

THE SMARTER ENERGY REPORT 2023



Calisen Group (Holdings) Limited
Annual Report and Accounts 2023

Contents

STRATEGIC REPORT.

Our race to zero

- 06 Leading the way
- 07 Our values
- 08 Market opportunity
- 11 Market overview

Building a smarter UK

- 16 Chair's statement
- 19 CEO's review
- 23 Our strategy
- 27 Our Strategy in action
- 31 KPIs
- 34 CFO's review

Our pioneering approach

- 44 Division overview
- 45 Our track record
- 46 Stakeholder engagement
- 48 Our s.172 statement
- 49 ESG at Calisen
- 67 Risk Management

GOVERNANCE REPORT.

- 77 Corporate Governance report
- 79 Board of Directors
- 81 Directors' report
- 82 Statement of Directors' responsibilities

FINANCIAL STATEMENTS.

- 84 Independent Auditor's report to the members of Calisen Limited
- 86 Consolidated statements
- 117 Company statements

GLOSSARY OF TERMS.

- 121 Alternative performance measures
- 122 Definitions and abbreviations



The scramble for more is over. The race to net zero has begun. For every large-scale wind farm and solar park that's built, we need to install millions of small smart devices. With EV chargers, heat pumps, home batteries, solar panels and smart meters, we can unlock smarter energy for all. We believe net zero should never be out of reach. Which is why we enable businesses and households to transition with zero upfront cost, zero hassle and zero delay. Because, right now, zero has never meant so much. Every other business wants more, more, more. But to us, zero is everything.

Calisen

Smarter Energy For All

STRATEGIC REPORT. OUR RACE TO ZERO



When you're striving for a carbon-free society, momentum is key.

With over 4 million site visits this year, we're on the right track, but we know this is just the start.

Until we have brought smarter energy to all and secured a net zero future, we're committed to keeping up the pace and boosting the smart technology roll-out.

Calisen is a leading owner and manager of essential energy infrastructure assets

Calisen is a key player in the roll-out of smart devices across the UK, and we're committed to keep on growing

Calisen operates across four business units:

Meter Asset Provision (MAP) Services

The MAP Services division owns and manages metering assets, providing one in three UK smart meters.

Installation Services

The Installation Services division primarily covers the installation of smart domestic meters in the UK for energy suppliers.

Data Services

The Data Services division operates meter reading for traditional domestic meters, as well as other data-related jobs.

Plug Me In

Plug Me In covers the installation of EV (electric vehicles) chargers and heat pumps focused on the electrification of transport and heat.

15.2m

Revenue-generating meters

+43% increase on 2022

277k

Total meters installed directly by Calisen

+16% on 2022

2k

Total EV chargers installed



Smarter values for a smarter workforce

During 2023, we launched a series of new values to highlight our new Group structure and reflect the way that we work together

These values represent the very best of the business and our ambition for the future, and have been prepared in consultation with dozens of employees at all levels of the Calisen Group. These are intended to build on our existing strengths and push us to be the best we can be. For more information, please see pages 58 – 59.

The nation's drive to net zero means energy demands are changing

Calisen is an essential part of this smart evolution

Digitalisation: energy's central nervous system

Digitalisation of the UK energy sector, led by Calisen (being a provider of digital technology) and others, aims to create an informed digital system that serves consumers, producers, providers and the planet.

Smart digital technology provides an overall view of the nation's energy grid at any given moment. With near real-time data in a continuous stream from consumers, producers and providers, a digital system detects, reports, responds, analyses, calculates and enables.

A more digitally-enabled energy system empowers everyone. It puts consumers in control. With a smart meter, all the key evidence of consumers' energy usage is literally right in front of them. It prompts them to think about, and, if possible, to trim their consumption.

Similarly, smart metering data gives energy retailers more options, such as incentivising their consumers to use energy at off-peak times.

Currently, most energy is charged at the same price around the clock, regardless of the demand on the grid. Smart metering gives the tools to encourage spreading the load, and lower the risk of excessive demand leading to blackouts.

Digitalisation allows a bigger role for renewables. A more digitally capable grid is able to keep track of the multiple supply sources the UK now enjoys. These include wind turbines, solar panels and storage, so when the sun is shining and the wind is blowing, the grid can increase the proportion of low-carbon sources that power our homes and workplaces.

It enables a more robust grid. Superior data, tracking and decentralised generation will do more than simply track the nations' usage at any one time. The system also delivers geographic inputs, assessing where energy is needed, and where it is being produced. In turn, this gives the grid more options to even-out demand and keep everyone powered.

Reflecting the shifting energy mix

The old model of centralised power is increasingly less relevant in a more fragmented energy landscape. It is no longer a case of sending out fossil and nuclear power to the nation via a one-way grid.

The UK is now seeing decentralised, and increasingly local, centres of wind and solar power generation, which between them contribute over

40% of the UK's power. This brings the need for more two-way infrastructure as grids both send and receive power.

In turn, this creates adjacent market segments for Calisen's core business of smart meters. Infrastructure including battery storage, EV charging facilities, electric heat pumps, submetering and localised renewable energy generation will all increasingly come into play.

Of the UK's 32.1m smart meters, Calisen owns and manages 12.0m

32.1m total domestic smart meters in Q3 in 2023

12.0m Calisen owned and managed smart meters

Over the next decade, another £100bn will be invested into the smarter energy sector

This significant decarbonisation of power and the electrification of transport and other sectors has become a high-profile social and political goal. Across the developed world, most countries have stated targets to reduce their carbon emissions.

In the UK, our target is enshrined in law: the Government has legislated that the nation must achieve net zero greenhouse gas emissions by 2050.

The best way to achieve this is to roll-out a fully digitalised, joined-up system aligning consumers, producers and providers.

1.7

Average in-person meter readings avoided annually per household by fitting smart meters

3.0%

Average energy saving per smart electricity meter

2.2%

Average energy saving per smart gas meter

The smarter energy market

The market, from meters to data

Calisen's core business lies in providing UK households with a smart meter.

We work on behalf of the major energy retailers. They have been set mandatory targets by the energy regulator Ofgem to equip every residential customer with an energy smart meter.

We take care of every aspect of these installations, from procuring the device to supporting it through its service life.

Why do we need smart meters?

Smart meters are an active contributor to a lower-carbon, lower-emissions UK.

They bring two key differences: one, they deliver clear information that encourages consumers to

be more energy-efficient. And two, though two-way communication and real-time data, retailers can be more creative in introducing variable pricing at different times of day. The result is an energy sector with a digital "central nervous system", directly linked to consumers, producers and retailers, all optimising how the nation uses energy.

Who benefits?

We believe every stakeholder benefits from smart meters:

- Consumers are better informed to act on their usage and will benefit from attractive incentives to use off-peak energy. They can also switch suppliers more simply, top-up pre-payment meters online and are freed from the chore of meter readings.

- Retailers gain greater visibility of the whole system; can achieve yearly operating savings of £36 per household by 2034;¹ and benefit from improved working capital positions, reduced energy theft and lower bad debts.
- The planet will benefit from lower carbon emissions (up to 25% reduced CO₂ by 2025 vs. 2005), through lower energy consumption and a higher contribution from renewables due to the ability to load-shift.

The role of smart meters will become increasingly significant because they have the potential to be used by other home assets such as photovoltaic generation, EVs and other associated in-home batteries. They are essential enablers of the transition to a low-carbon and digitalised energy economy.

1. BEIS 2019. | 2. "Smart Meter Benefits: Role of Smart Meters in Responding to Climate Change" report by Delta Energy & Environment, 2019.

And what is Calisen's role?

At Calisen, we:

- procure digital smart meters from the leading manufacturers;
- finance them for our retailer customers through a meter provision charge; and
- install, manage and support them.

At the end of 2023, we are providing more than 15 million meters across Great Britain. In 2024 and beyond, we will continue to deliver for our customers with the intention of delivering over 20 million meters across the UK.

The smart dividend of data

Market dynamics

The UK's gas and electricity retailers have been in full competition for roughly a generation.

Aided by internet comparison sites, supplier switching by consumers grew in popularity, with "the Big Six" energy power retailers historically taking most of the market.

Despite this, new challenger brands began to emerge, and from a zero market share in 2005, this segment grew to account for around 28% of the market in 2022.

However, significant hikes in wholesale energy prices in 2021 and 2022 led to some high-profile insolvencies. By the close of 2023, the top six in the market accounted for 87% of customer accounts.

2023

Smart metering has now reached around 60% of all UK homes. This is yielding vast amounts of consumer information for the energy retailers, in near real-time. Data points include extent and time of usage, usage patterns, spikes in demand and expenditure. However, retailers making extensive use of this data is still in its infancy.

The opportunity for Calisen

As part of our "Smarter Energy for All" strategy, Calisen is well positioned to advise retailers on how to process that data to encourage efficiency, spread demand and ultimately cut emissions.

Our acquisition of data specialist Advizzo has given us a specialist capability in extrapolating and customising consumer data. We are primed to build on our long and deep relationships with the major retailers with this exciting added-value service.

For more on Advizzo, please see page 27.

Meter asset providers

Market dynamics

MAPs like Calisen serve the major energy retailers with a portfolio of services. This starts, but goes well beyond, installing meters. Typically, MAPs:

- Procure, finance and provide meters, and install them
- Collect meter provision charges (“MPCs”) from the energy retailers
- Manage a retailer’s portfolio of meters, often running to millions of devices
- Transfer MPC billing to a new energy retailer if a customer switches

Following liberalisation of the energy market, Calisen was an early mover and became integral to providing and managing metering assets.

2023

The Government’s SMIP is now approximately 60% through its goal to equip every UK residential property with a smart meter.

The opportunity for Calisen

There are around 10 million properties still to be switched to digital metering, and Calisen remains a leading provider.

The firm relationships we have built with every leading UK retailer also gives us a platform to market our wider smart portfolio of data, EV chargers and heat pump services.

Installation Services and Data Services

Market dynamics

In terms of people, the largest and most visible segment of our business are the Installation Services and Data Services divisions, the engineering arms of the business.

Formerly known as Lowri Beck, it comprises of more than 1,300 FTE. Within Installation Services, engineers work every day with live supplies of gas and electricity, so their training, at our dedicated Training Academy in Wigan, is rigorous and intense. In the Data Services arm, specialists cover the length of the country to read meters and provide data to the energy retailers.

2023

The new brand of Calisen Metering came into being during 2023, continuing to work alongside the MAP division to offer a one-stop shop of providing and installing smart meters. During the year, they installed more than 277,000 smart meters (approximately one every three minutes) and undertook nearly 4 million site visits.

The opportunity for Calisen

With the SMIP a little over half-way completed, there are more than 20 million smart meters still to be procured and installed.

With this considerable body of highly-trained, full-time engineers, Calisen Metering is primed to continue its role as a leading player in the country’s SMIP.

Electric vehicle charging and heat pumps

Market dynamics

With each passing year, the climate emergency drives global populations to find new ways to reduce their individual carbon footprints.

Crucially, effective and accessible technologies such as electric vehicle (“EV”) home charging and heat pumps are now realities in ordinary homes.

2023

Entry into EV home charging and heat pumps was a natural and logical progression for Calisen under our “Smarter Energy for All” strategy.

During the year, Plug Me In, established in 2020, built up its training, resources and contract wins to become a nationwide service with the capacity to deliver 10,000 EV charging installations each year.

Plug Me In also accelerated a new heat pump capability with strategic M&A that brought two specialists in the sector – Ecofit Renewables and Source ECO – into the Calisen family to create Plug Me In Heat.

The opportunity for Calisen

Growth in the take-up of EV home chargers is projected to increase during 2024.

Heat pumps are also expected to rise as householders appreciate both the climate credentials and economics of the technology.

Couple this with Calisen’s platform among the UK’s biggest retailers, and the potential is clear.



STRATEGIC REPORT. BUILDING A SMARTER UK



Bert Pijls, Chair

Greater growth. Broader skills.

Richer opportunities.

Most successful businesses can point to the time they reached a transformative point in their growth. I believe that in years to come, we will look back on 2023 as the start of something very special.

It was a year of both quantity and quality. Through strategic acquisition, we grew our reach and scale – and the efficiencies and resources that brings – by approximately one-third. But the year was also important in advancing our goal to become the only fully-fledged business services player in the energy sector. While our core business of smart metering grows apace, we have laid the foundations to become a UK leader in EV charging, heat pump installation and energy data analysis – all critical components of the UK's commitment to achieve net zero by 2050.

Perhaps most satisfying of all is that our growth, and our ability to diversify, is built on the firmest foundations. Our business is highly cash generative, and through our shareholders' mutual philosophy to reinvest for the long term, we are in the enviable position of largely funding our own growth.

This stability was reflected during the year when we achieved the landmark of an investment-grade rating on our flagship debt platform.

In turn, this has had an important bearing on our ability to control the cost of capital. In a growing, capital-intensive business such as ours, and financing literally millions of smart meters and other projects, negotiating the best possible terms becomes ever-more important. We also increased our liquidity through the launch of a US Private Placement ("USPP"). This USPP for a £325m long-term amortising facility was oversubscribed and marked a significant endorsement of our strategy.



“A year we should all be very proud of”

Two gripes for the Government

By the end of September 2023, the SMIP had brought more than 32 million meters into the smarter digital age. Of these, approximately 12 million new smart meters have been financed, supplied and installed by Calisen, and we're proud of the central role we perform on behalf of the UK's leading power utilities.

Take-up of this free and voluntary upgrade has reached well over half the UK population. Like any new and indeed massive technological programme, there were some issues with early functionality, and compatibility when consumers switched energy suppliers.

These wrinkles are no more, and in recent years – first with the pandemic, then soaring energy prices, and then the wider cost-of-living crisis – millions have discovered how a smart meter has become their friend. In almost real-time, householders can track exactly what they're spending, trim and tweak

their actions accordingly, and find themselves in full control. All the while, every kilowatt they shave off each day is playing a central role in the UK achieving net zero.

Which begs a question: why is it voluntary to have a smart meter? The UK currently pays to maintain two parallel systems, with old-style meters providing no pricing information and requiring literally thousands of meter readers driving across the country to verify readings.

Meanwhile, a smart meter:

- Equips consumers with price and usage data
- Encourages them to become more energy savvy
- Puts an end to estimated bills
- Contributes significantly to the UK's net zero target
- Creates incentive opportunities to use energy in off-peak periods
- Enables the power networks to manage demand, avoiding the risk of blackouts

With over 10 million households still to be upgraded, and with no customer detriment, we call on the Government to make smart meters mandatory. This would also accelerate the roll-out dramatically, enabling installers to work street by street in a focused and efficient way.

Keeping to deadlines

My second issue for the Government concerns their decision to relax the deadline for non-fossil fuelled cars from 2030 to 2035. This is regrettable on two counts.

The first is that the move pulls the rug from under the thousands of investors, who have already invested millions of pounds, in taking the Government's original policy at face value.

The second is a wider issue of the UK as a place to do business. For investors, if there's one thing worse than bad news it is uncertainty, and a flip-flop approach to major sectoral change, and critically climate change, helps nobody.



“We call on the Government to make smart meters mandatory”

All set for 2024

It has been inspiring to see our evolution from a single-focus metering business to a rounded, 360° business serving both the energy utilities and their residential consumers. This means that we stand ready with specialisms ranging from influencing consumer behaviour through rich data insights, to full supply-and-install solutions for EV charging and heat pumps. In each case, our portfolio has been crafted with a sharp focus on quality rather than haste. We have trained, and continue to grow, a nationwide field force of the right engineers, in the right places, to support our utility customers with services worthy of their brands.

We enter 2024 with optimism and a restless excitement: we have much to contribute. This is due in no small part to our employees, and I want to thank each and every one. They continue to seize

the chance to widen their skills and contribute to a business that has real purpose in its support of net zero. I particularly want to welcome our new team members from MapleCo and Advizzo into the Calisen family.

My thanks also go to our Board. As ever, it is a pleasure to work with shareholders who understand the particular needs, and opportunities, that come with major infrastructure. And of course I thank our customers: we value their business, their loyalty, and we never forget they have a choice.

With my best,



Bert Pijls, Chair

Sean Latus, Chief Executive Officer

Energy has never been as front-of-mind in the UK as it is now. How we source it, and the consequences for the planet. How we use it, and its soaring cost in recent times. And, emerging slowly but surely in 2023, a focus on when we use it, in order to spread the load and ease pressure on supplies. Anticipating this backdrop, at Calisen we have been working over the years to extend our role as an asset provider with a logical progression into added-value services. In 2023 – and true to our vision of “Smarter Energy for All” – this came to fruition as we began a transformation from a pure metering business into a 360° smart energy company. With this move comes opportunities for our customers, end-consumers, our people, our investors and the nation’s net zero goals.



Building on solid financials

2023 was an impressive and transformational year for the business where the Group exceeded budgeted revenue and stretch targets in respect of EBITDA and capital expenditure. Capital expenditure in assets also increased as our customers continued to recover after the COVID-19 slowdown years and the energy crisis.

During the year:

- Our total meter portfolio increased from 12.0 million in 2022 to 15.2 million in 2023, driven by the acquisition of MapleCo and ongoing installations in the existing metering business
- We acquired businesses that became the basis for Plug Me In Heat, building on our existing capabilities in Plug Me In EV.
- We launched a new operational model in our engineering businesses, improving overall efficiency and setting the foundations for future growth.

“Calisen is at the heart of the UK’s smarter energy transformation”

The business also showed resilience in the face of various challenges such as rising inflation, interest rates and some utilities falling short of their regulatory targets for installing smart meters. We also made significant strides in keeping down our cost of capital, achieving a very successful USPP for the first time. This directly plays to our competitiveness and positions us well for new contract tenders.

Mergers & Acquisitions (M&A) speeds new services

We are an ambitious business, in an industry that needs to take urgent action on climate change now. We were therefore delighted to announce landmark deals that will accelerate our progress into brand new sectors:

- Heat pumps are already making a critical contribution to low-carbon heating, and in March 2023 we the acquired the expertise of two of the sector's most successful businesses: Ecofit Renewables and Source Eco who are now called Plug Me In (Heat) Limited.

- Advizzo followed in May. This leading behavioural and data science software company analyses data from smart meters to produce customised analysis for individual consumers. Sent under the brand of their retail supplier, these communications tell a consumer how their particular usage compares with other typical values in their street, and how they can save both money and emissions.

This Advizzo acquisition also means we can help the UK's energy retailers to make productive use of the vast amount of data provided by smart meters. For example, to devise new tariffs, move demand away from peak times, and encourage lower-carbon habits. Advizzo's software as a service ("SaaS") offering is already deployed for water and energy providers in the UK, US, UAE, France, Italy and New Zealand.

MapleCo brings scale to the existing metering business

Despite a busy year for M&A, we never lose sight of our existing metering business. As one of the major

smart metering suppliers, we have spearheaded the Government's ambitions to address climate change and deliver net zero. By the close of 2023, our portfolio stood at a total of 15.2 million smart meters as part of our efforts to advance that goal. In fact, one in every three smart meters in the UK is a Calisen device.

For such a major nationwide undertaking, scale is key to deploy assets at the lowest possible cost to the energy retailers. Market consolidation is therefore an important lever, and in July 2023 we received the regulatory approval from the Competition and Markets Authority to acquire MapleCo, one of the UK's largest MAPs.

This was an excellent strategic acquisition for two reasons: one, it increased our scale, at a stroke, by approximately one-third, and two, the deal also brought MapleCo's provider agreement to supply OVO Energy. We have long admired OVO, who have gained share and size through innovation and a willingness to do things differently. With Calisen's holistic smarter philosophy, I believe we can do great things together.

A productive year

We welcomed MapleCo into a productive and engaged culture. At the end of 2023, we added around 4 million more smart meters to what our position had been at the end of 2022 and took more than 3.7 million data readings. We also delivered more training hours in our superb Training Academy in Wigan, while also initiating an “engine room” philosophy to create a single field force.

We're delighted to see our skills recognised: during the year we won contracts with Octopus to handle their commercial installs of EV chargers, and with British Gas for heat pumps. It will take time, but ultimately, we envision a nationwide team of upskilled installers who can bring their talents to both heat pumps and home EV charging. That will be good for customers, efficiency and costs, and add a new dimension to careers with Calisen as we seek to retain good people.

We were encouraged by our latest All Employee Survey, carried out independently and anonymously, which showed engagement had risen to 67% (2020: 58%), as well as high scores for our safety culture and intention to stay with us. But there is always more to do, and we are focusing now on areas including better reward & recognition, and collaboration.

Plug Me In, plugs 2,000 in

EVs now represent a significant proportion of cars on UK roads. A combination of consumer demand, climate concerns, clean air zones and an ever-growing range of electric models, meant that by September 2023 there were around 1.5 million fully electric cars on the UK's roads and 500k plug-in hybrids. It's an exciting time as more and more drivers make the transition away from petrol and diesel. In response, Plug Me In was fully geared up to survey, supply and install home chargers during the year – with over 2,000 done during 2023. For more, please see our case story on page 29.

Sustainability: living our values

We see our role to help the UK achieve net zero as a noble mission – a critically important quest that we're proud to contribute to every day. Of course, this also means we need to live by example. During the year we made our first moves towards transitioning to EVs ourselves. It cannot happen overnight; our van fleet spans the length of the UK. But clearly, as we drive millions of miles each year to take smart technology to the UK, we regard the transition as an urgent priority. In our sustainability report (pages 49–66), we track our environmental progress on and off the road.

With the extensive change in our business through the M&A activities and rebranding of the Group, we took the opportunity to redefine our values, and to revitalise how we present ourselves. Our new look is fresh, confident and lands equally well with the different business and consumer audiences we need to address: from the retailers for whom we install thousands of meters, to a consumer looking for a home EV charging system or heat pump.

2024

In the reporting year, we delivered transformative acquisitions, kept our promises to investors and sowed many seeds for our future. In the immediate term, 2024 will now be a year of retrenchment, nurturing and integrating our new acquisitions while never losing sight of the basics: to work safely, efficiently and responsibly.

Our focus areas will include:

- Completing the integration of MapleCo into the Calisen family
- Pursuing more customer wins
- Keeping meter installations and capital investment in assets high
- Ramping-up installations by Plug Me In, aided by consumer financing
- Making progress into water meters
- Formalising our Learning & Development and investing in our Training Academy

Of course, this is not to say our restless ambition for growth will be dimmed. We always keep a weather eye on developments and opportunities, and by 2028 we want to have doubled the size of the business, through a combination of organic growth and M&A activity, on our way to being net zero by 2030.



Sean Latus, Chief Executive Officer



Our strategy

Calisen's mission is to deliver smarter energy to all, and we plan to hit our target of net zero by following our three strategic pillars

01. Execute

Execute on our core opportunities

Our strategy is to grow our base of revenue-generating meters, be safe in all we do and continue to provide our existing customers with excellent services.

02. Extend

Extend our capabilities to provide a holistic proposition

We intend to build on our existing relationships and track record of delivery to win future contracts and contract extensions to support customer growth. To do this, we will build new operating capability, not just in MAP but also in EV and heat infrastructure as well as in Managed Services.

03. Grow

Grow the business in line with the mission

- Solutions underpinned by physical infrastructure assets
- Opportunities with solid counterparty credit quality
- Enabling the energy transition and supporting a positive Environmental, Social and Governance (“ESG”) and net zero story
- Pursuing opportunities that play to Calisen's strengths

01.

Execute

Achievements

In 2023, we added 3.8 million revenue-generating smart meters to the portfolio, comprising 1.0 million in organic growth and 2.8 million through the acquisition of MapleCo. We achieved a number of new engagements with existing customers, building on our strong relationships.

Opportunities

Increasing the rate of meter installations is a key part of Calisen's strategy. Returning to pre-COVID-19 installation rates provides a useful baseline, either through the addition of new customers or existing customers increasing their installation rates. Utilising all aspects of Calisen's capabilities across the various business units is an important priority area.

Risk

There remains the potential for further energy supplier insolvencies and ongoing disruption in the UK energy markets, which will put pressure on the core business units.

Future priorities

Calisen has a strong contracted base of infrastructure projects, which it will continue to deliver on as part of its service to customers.

02.

Extend

Achievements

Signed up a number of energy suppliers for our Managed Services offering, and progressed trials for additional capabilities with a number of customers. Continued to deliver capability growth in EV charging, including delivering a number of trials with new customers.

Opportunities

The largest opportunity remains in providing excellent service to our customers, understanding their needs and how Calisen can meet them. The EV market represents a largely untapped opportunity, with most UK households not yet served by vehicle charging infrastructure, which is anticipated to require significant investment.

Risk

Ongoing challenges and disruptions in the energy market, delaying the energy transition and limiting opportunities for greenfield growth.

Future priorities

In a year of transformation, Calisen has built out a number of key capabilities across its Metering and adjacent businesses, which will continue to integrate into the wider Calisen platform.

03.

Grow

Achievements

A number of growth activities have been undertaken in 2023, including the acquisition of Advizzo to provide additional scope for services.

Opportunities

We believe domestic batteries, solar panels, and water metering are potential high growth areas and are of interest. Internationally, we will continue to monitor developments in other markets.

Risk

The key risk for adjacencies is the current lack of clarity over whether a commercially acceptable balance of risk and reward can be achieved.

Future priorities

Calisen continues to focus on:

- New wins
- International expansion
- Other asset ownership
- Acquisitions

Our strategy in action

Making customer data smarter



The UK's major utilities are amassing a vast amount of customer data, but there is a lot of scope to do more with the information they already have.

Many of these companies already have successful relationships with Calisen: we supply, finance and install smart meters on their behalf to millions of their residential customers.





It therefore made commercial logic to add data expertise to Calisen's growing portfolio of services. With the acquisition of Advizzo in May 2023, we can now complement our hardware offering with highly sophisticated software as a service ("SaaS") solutions, and help to take the utilities' customer engagement to the next level.

What is Advizzo?

Advizzo is a B2B2C business working with electricity, gas and water utilities in the UAE, Saudi Arabia, New Zealand, the US, Italy, France and now the UK. The business currently receives and analyses data from more than 2.7 million metering points.

Advizzo processes usage profiles and billing data in order to help utilities guide and influence individual customer behaviours. For example, utilities can produce, under their own brand, a fully personalised view of a household's energy usage and how it compares with that of their neighbours.

Most important of all, they can then suggest real-world, simple changes to deliver a given reduction in a household's energy usage.

Customers benefit by:

- Customised, proven advice, based on their actual data, that will cut their energy consumption and bills
- Actual savings backed by data with minimal effort

Utilities benefit by:

- Greater brand loyalty, earned by caring for their customers
- Incentivising customers to use energy away from peak hours
- Better network management and the ability to design tailored tariffs
- Advancing their net zero goals
- Reducing their customers' impact on climate change

In 2024, our goal for Advizzo is to double end-consumer numbers, as we take our new data proposition to the UK's leading utilities.

Our strategy in action

Leading the charge



Helping net zero at home and work

2023 was a formative year for Plug Me In. We signed major contract agreements for our EV charging division, and added an extra dimension to our portfolio by entering the heat pump sector.

EV home charging

The UK EV market reached a significant milestone in 2023: by mid-year, it had exceeded one million EVs on UK roads for the first time. The fact that this marked a 50% increase in 12 months only reinforced the rate and scale of demand.¹



¹ Source: www.fleetnews.co.uk/news/latest-fleet-news/electric-fleet-news/2023/04/26/more-than-1m-electric-vehicles-now-on-uk-roads.



It was also the year when Plug Me In gained ground with the UK's energy providers. This builds on our existing relationships, given that the Company is one of their key suppliers for the smart meter roll-out programme.

An additional key advantage is that our qualified meter engineers are trained and licensed to work with domestic isolation switches – a skill that many other charger installers simply don't have. This increases dramatically the safety and speed with which we can work.

During the year, we:

- Signed a referral agreement as sole provider of commercial EV charging solutions with Octopus Energy
- Signed a partnership deal with Scottish Power as their sole installer
- Concluded an agreement with British Gas for residential installations
- Were awarded NICEIC Approved Contractor status for commercial installations

Heat pumps

Another central plank of the Government's net zero ambitions is to enable the switch to residential and commercial heat pumps. In order to accelerate our capabilities in the sector, we acquired the expertise of two specialist businesses, Ecofit Renewables and Source Eco.

We also made excellent progress with winning new contracts, relationships and projects with major customers and retail providers.

Progress during the year included:

- Our engineering team reaching near-national coverage
- BPEC accreditation achieved for heat pump installation training
- Installing for British Gas as their net zero delivery partner
- Tenders worth greater than £5 million entered with two county councils
- Launch of Heat-as-a-Service proposition in partnership with Clade engineering

KPIs

Key

- Deliver contracted growth in the British MAP segment
- Continue build-out of Calisen's smart meter pipeline
- Expand into adjacent areas and international markets

Further details on movements in KPIs and performance are contained with the CFO report, on pages 34 to 42.

01.

Increase in revenue-generating meters ● ●

Description

Annual growth in the smart meter portfolio. Measures success in turning the pipeline into revenue-generating metering assets

Definition

The number of revenue-generating smart meters at 31 December less the equivalent number at 31 December the previous year

Link to strategy

Links to the first and second elements of our strategy, to deliver contracted growth in the British MAP segment and continue the build-out of the smart meter pipeline

What we achieved

1.0m

Organic growth before acquisitions

02.

