u>	<u>422,098</u>

The Company is part of the Octopus Group Holdings Limited Group where loss-making entities within the Group transfer tax losses to profit-making entities in line with Corporation Tax Legislation. In the year to April 2023 the Group expects to utilise £nil (2022 utilised: £440,501) of tax losses to offset the Company's taxable profit.

Where companies within the Octopus Group are not 100% owned, the Company will acquire these losses at the tax value of the losses claimed in accordance with the provisions of Corporation Tax legislation. Where companies are 100% owned within the Octopus Group, tax losses are acquired for nil payment.

The UK government announced the increase to the main rate of corporation tax from 19% to 25% from 1 April 2023.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2023

7. Debtors

	2023	2022
	£	£
Due within one year		
Trade debtors	369,027	466,081
Prepayments and accrued income	16,584,060	16,576,901
Amounts owed from group companies	63,014	-
Other debtors	-	3,989
	<u>17,016,101</u>	<u>17,046,971</u>

Debtors are interest free, unsecured and repayable on demand.

8. Creditors

	2023	2022
	£	£
Amounts owed to group companies	328,445	1,839,357
Accruals and deferred income	16,229,438	16,199,794
Corporation Tax	441,760	21,171
	<u>16,999,643</u>	<u>18,060,322</u>

Creditors are interest free, unsecured and repayable on demand.

Included within amounts owed to group companies in the current year is £187,520 payable to Octopus Wealth Limited for group tax losses claimed and paid for at the prevailing tax rate. The 2022 comparative included £54,720 payable to Aurora Care and Education Opco Limited, and £127,497 payable to Octopus Wealth Limited, for group tax losses claimed and paid for at the prevailing tax rate.

9. Called-Up Share Capital

	2023	2022
	£	£
Allotted, issued and fully paid		
200,001 Ordinary shares of 1p each	<u>2,000</u>	<u>2,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

Called-up share capital represents the nominal value of shares that have been issued.

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The Company did not issue any ordinary shares in the current year (2022: nil).

The Company declared a dividend per share of £12.50 (2022: £32.50) to its parent company, Octopus Capital Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2023

10. Related Party Transactions

Note 4 provides information on directors' remuneration and note 11 includes details of the immediate and ultimate parent company.

In line with paragraph 33.1A of FRS102, the company did not disclose transactions with wholly owned Group companies wherein any subsidiary undertaking which is a party to the transactions is wholly owned by a member of the Group.

The information below provides the total amount of transactions that have been entered into with related parties for the relevant financial year that are required to be disclosed.

All turnover is derived from funds the Company has significant influence over.

Related Party		Amounts earned from (£)	Amounts incurred to (£)	Balances owed by (£)	Balances owed to (£)
<i>Other Group Companies:</i>					
<i>Octopus Renewables Limited*</i>					
	2023	250,000	6,892,646	94,521	2,149,184
	2022	207,534	5,241,081	82,192	2,408,132
<i>Octopus Wealth Limited</i>					
	2023	-	-	-	187,520
	2022	-	-	-	127,497
<i>Aurora Care and Education Opco Limited</i>					
	2023	-	-	-	-
	2022	-	-	-	54,720

*As part of the Octopus group reconstruction in November 2022, Octopus Renewables Limited was no longer part of the Octopus Group Holdings Limited group and is therefore not a related party of the Company. Given the change in nature during the year, the 2023 amounts above include transactions and balances as if this took place at the end of the year for ease of comparison, however they will be removed from this note for 2024.

11. Ultimate Parent Undertaking and Controlling Party

The immediate parent company is Octopus Capital Limited, a company incorporated in the United Kingdom and registered in England. The ultimate parent company and ultimate controlling party is Octopus Group Holdings Limited, a company incorporated in the United Kingdom and registered in England which is the smallest and largest level of consolidated accounts that are prepared. Copies of these accounts can be obtained from the registered office of Octopus Group Holdings Limited: The Company Secretary, 6th Floor, 33 Holborn, London, EC1N 2HT.

In November 2022, the Octopus Group completed an internal reorganisation whereby a new holding company was created, Octopus Group Holdings Limited, which shareholders in the Octopus Group exchanged shares they previously held in Octopus Capital Limited for. As a result of this, the ultimate parent company of the Company changed from Octopus Capital Limited to Octopus Group Holdings Limited, which is the current ownership as at year-end and to the date of signing the accounts.

12. Subsequent Events

The directors are not aware of any other matters or circumstances that have significantly affected or may significantly affect the Company since 30 April 2023.