Underlying EBITDA ● ●

Description

A measure of profitability prior to depreciation of assets, amortisation of intangible assets and the cost of financing

Definition

See page 120 for a detailed definition

Link to strategy

Links to the first and second elements of our strategy, to deliver contracted growth in the British MAP segment and continue the build-out of the smart meter pipeline

What we achieved

£265.4m

Compared with £215m in 2022

KPIs

Key

- Deliver contracted growth in the British MAP segment
- Continue build-out of Calisen's smart meter pipeline
- Expand into adjacent areas and international markets

Further details on movements in KPIs and performance are contained with the CFO report, on pages 34 to 42.

03. Operating profit



Description

A measure of statutory profit after cost of sales, overheads and amortisation of intangible assets but before the cost of financing and taxation

Definition

Operating profit/(loss) for the year

Link to strategy

Links to the first and second elements of our strategy, to deliver contracted growth in the British MAP segment and continue the build-out of the smart meter pipeline

What we achieved

£65.8m

Compared with £71m in 2022

04. Profit/(loss) before tax



Description

A measure of statutory profit after cost of sales, overheads, amortisation of intangible assets and the cost of financing but before taxation

Definition

Profit/(loss) for the year attributable to equity shareholders prior to the payment of corporation tax

Link to strategy

Links to the first and second elements of our strategy, to deliver contracted growth in the British MAP segment and continue the build-out of the smart meter pipeline

What we achieved

£(51.6m)

Compared with £138m in 2022

KPIs

Key

- Deliver contracted growth in the British MAP segment
- Continue build-out of Calisen's smart meter pipeline
- Expand into adjacent areas and international markets

Further details on movements in KPIs and performance are contained with the CFO report, on pages 34 to 42.

05.

Adjusted funds from operations



Description

Our preferred metric for cash flow measuring cash generated prior to reinvestment

Definition

See page 120 for a detailed definition

Link to strategy

Links to all elements of our strategy as we reinvest cash generated in further growth

What we achieved

£271.7m

Compared with £203m in 2022

06.

Capital expenditure deployed



Description

The amount invested in new assets which will produce revenue and cash flow in future periods

Definition

Purchase of property, plant and equipment per the Consolidated Statement of Cash Flows

Link to strategy

Links to all three elements of our strategy as a driver of revenue and cash flow growth

What we achieved

£355.4m

Compared with £270m in 2022

Brandon Rennet, Chief Financial Officer



Summary

I am very pleased to present Calisen's 2023 financial results, the first full year that I have been with the Group. The business has continued to deliver strongly for customers, and overall performance has been very strong in the face of challenging market conditions.

The business has driven growth in both our core operations and adjacent businesses. To support this growth, we have integrated a number of acquisitions during the course of the year that deliver on Calisen's stated strategy and set us up for continued growth. The largest of these acquisitions was Maple Topco Limited, another provider of MAP services, which is in the process of being integrated into the existing MAP Services division and will be reported as part of that operating segment. This business was acquired on 12 July 2023.

Overall, the Group delivered 23.7 per cent growth in Underlying EBITDA in 2023. This represents strong organic growth in the core, as well as the acquisition of MapleCo during the course of the year. While we face ongoing challenges across the energy industry, the reduced turbulence in global energy markets in 2023 has resulted in a more stable operating environment which sets Calisen up for continued growth in the future.

We have been very focused on ensuring that our capital structure is both efficient and flexible so that we can best meet the needs of our customers. This has involved refinancing our core MAP business, entering the US Private Placement market for the first time and putting in place a flexible facility to support growth outside the core metering business.

I have thoroughly enjoyed my first year with Calisen and look forward to continuing to help deliver smarter energy for all.

A handwritten signature in black ink, appearing to read 'Brandon Rennet'. The signature is fluid and cursive.

Brandon Rennet, Chief Financial Officer

“Our growth is essential to the UK’s net zero future”

Income statement

£ in millions	Year ended Dec 2023				Year ended Dec 2022		
	Trading	Non-trading	Acquisitions	Statutory	Trading	Non-trading	Statutory
Revenue	318.8	–	39.4	358.2	282.2	–	285.8
Cost of sales	(121.0)	(46.3)	(30.5)	(197.8)	(114.5)	(23.2)	(144.9)
Gross profit	197.8	(46.3)	8.9	160.4	167.7	(23.2)	140.9
Administrative expenses	(29.4)	–	(1.9)	(31.3)	(21.8)	–	(24.0)
Other expenses	–	(12.7)	–	(12.7)	–	(0.9)	(0.9)
Amortisation of intangible assets	(50.6)	–	–	(50.6)	(44.6)	–	(44.6)
Operating profit	117.8	(59.0)	7.0	65.8	101.3	(24.1)	71.4
Finance expense	(89.7)	–	(41.0)	(130.7)	(29.0)	–	(29.1)
Finance income	12.9	–	0.4	13.3	95.9	–	95.9
Profit/(loss) before tax	41.0	(59.0)	(33.6)	(51.6)	168.2	(24.1)	138.2

Underlying performance

The table above contains a reconciliation between the statutory profit for the period and the trading profit for the period, adjusting for non-trading items. This enables a better year on year comparison. The acquisitions column includes the impact of acquisitions during the course of the year, most importantly MapleCo which was acquired in July 2023.

Income statement

£ in millions	Year ended		% Change from 31 December 2022
	31 December 2023	31 December 2022	
Revenue	358.2	285.8	25.3%
Cost of sales	(197.8)	(144.9)	36.5%
Gross profit	160.4	140.9	13.8%
Administrative expenses	(31.3)	(24.0)	30.4%
Other expenses	(12.7)	(0.9)	1,311.1%
Amortisation of intangible assets	(50.6)	(44.6)	13.5%
Operating profit	65.8	71.4	(7.8%)
Finance expense	(130.7)	(29.1)	349.1%
Finance income	13.4	95.9	(86.1%)
Profit/(loss) before tax	(51.6)	138.2	(137.3%)
Taxation	16.1	(31.0)	(151.9%)
Profit/(loss) for the year	(35.5)	107.2	(133.1%)
Revenue			
Revenue analysis (£ in millions)			
MAP Services:	293.9	236.1	24.5%
Smart	251.6	188.2	33.7%
Traditional	42.3	48.0	(11.9%)
Data Services	23.2	17.7	31.1%
Installation Services	34.4	28.0	22.9%
Plug Me In	1.7	0.4	325.0%
Other income	5.0	3.5	41.9%
Inter-segment revenue	–	–	n.m.
Total revenue	358.2	285.8	25.4%
Revenue-generating meters at period end (m)	15.2	10.6	43.4%
Smart	12.1	8.2	46.3%
Traditional	3.1	2.4	29.2%
Average revenue per meter (“ARPM”) – Smart	25.3	24.3	4.1%
Average revenue per meter – Traditional	16.2	18.7	(13.4%)

Revenue increased year on year, growing by 25.3 per cent from £285.8 million in 2022 to £358.2 million in 2023, primarily reflecting growth in the MAP Services operating segment and the addition of MapleCo during the year. The key driver of revenue from the smart meter portfolio was the increasing number of revenue-generating meters in our portfolio.

Calisen's revenue-generating smart meter portfolio grew from 8.2 million meters to 12.0 million meters, a net increase of 3.8 million meters or 46.3 per cent, which led to a corresponding increase in revenue. The majority of this increase was due to the addition of MapleCo in the period, together with ongoing installations in the existing Calisen business. The traditional meter portfolio grew during the period by 0.7 million meters to 3.1 million meters, again primarily reflecting the acquisition of MapleCo.

Combined, this resulted in a total portfolio of 15.2 million meters at year end compared to 10.6 million meters at the end of 2022.

ARPM increased from £22.9 per annum in 2022, to £23.8 in 2023, comprising:

- An increase in smart meter ARPM from £24.3 in 2022 to £25.3 in 2023
- A decrease in traditional meter ARPM from £18.7 in 2022 to £16.2 in 2023

Within the smart ARPM, the majority of the increase was due to rising capital expenditures passing through to higher revenues, offset by the mix of meters installed changing in favour of meters on longer duration contracts, which attract a lower annual rental but are guaranteed for a longer period of time.

MAP Services is Calisen's largest division, and its revenue increased 24.5 per cent to £293.9 million. Growth in this segment was primarily driven by increases in the revenue-generating smart meter portfolio in excess of the decreases in the traditional meter portfolio as traditional meters were replaced by smart meters.

Data Services revenue was £23.2 million in 2023, up 31.1 per cent on the £17.7 million achieved in 2022, which is primarily due to growth in the number of installing engineers in the division. Installation Services revenue was £34.4 million in 2023, up 50.2 per cent on the £22.9 million achieved in 2022, which reflects a full year of UWHS revenues into the division, together with higher volumes and improved productivity.

Cost of sales

EBITDA and FFO Reconciliation (£ in millions)	Year ended		% Change from 31 December 2022
	31 December 2023	31 December 2022	
Depreciation of property, plant and equipment (meters)	(144.8)	(99.3)	45.8%
Compensation income	44.0	23.2	89.7%
Net book value of disposals and property, plant and equipment (meters)	(34.6)	(18.9)	83.1%
Employee benefits expense and other direct costs	(62.4)	(49.9)	25.1%
Cost of sales	(197.8)	(144.9)	36.5%

Cost of sales across the Group increased by 36.5 per cent from £144.9 million in 2022 to £197.8 million in 2023, driven by higher compensation income from removed meters and higher depreciation of property, plant and equipment based on the realigned useful economic life (“UEL”) for the underlying assets. Further details can be found in Note 4 to the financial statements.

Compensation income relates to the effective sale of metering equipment when removed, which offsets the write-off of the underlying asset. It is calculated to make up for the loss of MPC revenue in net present value terms according to the relevant MAP contract. Compensation income is recorded in cost of sales where depreciation on assets is also recorded. Compensation income increased by 99.6 per cent from £23.2 million in 2022 to £46.3 million in 2023, largely due to a stranding agreement with a customer resulting in significant payments to Calisen.

Underlying EBITDA	Year ended		
	As at 31 December 2023	As at 31 December 2022	% Change from 31 December 2022
EBITDA and FFO Reconciliation (£ in millions)			
Profit/(loss) or the period	(35.5)	107.2	(133.0%)
Taxation	(16.1)	31.0	(151.9%)
Net finance expenses	117.4	(66.8)	(275.7%)
Written off net book value and disconnected meters	34.6	18.9	83.1%
Foreign exchange	0.3	(0.1)	n.m.
Amortisation of intangible assets	50.6	44.6	13.5%
Depreciation of property, plant and equipment	145.3	102.0	42.5%
Other expenses	12.7	0.9	1,311.1%
Adjusted EBITDA	309.4	237.7	30.2%
Deduct:			
Compensation income	(44.0)	(23.2)	89.6%
Underlying EBITDA	265.4	214.5	23.7%
Underlying EBITDA margin	74.1%	75.1%	(12.5%)

Adjusted EBITDA is defined as profit/(loss) for the period adjusted for taxation, finance income/(expenses), depreciation, amortisation, profit/(loss) on disposal of non-current assets and other expenses. Whereas, Underlying EBITDA is defined as Adjusted EBITDA less compensation income. Underlying EBITDA is viewed as the main driver of our business profitability and enables the business to deliver contracted growth in the British MAP segment and continue the build-out of the smart meter pipeline.

Adjusted EBITDA is also viewed as a key driver for the business to reflect the profitability including Compensation income as this is a cash item received from relevant contractual arrangements where meters are prematurely removed, and, as a consequence, reflects income that would have otherwise been earned in future periods. Adjusted EBITDA does not deduct the net book value of those meters removed as they are non-cash items.

Underlying EBITDA increased by 23.7 per cent from £214.5 million to £265.4 million. This was largely driven by growth in the revenue-generating smart meter portfolio from 8.2 million to 12.0 million meters which mainly drops through to Underlying EBITDA and reflects both the acquisition of MapleCo during the year and strong organic growth in the existing MAP business.

Adjusted EBITDA increased by 30.2 per cent from £237.7 million to £309.4 million. Adjusted EBITDA increased by more than Underlying EBITDA due to the increase in compensation income compared with the prior year.

Administrative and other expenses

Income Statement (£ in millions)	As at 31 December 2023	As at 31 December 2022	% Change from 31 December 2022
Administrative expenses	(31.3)	(24.0)	30.4%
Other expenses	(12.7)	(0.9)	n.m.

Administrative expenses consist of costs associated with corporate functions, such as wages and salaries, depreciation of non-metering assets, amortisation of development costs as well as legal and professional fees and costs associated with the testing of meters. Administrative expenses also include net foreign exchange loss/(gain) and Auditor's remuneration.

Administrative expenses increased by 30.4 per cent from £24.0 million in 2022 to £31.3 million in 2023, predominantly reflecting continued investment in the cost base, the impact of the newly acquired entities as well as costs incurred in the implementation of the wider strategic plan. Other expenses increased to £12.7 million (2022: £0.9 million), primarily due to the costs associated of acquiring new subsidiaries as well the expense incurred in relation to the retirement of the Calvin Capital and Lowri Beck brands.

Group operating profit

Income Statement (£ in millions)	As at 31 December 2023	As at 31 December 2022	% Change from 31 December 2022
Operating profit	65.8	71.4	(7.8%)

Operating profit represents revenue, less cost of sales, administrative expenses, other expenses and amortisation of intangible assets. In 2023, it amounted to £65.8 million, decreasing 7.8 per cent compared with 2022 mainly due to brand impairment and increased amortisation arising from the acquisition of MapleCo, as well as the associated acquisition costs reflected in Other expenses.

Interest expense

Income Statement (£ in millions)	As at 31 December 2023	As at 31 December 2022	% Change from 31 December 2022
Finance expense	(130.7)	(29.1)	349.1%
Finance income	13.3	95.9	(86.1%)

Total finance expense of £130.7 million increased by 349.1 per cent compared with £29.1 million in 2022. The main drivers were movements in the underlying derivative portfolio during the year, increased levels of indebtedness of the Group primarily due to capital expenditures incurred during the period and the acquisition of MapleCo. Derivative instruments are measured at fair value in the

Group's accounts and their value can increase and decrease significantly in times of interest rate volatility which led to the gain in the prior year and the loss in the current year.

Movements in finance income and finance expenses are primarily the result of a significant reduction in the fair value of the derivatives instruments.

Profit before tax	Year ended		
	31 December 2023	31 December 2022	% Change from 31 December 2022
Income Statement (£ in millions)			
Profit/(loss) before tax	(51.6)	138.2	(137.3%)

(Loss/profit before tax decreased from a profit before tax of £138.2 million in 2022 to a loss of £51.6 million in 2023, which is mostly driven by the Group's restructuring and financing activities during the year among other factors. Derivatives are in place in order to provide greater certainty over interest costs in future periods. As these instruments are fair valued in the Group's accounts their value can increase and decrease significantly in times of interest rate volatility which led to the gain in the prior year of £95.0m and the loss in the current year of £61.0m. Given the significance of these items they have been separately disclosed on the face of the profit and loss account.

Taxation	Year ended		
	31 December 2023	31 December 2022	% Change from 31 December 2022
Income Statement (£ in millions)			
Taxation	16.1	(31.0)	(151.9%)

In 2023, the Group incurred a corporate taxation credit of £16.1 million, down from a corporate tax charge of £31.0 million in 2022. This was primarily driven by deferred taxation, reflecting changes in timing differences on our hedging portfolio.

Funds from operations

Income statement (£ in millions)	Year ended		
	As at 31 December 2023	As at 31 December 2022	% Change from 31 December 2022
Underlying EBITDA	265.4	214.5	23.7%
Change in working capital	(6.4)	(12.3)	(48.0%)
Interest/(derivatives)	(31.7)	(22.8)	39.0%
Taxation received/(paid)	0.4	1.0	n.m.
Underlying FFO	227.7	180.3	26.3%
Compensation Income	44.0	23.2	89.7%
Adjusted FFO	271.7	203.5	33.5%
Cash conversion (Underlying FFO/Underlying EBITDA) (%)	87.8%	84.1%	4.4%
Underlying EBITDA interest cover	8.4x	9.4 x	(1.0x)

FFO is an APM which is used as a measure of cash flow generated by the business prior to debt repayments and reinvestment in growing the meter portfolio.

Underlying FFO is defined as Underlying EBITDA less relevant finance costs, taxation and adjusted net working capital items. Adjusted FFO is defined as Underlying FFO plus compensation income.

Relevant finance costs exclude fair-value movement on derivatives (as this is a non-cash item) and interest rate swap break costs. Adjusted net working capital items include change in trade and other receivables and contract assets, change in inventories and change in trade and other payables, but exclude any movements in payables where the creditor relates to capital expenditure, accrued other expenses and any items to the extent they relate to non-operating items such as compensation debtors or capital expenditure prepayments or creditors, including related VAT balances. Capital expenditure creditors are excluded to the extent that they represent new meter installation costs.

Underlying FFO increased by 26.3 per cent from £180.3 million in 2022 to £227.7 million in 2023. Adjusted FFO increased by 33.5 per cent from £203.5 million in 2022 to £271.7 million in 2023.

Increases in both definitions of FFO were principally driven by increased Underlying EBITDA, partially offset by rising levels of interest costs.

The calculation of the change in adjusted working capital and interest/derivatives is set out below:

Change in net working capital

(£ in millions)	Year ended 31 December 2023	Year ended 31 December 2022	% Change from 31 December 2022
Trade receivables	50.6	43.5	16.3%
Accrued income	22.2	22.1	0.5%
Prepayments	2.1	6.8	(69.1%)
Other receivables	3.5	3.5	-
Inventory	2.0	1.6	25.0%
Contract assets	5.8	6.3	(7.9%)
VAT receivable/(payable)	(5.4)	(0.1)	n.m.
Trade creditors	(45.4)	(58.4)	(22.3%)
Other creditors	(56.3)	(31.7)	77.6%
Net working capital	(20.9)	(6.4)	226.6%
Adjustments for non-operating items:			
VAT receivable/(payable)	5.4	0.1	n.m.
Capital expenditure related debtor	-	(6.0)	n.m.
Capital expenditure prepayment	(2.1)	(7.0)	(70.0%)
Capital expenditure related creditors	77.4	72.5	6.8%
Adjusted net working capital	59.8	53.4	12.0%
Changes in adjusted net working capital	(6.4)	(12.3)	(48.0%)

Capital expenditure

Capital expenditure for the Group increased by 31.7 per cent from £270.0 million in 2022 to £355.5 million in 2023, primarily due to rising Capex per meter, rising meter installation activity and the acquisition of MapleCo during the year.

Calisen incurred average capital expenditure per smart meter in 2023 of £219 (2022: £207) as a result of a changing mix of installing energy retailers and agreeing increased installation costs with a number of energy retailer customers.

Summary consolidated balance sheet

Statement of Financial Position (£ in millions)	Year ended 31 December 2023	Year ended 31 December 2022	% Change from 31 December 2022
Assets			
Non-current assets			
Intangible assets	800.8	447.2	79.1%
Other non-current assets	1,940.8	1,296.3	49.7%
Current assets	271.8	228.7	18.8%
Total assets	3,013.4	1,972.2	52.8%
Liabilities			
Current liabilities	(419.7)	(228.1)	84.0%
Non-current liabilities	(1,598.5)	(843.5)	89.5%
Deferred tax liability	(219.2)	(161.4)	35.8%
Total liabilities	(2,237.4)	(1,233.0)	81.5%
Total equity	776.0	739.2	5.0%
Total equity and liabilities	3,013.4	1,972.2	52.8%

The Group's total assets grew by 52.8 per cent from £1,972.2 million at 31 December 2022 to £3,013.4 million at 31 December 2023, primarily due to increased meter installations and the acquisition of MapleCo.

Intangible assets increased by 79.1 per cent primarily due to the acquisition of MapleCo. Other non-current assets increased by 49.7 per cent from £1,296.3 million at the end of 2022 to £1,940.8 million, driven primarily by the smart meter roll-out and the acquisition of MapleCo during the year. Current assets increased by 11.6 per cent from £228.7 million at 31 December 2022 to £271.8 million at 31 December 2023, largely due to the smart meter roll-out and invoices relating to the sale of smart meter assets.

The net book value of "green" assets (i.e. smart metering equipment) amounted to £1,148.7 million or 97.9 per cent of the net book value of property, plant and equipment.

Total liabilities increased by 81.5 per cent from £1,233.0 million at 31 December 2022 to £2,237.4 million at 31 December 2023. Within that total, current liabilities increased by 84.0 per cent from £228.1 million at 31 December 2022 to £419.7 million at 31 December 2023, primarily relating to capital expenditure and an increase in current interest-bearing loans and borrowings to £286.5 million. Non-current liabilities increased by 89.5 per cent from £843.5 million at 31 December 2022 to £1,598.5 million at 31 December 2023.

Total equity showed an increase, with total equity of £739.2 million at 31 December 2022 increasing to £776.0 million at 31 December 2023 because of the newly consolidated balance sheet structure.

Net debt

Debt reconciliation (£ in millions)	As at 31 December 2023	As at 31 December 2022	% Change from 31 December 2022
Total debt*	(1,780.1)	(980.4)	(81.6%)
Cash	169.0	144.9	16.6%
Net debt	(1,611.1)	(835.5)	(92.8%)

* Total debt is presented gross of debt issuance costs of £25.9m (2022: £10.2m) and also does not include IFRS 16 leases of £2.3m (2022: £3.0m).

Net debt is an alternative performance measure (“APM”) which is used to show the indebtedness of the Group net of cash balances. The quantum the Group’s borrowings increased during 2023 due to the acquisition of MapleCo with its associated debt portfolio, organic spending on new meters in the existing meter portfolio and a broader group refinancing. Total debt increased by 81.6 per cent from £980.4 million at 31 December 2022 to £1,780.1 million at 31 December 2023.

Net debt as at 31 December 2023 was £1,611.1 million, comprising £1,780.1 million of senior debt facilities (excluding debt issue costs) less £169.0 million of cash. This represented a net debt to Adjusted EBITDA ratio at 31 December 2023 of 5.2x, which was an increase of 1.7x from the ratio at 31 December 2022 of 3.5x. MapleCo has been consolidated from the date of acquisition on 12 July 2023, and as a result does not include a full year of EBITDA which increases the net debt to Adjusted EBITDA ratio compared to a full year of incorporated EBITDA and is expected to fall in 2024 with a full year of MapleCo profitability included.

This debt does not include the Group-level facilities which are held at Calisen Limited.

At the subsidiary level, I am pleased to note that the Group is operating well above the cover ratio covenants in its debt facilities. The Group aims to always maintain cover ratios in excess of minimum levels, and also maintain significant financial headroom to fund expenditures.

Credit risk

The Group’s credit risk primarily arises from credit exposures to energy retailers in respect of outstanding trade receivables. The Group trades with a number of companies, which are generally Large Energy Retailers, Challenger Energy Retailers, or financial institutions. The Group has identified a concentration of risk in relation to revenue and trade receivables from Large and Challenger Energy Retailers as the majority of revenue (approximately 57 per cent) is generated from this group and predominantly from two of the Large Energy Retailers. However, the Group assesses the associated credit risk as low despite its customers operating in one industry, as these customers have historically recorded minimal failure rates, meaning that the risks associated with trade receivables are relatively low. The Group also has credit exposure to its suppliers, in particular the meter manufacturers who provide the assets installed by Calisen on behalf of its customers. The Group aims to maintain significant diversification between meter manufacturers and includes contractual protection in its core operations.

STRATEGIC REPORT. OUR PIONEERING APPROACH



Division overview

Calisen prepares its financial statements around four reporting segments, which are laid out on the right hand side of this page. These reporting segments reflect the basis on which the 2023 accounts have been prepared and will reflect the corporate rebranding in future years.

On an operational level, Calisen organises its activities between 4 business units, being MAP (Meter Asset Provider) Services, Installation Services, Data Services, and Plug Me In. On a financial level, Calisen tracks its results across 4 reporting segments: Calisen Metering, Calisen Metering Services, MapleCo, and Plug Me In, which are reported below. Installation Services and Data Services together comprise the Calisen Metering Services reporting segment, while Calisen Metering and MapleCo together comprise MAP Services.

MAP Services:

Calisen's MAP Services division procures, installs, owns and manages a growing portfolio of domestic electricity and gas meters, with a particular focus on smart meters. The MAP division manages its revenue-generating meters by tracking them from delivery to installation and ultimately through removal.

MAPs provide domestic metering solutions by contracting with energy retailer customers to procure domestic metering equipment from manufacturers, arrange for its installation and provide for its management. In return, the MAP receives ongoing MPCs from its energy retailer customers who are using the metering equipment, while the MAP retains ownership of it. The division also provides MAP services for its platform.

As at 31 December 2023, the MAP division's revenue-generating meter portfolio consisted of approximately 12.1 million smart meters and 3.1 million traditional meters. Based on management estimates, as at 31 December 2023, the MAP division had an expected smart meter installation pipeline of approximately 8.5 million smart meters to be added to the portfolio by the end of the SMIP.

Installation Services:

Installation Services covers the installation of meters and EV charging points by technically qualified engineers. The Installation Services division installed approximately 277,000 meters in 2023.

Data Services:

Data Services retrieves, processes and aggregates data in the course of its meter reading work and other data-related jobs, which it passes on to energy retailers for billing and settlements purposes.

The division carried out approximately 3.7 million billable data readings in 2023.

Plug Me In:

Plug Me In delivers the installation of EV chargers and heat pumps across Great Britain, with capacity for c.10,000 EV charger installs and c.500 heat pumps per annum.

	Calisen Metering	Calisen Metering Services	MapleCo	Plug Me In	Consolidation	Total
MAP Services						
Traditional	33.6	5.9	2.8			42.3
Smart	215.5		36.1			251.6
Data Services		23.2				23.2
Installation Services		34.4				34.4
EV and Heat Pump Services				1.7		1.7
Other income	4.5		0.5			5.0
Total Revenue	253.5	63.6	39.4	1.7		358.2
Cost of Sales						
Direct costs		(58.2)		(4.2)		(62.4)
Depreciation	(125.4)	(0.3)	(19.1)			(144.8)
Compensation	34.3		9.7			44.0
NBV of disposals	(23.2)		(11.4)			(34.6)
Gross profit	139.2	5.1	18.6	(2.5)		160.4



Our track record

Reconciliations of these measures to International Financial Reporting Standards (“IFRS”) measures are included within the relevant section of the Group Finance Director’s review in this Strategic Report

The financial information comprises:

- The consolidated results of Calisen Group Holdings Limited (formerly CCH1 Limited) and its subsidiaries (the “CGH Group”) for the year ended 31 December 2019;
- The consolidated results of Calisen plc for 2020; and
- The consolidated results of Calisen Group (Holdings) Limited Group for 2021, 2022 and 2023.

**APMs

The Group uses a number of APMs including ARPM, Adjusted EBITDA, Underlying EBITDA, Underlying FFO, Adjusted FFO, net debt, leverage and Underlying EBITDA interest cover in the discussion of its business performance and financial position to provide a fuller explanation than by using statutory measures alone.

Our Track Record	Year ended 31 December:				
	2019	2020	2021	2022	2023
Growth in smart meter portfolio	1.3	0.8	1.1	1.1	3.8
Revenue-generating meters at period end (m)	8.5	9.1	9.8	10.6	15.2
Smart	5.2	6.0	7.1	8.2	12.0
Traditional	3.4	3.1	2.7	2.4	3.1
Projected smart meters total	11.7	13.2	15.5	15.5	20.0
Average revenue per smart meter	26.3	25.2	25.4	24.3	25.3
Average revenue per traditional meter	20.5	20.5	20.4	18.7	16.2
Average revenue per meter	23.8	23.5	23.9	22.9	23.8
Operating profit (£m)	26.7	54.0	54.0	71.4	65.8
Operating margin (%)	13%	22%	20%	25%	18%
Adjusted EBITDA (£m)	189.3	201.3	219.3	237.7	309.4
Underlying EBITDA (£m)	174.0	187.9	203.4	214.5	265.4
Underlying EBITDA margin %	83.3%	75.7%	75.7%	75.1%	74.1%
Adjusted FFO (£m)	151.2	169.0	203.7	203.5	271.7
Cash conversion (FFO/Underlying EBITDA) (%)**	79.9%	83.9%	92.9%	84.1%	87.8%
Profit/(loss) before tax (£m)	(82.2)	(17.2)	44.0	138.2	(51.6)
Capex (£m)	274.1	171.8	231.7	270.0	355.4
Capex per meter (£)	165	191	201	210	219
Net debt (£m)	1,387.6	602.6	719.6	835.5	1,611.1
Underlying EBITDA interest cover	6.7	8.4	11.0	9.4	8.4
Leverage (Adjusted net debt/Adjusted EBITDA) (x)	4.3 x	3.0 x	3.3 x	3.5 x	5.2 x
FTE (annual average)*	575	1,448	1,228	1,225	1,366
FTE at year end*	1,504	1,309	1,116	1,310	1,354

* 2019 restated to exclude agency and contractors.

Stakeholder engagement

We are committed to effective engagement with all our stakeholders. Depending on the issue in question, the relevance for each stakeholder group may differ and, as such, as part of our engagement with stakeholders, we seek to understand the relative interests and priorities of each group and to take account of these, as appropriate, in our decision making. Stakeholder engagement helps the Board understand the effects of the Company's policies, practices and strategy.

Shareholders

We understand the need to communicate effectively with our shareholders.

What matters to them

Long-term sustainable shareholder returns from a business that is contributing to a lower-carbon economy.

How we engage at Board level

Our shareholders are represented on the Board of Calisen Limited, and have put in place a shareholder and investment agreement to govern the relationship.

The Board receives regular reports from the Chair and Chief Executive Officer.

How we engage across the Group

The Executive Committee and senior management regularly engage with our shareholders across a range of topics.

Outcomes of engagement

The strategic priorities and business plan have been agreed with the shareholders.

Link to our business model

Deliver shareholder returns through dividends.

Link to our principal risks

Strategy execution.

Employees

We benefit from the hard work and dedication of our employees to deliver the growth of the business.

What matters to them

A financially sound and stable employer which cares for its employees as individuals, with a shared sense of purpose, and which encourages and supports their learning and development.

How we engage at Board level

The Board meets with employees via the Workforce Engagement Forum and informally during site visits.

The Chief People Officer and Chief Executive Officer provide updates on HR matters to the Board and to the Remuneration Committee.

How we engage across the Group

We have a Group-wide Workforce Engagement Forum.

We have an annual Group-wide Employee Survey and hold regular pulse employee surveys

We have a communication plan in place to provide employees with regular updates on the business.

We encourage employee volunteering days.

Outcomes of engagement

We had a 73% response rate to our most recent Group-wide Employee Survey in 2023. Our employees have continued to support the Manchester and Wigan Youth Zones through volunteering activities and fundraising.

Link to our business model

We provide jobs nationwide with a concentration in the north west of England in Manchester and Wigan.

Link to our principal risks

Organisational growth & alignment and attracting and retaining talent.

Customers

Providing excellent service to customers is crucial to the success of a company.

What matters to them

An experienced business partner with well-established operations which adds value through the services provided.

How we engage at Board level

The Board is regularly updated on and engaged in relationships with customers.

How we engage across the Group

We have regular meetings with customers at an operational level plus 360° quarterly reviews of the relationship as a whole.

We receive regular feedback from these sessions to ensure we understand the status and developments in each relationship and have early sight of any emerging issues.

Outcomes of engagement

Our customers really appreciate the quality of service they receive from the Group and the way in which we partner with them to help them meet their obligations under the SMIP and wider net zero targets.

Link to our business model

We work with our customers to help them meet their smart metering obligations under the SMIP and wider net zero objectives.

Link to our principal risks

Customer

Stakeholder engagement continued

Suppliers and contractors

We recognise the key role our suppliers play in ensuring we deliver excellent service to our customers.

What matters to them

Long-standing relationships with our suppliers, particularly the manufacturers of smart metering equipment.

How we engage at Board level

The Board receives regular updates relating to developments in relationships with our suppliers throughout the year.

How we engage across the Group

We interact with suppliers in the initial due diligence process and approval of new equipment, which includes asset lifetime, design, manufacturing and supply chain assessments.

We monitor the ongoing compliance and performance of our contractual relationships and discuss any technical queries and issues relating to the assets that may arise.

Outcomes of engagement

We have been able to meet our customers' requirements for smart meters and other net zero assets despite financial volatility and geopolitical instability during the year.

Link to our business model

We engage with our suppliers to help our customers meet their smart metering obligations under the SMIP and other net zero objectives.

Link to our principal risks

Asset and supply chain.

Regulators and Government

We recognise the importance of our relationships with regulators and the UK Government.

What matters to them

Smart meters, which allow customers to better manage their energy usage, and other net zero assets are essential to the UK Government meeting its decarbonisation targets.

How we engage at Board level

The Board receives regular updates from management on regulatory changes and how those may impact strategy.

How we engage across the Group

We have strong and transparent relationships with Ofgem, Department for Energy Security and Net Zero ("DESNZ") and other government bodies. We have a dedicated regulation manager who meets with them regularly to ensure we understand and are aligned to the evolving regulatory framework.

The Group does not make and does not intend to make political donations.

Outcomes of engagement

The Government's response to the smart meter policy framework post-2020 provides a more robust obligation on energy retailers to roll out smart meters.

Link to our business model

We seek to contribute proactively to relevant policy consultations in the energy segment.

Link to our principal risks

Law, regulation, policy and certification.

Community and the environment

Calisen has always sought to make a positive difference in the communities in which it is based.

What matters to them

A business that makes a positive impact in the communities in which it operates.

How we engage at Board level

The Board receives regular updates on a range of ESG metrics.

How we engage across the Group

We have a Sustainability Steering Committee ("SSC") which consists of employees across the Group.

Our businesses and employees support a variety of charities.

We have communicated our sustainability targets to employees.

Outcomes of engagement

We hold regular fundraising activities for the Manchester and Wigan Youth Zones. For more information on our wider community engagement, see our Sustainability Report.

Link to our business model

Calisen's purpose is to accelerate the use of smarter energy for all.

Link to our principal risks

Environmental and sustainability.

Our s.172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be the most likely to promote the success of the company for the benefit of its members as a whole and in doing so to have regard, among other matters, to:

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

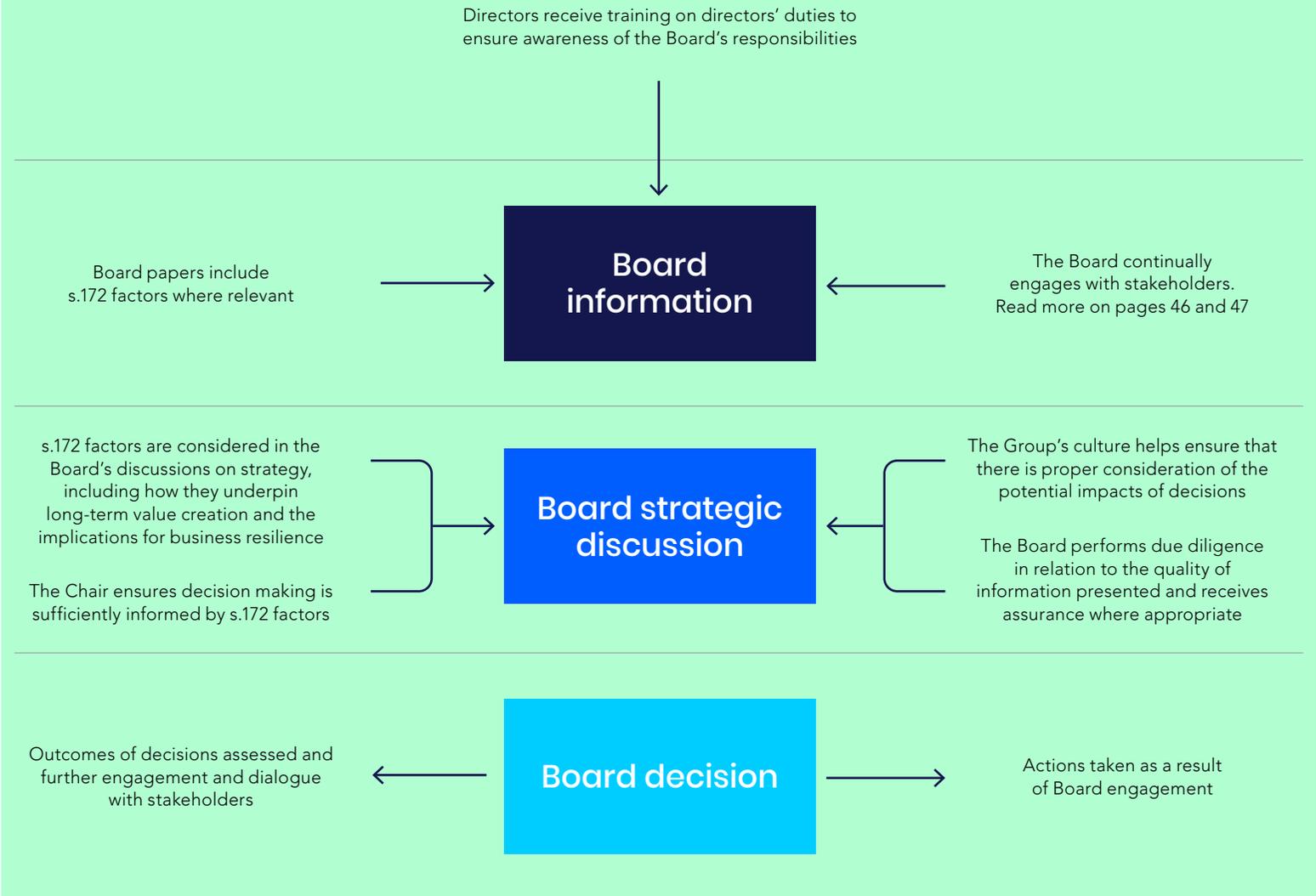
The Directors consider the factors set out above, among others, in discharging their duties under section 172.

The Board recognises that building strong relationships with its stakeholders will help it to deliver its strategy in line with its purpose and operate the business in a sustainable way.

Stakeholder engagement is central to the formulation and execution of our strategy and is critical to achieving long-term sustainable success. The needs of our different stakeholders as well as the consequences of any decision in the long term are well considered by the Board. It is not always possible to provide positive outcomes for all stakeholders, and the Board sometimes has to make decisions based on the competing priorities of stakeholders.

Our stakeholder engagement processes enable the Board to understand what matters to stakeholders and carefully consider all relevant factors and select the course of action that best leads to high standards of business conduct and the success of Calisen in the long term.

Our approach to s.172



Our four key ESG ambitions



We have an established plan, and we are confident that our impact will help the UK to meet its net zero targets by 2050. However, this is a collaborative endeavour. We are working with the support of our customers, suppliers and the communities we operate in to achieve our objectives.



1 Help the UK meet its climate targets
By supporting the roll-out of smart meters, electric vehicle charging points, heat pumps and other infrastructure across the UK.



Read more on pages 16-19 of our Sustainability Report



2 Net zero by 2030 for our operations
We will achieve net zero carbon emissions for our operations¹ by 2030 to ensure our business plays its full part in the changing energy system.

1. This includes all of Scope 1 and 2 and Scope 3 category 6 – business commuting.



Read more on pages 20-24 of our Sustainability Report



3 Everyone's welcome
We will achieve success together, embracing our differences and enabling everyone to thrive in our inclusive culture.



Read more on pages 25-32 of our Sustainability Report



4 Support social development
We will support the economic and social development of our communities and promote sustainable living through training, education, information, resources and charitable support.



Read more on pages 33-38 of our Sustainability Report

SDG alignment

The United Nations Sustainable Development Goals (“SDGs”) are not only critical to the planet’s future: they are targets to be achieved by 2030.

At Calisen, we have aligned our ambitions to 8 of the 17 SDGs, with varying degrees of impact ranging from wholesale change in the way people consume energy, to smaller but significant societal improvements. Refer to the table below for an understanding of how our ambitions directly contribute to these goals, our performance and expectations for the future.

Ambition	SDGs	Background	2023 Summary	Priorities for next year
Help the UK reach its climate targets	  	By installing smart meters, heat pumps and EV chargers, we are contributing to the UK’s efforts towards providing affordable, clean, sustainable and modern energy for all. These actions combat climate change, reduce emissions, and make it easier for everyone to contribute towards a better future.	<p>We have increased our revenue-generating meter portfolio by 43% taking it to 15.2 million meters.</p> <p>We have installed 2,000 EV chargers and over 30 heat pumps.</p>	Our focus areas will be to continue supporting the smart meter roll-out, increasing our installations of EV chargers and heat pumps, and looking to how we can support the water metering sector.
Net Zero 2030 for our operations		<p>We have set ourselves stretching targets to help the UK to address climate change. Specifically, the Company’s goal is to achieve net zero emissions in our operations by 2030.</p> <p>Our vehicle fleet is our largest source of CO₂ emissions, and we are targeting an all-electric fleet by 2030. Furthermore, we are collaborating with our supply chains to support and encourage their efforts to reduce their environmental impact.</p>	<p>We reduced our estate of offices from 10 down to 8 locations. We added an additional 40 Electric Vans to the fleet taking the total up to 52 which equates to 10% of the fleet, as well as adding an additional 10 E Bikes to the fleet taking those to a total of 14.</p>	<p>Our focus areas will be to continue electrifying the fleet with the aim for 20% of our Van fleet (as of 1st January 2024) to be electric.</p> <p>We will also look to consolidate 3 office locations and move into a newly refurbished sustainable office location during 2024.</p>
Everyone’s welcome	  	<p>We place the utmost importance on the mental health and wellbeing of our employees. We provide essential resources to help them live healthy and fulfilling lives. We provide a safe and productive work environment, and we welcome everyone as part of our team. We take pride in reporting the diversity profile of our employees and strive to foster inclusivity in all our endeavours, such as training, education and striving for gender equality.</p> <p>Our vision is to achieve success together, by embracing our differences and enabling everyone to thrive in our inclusive culture.</p>	<p>From an DEI lens, we raised awareness by recognising over 50 diversity and inclusion campaigns and awareness days. In addition, we became a Disability Confident Employer ensuring that all our operations are fully accessible. We implemented a process to gather more information on demographic factors and undertook a review of pay in relation to the real living wage.</p> <p>From a Health and Safety perspective, we had zero reportable RIDDOR incidents for the third consecutive year. In addition we had a 12% reduction on our overall accident frequency rate and had zero major non-conformance reports (NCRs) raised in our internal safety audits.</p> <p>Looking at Learning and Development, we rolled out our learning management system to 100% of the workforce, trained over 180 engineers and had two employees complete business apprenticeships.</p> <p>From an IT and information security perspective, we achieved greater than 98% IT system uptime and managed to identify and avoid 969 cyber threats.</p>	<p>We will become a real living wage employer.</p> <p>We will be looking to create employee network groups for different demographics of the business.</p> <p>We will be launching an apprenticeship scheme for non-technical roles.</p> <p>We will roll-out DEI competence that will be embedded at manager level and above.</p> <p>In addition we will invest more into our Training Academy to ensure we are delivering the best learning opportunities we can, as well as develop the training offered through our learning management system, ensuring that it aligns with our business objectives and values.</p> <p>Finally, we aim to build on the robust cyber security defences we enhanced in 2023, and further strengthen our security posture with additional controls.</p>

 Ensure healthy lives and promote well-being for all at all ages

 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

 Achieve gender equality and empower all women and girls

 Ensure access to affordable, reliable, sustainable and modern energy for all

 Take urgent action to combat climate change and its impacts

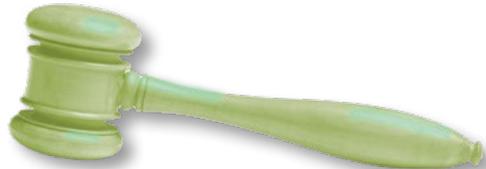
SDG alignment continued

Ambition	SDGs	Background	2023 Summary	Priorities for next year
Support social development	    	<p>Development of the next generation of employees is a collective responsibility, and shared among our communities. A key component of this process is to provide support to alleviate poverty levels, with a specific focus on food, mental wellbeing and education. This support is vital in enabling young individuals and their families to thrive and to achieve their full potential. Without it, their prospects of success in education and employment are diminished, in turn impacting the future of our communities.</p> <p>It is also crucial to foster our community's understanding of sustainable living practices and to encourage their adoption. A well-informed community is the cornerstone of a sustainable future.</p>	<p>We provided funding to support two youth zones in the Greater Manchester area, with an emphasis on providing mental health support and hot meals for young people.</p> <p>Moreover, 20 schools which we supported were awarded an Eco-Schools Green Flag Award after participating in a comprehensive educational programme on sustainable living.</p>	<p>We have set a goal to broaden our support by partnering with Keep Britain Tidy and Eco-Schools.</p> <p>We will also collaborate with Manchester and Wigan Youth Zones, as well as colleges, to design an employability programme that focuses on supporting young people who are not in education, employment or training ("NEET").</p> <p>In addition, we plan to extend our reach in communities through the Calisen Impact Charitable Trust and strive to ensure a brighter future for all.</p>
Governance		<p>Effective governance is an essential component of organisational excellence, but it is a multi-faceted challenge that requires careful attention. At Calisen, we place great emphasis on transparency and accountability, whether in our internal operations or in our relationships with customers and suppliers. This is supported by a confidential independent whistleblowing hotline for anyone to report concerns.</p>	<p>We introduced online training modules on several compliance topics, including our zero tolerance of bribery and corruption, for all employees. This supplements our existing policies and ensures that all employees understand their obligations and are equipped to make ethical decisions.</p> <p>We also conducted routine site visits to our supply chain partners' facilities in order to satisfy ourselves that suppliers bring the same standards of safety, quality and fair employment that we apply to ourselves.</p> <p>In addition, we introduced a procurement policy and vendor onboarding process for all vendors that looks at their policies and processes.</p>	<p>We will start rolling out the vendor questionnaire to all current vendors, so we have a clear picture of everyone's processes and any gaps. This will enable us to risk assess our suppliers and create a preferred supplier list.</p>

 End hunger, achieve food security and improved nutrition and promote sustainable agriculture

 Make cities and human settlements inclusive, safe, resilient and sustainable

 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



HELPING THE UK MEET ITS CLIMATE TARGETS



The global challenge

Energy has never been as front-of-mind in the UK as it is now.

How we source it, and the consequences for the planet. How we use it, and its soaring cost in recent times. And, emerging slowly but surely in 2023, a focus on when we use it, in order to spread the load and ease pressure on supplies.

Delivering greater impact

Calisen is an ambitious business, in an industry that needs to take urgent action on climate change now. We were therefore delighted to be able to expand our reach with landmark deals that will accelerate our progress into brand-new sectors.

SDG
linkage



7
Affordable and
clean energy



11
Sustainable cities
and communities



13
Climate action

In 2023, we:

added **4.6 million** smart meters to our portfolio, taking our total up to **12 million** meaning we are continuing to contribute towards reduction of carbon emissions generated by the use of household energy;

installed **277k** meters into customers' homes;

carried out **3.7 million** data reads, meaning we were in a UK customer's house every **2 seconds** of a working day;

installed more than **2,000 home chargers** and trained and licensed our engineers to install domestic isolation switches;

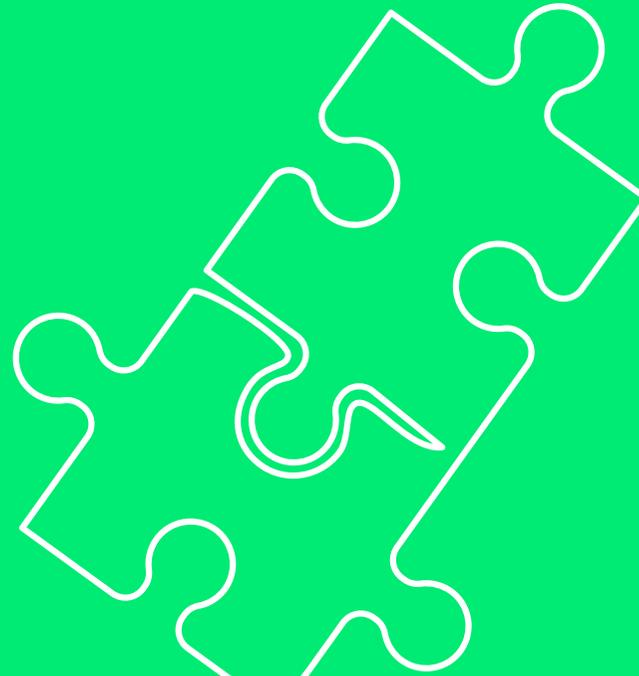
became the **net zero delivery partner** for British Gas; and

launched **heat as a service** proposition with Clade Engineering.

READ MORE

Find more information on this and our plans for 2024 on pages 16-19 of our Sustainability Report

OUR RACE TO NET ZERO



We will achieve net zero emissions by 2030

The global challenge

The UK has set a target to achieve net zero by 2050, which means that greenhouse gas emissions will be balanced by their removal. At Calisen, we are committed to achieving this goal even faster, so that we can have more time to make a greater impact.

Delivering greater impact

Calisen is committed to playing an active role in the UK's efforts to address climate change. To this end, we have set ambitious targets for ourselves to ensure that we are playing our part to reduce our carbon footprint. Specifically, we have established a goal to achieve net zero emissions for our operations by 2030.

SDG linkage



7
Affordable and clean energy



13
Climate action

Our progress

Calisen has continued its efforts to understand and report on their Scope 1, 2 and 3 CO₂e emissions. During 2023, we have utilised specialist software to help automate our calculations, to help us ensure that we are reporting a high-quality data set.

We have also been collaborating with our supply chains to support and to encourage their efforts towards reducing their environmental impact, too.

By working together with our partners and stakeholders, we are confident that we can make meaningful progress towards a more sustainable future.

Actions Calisen has taken during 2023 to reduce emissions

We have continued to transfer our fleet to EVs, as well as carrying out a full analysis into our grey fleet, with suggestions brought to the Executive Committee on how to reduce our emissions. In addition, Calisen has acquired several companies throughout the year – Ecofit Renewables, Source Eco, Advizzo and MapleCo – which has brought our full time equivalent number of employees and revenue-based intensity ratio down. However, as the business continues to grow, spend to support this growth and additional activity has led to our Scope 1 and Scope 3, Category 1, 2, 5, 6, 7, 9 increasing.

In 2023, we:

added an extra **40 electric vans** and **10 E Bikes** to the fleet;

continued to run on **renewable electricity** across all of our sites;

continued to work with our metering supply chain to **assess emissions generated from the manufacture of our assets**;

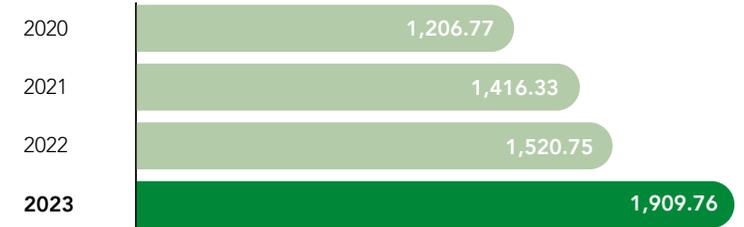
started to **build relationships with our EV charger and heat pump manufacturers** so that we can gain the same level of data as we have for our metering assets;

conducted a **data collection exercise** on our **grey fleet** to identify higher emitters and any possible actions to reduce the impact; and

continued to offer, through Octopus Energy, the **salary sacrifice EV car scheme**.

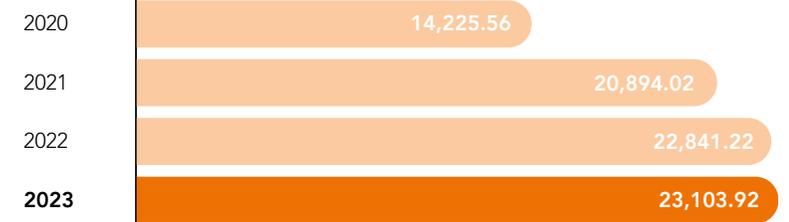
Total Scope 1 and 2 emissions

(tCO₂e)



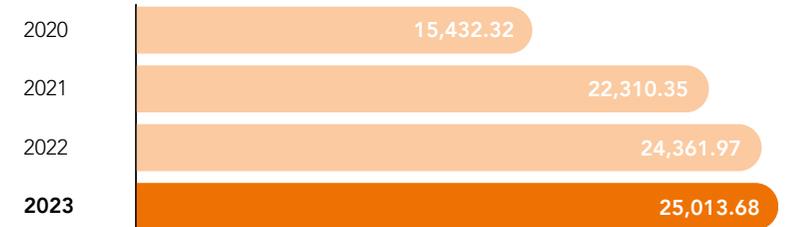
Total Scope 3 emissions

(tCO₂e)



Total Scope 1, 2 and 3 emissions

(tCO₂e)



Our progress continued

SECR Table

	2021 Global (all UK)	2022 Global (all UK)	2023 Global (all UK)
Energy consumption used: (kWh)			
– Electricity	419,015	380,524	400,436
– Gas	220,216	255,707	300,893
– Transport fuel	13,243,767	13,070,610	15,162,609
– Other energy sources			
Emissions (tCO₂e)			
Scope 1			
Emissions from combustion of fuel for transport purposes tCO ₂ e	1,287.03	1,400.12	1,776.96
Emissions from other activities which the company own or control including operation of facilities	–	–	–
Total Scope 1 Emissions	1,287.03	1,400.12	1,776.96
Scope 2			
Emissions from purchased electricity – location-based tCO ₂ e	88.97	73.59	77.44
Emissions from purchased gas tCO ₂ e	40.33	47.04	55.36
Total Scope 2 Emissions	129.30	120.63	132.79
Scope 3			
Category 1 – Purchased goods and services	1,139.55	1,406.10	1,567.70
Category 2 – Capital goods	91.33	44.93	103.47
Category 4 – Upstream transport and distribution	1,211.46	1,099.24	1,044.42
Category 5 – Waste generated in operations	0.79	0.65	0.72
Category 6 – Business commuting – Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel tCO ₂ e	1,244.30	1,152.88	1,322.87
Category 7 – Employee commuting – Transportation of employees between their homes and their worksites	128.96	249.14	250.13
Category 8 – Employee commuting – Working from home	182.72	126.40	151.99
Category 9 – Downstream transportation and distribution	11,331.77	9,996.76	12,440.55
Category 12 – End of life treatment of sold products	32.47	28.92	33.55
Category 13 – Downstream leased assets	5,530.67	8,717.33	6,188.52
Total of Scope 3 Emissions	20,894.02	22,822.35	23,103.92
Total emissions for mandatory reporting – location-based tCO ₂ e	22,310.35	24,343.10	25,013.68
Intensity (tCO₂e)			
Revenue £m	268.8	285.8	358.2
Average number of full-time equivalent employees	1,228	1,145	1,380
Intensity ratio: tCO ₂ e from Scope 1, 2 and 3/£m location-based	83.01	85.18	69.29
Intensity ratio: tCO ₂ e from Scope 1, 2 and 3/full-time equivalent employees location-based	18.17	21.26	18.12
Intensity ratio: tCO ₂ e from Scope 1, 2 and Business travel/£m location-based	9.90	9.42	8.85
Intensity ratio: tCO ₂ e from Scope 1, 2 and Business travel/full-time equivalent employees location-based	2.17	2.35	2.34
Intensity ratio: tCO ₂ e from Scope 1 and 2/£m location-based	5.27	5.32	5.29
Intensity ratio: tCO ₂ e from Scope 1 and 2/full-time equivalent employees location-based	1.15	1.33	1.38

Methodology

We have used the Greenhouse Gas (“GHG”) Reporting Protocol – Corporate Standard and have used the relevant years’ UK Government’s Conversion Factors for Company Reporting. For working from home data, we have used the “Homeworking Emissions Whitepaper 2020” by EcoAct. All calculations have been based on location-based data.

Intensity Ratio

The chosen intensity measurement ratios are total gross emissions in metric tonnes CO₂e per full-time equivalent number of employees and Revenue £m; these are the most relevant for our organisation and sector.

Calculation Review

In 2023, we have conducted a thorough review of our emissions and we continued to engage with our expert ESG consultants who provided guidance on our carbon disclosure calculations.



Our net zero pathway

To reach net zero, we need to reduce emissions, and use energy efficiently. But we can not do it alone. We must also work with our customers and suppliers to help them to do the same.



NET ZERO EMISSIONS

for all of our operational emissions will be transitioned to net zero.

- Set the ambition to be net zero by 2030
- First EV added to the fleet



- Closed two building to consolidate site usage
- Added an additional 40 electric vans to or fleet taking it up to 10% of the fleet being electric
- Added an additional 10 electric bikes
- Added reminders to office locations about saving energy and turning lights off
- Installed EV charge points at our Wigan offices



- Add additional EVs to the fleet
- Create a plan to transition the grey fleet to electric
- Work with our customers and suppliers to understand their journey to net zero

2021

2022

2023

2024

2025

2030

OUR NET ZERO PATHWAY

- Added speed limiters to our Internal Combustion Engine vans to reduce the emissions impact before they transition to electric
- Added an additional 12 electric vans to the fleet and 4 E Bikes

- Consolidate 3 more office locations and move in to a sustainable renovated office space which will have heat pumps, EV chargers and solar power
- Add at least an additional 60 electric vans to the fleet
- Upgrade kit for the new office to ensure it is all energy-efficient
- Relaunch the EV salary sacrifice scheme to employees



EVERYONE'S WELCOME



Embracing differences and achieving success together

The global challenge

Creating an environment that is inclusive and safe is crucial for recruiting and retaining talent. However, achieving this goal can be challenging when navigating legal and cultural landscapes.

Delivering greater impact

Calisen is dedicated to building a workplace where our employees can flourish, develop and contribute.

We acknowledge and appreciate their hard work, and aim for an inclusive and welcoming culture, where everyone can come together and celebrate our diversity in a safe environment. We empower our employees to voice their opinions, advance ideas to drive performance, and reward their work with fair and competitive rates of pay. We seek to attract the best talent and, more importantly, to retain it by becoming the employer of choice within the industry.

Our key themes and priorities are reflected in this chapter.

SDG linkage

- 3

GOOD HEALTH AND WELL-BEING

3

Good health and well-being
- 4

QUALITY EDUCATION

4

Quality education
- 5

GENDER EQUALITY

5

Gender equality

Culture and values

In 2023, we conducted an employee engagement survey and received a participation rate of 75% from the workforce. We are proud to have achieved a 66% engagement score, which indicates an improvement of 6% compared to our survey results in 2021.



How our values enable business success



The survey revealed that we have a strong culture of safety and wellbeing and our employees have a clear understanding of what is required to be successful in their roles. However, there are areas we need to focus on, for improvement. These areas include learning and development, collaboration and communication, and feedback and recognition. These all form part of the People strategy that we now have in place.

Also, during 2023 we set about creating a new set of values for the organisation in readiness for launching them at the same time as our company rebrand in Q4.

Underpinned by our mission of smarter energy for all, we created values which represent us as a Company and reflect the way in which we strive to work.

The diagram above illustrates how our values enable business success.

Culture and values continued

Over 100 colleagues were involved in the creation of our values, with refinement of a proposed set taking place as a result of the focus groups held. The value set represents the rich history of Calisen, with the bringing together of different businesses and their existing values, as well as aspiration for the blended culture we would like to create in order to enable our success in the future. In Q4 of last year, we launched a colleague recognition scheme linked to bringing our values to life whereby colleagues can nominate each other for recognition and receive a high-street voucher against one or more values. The launch of the values was linked to an internal communications campaign which highlighted one value at a time, and what it means and how we were seeing it come to life across the business.



Our plans for 2024:

Establishing behaviours linked to each of the values, using colleague and management focus groups to generate ideas. These behaviours will enable the next stage of our values embedding by underpinning management development, activity, selection criteria and performance management.



We are one team

- When we all work together, amazing things happen
- We are committed to open dialogue and collaboration
- We break down barriers to teamwork and avoid silos



We put safety and wellbeing first

- We take seriously our duty to create a safe working environment
- We actively seek opportunities to improve safety and wellbeing
- We challenge poor behaviour and recognise examples of excellence



We do the right thing

- We always act in an honest, fair and transparent manner
- We conduct ourselves professionally and with respect for our job and responsibilities
- We are not afraid to say "no" if we feel something is wrong



We care

- We are inclusive-we respect each other and believe everyone matters
- We set high standards for our work and lead by example
- We make a positive difference to our colleagues, customers and communities



We build for the future

- We look to the future as we help to achieve the net zero challenge
- We deliver to the highest standards today and welcome positive change in the future
- We are open to feedback to keep improving our services and products

EVERYONE'S WELCOME

DIVERSITY, EQUITY AND INCLUSION (DEI)

In 2023, we:

raised awareness by recognising over **50 diversity and inclusion campaigns** and awareness days;

held **talks** on **International Women's Day**, during **Pride** month and on International Men's Day discussing **mental health**;

became a **Disability Confident Employer** ensuring that all our operations are fully accessible;

implemented a process to **gather** more information on **demographic factors**; and

undertook a review of pay in relation to the **real living wage**.

HEALTH & SAFETY AND WELLBEING

In 2023, we:

had zero reportable RIDDOR incidents for the third consecutive year;

had 12% reduction on our overall accident frequency rate;

achieved 1 in 50 employees being a first-aider;

achieved 1 in 27 employees being a fire warden;

had 0 major non-conformance reports ("NCRs") raised in our internal safety audits; and

had over 3k online health and safety courses completed.

LEARNING & DEVELOPMENT

In 2023, we:

rolled out our learning management system to **100%** of the workforce and provided training on business ethics, health and safety, and information security;

had **2 employees** complete their **business apprenticeships**;

trained and onboarded 173 new metering operatives;

trained and onboarded 16 new Plug Me In EV installers;

conducted refresher/upskilling training for **181** current engineers;

created a **new heat pump training facility**;

obtained **BPEC approval**; and

90% of the workforce **received a performance management review**.

IT & INFORMATION SECURITY

In 2023, we:

had an IT **system uptime** of **greater than 98%**;

deployed Zscaler across the Group for PC and mobile users;

introduced a new **Managed Secure Operations Centre**;

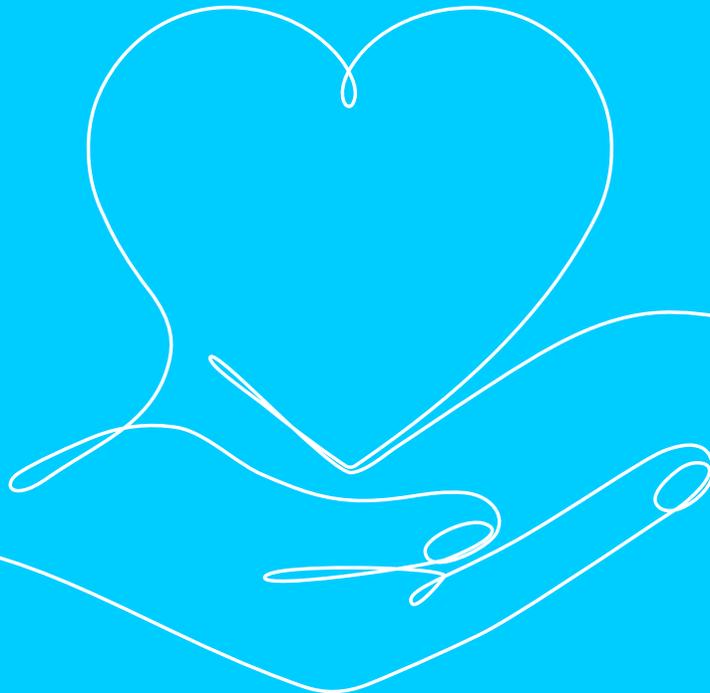
achieved a score of **82%** in the Microsoft's Cyber Security assessment;

identified and avoided **969 threats**, of which 43 were a priority 1 or 2 severity;

conducted a **full review** of IT infrastructure; and

improved service desk performance compared to the previous year – 2022 average 292 open tickets per week vs. 2023 **average 52 open tickets per week**.

SUPPORTING SOCIAL DEVELOPMENT



The global challenge

For everyone to have access to everything they need to live sustainable lives, communities need equitable access to the same resources which will help them develop.

Delivering greater impact

Through our Economic and Social Development initiatives, Calisen is able to make a positive impact on the communities we serve, driving growth, and enhancing the wellbeing of individuals and societies, through not only our assets, but through education and supporting in resource provision.

SDG linkage



2
Zero hunger



3
Good health
and well-being



4
Quality education



11
Sustainable cities and
communities



13
Climate action

In 2023, we:

provided **10,000 free hot meals** to Manchester Youth Zone ("MYZ"), and fundraised to gift an outdoor retreat for a number of families during 2024;

supported Wigan Youth Zone ("WYZ") to **increase their mental health provision**, as well as donating Christmas gifts to their toy appeal;

were an active partner in **developing an employability programme** with Wigan and Manchester Youth Zones;

supported 20 schools through the Eco-Schools Programme, helping them to gain the Green Flag Award in the 2022/2023 school year;

supported **biodiversity activities** at one school with Ben Etherington, Commercial Director-Water and our resident bee keeper, **educating children on the importance of bees**; and

launched our employee **matched funding programme**, where employees can apply to get their fundraising efforts matched by Calisen.

READ MORE

Find more information on this and our plans for 2024 on pages 33-38 of our Sustainability Report

OUR PRIORITIES FOR 2024



Increase EVs in Fleet

Our plan is to have 20% of our fleet to be electric by the end of the year. This is imperative if we are going to meet our net zero target.



Everyone's Welcome

Working with the People team, we will set baselines and targets which will allow us to achieve success together, embracing our differences and enabling everyone to thrive in our inclusive culture where we will provide a safe and productive environment for rewarding work.



Supply Chain Management

Work with our supply chain to gain more clarity of the data we are using for calculations, as well as to understand their roadmaps to net zero.



Caring for the Community and Environment

Build a solid partnership with Eco Schools and Keep Britain Tidy, and increase reach of support across the UK. In addition, we are working with both Wigan and Manchester Youth Zones to implement a young persons employability programme.



Building for the Future

Invest in our knowledge by working with and learning from external advisers on sustainability, and work with them to develop a roadmap for development aligned with standards and reporting practices, for example International Sustainability Standards Board ("ISSB"), Task Force on Climate-related Financial Disclosures ("TCFD") and Task Force on Nature-related Financial Disclosures ("TNFD").



Improve Governance

Ensure that the data we are reporting is as accurate as possible and fully verified.

TCFD and TNFD reporting

The TCFD was established by the Financial Stability Board (FSB) to develop a consistent climate-related financial risk disclosures, for use by companies in providing information to investors, lenders, insurers and other stakeholders.



The TNFD is a new complementary initiative that was released in 2023 that focuses on developing a framework for organisations to report and disclose information on their dependencies and impacts on nature.

Both frameworks are directly relevant to Calisen. They serve as valuable tools to give us greater clarity and insight into the potential risks and opportunities that Calisen faces, and which controls will be required to ensure they are managed effectively.

Our voluntary reporting through both frameworks also helps us to collaborate with our supply chains, to understand and mitigate any potential negative impacts and further any potential opportunities.

Ultimately, our commitment to these frameworks reflects our strong dedication to responsible business practices and sustainable outcomes, and our communication of this to our stakeholders.

The tables below provide an overview of climate- and nature-related risks and opportunities identified relevant to Calisen and our supply chain. See pages 65-66 for more details.

Transition Risks	
Market	<ul style="list-style-type: none"> • Evolving consumer behaviour. • Increase in demand for Calisen products. • Increased cost for the materials used in Calisens products.
Policy and legal	<ul style="list-style-type: none"> • More stringent policy environment. • Increased pricing of GHG emitting fuels. • Changes to manufacturing regulations.
Technology	<ul style="list-style-type: none"> • Increased investment into technology. • Speed which new sustainable technology is developing.
Reputational	<ul style="list-style-type: none"> • Increased scrutiny from various stakeholders. • Failure to meet stakeholder expectations.
Physical Risks	
Acute	<ul style="list-style-type: none"> • Increase in the frequency or severity of weather events in the UK (storms, snow, heat). • Floods in UK.
Chronic	<ul style="list-style-type: none"> • Significant change in temperature. • Increase in the frequency or severity of extreme weather events overseas (earthquakes, wildfires, floods, hurricanes).

At a glance

During 2023, we took decisive steps to take a comprehensive review of our value chain. This exercise enabled us to prioritise and manage the risks and opportunities associated with climate change.

We also took the decision to advance our TCFD to enhance our knowledge of the potential impacts of climate change on Calisen. The primary objective has been to capture any emerging risks and opportunities that may arise, whilst also testing our resilience. In turn, this informs how we develop a robust business strategy that can evolve with the changing climate.

Beyond TCFD, Calisen’s ambition also extends to the new TNFD for nature-related disclosures. This joined-up approach will help us avoid the pitfalls of siloed thinking and equip the business to address the risks and opportunities ahead of us.

For reporting, we have integrated TCFD and TNFD (following the recommendation of the latter). It is important to note that this section of the report only covers part of the recommendations for both frameworks. However, it provides extensive coverage of the core activities and specific parts of the value chain. The remaining recommendations and correlated content, such as emissions metrics, are elaborated in detail in the main body of the report. To facilitate the understanding of these areas, the reporting index has been included to map them to each recommendation.

As early users of the TNFD recommendations, we have aligned to the governance, strategy and risk management pillars during this reporting year, and we will look to enhance this by including metrics & targets in the coming years.

Workshop methodology

During the last quarter of 2023, our Risk and Sustainability team, led by the Chief Risk Officer and the Risk and Sustainability Director, worked with our ESG consultants to identify and prioritise climate and nature-related risks and opportunities. Risks were identified over short-, medium- and long-term time horizons, including those that were deemed to have the potential to impact the Company through to 2050. We created specific scenarios to evaluate them, and to provide input into this TCFD/TNFD aligned report.

The outcomes of these workshops provided a clear risk profile, which closely aligned with the current risk profile already included in our Enterprise Risk Management report. However, the insights it provides on these impacts over time is an area in which we will focus and build upon in 2024.

Governance Roles and responsibilities

We have put the following governance structures and reporting mechanisms in place to ensure that the Group meets its sustainability responsibility and ambitions.

The Board

The Board is responsible for ensuring that the Group meets its obligations and addresses the risks and opportunities created by climate change and by the transition to a low-carbon economy. The Sustainability Steering Committee (SSC) reports to the Board on a quarterly basis, and the Board reviews progress against the Sustainability Strategy and key developmental milestones.

In 2023, costs and resources required to help us to meet our climate risk and sustainability ambitions were built into our budget and planning process, which enabled us to work with external experts to develop our Sustainability Strategy, integrate sustainability within our risk management approach, and to produce action plans for further activities against which the Board can measure.

In addition, we have undertaken a scenario analysis for all climate-related risks using an action vs. impact matrix. Further work on this to understand the anticipated actions will be developed during 2024.

The Sustainability Steering Committee

Management responsibility for sustainability activities sits with the SSC. The SSC is a management committee chaired by the Group CEO with members drawn from risk, compliance and operations and the Company secretariat, and support from external specialists as required.

The SSC assists the Board with the development of the Group's Sustainability Strategy and targets, the oversight of social and environmental risks, and Calisen's compliance with both mandatory and appropriate climate-related voluntary disclosures, including but not limited to TCFD and SECR reporting. The SSC meets every month and oversees and directs the work of the Risk and Sustainability team.

Throughout 2023, the SSC has worked with the Risk and Sustainability team to develop action plans to deliver against the Sustainability Strategy.

Looking to 2024, we have committed to ensuring that key stakeholders have the relevant knowledge to drive the sustainability agenda and that all of our stakeholders understand the impact they can have.

The TCFD working group

This group oversees progress against the reporting recommendations of the TCFD and reports to the sustainability reporting sub-committee of the SSC. Although no longer a listed company, we have chosen to continue to voluntarily report on TCFD.

The Risk Committee

This committee assists the Board in the oversight of our risk management system. The committee assesses the overall risk appetite, tolerance and response for all current, new and emerging risks, including climate-related risks, with the support of the SSC. The committee advises the Board on the risk aspects of proposed changes to strategy and strategic transactions, focusing in particular on implications for the risk appetite, tolerance and strategy of the Company. This committee, consists of senior leaders from across the business. Within the committee there are also representatives from the SSC. The committee meets every month, or more frequently as circumstances dictate.

Management, employees and third parties

Recognising the importance of ESG and sustainability for our business, our Risk and Sustainability Director leads our response to the threats and opportunities across the risk and sustainability spectrum. The Risk and Sustainability Director leads the Risk and Sustainability team on the delivery of our Sustainability Strategy on a day-to-day basis, with guidance from both the SSC and, ultimately, the Board.

Objectives linked to remuneration

For details on objectives linked to remuneration, please see page 14 of our Sustainability report.

Monitoring and review

The Risk Committee is responsible for monitoring and reviewing the risks and opportunities related to TCFD and TNFD. The Risk and Sustainability team manages the overall plan, and the overall objectives are monitored and challenged, if applicable, by the SSC. The Board conducts an annual review of our current position and ongoing action plan.



“We are proactively managing potential disruptions from supply chain issues, regulatory changes, and weather variability. We are also working with supply chain partners to ensure disaster recovery plans are in place, maintaining close contact with regulatory bodies, and equipping field teams with PPE and training to ensure their safety. Our proactive approach ensures operational excellence while prioritising employee health and safety and wellbeing.”

Helen Woodcock
Risk and Sustainability Director

Climate- and nature-related risks and opportunities

As per TCFD and TNFD, climate- and nature-related risks and opportunities can be categorised into the following groups: Transition (market, technology, policy and legal, and reputation) and Systemic (those that arise from the breakdown of the entire natural system rather than the failure of individual parts), Physical (chronic and acute).

Transition risks and opportunities

Definition: Risks and opportunities which are associated with transitioning to a low-carbon economy, including market, policy and legal, technology and reputational.

Market: Evolving consumer behaviour, particularly the deliberate shift towards sustainable products, could lead to increased demand for our services and products, for example EV chargers and heat pumps. However, this market change could lead to increased cost for the materials which we are dependent on, including the possible placement of restrictions on carbon-heavy raw materials. An increase in demand for our products could result in a loss of competitive advantage if a strategy is not designed and effectively implemented to meet this new demand and competitors successfully implement their own market strategies.

Policy and legal: A more stringent policy environment affecting our customers' business operations may cause market volatility.

Possible increased pricing of greenhouse gas (GHG) emitting fuels may encourage a consumer shift to more sustainable use of fuel and energy and in turn, the demand for our products and services may increase.

Potential changes to manufacturing regulations may require the redesign of our assets to make them more recyclable. However, this impact could affect the availability as well as longevity of our assets.

Possible requirements to make increased, nature- and climate-related financial disclosures could result in the mistaken reporting of incorrect information. In turn this could lead to non-compliance, fines, and the voiding of contracts.

Technology: Increased investment into technology to reduce emissions and to improve energy-efficiency ratings may result in increased demand for Calisen's products and services.

Due to the speed at which new sustainable technology is developing, if we are not aligned with the latest technological changes, this could result in us losing competitive advantage.

Reputational: Increased scrutiny from various stakeholders may impact our reputation if our sustainability performance is deemed to be slow compared to peers. Failure to meet stakeholder expectations could result in reduced demand for products and services. Successfully meeting or exceeding expectations could result in increased demand for products and services.

Physical risks

Definition: Risks and opportunities which are associated with the physical impacts of climate change can then be categorised further into acute (short-term high impact) or chronic (gradual or prolonged) risks.

Acute: In worst-case scenarios, flooding in the UK could submerge installed electric or gas assets, causing them to fail, meaning that they will need to be replaced. This could result in reputational impact if the efficiency of our products or services came into doubt. An increase in the frequency or severity of extreme weather events in the UK could also prevent engineers from installing or servicing installed assets.

Chronic: The efficiency of installed assets in the UK could be affected by a significant increase or decrease in the mean temperature. In turn, this could present a market risk if the efficiency of our products or services came into doubt. With regard to our supply chain, an increase in the frequency or severity of extreme weather events in Greece and China (which are key locations) could disrupt the travel of workers to factories, potentially delaying the production of assets. Similarly, there could be upstream disruption in transporting manufactured assets to customers.

Systemic risks and opportunities

We identified no systemic risks or opportunities.

Assessing resilience through scenario analysis

We stress-tested our strategy using various plausible scenarios in order to understand the potential impact of different risks and opportunities on the business. We focused on the core operations of metering assets, including key manufacturing locations in China and Greece, as well as a high-level assessment of EV chargers and heat pump operations.

Scenarios were developed in accordance with published Network for Greening the Financial System ("NGFS") scenarios, and tailored to meet the specific needs of the Company. See the table on page 66 for further details. We used our current strategy planning horizons, i.e. 0–1 year (short-term), 2–8 years (medium-term) and 9–30 years (long-term) (2030 and 2050), to overlay the output of this analysis with our current plans.

Climate- and nature-related risks and opportunities continued

Scenario	Hot House – current policies	Fragmented world	Net zero 2050 transition (leading to an “orderly” world)
Definition	<ul style="list-style-type: none"> All nations implement policies globally which are currently signed into law (e.g. no changing legislation, carbon price remains insignificant) Emissions continue on the current trend due to insufficient political pressure, leading to average global warming of 4–6°C Indifference to, or denial of, the imperatives of the climate crisis Litigation/policy/reputation risks = low Extreme physical risks both acute (fires, storms, extreme weather) and chronic (changes in sea level, gradual decrease of soil moisture) 	<ul style="list-style-type: none"> Global divergence in the response to climate change. Some countries take action to achieve net zero; others do not Policy stringency varies between sectors, e.g. assumes that climate policies are more stringent in the transportation and buildings sectors Both physical risks and transition risks are moderate to high (some physical impacts if action is too little, too late, leading to a snowball effect) Voluntary carbon markets, potential extreme requirements for “green” investors, EU, UK Fuel cost spikes due to uncertainty and changing economics 	<ul style="list-style-type: none"> Net CO₂ emissions will reach zero around 2050, giving at least a 50% chance of limiting global warming to below 1.5°C by the end of the century Physical risks are relatively low but transition risks are high Strong policy response including changes to permitting requirements Carbon prices increase steadily and strongly, but predictably Energy mix changes and energy price increases, hence GHG emissions are kept under control Consumers and workforce more aware – changing consumer habits
Most material risks/ opportunities	<ul style="list-style-type: none"> Market demand could be limited for products and services UK weather variability – e.g. flooding Weather events affecting the supply chain, e.g. earthquakes, fires, flooding 	<ul style="list-style-type: none"> Market demand could increase for products and services UK weather variability – e.g. flooding Weather events affecting the supply chain, e.g. earthquakes, fires, flooding Changes in policy/regulation 	<ul style="list-style-type: none"> Market demand increases – immediate response Expansion into new technologies Changes in policy/regulation

The most impactful areas to Calisen, and those which would need the most management to keep within tolerance, were:

Supply chain disruption and the impact of chronic weather events on the production and availability of assets.

Action: we are working with our supply chains to understand their disaster recovery plans in these scenarios.

Changes in policy/regulations could have a material impact on our strategy, particularly if they are cancelled or changed significantly. This is closely linked with market demand and the need for products and services.

Action: We have a dedicated team in regular contact with regulatory bodies. We are a member of several working groups that monitor pending changes to regulation. This is also monitored and reported on internally, monthly.

UK weather variability and the health and wellbeing of our field engineers.

Action: Our field teams have been equipped with the relevant PPE and training to ensure they know how to stay safe in cold, hot and wet climates.

Assessing financial materiality

In this iteration, we did not collect specific financial information to determine the financial materiality of the risks and opportunities which we identified.

Instead, we have assessed materiality through mapping the degree of impact a risk or opportunity might have on Calisen, and the possible action required to control/exploit.

Read more
 For our content index mapping for TCFD and TNFD, see pages 45-46 of our Sustainability Report

Risk management

Approach

Risk and internal control management is an important process as it not only provides assurance to the Board, but also demonstrates that Calisen understands and is managing its current and emerging risks. This isn't just a reflection of the current ESG requirements, but also taking account of risk in terms of our own plans, sustainability and resilience.

Our effective risk management process supports Calisen meeting its strategic objectives and aids in the development of future competitive advantage, and this is why Calisen is continuing to embed a risk management culture within the organisation through continued investment in time and resources, in addition to ensuring that all decisions that are made are done so with a risk based approach.

Our Risk Management Governance Structure

Governance

Calisen Limited Audit and Risk Committee

- Assist the Board with its oversight of Calisen's system of internal controls, corporate reporting and risk management.
- Review the adequacy and effectiveness of Calisen's internal controls and risk management systems.
- Discuss with the Executive Committee and Auditor its risk assessment and risk management policies and systems.

Board of Directors

- Setting risk management and internal control policies for the Group, taking into account any recommendations of the Audit and Risk Committee.
- Reviewing the effectiveness of risk management and internal control systems on an ongoing basis, including receiving and reviewing regular reports on internal control and approval of an appropriate statement for inclusion in the Annual Report.
- Carrying out an assessment (at least annually) of principal, significant and emerging risks and the effectiveness of risk management and internal control systems; and reporting to shareholders on such matters.

Management

Executive Committee and Management Risk Committee "1st line"

- Review the Calisen risk register on a quarterly basis to ensure that it identifies all key risks and considers further mitigations.
- Executive Committee and the Management Risk Committee members have responsibility for identifying and managing risk in their areas of responsibility.

Risk team, Legal team "2nd line"

- Update Calisen risk register on a quarterly basis and prepare summary.
- Responsible for annual reviews of risk management documents.
- Responsible for risk training programme and risk systems.
- Review the mitigating actions of the business and the effectiveness of these.

Internal Audit

Internal Audit "3rd line"

- Assist management in its development of its risk management maturity.
- Conduct internal audits in respect of agreed areas and report findings to the Executive Committee and the Audit and Risk Committee.
- Review and report to the Executive Committee and the Audit and Risk Committee against agreed action from internal audits.

External Assurance

Our Risk Management Framework seeks to identify risks for the Group and is designed to document the governance, processes and policies of the Calisen risk management system to help it achieve its strategic objectives.

The Group has implemented a three-line approach with the first and second lines resourced internally and an external audit firm providing the third-line internal audit support.

Risk management continued

How risks are scored

Risks are systematically evaluated with a focus on their potential impact, employing an impact and action model that delineates the gross, current and target ratings of each risk. This model also facilitates the determination of the necessary measures that must be taken to bring the risk to its intended target level, ensuring alignment with our risk appetite. Beginning in 2023, we dispensed with the use of likelihood in the risk assessment process and instead, we adopted an approach that is gaining in popularity, relying on action. Our decision to do so was based on the observation that likelihood introduced ambiguity at certain levels of appraisal. Conversely, action offers a precise course of action to be taken to bring the risk back in line with our tolerance.

What risks do we look at

Calisen ensures we review the full spectrum of risks on a regular basis. We have principal risks, the risks that are affecting the business in the here and now (short term); emerging risks, the risks that we are aware of happening but have not happened yet (medium term); and future risks – these are the risks that are picked up during our horizon scanning exercises and are scenario analysis exercises, in particular, with ESG-related risks.

Our reporting processes

On a regular basis, the Executive Committee meets and all top-rated risks are reviewed and all mitigating actions agreed according to our detailed risk appetite statements.

These risks and associated actions are then reviewed by the Audit and Risk Committee and Board at least annually.

To support this process, our internal Audit team schedules audits utilising a risk-based approach method. This provides an extra layer of support, to ensure the controls and actions that are being implemented are effective.

At least annually, all frameworks, policies and processes are reviewed to ensure they still reflect current business practices. This is in line with and part of our continuous improvement.

Our risk outlook

By using an extended enterprise model to understand our internal and external context, by considering our core activities and their inputs and outputs (value chain) and considering external influences on that value chain, we have been able to create a good holistic picture of the environment we are operating in and the key risk areas we are facing.

Over the past 12 months, our supply chain faced disruptions attributable to rising inflation and delivery challenges stemming from political unrest. In response to these external factors, we dedicated considerable effort to fortifying our technology infrastructure, with these initiatives intricately tied to geopolitical uncertainties abroad.

Navigating the labour landscape presented its own set of challenges, marked by escalating costs to secure a trained workforce and a noticeable scarcity of skilled personnel. Despite these obstacles, we take pride in the resilience of our business model, evident in the flourishing smart meter portfolio.

Additionally, we successfully diversified by integrating new ventures, such as heat pumps and data services, contributing to the overall success and adaptability of our organisation.

Risk identification

The Board's appetite for risk in these areas in the context of executing our strategy and the focus of our risk mitigation actions are set out below.

Assessment of risk is a constantly evolving process as risks change and the business develops. Therefore, the Board has put in place systems, which form an essential process in the Group's Risk Management Framework, for the ongoing identification, evaluation and management of the principal risks faced by the Company.

During the year, the Board has carried out a robust assessment of principal and emerging risks, by conducting horizon scanning and scenario analysis, and overlaid this on to the risks that are currently recorded on the risk register.

Risk management continued

Key risk	Key risk description	Current controls	Additional action taken in 2023	Emerging risks and opportunities	Any linkages to other risk areas
 <h2>Health & Safety</h2> <p>Risk type: Operational</p> <p>Risk owner: Chief Operating Officer</p> <p>Risk movement: No risk movement</p>	<p>As a result of business policy and relevant legal codes, Calisen is required to diligently identify and address the full spectrum of hazards inherent in a diverse range of activities, most notably in our production environments. Despite our unwavering commitment to upholding high standards and the pursuit of zero harm across all operations, the dynamic nature of an operational business introduces the possibility of negative impacts on safety and wellbeing for colleagues and third parties alike. It is imperative to acknowledge that incidents leading to fatalities, significant injuries, or property damage arising from a failure to effectively manage hazards may trigger a civil or criminal response, resulting in possible imprisonment, fines or other penalties. The potential for significant reputational damage often accompanies such legal processes. Our continuous attention to hazard management, therefore, remains key to safeguarding not only the welfare of individuals but also the integrity and standing of Calisen in the broader community.</p>	<ul style="list-style-type: none"> • Effective risk assessment processes to identify and control hazardous processes and materials. • Clear and effective operational manuals and written controls. • Effective tools and calibrated equipment, including PPE. • High standards of technical training and audit. • Regular training of staff aimed at accident and incident reduction. • Experienced and well-qualified safety and technical support personnel. • Effective investigation of incidents and implementation of remedial actions and learning points. • Maintenance and operation of the ISO 45001 Health and Safety Management Standard across all field operations. • Trained incident responders including general and mental health first-aiders and fire wardens. 	<ul style="list-style-type: none"> • A range of safety campaigns targeting specific areas of risk, including occupational road risk. • Updates of field guides. • Improved inspection tools. • Regular communication and talks about mental health issues and the training of an additional 20 mental health first-aiders. • Improving near-miss reporting rates through amended communications and reporting tools. • Improved communication in relation to any recurring common incidents within our operations. 	<ul style="list-style-type: none"> • Further improvement to occupational road risk standards through use of telematics. • Safety culture focus to include personal responsibility and trust to operate effective dynamic risk assessments. • Requirement to continuously improve controls and standards in new operational business areas. • Trials of revised PPE, particularly to reflect the risk of seasonal slips, trips and falls. Due to changes in weather patterns, there may be increased numbers of slips, trips and falls/accidents in the winter season. 	<ul style="list-style-type: none"> • Environmental & Sustainability. • Organisational Growth & Alignment and Attraction/Retention.
 <h2>Strategy Execution</h2> <p>Risk type: Strategic</p> <p>Risk owner: Group Chief Executive Officer</p> <p>Risk movement: No risk movement</p>	<p>Calisen's strategic framework encompasses three pivotal elements: firstly, the commitment to executing on our core opportunities; secondly, the endeavour to extend our capabilities, thereby offering a comprehensive proposition; and thirdly, the aspiration to grow the business in alignment with our overarching mission. While Calisen is confident in the thorough analysis of its strengths, competitors, and the broader MAP segment that underpins its strategy, success in execution is not guaranteed. Despite our steadfast focus on strategy implementation, external variables and evolving dynamics may pose challenges, and there remains an inherent uncertainty regarding Calisen's ability to navigate these complexities and achieve successful outcomes.</p>	<ul style="list-style-type: none"> • Calisen has an experienced Executive Committee that has previously delivered successful strategies. The Group has a history of delivering predictable growth, and allocated time is set out in the governance calendar in order to consider strategy for the Group. • Plug Me In, the EV installation arm of the business, began trading in 2021. This service provides a base for the expansion into the EV markets. 	<ul style="list-style-type: none"> • Through Plug Me In, Calisen has introduced heat pumps to our service offering, providing households seeking to replace their traditional boilers with cutting-edge technology a viable and efficient solution. • Calisen has also added a data services arm to the business that currently focuses on water metering and providing insights to consumers. 	<ul style="list-style-type: none"> • Ongoing challenges and disruptions in the energy market, delaying the energy transition and limiting opportunities for greenfield growth. • Due to changes in law and regulation, and environmental focus, there may be further changes in regulations that are not expected, leading to changes to our strategy. • Continue to monitor developments in other markets and jurisdictions. • Availability of a skilled workforce to service the demand of new customers. 	<ul style="list-style-type: none"> • Environmental & Sustainability. • Organisational Growth & Alignment and Attraction/Retention. • Financial and Funding.

Risk management continued

Key risk	Key risk description	Current controls	Additional action taken in 2023	Emerging risks and opportunities	Any linkages to other risk areas
 <p>Law, Regulation, Policy & Certification</p> <p>Risk type: Strategic</p> <p>Risk owner: Chief Operating Officer & Chief Commercial Officer</p> <p>Risk movement: Risk increasing</p>	<p>Calisen's business growth, financial wellbeing, operational outcomes and future prospects are intrinsically tied to the regulatory and legal landscape in which it operates. There exists a potential risk that a future government could impose more stringent regulations on energy networks and related industries in Britain, including the MAP segment, potentially leading to direct regulation of MAPs.</p>	<ul style="list-style-type: none"> • Calisen plays an active part in industry events and closely monitors policy development. • Calisen employs a Regulation Manager who maintains a pipeline of industry changes, which is shared with the business and drives impact assessments to determine operational changes needed. The Regulation Manager also identifies industry consultations and provides responses to any that may have an impact on the business. • Calisen is a member of a number of industry groups and trade associations which provides an opportunity to influence regulatory changes and impact policy decisions to help future direction align with Calisen's strategic direction and voice concerns from across the industry and our partners. • Calisen is also a member of the Community of Meter Asset Providers which helps to ensure that the voice and concerns of MAPs are raised in the industry, with regulators and with the UK Government. • Calisen meets with the DESNZ directly on a regular basis, again to discuss issues, keep abreast of forthcoming changes and raise concerns relating to the industry and which impact the Group. • Calisen holds specific regulatory meetings with our energy supplier customers and meter manufacturers to ensure they are aware of current regulatory focus areas and forthcoming changes, to inform impact assessments and determine requirements. 	<ul style="list-style-type: none"> • With the development and growth of Plug Me In during 2023, the remit of regulation has expanded to include obligations and standards in relation to the installation of heat pumps and EV chargers to ensure our customers receive a quality service, from appropriately trained and competent installers. Plus there are requirements on the functionality of the assets to which we also need to adhere. • Calisen has developed an assurance map which demonstrates all external audits, certifications and self-assessments completed across the Group. This provides management with a view of the three levels of assurance we have and gives confidence that we are controlling the key risks in this area. • Calisen has established an internal working group to begin to determine the impacts of the Network Evolution Programme, which will move smart meters from 2/3G network to 4G in the future. There are a number of impacts and opportunities across the Group which we have begun to assess. We are a key member of the Industry Governance group driving this programme, which will have a significant impact on the energy industry over the next decade. • Plug Me In is regulated by the Financial Conduct Authority due to the nature of products offered to consumers. There are formalised processes in place to ensure the required documentation to evidence compliance, and adherence to the requirements is submitted to our third party partner in line with expected timescales. • Calisen has worked closely with impacted energy suppliers around the continuation of enrolment and adoption of SMETS1 meters into the Data Communications Company ("DCC") and to determine the impact of unsuccessful migrations to suppliers and to Calisen. It has been agreed that the Final Operating Cohort is continuing into 2024 which is positive in allowing more time for meters to be enrolled and we will continue to work with our churn suppliers on settling financial aspects. 	<ul style="list-style-type: none"> • Due to changes in law and regulation, and environmental focus, there may be further changes in regulations that are not expected or identified, leading to increased operating and reporting requirements. There may also be instances where it is unclear what the future requirements might be or how they may impact Calisen. • The Network Evolution Programme mentioned above presents significant risks to the whole energy industry, but also to Calisen. Primarily these relate to the early replacement of meters, which we are lobbying to minimise, and we are working with suppliers to understand their replacement plans, which will inform our detailed assessment of impacts. We are looking at opportunities around the future use of the field engineers and we are driving for a focus on efficiency in this area. • The increased focus on decarbonising heating presents opportunities for Calisen and the Plug Me In teams, whilst also increasing risks around health and safety and compliance with external requirements and standards. Calisen's risk management approach covers all aspects of the Group's operations and seeks to mitigate these risks through operational controls and processes. • The ongoing SMETS 1 Enrolment & Adoption programme poses risks around the removal of un-enrolled and enrolled meters. We are seeking guidance from the Government as to changes in obligations for energy suppliers and the potential impact to Calisen. 	<ul style="list-style-type: none"> • Environment & Sustainability. • Strategy Execution. • Asset & Supply Chain. • Health & Safety.

Risk management continued

Key risk	Key risk description	Current controls	Additional action taken in 2023	Emerging risks and opportunities	Any linkages to other risk areas
 <p>Customer</p> <p>Risk type: Strategic</p> <p>Risk owner: Chief Commercial Officer</p> <p>Risk movement: No risk movement</p>	<p>Calisen faces various market risks, within the evolving landscape of the UK energy market, driven by recent increases in global energy prices and exemplified by the energy price cap. The Company is susceptible to counterparty default risks and exhibits concentration exposure to specific energy retailers operating in the UK.</p> <p>We are susceptible to losing key customers if they decide to self-fund their own MAP obligations at the conclusion of their existing contract.</p> <p>The risk of revenue loss emerges when the energy retailer fails to pay their monthly rental invoice and then ceases trading or goes into administration.</p> <p>Moreover, the growing demand for sustainable products, such as EV chargers, heat pumps and smart meters, in response to the increasing emphasis on sustainable living, poses a challenge in meeting the demand for installations. This heightened demand may strain Calisen's capacity to fulfil installation requirements, thereby affecting overall business operations.</p>	<ul style="list-style-type: none"> • Due to the structure of its contracts with energy retailers, Calisen has revenue that is reasonably predictable. • Calisen invoices on a monthly basis and has escalation measures should any retailer fail to pay. • Calisen has no consumer credit exposure from metering assets, and its energy retailer customers tend to have high credit quality. • Counterparty risk is further limited as a result of regulation such as the supplier of last resort ("SOLR") regulatory framework which can be invoked by Ofgem when an energy retailer is in financial difficulty or goes out of business. • Calisen has developed systems and processes in order to minimise revenue loss when a consumer changes energy retailer. These include Calisen's accurate meter tracking systems and processes, billing relationships with nearly every energy retailer and an increasing number of contracts with energy retailers which provide for rental of meters following a consumer switching energy retailer. • Where suppliers with whom we have meter installation contracts have gone into SOLR, Calisen works with manufacturers and other energy suppliers to redeploy/return stock that is no longer required. • Calisen now holds specific regulatory meetings with our energy supplier customers to ensure they are aware of current regulatory focus areas and forthcoming regulatory changes, to inform impact assessments and determine requirements. • Calisen has Financial Conduct Authority accreditation which allows for a consumer credit offering to consumers. 	<ul style="list-style-type: none"> • Calisen tracks the wholesale market prices on a weekly basis and periodically requests information from our customers on their hedging strategies. • Calisen has expanded its customer base to mitigate the potential loss of pipeline in the event of a customer's decision to self-fund obligations. 	<ul style="list-style-type: none"> • More frequent and severe climate events such as flooding, drought, extreme heat etc., that could affect assets and cause assets to be removed. • The cost of living crisis has led to an increased focus on energy usage reduction, bringing the benefits of smart gas and electricity meters into increased focus. 	<ul style="list-style-type: none"> • Environmental & Sustainability. • Asset & Supply Chain. • Strategy Execution.

Risk management continued

Key risk	Key risk description	Current controls	Additional action taken in 2023	Emerging risks and opportunities	Any linkages to other risk areas
 <p>Asset & Supply Chain</p> <p>Risk type: Strategic</p> <p>Risk owner: Chief Commercial Officer & Chief Operating Officer</p> <p>Risk movement: Risk increasing</p>	<p>Calisen’s reliance on a limited number of manufacturers and installers exposes the Company to potential disruptions in the delivery of products and services. The failure of these entities to meet contractual obligations, exacerbated by external factors like a pandemic, war, or force majeure events, may escalate Calisen’s costs, affect revenue, and tarnish its reputation.</p> <p>Given the intricate nature of smart meter technology, the timely upgrade of metering equipment firmware is crucial. Failure to perform this upgrade correctly could result in the removal of meters. This risk may materialise if metering equipment, owned and managed by Calisen, develops faults, potentially leading to warranty or liability claims.</p> <p>While Calisen benefits from warranties provided by meter manufacturers for faulty products, the effectiveness of these warranties is contingent on the reliability of the counterparty offering the warranty. Consequently, Calisen faces counterparty default risk within its supply chain, affecting the value of these warranties as a mitigating factor.</p>	<ul style="list-style-type: none"> • Calisen has developed strong long-term relationships with a number of manufacturers, and Calisen’s position as a major purchaser of meters helps to ensure that manufacturers generally make product deliveries and provide new supplies on time, in necessary quantities and to the right quality to satisfy the requirements of Calisen’s energy retailer customers. • Calisen conducts financial and other due diligence on meter manufacturers and obtains parent company guarantees where required. • Calisen has a strong focus on detailed manufacturer quality assurance that helps inform its meter selection decision making. • Calisen conducts extensive testing of meters with the support of its technical due diligence providers, and as a result Calisen’s revenue-generating smart meters have historically suffered low fault rates. • Calisen is working with the industry to understand the correct version of firmware for its assets and, in turn, is working with the manufacturers and energy suppliers to ensure the right firmware and upgrade path is available. • The continued roll-out of Calisen Smart 360 which allows energy suppliers access to the correct and most up-to-date firmware for their asset. • Calisen has expanded the scope of its meetings with manufacturers to ensure they are informed of the pipeline of regulatory changes which may impact their devices and to provide Calisen with assurance they are meeting requirements. 	<ul style="list-style-type: none"> • Implementation of new services through Calisen Smart 360 which include smart commissioning and asset refurbishment. • Macro events dominate the landscape and are closely monitored by the business with our suppliers, including but not limited to political unrest and wars. 	<ul style="list-style-type: none"> • Due to extreme temperatures now being experienced in the UK, additional testing may be required to ensure the asset longevity. • With the strain on natural resources required to manufacture smart metering assets, the need to triage and reinstall assets to meet customer demand is increased. 	<ul style="list-style-type: none"> • Environmental & Sustainability. • Strategy Execution. • Customer.

Risk management continued

Key risk	Key risk description	Current controls	Additional action taken in 2023	Emerging risks and opportunities	Any linkages to other risk areas
 <p>Business Interruption & IT Systems</p> <p>Risk type: Strategic</p> <p>Risk owner: Chief Operating Officer</p> <p>Risk movement: Risk increasing</p>	<p>Calisen’s operational foundation hinges on robust IT systems and networks, susceptible to potential malfunctions, cyber attacks, interruptions, or security breaches. The failure of either the physical infrastructure or the IT systems and networks carries the potential for substantial costs and disruptions, capable of diminishing revenue, tarnishing the Group’s reputation, and exerting a materially adverse impact on financial results.</p> <p>In light of contemporary global events, particularly escalating conflicts between countries, the risk landscape for cyber security becomes more pronounced. The heightened geopolitical tensions elevate the risk of cyber attacks, necessitating increased vigilance and proactive measures to safeguard Calisen’s IT infrastructure and ensure resilience against potential threats.</p>	<ul style="list-style-type: none"> • A cyber security strategy paper was presented to the Executive Committee in January outlining plans for 2023 which will align to National Cyber Security Centre (“NCSC”) Cyber Assessment Framework recommendations. • Calisen and its subsidiary companies have disaster recovery and business continuity plans in place, and these are reviewed regularly and audited. • Cyber security penetration testing is carried out by external advisers in respect of certain systems on an annual basis, and regular employee security awareness sessions are undertaken. • Calisen has ISO 27001 certification with security and data controls in place. 	<ul style="list-style-type: none"> • Calisen has undertaken a full and in-depth review of all of its IT and cyber controls and have implemented a number of controls to ensure all of its data are protected including implementing a third party serviced managed security operations center which operates 24/7 and additional cloud security tools to complement existing controls such as multi-factor authentication (“MFA”) and Endpoint Detection and Response (“EDR”). • Calisen is also undertaking a major programme to move all key infrastructure to Microsoft Azure and have a managed service from a third party to provide high availability. • Aligning with the IT transformation, work is also underway to review existing Business Continuity Processes with the aim of updating them to reflect integrated work platforms and changes to physical work locations. 	<ul style="list-style-type: none"> • Large-scale business transformation programme underway to modernise key platforms across the Group. • Cyber threat could be heightened more if conflict between countries continue. 	<ul style="list-style-type: none"> • Strategy Execution. • Customer. • Law, Regulation, Policy & Certification • Environmental & Sustainability.
 <p>Finance & Funding</p> <p>Risk type: Strategic</p> <p>Risk owner: Chief Financial Officer</p> <p>Risk movement: Risk increasing</p>	<p>Calisen faces credit and market risks arising from interest rates and from related hedging activities, and its financial results may be affected by fluctuations in interest rates. Calisen may need additional capital in the future which may not be available, on terms favourable to it or at all.</p>	<ul style="list-style-type: none"> • Calisen’s contracts include maximum capital expenditure commitments which are regularly reviewed by the Executive Committee and the Board. • Calisen has committed bank facilities and a business with highly predictable cash flow. • No meter funding facility renewals fall due before December 2024. • The Group enters into interest rate swaps or other similar hedging instruments, whereby it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts, with the objective of fixing the majority of its interest costs. • Regular monitoring of cash flow, debt balances, leverage hedging and covenant calculations are reported to the highest level of the organisation. 	<ul style="list-style-type: none"> • Refinanced a number of facilities, ahead of scheduled maturity dates, to take the opportunity to simplify arrangements, secure liquidity, extend scheduled maturity, increase flexibility and in some instances, achieve preferable pricing. • Accessed the US Private Placement (“USPP”) market for the first time, securing a significant new source of liquidity. • Entered into interest rate swaps and swaptions that reduce exposure to interest rate fluctuations in support of the growing business. • Engaged with financial, legal and technical advisers to review the ongoing capital structure of the Group. 	<ul style="list-style-type: none"> • Macro events dominate the landscape and are closely monitored by the business, including but not limited to wars in Ukraine and Israel, the sustained cost of living crisis, the prevailing inflationary and interest rate environment and the prospect of general elections both domestically and internationally. • The continuing cost of living crisis maintained focus on energy usage reduction, ensuring the benefits of smart gas and electricity meters remain in focus. 	<ul style="list-style-type: none"> • Strategy Execution. • Customer. • Asset & Supply Chain.

Risk management continued

Key risk	Key risk description	Current controls	Additional action taken in 2023	Emerging risks and opportunities	Any linkages to other risk areas
 <p>Organisational Growth & Alignment and Attraction and Retention Talent</p> <p>Risk type: Strategic</p> <p>Risk owner: Chief People Officer</p> <p>Risk movement: Risk increasing</p>	<p>Calisen may encounter difficulties in attracting or retaining key capabilities and those in technical roles.</p> <p>As the business grows, alignment is critical to ensure the cohesive delivery of objectives and performance of teams and individuals.</p>	<ul style="list-style-type: none"> • The business seeks to mitigate the risk of not retaining its talent by deploying strong recruitment and retention processes supported by effective HR procedures. • Remuneration packages for technical roles are benchmarked against the industry to ensure the business attracts the right calibre of applicant. • Development of talent management and succession plans. • Flexible hybrid working arrangements remain in place. • Access to an employee assistance programme (“EAP”) for all employees to assist with any health or wellbeing concerns. 	<ul style="list-style-type: none"> • Creation of a People strategy consisting of five key themes underpinned by employee experience: Everyone’s Welcome, Rewarding Work, Enabling Growth, Inspiring People and Employer of Choice. Activity is planned within and across these themes to enable the business to be successful and create an aligned culture where attraction and retention are high. • New Company values created with colleagues and launched alongside the Company rebrand to Calisen. This strengthens the employer brand and identity which improves attraction and retention. • With the continued impact of the cost of living crisis, higher than normal inflation and costs of goods and services, we were able to continue our support for colleagues by committing to real living wage rates of pay from January 2024. The continued growth and contribution of our installation workforce in serving our customers enabled us to make this investment in our people. • Establishing an approach to diversity and inclusion in line with the Everyone’s Welcome theme of the new People strategy, gathering data to baseline and set targets that are applicable from January 2024 onwards. • To support retention, we launched a colleague recognition approach called Calisen Celebrates. This recognition mechanism, linked to our values, enables us to reinforce bringing the values to life in our culture and recognising those who are embodying those values in their work. 	<ul style="list-style-type: none"> • Saturation of labour market availability of experienced candidates for our technical roles. We intend to mitigate this in 2024 via a skills strategy which will articulate how we buy, build and borrow to create a resourcing and skills approach for future years. • Market pay for key roles and capabilities may continue to rise, and we will need to set an approach to pay that enables us to ensure attraction and retention as well as financial sustainability to remain a competitive option to our clients when they are considering outsourcing or awarding work to Calisen. 	<ul style="list-style-type: none"> • Strategy Execution. • Environmental and Sustainability. • Customer.
 <p>Environmental & Sustainability</p> <p>Risk type: Strategic</p> <p>Risk owner: Chief Risk Officer</p> <p>Risk movement: Risk increasing</p>	<p>The risk that Calisen’s actions or inactions do not comply with the Group’s Environmental and Sustainability policy, ambitions and targets.</p> <p>Furthermore, there is also a potential risk that the environmental impacts the Group has as a whole – for example, an increase in carbon emissions – could impact the execution of the strategy, as well as causing reputational damage and negative effect on the climate change pledge.</p> <p>In addition, there is also a potential risk that our international supply chain could be impacted by force majeure weather events caused by climate change.</p>	<ul style="list-style-type: none"> • A Sustainability Steering Committee is in place to monitor progress. • An environmental report is generated on a monthly basis to track decisions that have been made as well as progress against ambitions and targets. This report is also published as part of the Annual Report. • Regular reporting to the Board on progress. • Detailed policy and process in place which are reviewed and audited. • Skilled and dedicated team focusing on supporting the delivery of our ambitions. • ESG experts support with the implementation of the strategy. 	<ul style="list-style-type: none"> • Conducted a further scenario analysis to understand the extent impact of climate change may have on our operations and supply chain. • Conducted a full review of all our Scope 1, 2 and 3 emissions. • Worked with our supply chains to understand the impact of climate change on their operations. • Worked with internal stakeholders to ensure we can make reductions on our own emissions by the introduction of EV’s into the fleet. • Started the process to launch our own charity, Calisen Impact Charitable Trust. 	<ul style="list-style-type: none"> • Due to potential changes in law and regulation, and environmental focus, there may be further changes in regulations that are not expected, leading to increased operating and reporting requirements. • Due to extreme temperatures now being experienced in the UK, additional testing may be required to ensure asset longevity. • More frequent and severe climate events such as flooding, drought, extreme heat etc., that could affect assets and cause for assets to be removed. • Availability of skilled STEM workforce will be required to ensure we can meet our sustainability and business goals and ambitions. 	<ul style="list-style-type: none"> • Strategy Execution. • Asset & Supply Chain. • Health & Safety. • Customer.

Risk management continued

Analysis and evaluation

During the year, the senior leaders, executive teams and committees review the register of risks on a monthly basis. The output from this oversight helps to prioritise operational activity and performance towards the business strategy and objectives. In addition to consideration of action and impact, the amount of action needed to bring the potential impact of risks to an acceptable level is a key factor. As a result, Calisen has remained focused on the risks that require active management and are in line with the organisation's appetite for risk.

Furthermore, the risk prioritisation is linked into our internal auditor's strategy and complements the risk based approach to audit planning and review. The output from audit reviews ensures we have the relevant controls in place to manage the risks that have been identified and are aligned with our assurance map.

Finally, on an annual basis, the Group takes a step back to reflect on the register of risks, how it is scored, the alignment with appetite, and the need for actions to be taken to bring back to tolerance levels.

Monitor, review and report

In addition to the work Calisen does to evaluate the risks and the movement throughout the year, we also review our processes and framework to confirm that they continue to be aligned to our business operations. To support this process Calisen has onboarded an independent risk consultant.

With the continued support from our independent risk consultants, Calisen will continue to develop its Risk Management Framework and process – to ensure that the implementation of risk management – looking at both risks and opportunities – is tailored to suit Calisen's both governance and operational frameworks. As well as adding value to the organisation in decision making for strategy setting and execution.

As part of this support, our consultants have conducted a risk maturity exercise from where we were in 2020, to where we are to date, and based on this assessment our maturity level has increased: we now have a proactive risk management maturity.

The output of these reviews are communicated back up to the Audit and Risk Committee and shared with the shareholders to ensure consistency and transparency.

Closing the loop

All risks and opportunities are linked to our strategic objectives. Where the outlook remains stable and aligned, Calisen will continue to monitor risk within the business and to scan the horizon for changes. Where there is any misalignment, we will focus attention on those risks and opportunities that may impact our ability to deliver against our objectives and manage those to an acceptable level. Should we find it is not appropriate to continue to run any risks or pursue opportunities further, or we are unable to, this process enables us to discuss and challenge our context and objectives and decide to stop or change them.

Action plan for 2024

- Conduct a full risk profile review ensuring it still reflects the business objectives and strategy.
- Roll out our risk training to key stakeholders.
- Conduct a resilience review against current strategy.
- Roll out our Risk Assurance reporting Programme, including, Key Risk Indicator reporting and Risk Appetite Analysis reporting.
- Review our governance framework to ensure it meets current strategy and processes.

GOVERNANCE REPORT



Corporate Governance Report

As required by The Companies (Miscellaneous Reporting) Regulations 2019, the Company reports that it applied the Wates Corporate Governance Principles for Large Private Companies (“Wates Principles”) published in December 2019 throughout the year.

The Wates Principles are published free of charge by the Financial Reporting Council (“FRC”) and are available on the FRC website.

This report explains how the Company has applied the Wates Principles during the financial year ended 31 December 2023.

Wates Principle 1

Purpose and leadership

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

The Company’s purpose is to deliver Smarter Energy for All.

The Board develops its strategy to achieve that purpose through regular reviews with the Executive Committee and the senior leadership team as well as with its shareholders. Details of our strategy are set out on pages 19 to 22, and how we engage with our shareholders is described on page 46.

There is a process in place for managing conflicts of interest, should they arise.

The Board sets the culture of the Group. This year the Group launched a new set of values which encompasses the behaviours we expect of our people and our Code of Conduct sets out how we will operate and the behaviours we expect of those with whom we do business.

The Board uses a number of indicators to inform its regular assessment of whether the culture continues to be appropriate and whether there are any further actions that are necessary.

These indicators cover a range of in-house and independent monitors, as set out below:

Workforce engagement

The Company has in place a Workforce Engagement Forum (the “Forum”) which meets regularly to seek the views of employees on decisions likely to affect their interest. The CEO provides regular updates to the Board on the feedback from the Forum including the comments from the workforce representatives at the Forum on the culture within the Group.

The Group conducts regular Group-wide Employee Surveys. The findings of those surveys are reported to employees, and the senior leadership team is responsible for implementing changes identified as a result of employee feedback received. Town Halls and email communications are also employed.

These methods of engagement allow employees to understand the performance and plans of the business and for management to receive direct feedback.

Whistleblowing hotline

The Group has an independent whistleblowing hotline where employees can anonymously report any concerns about misconduct or unethical practices.

This whistleblowing facility allows the Board to monitor any employee reports that would indicate any areas for concern in respect of the culture of the Group. As at the date of this report, no reports have been received.

Employee retention

The Board receives regular updates on employee matters.

Our employees offer one of our greatest competitive advantages and retaining their services is a key element of our strategy.

Health and safety

The Company maintains a zero tolerance approach to health and safety incidents and is committed to maintaining a healthy and safe place of work for all stakeholders, as described in the Directors’ Report and in the in the Risk section of the Strategic Report.

Compliance

The Group has robust policies that are regularly reviewed concerning key governance areas including anti-bribery and corruption; anti-money laundering; and anti-slavery and human trafficking. These policies are actively promoted through online training; checks for successful completion of initial and updated training and guidance; and annual sign-offs by senior management across the business.

These processes and checks are underpinned by a robust internal audit function, and an independent whistleblowing process monitored by the Board as described above.

Wates Principle 2

Board composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

The Board consists of a Chair, a CEO and four Executive Directors. A summary of the roles of the Chair and CEO is set out below.

The size of the Board is considered appropriate for the effective operation of the Group due to the skills, knowledge and experience of the Directors. The Board is supported by an Executive Committee, who in turn are supported by the senior leadership team. The biographies of the Board and Executive Committee are set out on page 79. Regular performance reviews are conducted.

Wates Principle 3

Director responsibilities

The board and individual directors should have a clear understanding of their accountability and responsibilities.

The board’s policies and procedures should support effective decision making and independent challenge.

The role of the Board

The Board is collectively responsible to the shareholders and other stakeholders for the long-term sustainable success of its business, including setting the overall strategy of the business, promoting its objectives, monitoring culture and ensuring the highest standard of governance. The Board considers that the governance processes remain fit for purpose.

The Board is also responsible for providing guidance and oversight to the business. It has overall authority for the management and conduct of the business including oversight of the Group's financial performance and monitoring the governance, risk and control framework. Details of the risk management structure that the Board has put in place are set out in the Risk section of the report on page 67. In addition, the internal audit function conducts regular reviews, to an agreed annual plan, of the controls, processes and systems in place. The Directors are in regular communication with the shareholders both informally and via the Calisen Limited Board.

A range of matters have been delegated to the Executive Committee, which is responsible for the day-to-day operation of the Group. Biographical details of the Executive Committee are set out on page 79–80.

Stakeholder engagement

The Board recognises the value of maintaining close relationships with its stakeholders, understanding their views and the importance of these relationships in delivering our strategy and the Group's purpose.

The Group's key stakeholders and their differing perspectives are taken into account as part of the Board's discussions. You can read more in our s.172(1) statement on page 48.

How the Board supports strategy

The Board works closely with the Executive Committee and its shareholders to review and agree a strategy that will promote the success of the Company for the benefit of all of its stakeholders.

During 2023, a number of sessions were held to review and assess strategy, including with external consultants engaged to provide independent views. Details of the Company's strategy are set out on pages 19 to 22.

Division of responsibilities

A summary of the responsibilities of the Chair and CEO are set out below:

Chair

- Guardian of the Board's decision-making process.
- Ensures the Board as a whole plays a full and constructive part in decision making.
- Sets the Board agenda.
- Ensures the Board receives accurate, timely, high-quality and clear information.
- Ensures a formal and rigorous evaluation of the Board takes place each year.

Chief Executive Officer

- Operational and strategic management of the Group.
- Develops the Group's strategy and commercial objectives.
- Manages the Group's Executive Committee and ultimately all its staff.
- Ensures effective communication with all stakeholders.

Wates Principle 4

Opportunity and risk

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

Calisen is able to create and preserve long-term sustainable value by providing access to the capital and engineering services that our customers need, as well as the managed services to make our customers' operations more efficient.

We have also further developed our wider net zero capabilities by continuing to offer an end-to-end solution to both businesses and homeowners for installations of both EV charge points and air source heat pumps via our Plug Me In business and, via the acquisition of Advizzo Limited, offering SaaS solutions to help energy and water utilities drive better customer behaviours.

How the Board manages risk is set out in the risk section on pages 67 to 75.

The Company's climate-related non-financial disclosures are set out in pages 49 to 56.

Wates Principle 5

Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

The Remuneration Policy is determined by the Remuneration Committee ("the Committee") of Calisen's holding company. The Committee operates in accordance with terms of reference and comprises four members who are Shareholder Directors or their representatives.

The Committee's role is to:

- oversee pay and reward structures across the Group and determine the individual remuneration packages of the Directors and the Executive Committee;
- review the ongoing appropriateness and relevance of the Remuneration Policy to ensure that it is aligned with the Company's purpose and values, and the successful delivery of the Company's long-term strategy;
- consider annually the remuneration trends across the Company and the Group to ensure that remuneration is competitive, fair and appropriate;
- take into consideration wider workforce remuneration and policies and the alignment of incentives and rewards with culture when setting remuneration policy for the senior management team; and
- ensure that the following points are considered and addressed in any remuneration policy: (i) clarity; (ii) simplicity; (iii) risks associated with excessive rewards; (iv) predictability of the range of potential values of rewards delivered; (v) link between awards, delivery of strategy and long-term Company performance; and (vi) alignment to culture.

Wates Principle 6

Stakeholder relationships and Engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The Board considers that this Annual Report and Accounts presents a fair, balanced and understandable assessment of the Company's position and prospects.

Stakeholder engagement is set out on pages 46 to 47.

Board of Directors



Henricus Lambertus (Bert) Pijls
Chair

Tenure: Date of joining the Group: September 2017

Bert became Chair of the Group in July 2021. Prior to this, Bert was CEO of the Group between September 2017 and July 2021.

Previous experience: Bert has over 30 years of experience in financial services and utilities. Prior to joining the Group he worked in the financial services industry as CEO of Hellenic Bank, Managing Director at Citibank and CEO of Egg Banking. In addition to his experience in the financial services industry, Bert worked in the energy sector as Managing Director for Customer Service and Commercial at British Gas/Centrica. Bert holds a B.B.A. from Nijenrode University in the Netherlands as well as a Masters in International Management from the Thunderbird School of Global Management in Arizona, United States.



Sean Latus
Chief Executive Officer

Tenure: Date of joining the Group: October 2014

Sean became Group CEO in July 2021, having held a number of senior roles in the business since joining in October 2014. Initially Chief Investment Officer, he helped transition the business from an owner of traditional meters to being a broader provider of energy infrastructure services to the retail market. Sean held the CFO position in February 2018 until he became Group CEO.

Previous experience: Sean has over 25 years' experience working in the infrastructure industry and has worked across multiple sectors both in the UK and overseas. Sean's previous roles include Head of Investments at Costain plc, Senior Director at RBS Project and Infrastructure Finance, and Investment Director at John Laing.



Sarah Blackburn
Chief Commercial Officer and General Counsel

Tenure: Date of joining the Group: April 2014

Sarah was appointed as Chief Commercial Officer and General Counsel from 1 July 2021.

Previous experience: Prior to that, Sarah was part of the senior management team as General Counsel and Company Secretary. Sarah is responsible for leading the commercial, transactions and legal teams within the Group. She is a qualified lawyer with over 20 years of experience in a broad range of commercial transactions, infrastructure, M&A and finance.



Brandon Rennet
Chief Financial Officer

Tenure: Date of joining the Group: December 2022

Brandon was appointed as Chief Financial Officer in December 2022.

Previous experience: Prior to joining Calisen, Brandon served as CFO of Thames Water. Previously, he was at SSE plc in a range of senior finance roles, including Managing Director for Finance (2013–2017). Most recently, he was CFO at Storegga, the international project developer focused primarily on carbon capture and storage. Brandon brings over 20 years' experience working on critical national infrastructure projects from a variety of perspectives. He has also worked extensively on the public-private interface, including a secondment to the Prime Minister's Delivery Unit in the Cabinet Office.

Board of Directors continued



Phillip McLelland
Chief Risk Officer

Tenure: Date of joining the Group: July 2019

Phillip joined Calisen in 2019 in the role of Group Finance Director, and became Chief Risk Officer in December 2022. As of 31 December 2023 Phillip resigned from this position.

Previous experience: Prior to that, Phillip had over 25 years' experience in senior finance roles. Immediately before moving to Calisen, Phillip was Director of Finance at the British Business Bank, having previously been Finance Director at Provident Financial and UK Asset Resolution. In addition to his financial services experience, Phillip has also undertaken advisory roles with KPMG and PwC.

Phillip is a Non-Executive Director of the Furness Building Society.



Matthew Bateman
Chief Operating Officer

Tenure: Date of joining the Group: October 2022

Matthew joined Calisen at the beginning of October 2022 as Chief Operations Officer.

Previous experience: Prior to this, he worked for Centrica plc for 24 years leading various business units including as Managing Director, British Gas, and his most recent role as MD, British Gas Services and Solutions. His responsibilities included the Smart Metering programme as well as being CEO of British Gas' Insurance business.



San Johal
Chief People Officer

Tenure: Date of joining the Group : July 2023

San joined Calisen in July 2023 as Chief People Officer

Previous experience: Prior to joining Calisen, San held the position of Chief People Officer at EDF Renewables UK and Executive Director of Human Resources & OD at Highways England. San is also a Chartered Fellow (FCIPD) and has over 10 years experience at a senior level.

Directors' Report

The Directors of Calisen Group (Holdings) Limited present their report for the year ended 31 December 2023.

The Company is the holding company of the Calisen group of companies. The main trading companies are Calisen Metering Limited, Calisen Metering Services Limited and their subsidiaries.

These and all other subsidiaries of the Group are listed in note 33 of the financial statements.

Results and dividends

The loss for the year attributable to the equity holders of the parent company amounts to £35.5 million (2022: £107.2 million).

During the year, the Company paid dividends amounting to £335.8 million (2022: £57.5 million).

Future developments

The group signed a MAP services contract in May 2024, which included a £70m payment in relation to the installation of metering equipment. The payment will be recognised as a capital expenditure prepayment, held within trade and other receivables. As and when the meter installations occur amounts will be released to tangible fixed assets.

In March 2024, the Group completed a £100m extension of the RCF held by Meter Serve (Holdco 2) Limited, increasing the facility balance from £400m to £500m. In June 2024, the Group successfully completed a refinance of the RCF held by the Company, repaying £160m of drawn debt and entering into a new £160m 10 year term loan facility. The RCF remains available and this resulted in an increase in headroom of £100m for the Group.

In June 2024, Calisen Metering Holdings Limited acquired 100% of the share capital of Rodney Holdings Limited for consideration of £11.5m.

Directors

The Directors who served during the year or who are Directors at the date of this report are:

H L (Bert) Pijls
S Latus
P McLelland (resigned 31 December 2023)
S A Blackburn
M Bateman
B Rennet (appointed 19 January 2023)
S Johal (appointed 23 January 2024)

Directors' indemnities and Directors' and Officers' liability insurance

Directors' and Officers' liability insurance is in place for all Directors and officers of the Company. Calisen also indemnifies the Directors under a qualifying indemnity for the purposes of section 236 of the Companies Act 2006. This indemnity contains provisions that are permitted by the director liability provisions of the Companies Act 2006 and the Articles of Association of the Company. Such third party indemnity provision remains in force as at the date of this Report.

The Company has chosen in accordance with section 414C (11) of the Companies Act 2006 to provide disclosures and information in the Strategic Report in relation to a number of matters which would otherwise be required to be included in this Directors' Report. These matters are referred to in the table to the right. The table also refers to certain other disclosures elsewhere in this Annual Report, which are incorporated into this Directors' Report by reference.

Research & development

The research and development activities of the Group include development of IT systems to support our metering and installation operations as well as adjacent technologies.

Significant agreements – change of control

There are no agreements that may be terminable in the event of a change of control of the Company.

Share capital

The Company's total issued share capital, as at 31 December 2023, consisted of 549,019,293 ordinary shares, each with a nominal value of 1p. Further details of the issued share capital of the Company can be found in note 29 of the financial statements. The rights and obligations attaching to ordinary shares in the Company are set out in the Company's Articles of Association ("the Articles"). Copies of the Articles can be obtained from Companies House or by writing to the Company Secretary at the Company's registered office.

Restrictions on the transfer of shares

The restrictions on the transfer of shares are set out in the Articles. No person has special rights of control over the Company's share capital.

Restrictions on voting rights

Details of the deadlines for exercising voting rights are set out in the Articles. The Directors are not aware of any agreements between

shareholders that may result in restrictions on the transfer of securities or on voting rights.

Articles of Association

The Company may amend its Articles by passing a special resolution at a general meeting of its shareholders. The Articles include the rules on the appointment and replacement of Directors.

Powers of the Board

The business and affairs of the Company are managed by the Directors, who may exercise all such powers of the Company as are, not by law or by the Articles, required to be exercised by the Company in general meetings. Subject to the provisions of the Articles, all powers of the Directors are exercised at meetings of the Directors which have been validly convened and at which a quorum is present.

Accountability and audit

The Going concern statement and the Responsibility statement of the Directors in respect of the Annual Report and financial statements are shown on pages 88 and 80 respectively.

Topic	Section of report	Page
Important events since the financial year end	Strategic Report	n/a
Likely future developments	Strategic Report	8, 11, 23
Greenhouse gas emissions, energy consumption and energy efficiency action	Strategic Report	54
Financial instruments	Note 22 of the financial statements	110
Employee engagement	Strategic Report	46
Relationships with customers, suppliers and others	Strategic Report (section 172(1) statement)	46 to 47
Modern Slavery Statement	Strategic Report	57
Risk management	Strategic Report	67 to 75
Going concern	Note 1(a) of the financial statements	90
Corporate Governance Statement	Corporate Governance Report	77 to 78
Directors	Corporate Governance Report	79
Climate-related financial disclosures	Strategic Report	63 to 66

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent Company financial statements in accordance with UK-adopted international 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 Group and parent Company and of the Group's profit or loss for that period.

In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FINANCIAL STATEMENTS



Independent Auditor's Report

Independent Auditor's Report to the Members of Calisen Group (Holdings) Limited

Opinion

We have audited the financial statements of Calisen Group (Holdings) Limited ("the Company") for the year ended 31 December 2023 which comprise the Consolidated Income Statement and Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated Statement of Cashflows and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's whistleblowing policy, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.
- Considering remuneration incentive schemes and performance targets for management and Directors
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards and taking into account possible pressures to meet key financial targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk of revenues being recognized for meters which are no longer owned by the Group;
- the risk that Group and component management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates and judgements such as the recoverable amount of goodwill and other intangibles and the useful economic lives of meters; and
- the risk that revenue is overstated through recording revenues in the wrong period (for certain components).

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and consolidation adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unexpected account combinations, reclassification entries that moved costs to accounts excluded from EBITDA, and journals posted to unusual or seldom-used accounts; and
- Evaluated the business purpose of significant unusual transactions; and
- Assessing whether the judgements made in making accounting estimates (such as those listed above) are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

Independent Auditor's Report

Independent Auditor's Report to the Members of Calisen Group (Holdings) Limited continued

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards.

For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 82, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report.

Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Liam Finnigan (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor Chartered Accountants

1 St Peters' Square
Manchester
M2 3AE

18 September 2024

Financial Statements

Consolidated Income Statement and Statement of Comprehensive Income

	Notes	Year ended 31 December	
		2023 £m	2022 £m
Revenue	5	358.2	285.8
Cost of sales	7	(197.8)	(144.9)
Gross profit		160.4	140.9
Administrative expenses	8	(31.3)	(24.0)
Other expenses - brand impairment	13	(5.2)	–
Other expenses - other	13	(7.5)	(0.9)
Total other expenses	13	(12.7)	(0.9)
Amortisation of intangible assets	18	(50.6)	(44.6)
Group operating profit		65.8	71.4
Derivative finance expense		(61.0)	–
Other finance expense		(69.7)	(29.1)
Total finance expense	12	(130.7)	(29.1)
Derivative finance income		–	95.0
Other finance income		13.3	0.9
Total finance income	12	13.3	95.9
(Loss)/profit before tax		(51.6)	138.2
Taxation credit/(expense)	15	16.1	(31.0)
(Loss)/profit for the year		(35.5)	107.2
(Loss)/profit and total comprehensive profit attributable to equity holders of the parent		(35.5)	107.2

All activities of the Group are from continuing operations for the years ended 31 December 2023 and 31 December 2022.

The accompanying notes form an integral part of the financial statements.

Financial Statements

Consolidated Statement of Financial Position as at 31 December 2023

	Notes	As at 31 December	
		2023 £m	2022 £m
Assets			
Non-current assets			
Intangible assets	18	800.8	447.2
Property, plant and equipment	19	1,804.7	1,173.7
Trade and other receivables	24	18.4	–
Deferred tax asset	16	6.4	4.8
Derivative financial instruments	22	111.3	117.8
		2,741.6	1,743.5
Current assets			
Trade and other receivables	24	95.0	75.9
Contract assets	6	5.8	6.3
Inventory	25	2.0	1.6
Cash and cash equivalents	26	169.0	144.9
		271.8	228.7
Total assets		3,013.4	1,972.2
Liabilities			
Current liabilities			
Trade payables	27	45.4	58.4
Other payables	27	87.8	38.9
Interest-bearing loans and borrowings	22	286.5	130.8
		419.7	228.1
Non-current liabilities			
Interest-bearing loans and borrowings	22	1,597.8	842.4
Provisions	28	0.7	1.1
Deferred tax liability	16	219.2	161.4
		1,817.7	1,004.9
Total liabilities		2,237.4	1,233.0

	Notes	As at 31 December	
		2023 £m	2022 £m
Equity			
Called up share capital	29	6.8	5.5
Share premium account	29	406.8	–
Merger reserve		(63.3)	(63.3)
Retained earnings		425.7	797.0
Total equity		776.0	739.2
Total equity and liabilities		3,013.4	1,972.2

The accompanying note form an integral part of the financial statements.

The financial statements on pages 86 to 119 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Brandon Rennet
Chief Financial Officer

17 September 2024

Company number: 12383518

Financial Statements

Consolidated Statement of Changes in Equity

	Called up share capital £m	Share premium account £m	Retained earnings £m	Merger reserve £m	Total equity £m
Attributable to equity holders of the parent:					
At 1 January 2022	5.5	–	747.3	(63.3)	689.5
Profit for the year and total comprehensive profit	–	–	107.2	–	107.2
Dividends paid (note 32)	–	–	(57.5)	–	(57.5)
At 31 December 2022	5.5	–	797.0	(63.3)	739.2
Shares issued during the year	1.3	406.8	–	–	408.1
Loss for the year and total comprehensive loss	–	–	(35.5)	–	(35.5)
Dividends paid (note 32)	–	–	(335.8)	–	(335.8)
At 31 December 2023	6.8	406.8	425.7	(63.3)	776.0

The accompanying note form an integral part of the financial statements.

Financial Statements

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December	
		2023 £m	2022 £m
Cash flows from operating activities			
(Loss)/Profit before tax		(51.6)	138.2
Adjustments to reconcile (loss)/profit before tax to net cash flows:			
Amortisation of intangible assets	18	50.6	44.6
Depreciation of property, plant and equipment	19	145.3	102.0
Finance income	12	(13.3)	(95.9)
Finance expense	12	130.7	29.1
(Profit)/loss on disposal of property, plant and equipment ¹	7	(9.4)	(4.2)
Interest received	12	5.2	–
Interest paid	12	(59.2)	(30.4)
Tax received	15	0.2	1.0
Impairment expenses	13	5.2	(0.3)
Working capital adjustments:			
Decrease/(Increase) in trade and other receivables and contract assets	6, 24	12.0	(22.1)
Increase/(decrease) in inventory	25	(0.4)	(0.8)
Increase in trade payables, other payables and provisions	27, 28	11.8	32.1
Net cash flows from operating activities		227.2	193.3
Cash flows from/(used in) investing activities			
Compensation income ¹	7	44.0	23.2
Other operating expenses - acquisition related costs	13	–	(0.4)
Purchase of subsidiary undertaking	14	(3.1)	–
Net cash acquired with subsidiary	14	63.6	0.2
Purchase of property, plant and equipment	19	(355.4)	(270.0)
Increase in other receivable relating to capital expenditure prepayments ²		(35.6)	–
Purchase of intangible assets	18	(0.5)	(0.8)

	Notes	Year ended 31 December	
		2023 £m	2022 £m
Net cash flows used in investing activities		(286.9)	(247.8)
Cash flows from/(used in) financing activities			
Lease payments	20	(0.7)	(0.9)
Dividends paid	32	(335.8)	(57.5)
Payment of debt issue costs		(10.7)	–
Payment of financial instruments		(63.6)	–
Receipt of financial instruments		73.2	–
Proceeds from borrowings	22	1,028.3	410.8
Repayment of borrowings	22	(606.8)	(269.4)
Net cash flows from financing activities		83.9	83.0
Net movement in cash and cash equivalents		24.1	28.5
Cash at beginning of year		144.9	116.4
Cash at end of year		169.0	144.9

The accompanying notes form an integral part of the financial statements.

- 1 Loss on disposal of property, plant and equipment¹ is presented separately in note 8 as 'Compensation income' and 'Net book value of disposals of property, plant and equipment (meters)'.
- 2 Held within trade and other receivables, specifically prepayments, £35.6m (2022: £Nil) relates to a signed MAP services contract which included a prepayment in relation to the installation of metering equipment payable on satisfaction of certain conditions. The balance is released to tangible fixed assets over the term of the contract, as and when the physical installations are completed.

Financial Statements

Notes to the Consolidated Financial Statements

1. Basis of preparation

These Group financial statements were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards in accordance with UK-adopted international accounting standards ("UK-adopted IFRS"). The policies set out below have been applied consistently throughout the years ended 31 December 2023 and 2022.

(a) Going concern

The Directors consider the going concern basis of preparation for the Group and the Company to be appropriate.

The Group generated net cash flows from operating activities for the year ended 31 December 2023 of £227.2m (2022: £193.3m) and has net assets at the year ended 31 December 2023 of £776.0m (2022: £739.2m). Notwithstanding a loss after taxation of £35.5m (2022: profit of £107.2m) the Directors have prepared the financial statement on a going concern basis for the reasons set out below.

In March 2023, the Group completed a refinancing, primarily replacing commercial bank facilities of £630.0m with new structured institutional debt facilities of £824.0m, which will be repayable between 2036 and 2043. The replaced facilities had maturity dates of between 2025 and 2026, significantly extending the average life of the finance facilities.

In March 2024, the Group completed a £100m extension of the RCF held by Meter Serve (Holdco 2) Limited, increasing the facility balance from £400m to £500m. In June 2024, the group successfully completed a refinance of the RCFm repaying £160m of drawn debt and entering into a new £160m 10 year term loan facility. The RCF remains available and these events resulted in an increase in headroom of £260m for the Group.

The Group has prepared cash flow forecasts to 31 December 2026 which include taking account of reasonably possible downsides and business continuity stress tests. These result in reduced levels of revenues within both business units and lower levels of meter installations. These forecasts show that the Group will have sufficient funds, through access to cash derived from its long-term contractual revenue streams and funding from its existing facilities to meet liabilities as they fall due. At 31 December 2023, this includes cash of £169.0m and undrawn funds of £432.0m (which is available and ring-fenced for contracted capital expenditure commitments). There are no forecast breaches, under any scenario, of banking covenants at any point during the three-year forecast period.

Consequently, the Directors are confident that the Group currently has in place sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of issue of the consolidated financial statements and have therefore prepared the Consolidated Financial Statements on a going concern basis.

(b) Basis of measurement

The functional currency is pound sterling and the financial statements are presented in pound sterling. Amounts are rounded to the nearest hundred thousand except where otherwise indicated.

The preparation of the Consolidated Financial Statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period.

Although these estimates are based on the Directors' best knowledge of the amounts, events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in notes 3 and 4 respectively.

The Consolidated Financial Statements have been prepared on the historical and amortised cost bases, except for certain financial assets and financial liabilities, which are stated at their fair value.

(c) Adoption of new standards

The following UK-adopted IFRSs have been issued but have not been applied by the Group in these consolidated financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

IFRS 16 (amendment)	Lease liability in a Sale and Leaseback	effective date of 1 January 2024
IAS 7 (amendment)	Financial instruments: Disclosures: Supplier Finance Arrangements	effective date of 1 January 2024
IAS 1 (amendment)	Classification of liabilities as current and non-current and non-current liabilities with covenants	effective date of 1 January 2024

(d) Presentation of financial statements in accordance with IAS 1

The Consolidated Financial Statements are prepared in accordance with IAS 1 Presentation of Financial Statements.

(e) Basis of consolidation

The Consolidated Financial Statements consolidate the Group and all its subsidiary undertakings for the years ended 31 December 2023 and 2022.

The Consolidated Financial Statements are based on the consolidated financial statements of subsidiaries whose year ends are co-terminous with those of the Company and whose accounting policies have been consistently applied throughout the Group.

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. Subsidiaries are fully consolidated from the date on which control commences until the date when control ceases.

Intra-Group balances and transactions are eliminated in preparing the Consolidated Financial Statements. Transactions between the Company and its subsidiaries are disclosed in the Company's separate financial statements.

Information on the Group's structure is provided in note 33. Information on other related party relationships of the Group is provided in note 31.

Financial Statements

Notes to the Consolidated Financial Statements continued

2. Significant accounting policies

The accounting policies set out below have been applied consistently by the Group to all years presented.

2.1 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, together with the amount paid for any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure any non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Customer contracts and brands are valued using the "Excess Earnings Approach" and "Relief from Royalties" techniques respectively. Both methodologies use a discounted cash flow basis to support the valuation, taking into account relevant discount factors, other relevant charges, rates and tax amortisation benefit to generate the cash flows.

Acquisition-related costs, referred to as transaction costs, are expensed as incurred.

Any contingent consideration included in the aggregate consideration transferred is recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as a financial asset or liability is subsequently measured at fair value with the changes in fair value recognised in the Consolidated Income Statement.

2.2 Fair value measurement

The Group measures certain financial instruments at fair value at each balance sheet date. The Group also uses fair values when accounting for assets acquired and liabilities assumed in business combinations and as a part of its impairment testing process for non-current assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Consolidated Financial Statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines policies and procedures for both recurring fair value measurement, such as the valuation of derivatives, and for non-recurring measurement.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2.3 Revenue from contracts with customers

All revenues are recognised exclusive of value added tax.

(i) MAP services

Revenue from MAP services represents the MPC which is the payment the Group receives monthly from a customer, being the energy retailer, for the procurement, arrangement of installation, ownership and management of a portfolio of domestic electricity and gas meters.

Provision of MAP services is considered a single performance obligation as outlined in section (vi) below. Revenue is recognised over time as the service is provided on the basis that the customer simultaneously receives and consumes the benefits of accessing the meters.

(ii) Installation Services

Revenue from installation services represent fees earned from energy retailers for installation of meters by the Calisen Metering operating segment. It also represents fees earned from energy retailers for installation of EV charging units for Plug me In and the installation of heat pumps for Plug Me In Heat. Provision of installation services is considered a separate performance obligation. Revenue is recognised at a point in time on completion of the services.

Financial Statements

Notes to the Consolidated Financial Statements continued

2. Significant accounting policies continued

2.3 Revenue from contracts with customers continued

(iii) Data Services (formerly presented as Non-technical services)

Data Services represent meter reading and data management services provided to energy retailers by the Calisen Metering operating segment. Revenue is recognised at a point in time on completion of the services.

These services are considered a distinct performance obligation from the MPC on the basis that they are separately identifiable services which are not necessary to bring a meter asset into use.

Other income

Other income relates to meter-related services, non – MPC, that are recharged to customers including meter management service fees and meter procurement. Revenue is recognised over time as the service is provided.

The Group monitors numbers of meters installed and MAP services revenue per meter split between smart and traditional meters. The transaction price is the contracted price with no other adjustment or assumptions being required for the calculation.

Significant judgements

(i) Classification of meter income

The Group has assessed that its arrangements with energy retailers for MAP services (i.e. the procurement and management of meters) do not contain a lease under IFRS 16 Leases for the meters owned by the Group. This is due to management's assessment that energy retailers do not obtain substantially all the economic benefit from the meters and do not control the operation or physical access to the meters.

As such income from meters is accounted for under IFRS 15 Revenue from Contracts with Customers.

(ii) Contract with the customer and contract term

The Group's arrangements with energy retailers for MAP services include general terms and conditions by which the arrangements are governed. However, it is not until an order is placed by the energy retailer and accepted that either party has an obligation to perform under the agreement. As such individual orders are considered to be the contract under IFRS 15. The energy retailer can terminate the contract at any time subject to the payment of appropriate consideration. As such contracts are treated as month-to-month contracts for accounting purposes. When the underlying consumer moves to a new energy retailer, the Group continues to collect the MPC from the new retailer unless the meter is removed. If the meter is removed, the Group receives compensation income or the meter is returned.

(iii) Costs to obtain a contract

The Group historically paid sales commissions to employees that are contingent on successfully securing MAP service arrangements (the "contract") with customers. As such, these commissions are considered incremental costs of obtaining the contract as, if the arrangement is not won, these commissions are not paid. The commission relates to services transferred under multiple contracts (i.e. multiple orders) and covers the entire term of the customer relationship. As such, capitalised contract costs are amortised over a period of 15 years, due to this being the average economic life of a customer arrangement based on historical information.

2.4 Contract assets

Amounts are billed monthly in arrears based on services provided resulting in unbilled receivables (contract assets) being recognised in the Consolidated Statement of Financial Position.

2.5 Compensation income

In cases where it has been contractually agreed, the Group is able to claim compensation income for the loss of the contracted MPC revenue associated with meters that are removed.

Compensation income is recognised at fair value upon notification of the removal of the meter. It is netted against the loss on disposal of the meter asset in cost of sales.

2.6 Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establish provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Financial Statements

Notes to the Consolidated Financial Statements continued

2. Significant accounting policies continued

2.6 Taxation continued

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation with the underlying transaction either in Other Comprehensive Income ("OCI") or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at the date of the combination, are recognised subsequently if new information or facts arise or circumstances change. Any adjustment is either treated as a reduction in goodwill (as long as it does not exceed the existing goodwill balance) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to do so, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.7 Foreign currencies

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at the date of the Consolidated Statement of Financial Position are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using

the exchange rate as at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling as at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Consolidated Income Statement.

The assets and liabilities of foreign operations arising on consolidation are translated to the Group's presentational currency, pound sterling, at foreign exchange rates ruling as at the date of the Consolidated Statement of Financial Position. The revenue and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling as at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in OCI.

2.8 Dividends

Dividends payable by the Company are recognised when declared and therefore final dividends proposed after the date of the Consolidated Statement of Financial Position are not recognised as a liability as at the date of the Consolidated Statement of Financial Position. Dividends paid to shareholders are shown as a movement in equity rather than in the Consolidated Income Statement and Statement of Comprehensive Income.

2.9 Intangible assets

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's Cash-Generating Units ("CGUs").

Brands and customer contracts

Customer contracts and brands are intangible assets measured at fair value, at acquisition using a purchase price allocation. Customer contracts and brands are valued using the "Excess Earnings Approach" and "Relief from Royalties" techniques respectively. Both methodologies use a discounted cash flow basis to support the valuation, taking into account relevant discount factors and other relevant charges to generate the customer contracts and brands valuations.

Other intangible assets

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method over the estimated life of each intangible asset. Other intangible assets comprise primarily customer contracts, brand and software. All intangible assets, other than goodwill, have a finite useful economic life.

Financial Statements

Notes to the Consolidated Financial Statements continued

2. Significant accounting policies continued

2.9 Intangible assets continued

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably expenditure during development.

Following initial recognition of development expenditure as an asset, the asset is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Capitalised development expenditure relates to relevant costs incurred in the development of software by the Lowri Beck subsidiary.

Amortisation

Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of intangible assets except for goodwill, which is not amortised. Intangible assets are amortised from the date they are available for use.

The estimated useful lives of other intangible assets are as follows:

Customer contracts	5–15 years
Brand	10 years
Software	3 years
Development costs	1–5 years

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Impairment

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that its carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (see note 21 for more discussion on CGUs) to which the goodwill relates. The recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

At each balance sheet date, the Group tests whether there are any indications of other intangible assets, including development costs, being subject to impairment. If any such indications exist, the recoverable amount of the asset is determined.

2.10 Property, plant and equipment

Property, plant and equipment consisting of equipment and other fixed assets are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

During the year, the Group performed a detailed review of the estimated UELs of its smart and traditional meter portfolio. The UEL of 15 years for a smart meter was deemed to require review and the group deemed it appropriate to align the UEL to the underlying contractual arrangements. The Group therefore amended the UEL to be between 10 and 20 years dependent on the relevant contract for the individual smart meter effective from the 1 January 2023. This change in estimate had the effect of increasing the depreciation charge by £14.4m in the year ended 31 December 2023. The UEL for traditional meters was deemed appropriate to remain as to the shorter of their asset life or 30 June 2025.

Computer hardware	3 years
Credit meters	Shorter of asset life or 30 June 2025
Prepayment meters	Shorter of asset life or 30 June 2025
Smart meters	10 to 20 years
Fixtures and fittings	3 years
Office equipment	3 years
Motor vehicles	3–4 years
Leasehold improvements	8–10 years

Credit meters, prepayment meters and smart meters are disclosed within "Equipment" within note 19.

Computer hardware, fixtures and fittings, office equipment, motor vehicles and leasehold improvements are disclosed within "Other fixed assets" within note 19.

Depreciation and profits/(losses) on the disposal of equipment are disclosed within cost of sales in the Consolidated Income Statement.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern according to which the Company expects to consume an asset's future economic benefits.

The Group assesses, at each reporting date, whether there is an indication that property, plant and equipment may be impaired. If any such indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or the CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or the CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

From time to time, the Group makes payments under MAP service agreements to partially prepay installation costs for a fixed volume of assets. Once assets are installed, costs are transferred from prepayments to fixed assets. To the extent that the corresponding assets are not installed at the reporting date, these balances are treated as a prepayment and classified as current or non-current in line with expected installation profile of the underlying assets.

Financial Statements

Notes to the Consolidated Financial Statements continued

2.11 Leases

Group as a lessee

IFRS 16 Leases has been applied by measuring lease liabilities at the date of transition to IFRS, discounted using the lessee's incremental borrowing rate at the transition date in line with the modified retrospective approach. The associated right-of-use asset has been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately before the IFRS transition date. The asset and liability have been recognised in "Property, plant and equipment" and "Other creditors", respectively. In addition, initial direct costs have been excluded from the measurement of the right-of-use asset at the transition date.

Leases where the Group is acting as lessee are accounted for based on a "right-of-use model", with certain limited exceptions (see discussion of exemptions provided below). The model reflects that, at the commencement date, a lessee has a financial obligation to make lease payments to the lessor for its right to use the underlying asset during the lease term.

Where the Group is acting as lessee, as at the date of commencement of the lease, the Group recognises a right-of-use asset and a lease liability.

The Group initially measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is subsequently measured using the cost model, i.e. at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

At commencement, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used.

After commencement, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

Depreciation of the right-of-use asset and interest expense in respect of the lease liability are recognised in the Consolidated Income Statement in "Administrative expenses" and "Finance expenses" respectively.

The exceptions to the right-of-use model relate to accounting policy choices available under IFRS 16 Leases. The Group has chosen to take the recognition exemptions available in respect of short-term leases (being leases with a term of less than 12 months) and leases of low-value assets. Such leases are accounted for as an expense on a straight-line basis over the lease term, with no right-of-use asset or lease liability recognised on the Statement of Financial Position.

2.12 Inventory

Inventories are stated at the lower of cost or net realisable value, after making due allowance for obsolete and slow-moving items. Cost comprises direct material stated at purchase cost. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

2.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset or equity instrument of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, whereby the time value of money is not considered when the interval between the promise of goods and services is expected to be less than 12 months, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest" ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets is to manage its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified as either:

- financial assets at amortised cost (trade and other receivables); or
- financial assets at fair value through profit or loss (derivatives).

Financial Statements

Notes to the Consolidated Financial Statements continued

2. Significant accounting policies continued

2.13 Financial instruments continued

Financial assets at amortised cost (trade and other receivables)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost consist of trade receivables which are subsequently measured at amortised cost less impairment. They are generally due for settlement within 45 days and are therefore all classified as current.

Financial assets at fair value through profit or loss

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Derivative financial instruments classified as financial assets being utilised by the Group include interest rate caps and swaptions, all of which are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the Consolidated Statement of Financial Position at fair value with net changes in fair value recognised in the Consolidated Income Statement.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e. removed from the Group's Consolidated Statement of Financial Position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

The Group's Lowri Beck subsidiary used an invoice discounting facility with a third party factoring company for its trade receivables. The Group has determined that it has retained substantially all the risks and rewards of the trade receivable asset. As such, the trade receivables subject to the facility continue to be shown within trade and other receivables, measured at amortised cost, on the Consolidated Statement of Financial position and the amount due to the factoring company is included in interest-bearing loans and liabilities.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs"). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Group applies a simplified approach to calculating ECLs. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix based on its historical credit loss experience, adjusted for forward-looking factors specific to the trade receivables and the economic environment.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Derivative financial instruments classified as financial liabilities being utilised by the Group include interest rate swaps, caps and swaptions, all of which are measured at fair value through profit or loss.

Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. None are designated as effective hedging instruments for the years ended 31 December 2023 or 2022.

Financial Statements

Notes to the Consolidated Financial Statements continued

2. Significant accounting policies continued

2.13 Financial instruments continued

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Commitment fees in relation to undrawn facilities are incurred and settled quarterly in arrears and are therefore measured at amortised cost.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest payable and similar expenses in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated Income Statement.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at fair value. Movements in fair value are recognised in the Statement of Comprehensive Income. No derivatives are designated as hedging instruments for accounting purposes.

2.14 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other financial assets, or to exchange financial assets or liabilities under potentially unfavourable conditions. Where such an obligation exists, the share capital is recognised as a liability notwithstanding the legal form. Incremental costs directly attributable to the issue of equity instruments are recognised as a deduction from share premium to the extent that there is sufficient share premium to do so, net of tax effects.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.16 Pensions

The Group operates defined contribution pension plans for employees. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Income Statement in the periods during which services are rendered by employees. The assets of the plan are held separately from the Group in independently administered funds.

2.17 Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. The carrying amounts of provisions are regularly reviewed and adjusted for new facts or changes during the reporting period.

The Group occupies a number of properties under leases containing dilapidation obligations. Provisions arise principally in connection with estimated obligations under property leases to restore leased properties to the original pre-rental condition. Estimates are made of the costs anticipated to have accrued under those leases at the year end date.

2.18 Related parties

All Group companies and affiliates are considered to be related parties. In line with IAS 24 and Disclosure Guidance and Transparency Rules ("DTR") 7.3.2, the following are also related parties to the extent that they are able to exert significant influence or control: shareholders with significant control, subsidiaries of shareholders with significant control, directors and other key management of the Company and their close family members. Transactions between Group companies are eliminated in the consolidation. Related party transactions are disclosed in note 31.

2.19 Interest income and expense

Interest income and interest payable are recognised in the Consolidated Income Statement as they accrue, using the effective interest method. Senior debt commitment fees are expensed in the period incurred and paid. At 31 December 2023, the Group has instruments exposed to SONIA interest rates as set out in note 22.5.

2.20 Other operating expenses

Other operating expenses are recognised in the Consolidated Income Statement as they accrue. Costs incurred in relation to the acquisition of companies and the undertaking of restructuring programmes are considered to be "Other operating expenses".

Financial Statements

Notes to the Consolidated Financial Statements continued

3. Significant accounting judgements

Critical accounting judgements in applying the Group accounting policies

Preparation of the consolidated financial statements requires management to make significant judgements and estimates. Certain critical accounting judgements in applying the Group's accounting policies are described within the revenue recognition accounting policy note (note 2.3). The Group considered alternative approaches to the revenue recognition policy stated in note 2.3, however the Board considered that IFRS 15 provided clearer guidance and a more accurate reflection of the Group's arrangements with its customers.

4. Significant accounting estimates

Estimation uncertainty in applying the Group accounting policies

Estimation uncertainty could have the risk of resulting in a material difference within the next financial year's result. The Directors are satisfied that appropriate procedures are in place to reduce the likelihood of this happening.

Financial instruments

All derivatives are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Adjustments are also made when valuing financial liabilities measured at fair value to reflect the Company's own credit risk. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data. At 31 December 2023, the Group had derivative assets of £111.3m (31 December 2022: £117.8m) and derivative liabilities of £Nil (31 December 2022: £Nil).

Goodwill impairment

Management reviews the valuation of goodwill for impairment annually or if events and changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is determined based on value in use as fair value less costs to sell is not easily validated as there is no active market in these assets. See further details in note 18. At 31 December 2023, the Group had goodwill of £311.0m (31 December 2022: £79.4m).

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic life ("UEL") and residual values of the assets. UELs and residual values are reassessed annually and are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

The Group had plant, property and equipment with a net book value of £1,804.8m at 31 December 2023 (31 December 2022: £1,173.7m). See note 19 for the carrying amount of plant, property and equipment, and note 2.10 for the accounting policy for fixed assets including the UELs for each class of assets.

During the year 31 December 2023, the Group performed a detailed review of the estimated UELs of its smart and traditional meter portfolio, which resulted in revising the UELs of smart meters from 10 years to 20 years. The UEL of 15 years for a traditional meter was deemed to still be a reliable estimate and no change was made to this estimate. The UEL of 15 years for a smart meter was deemed to require review and the group deemed it appropriate to align the UEL to the underlying contractual arrangements. The Group therefore amended the UEL to be between 10 and 20 years dependent on the relevant contract for the individual smart meter effective from the 1 January 2023. This change in policy had the effect of increasing the depreciation charge by £14.4m in the year ended 31 December 2023. Further details are provided in note 19

5. Segmental reporting

In line with IFRS 8 Operating Segments, the Directors consider there to be four (2022: two) operating and reportable segments, as follows:

- Calisen Metering (previously known as Calvin Capital), which procures, owns and manages meter assets on behalf of its customers, who make MPC payments on a long-term contracted basis. This segment also includes the results of Advizzo Limited, acquired during 2023;
- Calisen Metering Services (previously known as Lowri Beck), which provides meter installation, reading and maintenance services. In addition, it owns and manages a small portfolio of traditional meters on behalf of its customers;
- Plug Me In is a new operating segment in 2023, reflecting our expansion into the installation and ownership of Electric Vehicle (EV) charging points and ground source heat pumps. Our customer base includes both domestic and commercial customers; and
- MapleCo was acquired in July 2023. This segment procures, owns and manages meter assets on behalf of its customers, who make MPC payments on a long-term contracted basis.

The segments are largely organised and managed separately according to the nature of the products and services provided.

The Board is the Chief Operating Decision Maker ("CODM") and receives monthly financial information at this level and uses this information to monitor the performance of the business, allocate resources and make operational decisions. Therefore, the four (2022: two) segments above are defined as the Group's operating segments and no operating segments have been aggregated to form the above reportable segments.

The performance of each operating segment is primarily assessed on operating profit and EBITDA. Other alternative performance measures ("APMs") are also utilised to assess the performance of each segment such as adjusted and underlying EBITDA and FFO. Further details of these APMs can be found in the Financial Review within the Strategic Report.

Financial Statements

Notes to the Consolidated Financial Statements continued

5. Segmental reporting continued

The following segmental information is presented in respect of the Group's reportable segments together with other elements of revenue, income and expense:

	Calisen Metering* £m	Calisen Metering Services* £m	MapleCo £m	Plug Me In £m	Consolidation £m	Total £m
Year ended						
31 December 2023						
Segment revenue						
MAP Services:						
Traditional meter revenue	33.6	5.9	2.8	–	–	42.3
Smart meter revenue	215.5	–	36.1	–	–	251.6
Data Services	–	23.2	–	–	–	23.2
Installation Services	–	34.4	–	–	–	34.4
EV and Heat pump services	–	–	–	1.7	–	1.7
Other income	4.5	–	0.5	–	–	5.0
Total revenue from external customers	253.5	63.6	39.4	1.7	–	358.2
Cost of sales:						
Direct costs	–	(58.2)	–	(4.2)	–	(62.4)
Depreciation of metering equipment held within PPE	(125.4)	(0.3)	(19.1)	–	–	(144.8)
Compensation income	34.3	–	9.7	–	–	44.0
Net book value of disposals of PPE (meters)	(23.2)	0.0	(11.4)	–	–	(34.6)
Segment gross profit	139.2	5.1	18.6	(2.5)	–	160.4

	Calisen Metering* £m	Calisen Metering Services* £m	MapleCo £m	Plug Me In £m	Consolidation £m	Total £m
Admin expenses:						
Depreciation of non-metering equipment held within PPE	(0.1)	(1.1)	1.4	–	(0.7)	(0.5)
Net foreign exchange loss	(0.3)	–	–	–	–	(0.3)
Overheads	(22.4)	(4.9)	(3.3)	(1.5)	1.6	(30.5)
Admin expenses	(22.8)	(6.0)	(1.9)	(1.5)	0.9	(31.3)
Other expenses	(12.7)	–	–	–	–	(12.7)
Amortisation of intangible assets	(49.0)	(1.6)	–	–	–	(50.6)
Segment operating profit/(loss)	54.8	(2.5)	16.7	(4.0)	0.9	65.8
Finance expense – excluding fair value movement on derivative financial instruments	(56.2)	(1.3)	(12.9)	–	0.8	(69.6)
Finance expense – fair value movement on derivative financial instruments	(33.1)	–	(28.0)	–	–	(61.1)
Finance income	13.0	–	0.4	–	(0.1)	13.3
Profit/(loss) before tax	(21.4)	(3.8)	(23.9)	(4.0)	1.6	(51.6)
Tax expense	7.8	3.4	3.8	1.0	–	16.1
Profit/(loss) for the year	(13.5)	(0.4)	(20.1)	(3.0)	1.6	(35.5)
Capital expenditure	287.2	0.3	67.9	–	–	355.4

* Calisen Metering contains the results of Advizzo Limited that was acquired in May 2023 on the basis that the Advizzo results are immaterial. The trading results for Advizzo for the period to 31 December 2023 was revenues of £0.5m and overall expenses incurred were £0.7m resulting in a loss of £0.2m for the period to 31 December 2023. For further details on the acquisition see note 14.

Calisen Metering and Calisen Metering Services have been rebranded from Calvin Capita and Lowri Beck respectively for the year ended 31 December 2022.

Consolidation adjustments relate to the elimination of revenue for installation services provided by Calisen Metering Services to Calisen Metering, IFRS conversion amounts and the effects of the UEL change.

The capital expenditure balance of £355.4m consists of additions of property, plant and equipment and other fixed assets, that can be seen in note 19.

Financial Statements

Notes to the Consolidated Financial Statements continued

5. Segmental reporting continued

	Calvin Capital £m	Lowri Beck* £m	Consolidation £m	Total £m
Year ended 31 December 2022				
Segment revenue				
MAP Services				
Traditional meter revenue	42.7	5.3	–	48.0
Smart meter revenue	188.2	–	–	188.2
Data Services	–	17.7	–	17.7
Installation Services	–	28.4	–	28.4
Other income	3.5	–	–	3.5
Total revenue from external customers	234.4	51.4	–	285.8
Cost of sales:				
Direct costs	–	(49.9)	–	(49.9)
Depreciation of metering equipment held within property, plant and equipment	(98.9)	(0.4)	–	(99.3)
Compensation income	23.2	–	–	23.2
Net book value of disposals of property, plant, and equipment (meters)*	(18.9)	–	–	(18.9)
Segment gross profit	139.8	1.1	–	140.9
Admin expenses:				
Depreciation of non-metering equipment held within property, plant and equipment	(0.3)	(1.6)	(0.8)	(2.7)
Net foreign exchange gain	0.1	–	–	0.1
Overheads	(16.2)	(6.3)	1.1	(21.3)
Admin expenses	(16.4)	(7.9)	0.3	(24.0)
Other expenses	(0.9)	–	–	(0.9)
Amortisation of intangible assets	(43.2)	(1.4)	–	(44.6)
Segment operating profit/(loss)	79.3	(8.2)	0.3	71.4
Finance expense	(27.9)	(1.0)	(0.2)	(29.1)
Finance income	95.9	–	–	95.9
Profit/(loss) before tax	147.3	(9.2)	0.1	138.2
Tax charge	(31.0)	–	–	(31.0)
Profit/(loss) for the year	116.3	(9.2)	0.1	107.2
Capital expenditure	269.2	0.8	–	270.0

Geographic information

Revenue from external customers by geographic market is disclosed in note 6. Set out below is the breakdown of non-current operating assets by geographic market.

	At 31 December	
	2023 £m	2022 £m
Geographical markets		
UK	2,735.2	1,738.7
Total	2,735.2	1,738.7

6. Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Year ended 31 December	
	2023 £m	2022 £m
Revenue from contracts with customers		
MAP Services	293.9	236.2
Data Services	23.2	17.7
Installation Services	34.4	28.4
EV and Heat pump income	1.7	–
Other income	5.0	3.5
Total revenue	358.2	285.8
Geographical markets		
UK	358.2	285.8
Total revenue	358.2	285.8
Timing of revenue recognition		
Transferred over time	298.9	239.6
Transferred at a point in time	59.3	46.2
Total revenue	358.2	285.8
Contract assets	5.8	6.3
Accrued income	22.2	22.1
Trade receivables (note 24)	50.6	43.5
Costs to obtain contracts with customers	1.3	1.5

Financial Statements

Notes to the Consolidated Financial Statements continued

6. Revenue from contracts with customers continued Disaggregated revenue information continued

The Group bills monthly in arrears based on the services provided. As such, for the year ended 31 December 2023 £5.8m (year ended 31 December 2022: £6.3m) of contract assets and £30.1m (year ended 31 December 2022: £22.1m) of accrued income were recognised in the Consolidated Statement of Financial position.

Costs incurred to obtain a contract represent sales commissions payable to employees. These costs are included within intangible assets and amortised over 15 years. During the year ended 31 December 2023, £0.2m of amortisation was recorded in administrative expenses (year ended 31 December 2022: £0.2m).

Trade receivables are non-interest-bearing and are generally on terms of 30 to 45 days. In the year ended 31 December 2023, £4.3m (year ended 31 December 2022: £2.7m) was recognised as a provision for expected credit losses ("ECL") on trade receivables. A provision against of £0.8m (2022: £0.6m) was recognised for ECLs on accrued income.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

7. Cost of sales

	Year ended 31 December	
	2023 £m	2022 £m
Depreciation of property, plant and equipment (meters)	(144.8)	(99.3)
Compensation income	44.0	23.2
Net book value of disposals of property, plant and equipment (meters)	(34.6)	(18.9)
Employee benefits expense and other direct costs	(62.4)	(49.9)
Total cost of sales	(197.8)	(144.9)

8. Administrative expenses

Included in administrative expenses are the following:

	Year ended 31 December	
	2023 £m	2022 £m
Depreciation of property, plant and equipment	(0.5)	(2.7)
Net foreign exchange gain/(loss)	(0.3)	0.1
Auditor's remuneration (note 9)	(1.0)	(0.5)
Employee benefits expense (note 10)	(13.7)	(8.5)
Other administrative overheads	(15.9)	(12.4)
Total administrative expenses	(31.3)	(24.0)

Other administrative overheads are predominantly made up of legal, professional and consultancy fees.

9. Auditor's remuneration

	Year ended 31 December	
	2023 £m	2022 £m
Audit and audit-related services		
Audit of the Group and Company financial statements	(0.5)	(0.5)
Audit of the financial statements of subsidiaries of the Company	(0.5)	(0.2)
	(1.0)	(0.7)
Amounts payable to the Group Auditor and its associates in respect of:		
Other non-audit services related to corporate finance services	(0.2)	(0.8)
	(1.2)	(1.5)

Other services relating to taxation are included within other operating expenses (note 13) in the consolidated income statement.

10. Employee benefits expense

Staff costs for the periods set out below, including Directors' remuneration, were as follows:

	Year ended 31 December	
	2023 £m	2022 £m
Included in cost of sales		
Wages and salaries	(44.8)	(31.9)
Social security costs	(3.8)	(3.1)
Defined contribution costs	(0.8)	(0.6)
Included in administrative expenses		
Wages and salaries	(11.9)	(7.0)
Social security costs	(0.9)	(0.7)
Defined contribution costs	(0.9)	(0.8)
Share-based payment charge	–	–
Total employee benefits expense	(63.1)	(44.1)

The average monthly number of FTE (full-time employees) and the number of FTE as at December during the years set out below were as follows:

	2023		2022	
	Average	At 31 December	Average	At 31 December
Management and administration	426	452	398	439
Operational staff	941	902	827	871
	1,366	1,354	1,225	1,310

Financial Statements

Notes to the Consolidated Financial Statements continued

11. Compensation of key management personnel

The following amounts were recognised as an expense during the reporting period relating to compensation of key management personnel being the Executive Committee of the Group. This note also reflects the Directors remuneration disclosure requirements under the Companies Act 2006 section 412.

	Year ended 31 December	
	2023 £m	2022 £m
Salaries and short-term benefits	(4.6)	(2.7)
Defined contribution costs	(0.1)	(0.1)
Gains made on long term incentive plan	(0.3)	–
	(5.0)	(2.8)

The highest paid Director received total compensation of £1.1m for the year ended 31 December 2023 (2022: £1.0m), including gains made under long term incentive plan of £0.2m (2002: £Nil). Defined contribution costs of £0.1m (2022: 0.1m) were recognised in relation to one director.

The Board of Directors has different membership to that of key management personnel. The compensation for the Board of Directors for the year ended 31 December 2023, including pension costs, is £1.9m (2022: £1.0m). Gains made under long term incentive plans for the year ended 31 December 2023 is £0.3m (2022: £Nil). This highest paid Director remains the same as those values quoted in the compensation of key management personnel above.

12. Finance income/(expense)

	Year ended 31 December	
	2023 £m	2022 £m
Senior debt commitment fees	(3.3)	(1.7)
Agency and technical adviser fees	(0.2)	(0.8)
Derivative breakage income/(fees)	–	(0.1)
Amortisation of debt issue costs	(13.0)	(4.6)
Interest payable on bank loans	(45.8)	(21.7)
Unwinding of discount on lease liabilities	(0.2)	(0.2)
Interest payable on shareholder loans	(7.2)	–
Total finance expense	(69.7)	(29.1)
Fair value (loss)/gain on derivative financial instruments	(61.0)	95.0
Total derivative (expense)/income	(61.0)	95.0
Bank interest receivable	5.2	0.9
Derivative breakage income	8.2	–
Total finance income	13.4	0.9
Net finance expense	(117.4)	66.8

Financial Statements

Notes to the Consolidated Financial Statements continued

13. Other expenses

	Year ended 31 December	
	2023 £m	2022 £m
Acquisition-related expenses	(7.7)	(0.4)
Negative goodwill on business combination expensed (note 14)	–	0.7
Gain on contract close down	1.6	–
Restructuring costs	(1.4)	(1.2)
Brand retirement expense	(5.2)	–
Other operating expenses	(12.7)	(0.9)

The acquisition-related expenses in the year ended 31 December 2023 of £7.7m relate to acquisitions of MapleCo Limited, Plug Me In (Heat) Limited and Advizzo Limited. Further details can be found in note 14. The acquisition-related expenses in the year ended 31 December 2022 relate to acquisition of UW Home Services Limited on 31 March 2022 of £0.3m.

The restructuring costs incurred in the year ended 31 December 2023 related to the continued integration and transformation of operational activities. The restructuring costs incurred during the year-ended 31 December 2022, and negative goodwill, relate to the restructuring programme following the acquisition of UW Home Services Limited.

Calisen Metering and Calisen Metering Services have been rebranded from Calvin Capital and Lowri Beck respectively for the year ended 31 December 2023. As a result of this, intangible amounts attributable to the prior brand names have been written down in the year.

14. Acquisition of businesses

Purchase of Maple Topco Limited

On 12 July 2023, 100% of the shares of Maple Topco Limited (“MapleCo”) were acquired by the Group. Ownership was passed down the group structure to Calisen Meter Serve Holdco via a share-for-share exchange. The value of the shares issued were valued at £408.1m. MapleCo is one of the UK’s Meter Asset Providers (“MAP”) and funds the procurement and installation of electricity and gas meters in return for fixed payments under long-term agreements with energy suppliers.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The book values of MapleCo’s assets and liabilities were assessed to ensure they were stated at fair value. Adjustments were made to fair value where Calisen’s estimate of these values differed to those recorded by MapleCo. These items are set out in the table below.

The acquisition of Maple Topco had the following effect on the group’s assets and liabilities:

Account category	Book value £m	Fair value adjustments £m	Recognised values on acquisition £m
Intangible assets – customer contracts	–	177.2	177.2
Tangible fixed assets	478.0	(22.6)	455.4
Trade and other receivables	68.2	0.5	68.7
Cash and cash equivalents	63.2	–	63.2
Trade and other creditors	(0.4)	–	(0.4)
Other liabilities	(3.5)	(0.4)	(3.9)
Deferred taxation	(33.8)	(39.8)	(73.6)
Interest-bearing loans and borrowings	(496.0)	(7.3)	(503.3)
Net identifiable assets and liabilities	75.7	107.6	183.3
Consideration paid			408.1
Goodwill on acquisition			224.8

The customer contracts obtained through the acquisition met the requirements to be separately identifiable under IFRS 3. The asset was valued using the Multi-period Excess Earnings Method. Revenue forecasts during the period were consistent with those described in note 21. A post-tax discount rate of 7.64% was applied.

The goodwill recognised on acquisition principally relates to value arising from intangible assets that are not separately identifiable under IFRS 3. Such assets include value of acquired workforce, supplier relationships and future market growth opportunities. Supplier relationships are not separately valued on the basis that their terms are in line with industry standards of what would be typically agreed with a market participant.

None of the acquired intangibles assets or goodwill is expected to be deductible for tax purposes. A deferred tax liability has been recorded on the fair value of the intangible assets recognised, other than goodwill, measured at the substantively enacted UK rate of corporation tax from April 2023 of 25%. The deferred tax liability has been debited against and increased the value of goodwill recognised. The acquired business contributed results of loss after tax of £17.7m, as noted in the segmental analysis in note 5.

Financial Statements

Notes to the Consolidated Financial Statements continued

14. Acquisition of businesses continued

Purchase of Advizzo Limited

On 6th May 2023, Calisen Holdco 3 Limited, another subsidiary of Calisen Limited, acquired 100% of the shares of Advizzo Limited ("Advizzo") for an initial consideration of £3.0m. An additional £5.0m contingent consideration is payable subject to Advizzo contributing an EBITDA of £0.7m for the financial year ending 31 December 2024. As the contingent consideration will be paid in cash Calisen are required to classify it as a liability and as it is a contractual obligation it is recognised as a financial instrument within the scope of IFRS 9. Therefore it shall be measured at fair value with any resulting gain or loss recognised through the statement of profit or loss.

Advizzo is a company specialising in the provision of a software as a service platform for energy and water smart meter data operating internationally with customers based in the UK, USA, UAE, France, Italy and New Zealand.

The acquired business contributed revenues of £0.5m and a loss of £0.2m to Calisen Limited Group for the period from 6 May 2023 to 31 December 2023.

The following table summarises the consideration transferred to acquire Advizzo and the amounts of identified assets acquired and liabilities assumed at the acquisition date:

Fair value of consideration transferred

	£m
Cash	3.0
Contingent consideration	4.5
Total	7.5

The contingent consideration noted is £4.5m at present value for the year end.

Recognised amounts of identifiable assets acquired and liabilities assumed:

Account category	Book value £m	Fair value adjustments		Recognised values on acquisition £m
		£m	£m	
Tangible fixed assets	–	–	–	–
Trade and other receivables	0.4	–	–	0.4
Cash and cash equivalents	0.5	–	–	0.5
Trade and other creditors	(0.2)	–	–	(0.2)
Net identifiable assets and liabilities	0.7	–	–	0.7
Consideration paid				7.5
Goodwill on acquisition				6.8

The book values of Advizzo's assets and liabilities were equal to the fair at acquisition date and there was no adjustment required to align with Calisen policies. The total consideration paid on this acquisition was £7.5m and net assets of £0.7m and goodwill of £6.8m has been recognised. The acquired business contributed results of loss after tax of £0.2m, which forms part of the Calisen Metering cash generating unit segmental results as noted in the segmental analysis in Note 6.

Purchase of Plug Me In (Heat) Limited formerly Ecofit Renewables

On 1st March 2023, Calisen Metering Holdings Limited, another subsidiary of Calisen Limited, acquired 100% of the shares of Ecofit Renewables ("Ecofit") and Source Eco for consideration of £0.05m. Ecofit and Source Eco are two heat pump installation businesses, enabling Calisen to expand its range of activities. During the year, Calisen renamed the business to Plug Me In (Heat) Limited. The total consideration excludes acquisition costs of £0.1m which were recognised within costs in the consolidated income statement. The acquired business contributed results of loss after tax of £1.2m, which forms part of the Plug Me In cash generating unit segmental results as noted in the segmental analysis on Note 6.

15. Taxation

	Year ended 31 December	
	2023 £m	2022 £m
Current tax		
Current tax on profit for the year	–	–
Group relief payable	–	(6.8)
Adjustment in respect of prior periods	(0.7)	(2.5)
Total current tax (charge)/credit	(0.7)	(9.3)
Deferred tax		
Origination and reversal of timing differences	11.9	(16.9)
Tax rate changes	–	3.8
Adjustment in respect of prior periods	4.9	(8.7)
Total deferred tax credit/(charge)	16.8	(21.8)
Tax credit/(charge) on profit on ordinary activities	16.1	(31.1)

The adjustments in respect of prior periods in 2023 and 2022 relate to an over-provision in the prior period only.

Financial Statements

Notes to the Consolidated Financial Statements continued

15. Taxation continued

Reconciliation of tax charge for the year

A reconciliation between tax expense and the product of accounting profit multiplied by the standard rate of corporation tax in the UK of 23.5%* (2022: 19%) is as set out below:

	Year ended 31 December	
	2023 £m	2022 £m
Accounting (loss)/profit before tax	(51.6)	138.2
At the UK's standard rate of corporation tax of 23.5%* (2022: 19%)	12.1	(26.3)
Effects of:		
Adjustments in respect of prior periods	4.2	1.4
Non-deductible expenses	(2.1)	–
Other adjustments, reliefs and transfers	(0.7)	(2.5)
Change in tax rate on deferred tax balances	–	(3.8)
Recognition of previously unrecognised deferred tax assets	2.2	0.1
Other	0.4	–
Total tax (charge)/credit	16.1	(31.1)

Factors that may affect future tax charges

The standard rate of UK corporation tax on ordinary activities was 23.5%* in the year ended 31 December 2023 (2022: 19%). Deferred taxation balances have been measured at 25% (2022: 25%) as this is the rate at which the balances will unwind.

16. Deferred tax

	At 31 December	
	2023 £m	2022 £m
Opening deferred tax liability	(156.6)	(134.8)
Change in provision through Consolidated Income Statement resulting from an increase in tax losses available, change in tax rate and reduction in timing differences arising on intangible fixed assets	16.7	(21.8)
Change in provision through business combination	(73.2)	–
Closing deferred tax liability	(213.1)	(156.6)

The Group's liability for deferred taxation consists of the tax effect of temporary differences in respect of:

	At 31 December	
	2023 £m	2022 £m
Excess of taxation allowances over depreciation on property, plant and equipment	(134.7)	(95.5)
Tax losses available	65.7	57.8
Short-term timing differences	(27.1)	(27.7)
Deferred tax arising on intangible fixed assets	(79.0)	(91.0)
Other taxable temporary differences	(38.2)	(0.5)
Deferred tax on IFRS 16 Lease adjustments	0.2	0.3
Deferred tax liability	(213.1)	(156.6)

The net deferred tax liability of £213.1m (2022: £156.6m) is recognised as a £6.2m (2022: £4.8m) deferred tax asset and a £219.3m (2021: £161.4m) deferred tax liability on the Consolidated Statement of Financial Position. The recognition of deferred tax assets arising on tax losses in entities which have suffered a loss in either the current or preceding year is supported by the existing taxable temporary differences which in turn support that sufficient future taxable profits will be available to utilise such assets.

The deferred tax included in the Consolidated Income Statement is as follows:

	Year ended 31 December	
	2023 £m	2022 £m
Accelerated capital allowances	(39.2)	(18.8)
Tax losses	7.9	10.0
Short-term timing differences	0.6	(23.6)
Deferred tax arising on intangible fixed assets	12.0	10.7
Other taxable temporary differences	(37.7)	(0.1)
Deferred tax (charge)	(56.4)	(21.8)

The standard rate of UK corporation tax on ordinary activities was 23.5%* in the year ended 31 December 2023 and 19% in the year ended 31 December 2022.

* The standard rate of UK corporation tax on ordinary activities of 23.5% was calculated with reference to the rate of 19% to 31 March 2023 and 25% for periods thereafter.

Financial Statements

Notes to the Consolidated Financial Statements continued

17. Fair value measurement

The Group measures its derivative financial instruments at fair value. Fair values are determined using observable inputs (Level 2, as defined by IFRS 13 Fair Value Measurement) as follows:

Interest rate swaps

The fair value of interest rate swaps is estimated by discounting estimated future cash flows related to swap agreements. Additional inputs to the present value calculation include the contract terms, as well as market parameters such as interest rates and volatility. As these inputs are based on observable data and standard valuation techniques, the interest rate swaps are categorised as Level 2 in the fair value hierarchy.

Interest rate caps

The fair value of interest rate caps is estimated by discounting estimated future cash flows based on the terms and maturity of each contract. Additional inputs to the present value calculation include the contract terms, as well as market parameters such as interest rates and volatility. As these inputs are based on observable data and standard valuation techniques, the interest rate caps are categorised as Level 2 in the fair value hierarchy.

All derivative fair values are verified by comparison to valuations provided by the derivative counterparty banks.

The Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) as at the end of each reporting period. During the year ended 31 December 2023, there were no transfers into or out of Level 2 fair value measurements (year ended 31 December 2022: none).

18. Intangible assets

Cost or valuation	Goodwill £m	Brand £m	Customer contracts £m	Software £m	Costs to obtain contracts with customers £m	Development costs £m	Total £m
At 1 January 2022	79.4	15.9	595.6	0.4	2.8	6.7	700.8
Additions	–	–	–	0.4	–	0.1	0.5
Disposals	–	–	–	–	–	–	–
At 31 December 2022	79.4	15.9	595.6	0.8	2.8	6.8	701.2
Additions	–	–	–	–	–	0.5	0.5
Acquisitions in the year	231.6	–	177.2	–	–	–	408.8
Write off	–	(15.9)	–	–	–	–	(15.9)
At 31 December 2023	311.0	–	772.8	0.8	2.8	7.3	1,094.6

Accumulated amortisation	Goodwill £m	Brand £m	Customer contracts £m	Software £m	Costs to obtain contracts with customers £m	Development costs £m	Total £m
At 1 January 2022	–	7.5	197.2	0.3	1.0	3.4	209.4
Amortisation	–	1.6	41.2	0.1	0.3	1.4	44.6
At 31 December 2022	–	9.1	238.4	0.4	1.3	4.8	254.0
Amortisation	–	1.6	47.2	0.1	0.2	1.5	50.6
Impairment	–	5.2	–	–	–	–	5.2
Write off	–	(15.9)	–	–	–	–	(15.9)
At 31 December 2023	–	–	285.7	0.5	1.5	6.3	294.0

Net book value

At 31 December 2022	79.4	6.8	357.2	0.4	1.5	1.9	447.2
At 31 December 2023	311.0	–	487.1	0.3	1.3	1.0	800.7

Calisen Metering and Calisen Metering Services have been rebranded from Calvin Capital and Lowri Beck respectively for the year ended 31 December 2022. As a result of this, intangible amounts attributable to the prior brand names have been disposed of in the year. Customer contracts are recognised from business combinations where there is identifiable contracts with customer that have a value to the business.

Financial Statements

Notes to the Consolidated Financial Statements continued

19. Property, plant and equipment

Cost or valuation	Equipment £m	Other fixed assets £m	Total £m
At 1 January 2022	1,250.1	8.3	1,258.4
Additions	268.7	1.3	270.0
Additions through business combinations	–	5.0	5.0
Disposals	(50.8)	(1.1)	(51.9)
At 31 December 2022	1,468.0	13.5	1,481.5
Additions	354.8	0.6	355.4
Additions through business combinations	455.4	–	455.4
Disposals	(78.0)	(2.1)	(80.1)
At 31 December 2023	2,200.2	12.0	2,212.2
Accumulated depreciation			
At 1 January 2022	233.7	3.7	237.4
Depreciation	99.3	2.7	102.0
Disposal adjustment	–	(0.6)	(0.6)
Disposals	(31.8)	0.8	(31.9)
At 31 December 2022	301.2	6.6	307.8
Depreciation	144.0	1.3	145.3
Disposals	(44.4)	(1.2)	(45.7)
At 31 December 2023	400.8	6.7	407.5
Net book value			
At 31 December 2022	1,166.8	7.0	1,173.7
At 31 December 2023	1,799.5	5.3	1,804.7

Within other fixed assets are right-of-use assets with a carrying amount of £2.1m as at 31 December 2023 (2022: £2.8m). Details of the right-of-use assets are provided in note 20.

Gains and losses on disposal of equipment are recognised in cost of sales, presented as the net book value of disposals of property, plant and equipment (meters) and compensation income.

During the year, the Group amended the UEL of smart meters to be between 10 and 20 years dependent on the relevant contract for the individual smart meter made effective from the 1 January 2023.

This change in estimate had the effect of increasing the depreciation charge by £14.4m in the year ended 31 December 2023, for further details see note 4.

20. Leases

Right-of-use assets

Within property, plant and equipment, the Group has right-of-use assets held under lease agreements as follows:

Cost	Right-of-use asset buildings £m	Right-of-use asset vehicles £m	Total £m
At 1 January 2022	4.1	1.1	5.2
Additions through business combinations	1.4	–	1.4
Disposals	–	–	–
At 31 December 2022	5.5	1.1	6.6
Additions	–	–	–
Disposals	(0.7)	–	(0.7)
At 31 December 2023	4.8	1.1	5.9
Accumulated depreciation			
At 1 January 2022	1.7	0.2	1.9
Depreciation	0.6	0.3	0.9
Disposals	1.0	–	1.0
At 31 December 2022	3.3	0.5	3.8
Depreciation	0.5	0.2	0.7
Disposals	(0.7)	–	(0.7)
At 31 December 2023	3.1	0.7	3.8
Net book value			
At 31 December 2022	2.2	0.6	2.8
At 31 December 2023	1.7	0.4	2.1

Right-of-use assets relate to eight (2022: ten) leases for office and industrial space in addition to approximately 120 (2022: 120) leases for vehicles. During the financial year, two office leases came to the end of their lease term and Calisen did not extend or renew the lease hence the disposal within the year. Two of the office leases, which have lease terms of ten years, contain a break clause after six and a half years taking them to 2026. There is two years remaining before the break clause can be exercised, and the Board does not currently anticipate exercising these break clauses.

Financial Statements

Notes to the Consolidated Financial Statements continued

20. Leases continued

Lease-related income and expenses

	Year ended 31 December	
	2023 £m	2022 £m
Interest expense on lease liabilities	(0.2)	(0.2)

The total cash outflow for the Group's lease arrangements in the year ended 31 December 2023 was £0.7m (year ended 31 December 2022: £0.9m). Amounts relating to lease liabilities whereby the Group is a lessee are disclosed below:

	At 31 December	
	2023 £m	2022 £m
Maturity analysis – contractual undiscounted cash flows		
Less than 1 year	0.9	1.3
Between 1 and 5 years	2.1	2.3
More than 5 years	0.4	0.5
Total undiscounted lease liabilities	3.4	4.1
Lease liabilities included in the Statement of Financial Position	2.3	3.0

21. Goodwill

The goodwill acquired in business combinations is allocated, at acquisition, to a cash generating unit ("CGU"). Management consider the business to consist of four CGUs (2022: two). Calisen Metering, Calisen Metering Services and MapleCo is monitored at this level. MapleCo was added as CGU following the acquisition during 2023, see note 5.

Carrying amount of goodwill allocated to each CGU:

	At 31 December	
	2023 £m	2022 £m
Calisen Metering	78.2	78.2
Calisen Metering Services	1.2	1.2
MapleCo	224.8	–
Advizzo	6.8	–
Total goodwill	311.0	79.4

The recoverable amount of goodwill has been determined based on its value in use.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Goodwill is tested for impairment by comparing the carrying amount of the CGU, including goodwill, with the recoverable amount. The recoverable amount is determined based on value in use calculations which require assumptions. The calculations use cash flow projections based on financial projections covering a five-year period. These projections take into account historical performance and knowledge of the current market, together with the Group's views on future achievable growth and the impact of committed cash flows. We note that the future achievable growth will be primarily achieved through the existing contracted pipeline for future installations. Cash flows beyond this period are extrapolated using the estimated growth rates stated below.

The annual impairment test is performed at each 31 December. No evidence of impairment was found at either 31 December 2023 or 2022. The key assumptions used in the value in use calculations were as follows:

- **Perpetual growth rate** – Cash flows were extrapolated in perpetuity using a growth rate of 2.5% from 31 December 2023 (2022: 3%) for all CGUs. This measure is appropriate for both CGUs as it is not considered to be higher than the average long-term industry growth rate. This has been decreased in the year ended 31 December 2023 following a period of reduced economic volatility decreasing inflationary growth assumptions.
- **Discount rate** – The discount rate was based on the weighted average cost of capital ("WACC") which would be anticipated for a market participant investing in the Group. This rate reflected the time value of money, the Group's risk profile and the impact of the current economic climate. The pre-tax discount rates used as at 31 December 2023 and 31 December 2022 for Calisen Metering were 8.06% and 8.26% respectively. The pre-tax discount rates used for the Calisen Metering Services CGU were 12.27% and 11.91% as at 31 December 2023 and 31 December 2022 respectively. The increase in discount rate this year reflects the change in assumptions in increased interest rates. The pre-tax discount rate used for MapleCo CGU was 8.44%, reflecting the first period following acquisition.

The Group concluded that there were no reasonably possible changes in any key assumptions that would cause the carrying amounts of goodwill to exceed the value in use for any CGU as at 31 December 2023. Furthermore, the Group concluded that Advizzo CGU was not significant to assess for impairment as it has just Goodwill associated with it, whereas Calisen Metering Services is a significant CGU and has it for impairment as it has Goodwill and a customer contract intangible asset associated with it.

Calisen Metering CGU

The headroom, based on the assumptions above, was £1,109.1m as at 31 December 2023 (31 December 2022: £1,271.0m). A sensitivity analysis was performed assuming a 0.5% reduction in the long-term growth rate and a 0.5% increase in the discount rate in order to assess the impact of reasonable possible changes to the assumptions used in the impairment review. The Group considers the 0.5% to be the maximum reasonable change in these rates. A 0.5% reduction in the long-term growth rate would result in headroom of £847.0m as at 31 December 2023 (31 December 2022: £1,124.4m) and a 0.5% increase in the discount rate would result in headroom of £811.1m as at 31 December 2022 (31 December 2022: £1,103.7m).

Financial Statements

Notes to the Consolidated Financial Statements continued

21. Goodwill continued

Calisen Metering Services CGU

The headroom, based on the assumptions above, was £80.1m as at 31 December 2023 (31 December 2022: £38.6m). A sensitivity analysis was performed assuming a 0.5% reduction in the long-term growth rate and a 0.5% increase in the discount rate in order to assess the impact of reasonable possible changes to the assumptions used in the impairment review. A 0.5% reduction in the long-term growth rate would result in headroom of £76.8m as at 31 December 2023 (31 December 2022: £36.7m) and a 0.5% increase in the discount rate would result in headroom of £78.6m as at 31 December 2023 (31 December 2022: £36.2m).

MapleCo CGU

The headroom, based on the assumptions above, was £327.6m as at 31 December 2023. A sensitivity analysis was performed assuming a 0.5% reduction in the long-term growth rate and a 0.5% increase in the discount rate in order to assess the impact of reasonable possible changes to the assumptions used in the impairment review. A 0.5% reduction in the long-term growth rate would result in headroom of £225.5m as at 31 December 2023 and a 0.5% increase in the discount rate would result in headroom of £209.3m as at 31 December 2023.

22. Financial instruments

The Group's principal financial assets include trade receivables, and cash deposits that derive directly from its operations. The Group also enters into derivative transactions. The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

22.1 Financial assets

	At 31 December	
	2023 £m	2022 £m
Derivatives not designated as hedging instruments		
Interest rate swap	101.5	117.8
Interest rate cap	9.8	–
Total financial assets at fair value through profit or loss	111.3	117.8
Financial assets at amortised cost		
Trade receivables (note 24)	50.6	43.5
Total financial assets	161.9	161.3
Total current	50.6	43.5
Total non-current	111.3	117.8

Derivatives not designated as hedging instruments reflect the positive change in fair value of those interest rate swaps and caps that are not designated in hedge relationships, but are, nevertheless, intended to reduce interest rate risk on debt instruments. Movements in fair value are recorded in the Consolidated Income Statement.

22.2 Interest-bearing loans and borrowings

	At 31 December	
	2023 £m	2022 £m
Current interest-bearing loans and borrowings		
Senior debt facilities	285.9	130.1
Lease liabilities	0.6	0.7
Total current interest-bearing loans and borrowings	286.5	130.8
Non-current interest-bearing loans and borrowings		
Shareholder loan notes not including accrued interest	127.9	–
Lease liabilities	1.7	2.3
Senior debt facilities	1,468.1	840.1
Total non-current interest-bearing loans and borrowings	1,597.8	842.4
Total interest-bearing loans and borrowings	1,884.3	973.2

Senior debt facilities

In the period to 30 April 2023, the Group completed a refinancing of an revolving credit facility ("RCF") facility, replacing £254.6m (2022: £160.0m) of this RCF with an amortising senior debt facilities. The RCF facility remains available and, following the refinance, headroom increased by £254.6m (2022: £160.0m). As part of the same refinancing exercise a further £430.4m was raised, primarily replacing commercial lending facilities with structured institutional debt facilities. In July 2023, the Group acquired MapleCo, who had senior debt facilities outstanding of £378.2m.

Senior debt facilities totalling £1,884.3m were outstanding under the new and existing facilities as at 31 December 2023 (31 December 2022: £969.9m) and are repayable on an agreed or forecast repayment profile of quarterly instalments which commenced on 30 June 2017, with full repayment to be made by 30 September 2043 for all interest-bearing loans and borrowings. Issue costs totalling £25.9m at 31 December 2023 (2022: £10.2m) have been offset against amounts drawn down and amortised over the duration of the facilities.

Interest on fixed rate loans of £171.2m, £118.8m, £100.0m, £120.0m, £140.0m, £40.0m, £205.0m, £125.0m and £200.0m of the amount outstanding at 31 December 2023 (2022: £211.0m, £40.0m, £360.0m and £325.0m) are charged at rates of between 2.63% and 5.84% respectively per annum. Interest charges on the remaining amounts drawn are based on floating SONIA rates. The Group has entered into interest rate derivatives as set out in note 22.5.

Financial Statements

Notes to the Consolidated Financial Statements continued

22. Financial instruments continued

22.3 Other financial liabilities

	At 31 December	
	2023 £m	2022 £m
Derivatives not designated as hedging instruments		
Interest rate derivatives	–	–
Total financial liabilities at fair value through profit and loss	–	–
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		
Trade payables	45.4	58.4
Total other financial liabilities	45.4	58.4
Total current	45.4	58.4
Total non-current	–	–

Derivatives not designated as hedging instruments reflect the negative change in fair value of those interest rate swaps and caps that are not designated in hedge relationships, but are, nevertheless, intended to reduce interest rate risk for debt instruments. Movements in the fair value are recorded in the Consolidated Income Statement.

22.4 Fair value of non-derivative financial assets and financial liabilities

The fair value of trade receivables, trade payables and cash at bank and in hand approximates to the carrying amount because of the short maturity in respect of these financial instruments.

The fair value of bank loans approximates to the carrying amount as interest rates are based on SONIA and so are regularly reset to current market rates.

The fair value of the senior debt facilities subject to fixed interest rate compared to their carrying amount is disclosed below:

	At 31 December			
	2023		2022	
	Fair value (£m)	Carrying value (£m)	Fair value (£m)	Carrying value (£m)
£40m loan	23.9	40.0	38.8	40.0
£290m fixed rate institutional loans	196.6	211.0	255.3	290.0
£360m fixed rate institutional loans	386.5	353.2	–	–
£325m fixed rate institutional USPP loans	335.0	308.7	–	–

Repayments of principal amounts against the senior debt facility of £40m commence in December 2023 with the balance to be fully repaid by June 2025. Repayments of principal amounts against the senior debt facility of £290m commence in June 2025 with the balance to be fully repaid by December 2034. £79m was repaid in 2023 as part of the refinancing exercise in March 2023. Repayments of principal amounts against £360.0m commence in September 2023 with the full balance being repaid by June 2043. Repayments of principal amounts against £325.0m commence in September 2023 with the full balance being repaid by June 2043.

22.5 Financial instruments risk management objectives and policies

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks in line with the Group's policies. Senior management identify, evaluate and, where appropriate, hedge financial risk. All derivative activities for risk management purposes are carried out by specialist teams who have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and derivative financial instruments. The sensitivity analyses in the following sections relate to the positions as at 31 December 2023 and 2022.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and levels of derivatives are all constant.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group has bank loans (senior debt facilities and equity bridge loans) with floating interest rates linked to SONIA, thereby exposing the Group to fluctuations in SONIA and the consequential impact on interest cost.

As at 31 December 2023, interest on these loans was charged at SONIA plus a margin in the range of 1.25% to 1.8% (31 December 2022: 1.2% to 1.7%).

To manage this risk, the Group enters into interest rate swaps under which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts. At 31 December 2023, the financial derivatives in place were sufficient to fix the interest rate on 78% of the senior debt facilities (2022: 87%). As at 31 December 2023, the swap arrangements fixed interest rates in the range of 0.17% to 3.3% (31 December 2022: 0.1% to 1.6%).

In addition, the Group has entered into interest rate caps whereby floating rates are capped at a fixed percentage in the range of 0.0% to 1.7%. As at 31 December 2023, 28% (31 December 2022: 38%) of the Group's borrowings were subject to this cap.

Financial Statements

Notes to the Consolidated Financial Statements continued

22. Financial instruments continued

22.5 Financial instruments risk management objectives and policies continued

(b) Interest rate sensitivity

The following table demonstrates the sensitivity to a change in interest rates on the Group's floating rate bank debt. The Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase/decrease in basis points ("bps")	Effect on profit before tax £m
Year ended 31 December 2023	100	8.4
Year ended 31 December 2022	100	6.4

Management believes that a movement in interest rates of 100bps gives a reasonable measure of the Group's sensitivity to interest rate risk. The table above demonstrates the sensitivity to a possible change in interest rates, with all other variables held constant, on the Group's profit/(loss) before tax.

(c) Price risk

The Group is not exposed to any significant price risk in relation to its financial instruments.

(d) Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange is insignificant as primarily all of the Group's operating activities are denominated in pound sterling.

(e) Credit risk

The Group's credit risk primarily arises from credit exposures to energy retailers (the Group's customers) in respect of outstanding trade receivables. The Group trades with a number of companies, which are generally large utility companies or financial institutions. The Group is also exposed to credit risk on cash deposits and derivative financial instruments held with financial institutions.

Credit risk is managed on a Group basis. For banks and financial institutions, the Group's policy is to deposit cash with investment grade financial institutions. With regard to customers, the Group assesses the credit quality of the customer, considering its financial position, past experience and other factors. The Group does not expect, in the normal course of events, that receivables due from customers are at significant risk. The Group's maximum exposure to credit risk equates to the carrying value of cash and cash equivalents, trade and other receivables and derivative financial assets. The Group's maximum exposure to credit risk from its customers is the carrying value of trade receivables as disclosed within trade and other receivables in note 24. The Group regularly monitors and updates its cash flow forecasts to ensure it has sufficient and appropriate funds to meet its ongoing operational requirements.

The Group has identified a concentration of risk in relation to revenue and trade receivables as the majority of revenue (2023: approximately 57%, 2022: approximately 68%) is generated from the Large Energy Retailers. However, the Group assesses the associated credit risk as low despite its customers operating in one industry as these customers have historically minimal failure rates meaning that the risks associated with trade receivables are relatively low. The remaining balance has a more diversified customer base.

(f) Impairment of trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring forward-looking ECLs (expected credit losses) which uses a lifetime expected loss provision for all trade receivables. To measure the ECL, trade receivables are grouped based on shared credit risk characteristics and the number of days past due.

The Group has established a provision matrix based on the payment profiles of sales over a period of 12 months before each balance sheet date and the corresponding historical credit losses experienced within these periods. Historical loss rates are adjusted to reflect current and forward-looking information that might affect the ability of customers to settle the receivables, including macroeconomic factors as relevant.

On that basis, the provision as at 31 December 2023 was determined as £5.1m (31 December 2022: £3.3m) as follows:

	Loss provision – receivables £m
As at 1 January 2022	7.6
Increase in loss provision recognised in profit or loss during the year	1.0
Receivables written off during the year as uncollectable	(5.3)
As at 31 December 2022	3.3
Increase in loss provision recognised in profit or loss during the year	3.8
Receivables written off during the year as uncollectable	(1.1)
As at 31 December 2023	6.0

In assessing impairment of contract assets, the Group also applies the IFRS 9 simplified approach to measuring forward-looking ECLs which uses a lifetime expected loss allowance. The total provision of £6.0m (2022: £3.3m) therefore includes £4.3m (2022: £2.7m) in relation to trade receivables and £1.7m (2022: £0.6m) in relation to accrued income. The ECL for contract assets was not material at 31 December 2023 or 31 December 2022.

Liquidity risk

The Group's policy is to ensure the availability of an appropriate amount of funding to meet both current and future forecast requirements consistent with the Group's budget and business plan. The Group finances operations and growth from its existing cash resources and the £432.0m (2022: £408.0m) undrawn portion of the Group's committed banking facilities. As at 31 December 2023, 100% (31 December 2022: 87%) of the Group's principal borrowing facilities were due to mature in more than one year. Based on the Group's latest forecasts, the Group has sufficient funding in place to meet its future obligations for at least the 12 months following the approval of the financial statements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the consolidated statement of financial position date to the contractual maturity date (with the exception of lease liabilities, disclosure for which is included in note 20). The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial Statements

Notes to the Consolidated Financial Statements continued

22. Financial instruments continued

22.5 Financial instruments risk management objectives and policies continued

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
As at 31 December 2023				
Bank borrowings	285.9	437.7	480.7	549.5
Trade and other payables	45.4	–	–	–
Derivatives	–	–	–	–

As at 31 December 2022

Bank borrowings	130.1	119.6	575.3	144.8
Trade and other payables	58.4	–	–	–
Derivatives	–	–	–	–

22.6 Changes in liabilities arising from financing activities

	At 1 January 2023 £m	Cash flows £m	Changes in fair value £m	Acquisitions	Other £m	At 31 December 2023 £m
Current interest-bearing loans and borrowings	130.1	(606.8)	–	–	762.6	285.9
Non-current interest-bearing loans and borrowings	839.8	1,028.3	–	(378.2)	(21.8)	1,468.1
Derivative financial instruments	(116.2)	–	(4.9)	–	–	(121.1)
Obligations under operating leases	2.9	(0.9)	–	–	0.2	2.2
Total	856.6	420.6	(4.9)	(378.2)	741.0	1,635.1

The “Other” column includes the effect of reclassification of the non-current portion of interest-bearing loans and borrowings, the effect of accrued but not yet paid interest on interest-bearing loans and borrowings and accrued interest on lease liabilities. The Group classifies interest paid as cash flows from operating activities. The acquisitions movements in relation to interest-bearing loans and borrowings relate to the acquisition of MapleCo.

During the year ended 31 December 2022, the Group repaid borrowings of £266.7m (2022: £260.2m), of which £160.0m (2021: £150.0m) related to the replacement of utilised RCF borrowings. The Group received proceeds from borrowings of £404.3m (2021: £381.9m), of which £160.0m (2021: £150.0m) related to a new amortising senior debt facility that was used to repay £160.0m (2021: £150.0m) of RCF borrowings.

	At 1 January 2022 £m	Cash flows £m	Changes in fair value £m	Other £m	At 31 December 2022 £m
Current interest-bearing loans and borrowings	102.4	(266.7)	–	294.4	130.1
Non-current interest-bearing loans and borrowings	720.5	410.8	–	(291.5)	839.8
Derivative financial instruments (Restated*)	(16.4)	–	(99.8)	–	(116.2)
	3.8	(1.1)	–	0.2	2.9
Obligations under leases	–	(2.7)	–	2.7	–
Total (Restated*)	810.3	140.3	(99.8)	5.8	856.6

*With respect solely to the table above the Derivative financial instruments have been restated compared to the prior year as all figures on this line were presented as positive when they should have been presented as negatives. This has also impacted the totals for the table. This correction has no other effect on the financial statements.

The “Other” column includes the effect of reclassification of the non-current portion of interest-bearing loans and borrowings, the effect of accrued but not yet paid interest on interest-bearing loans and borrowings and accrued interest on lease liabilities. The Group classifies interest paid as cash flows from operating activities.

Financial Statements

Notes to the Consolidated Financial Statements continued

23. Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the Group. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio. The gearing ratio is calculated as interest-bearing loans and borrowings and trade creditors less cash and cash equivalents divided by total capital plus net debt. Additionally, the Group utilises another gearing or leverage ratio (Adjusted net debt to Adjusted EBITDA) as an APM, further details of which can be found in the Chief Financial Officer's review.

	At 31 December	
	2023 £m	2022 £m
Interest-bearing loans and borrowings*	1,884.3	973.2
Trade creditors	45.4	58.4
Cash	(169.0)	(144.9)
	1,760.7	886.7
Share capital and share premium	413.6	5.5
Total capital plus net debt	2,174.3	892.2
Gearing ratio	81.0%	99.4%

* "Interest-bearing loans and borrowings" is presented net of debt issue costs of £25.9m (2022: £10.2m) and also includes IFRS 16 Leases of £2.3m (2022: £3.0m).

In order to achieve the overall objective of maximising shareholder value, the Group's capital management, among other things, aims to ensure that the Group maintains a sufficient credit worthiness in order to support the business and to maximise value for stakeholders. No changes were made in the objectives, policies or processes for managing capital during the years covered above.

24. Trade and other receivables

	At 31 December	
	2023 £m	2022 £m
Trade receivables	50.6	43.5
Other receivables	3.5	3.5
Accrued income	22.2	22.1
Prepayments	2.1	6.8
Capital expenditure prepayment	35.5	–
	114.0	75.9

The carrying value of the Group's trade and other receivables approximates to their fair value.

Capital expenditure prepayment is through contract negotiations there is an upfront payment to the extent that the meters are not installed at the financial statements date. Included within the balance is £18.4m which is due after more than one year.

The Group's credit risk is primarily attributable to trade receivables. The amounts presented in the Consolidated Statement of Financial Position are net of any loss provision. The total loss provision for trade and other receivables as at 31 December 20223 was £6.0m (2022: £3.3m) of which £4.3m (2022: £2.7m) was recognised in relation to trade receivables and £1.7m (2022: £0.6m) in relation to accrued income. See note 22 for further details. The ageing profile of trade receivables past their due date is shown below:

	31 December 2023 £m	Expected loss rate 2023 %	31 December 2022 £m	Expected loss rate 2022 %
Not yet due	47.8	4.03%	32.8	0.94%
0–30 days	5.7	20.59%	10.2	20.51%
31–60 days	0.6	2.41%	0.1	8.76%
61–90 days	2.5	44.35%	0.0	4.46%
Over 90 days	0.3	14.94%	1.6	20.86%
Gross carrying amount	56.9		44.7	
Loss provision	(4.3)		(2.7)	
Net carrying amount	52.6		42.0	

Trade receivables are non-interest-bearing and are generally on 30 – 45 day payment terms. Trade receivables due from related parties as at 31 December 2023 amounted to £Nil (31 December 2022: £Nil). Receivables are all denominated in pound sterling.

25. Inventories

	At 31 December	
	2023 £m	2022 £m
Finished goods	2.0	1.6
	2.0	1.6

During the year ended 31 December 2023, £Nil (31 December 2022: £Nil) was recognised as an expense for inventories carried at net realisable value.

Financial Statements

Notes to the Consolidated Financial Statements continued

26. Cash and cash equivalents

	At 31 December	
	2023 £m	2022 £m
Cash at bank and in hand	169.0	144.9
	169.0	144.9

Cash at bank earns interest at floating rates based on daily bank deposit rates.

27. Trade and other payables

	At 31 December	
	2023 £m	2022 £m
Trade creditors	45.4	58.4
Other creditors	23.8	12.3
VAT payable	5.4	0.1
Tax creditor	6.8	6.9
Other creditors relating to capital expenditure	32.5	19.4
Finance creditors	19.3	0.3
	133.2	97.4

28. Provisions

	Dilapidations	Total
	£m	£m
As at 1 January 2022	0.6	0.6
Arising during the year	0.5	0.5
As at 31 December 2022	1.1	1.1
Arising during the year	(0.4)	(0.4)
As at 31 December 2023	0.7	0.7

29. Issued capital and reserves

	At 31 December	
	2023	2022
Authorised shares		
Ordinary shares	679,337,202	549,019,293
Nominal value of each share (pence)	1	1
Nominal value of shares (£m)	6.8	5.5
Ordinary shares issued and fully paid		
At start of year	549,019,293	549,019,293
Shares issued	130,317,909	–
At end of year	679,337,202	549,019,293

30. Share-based payments

Directors and certain members of key management personnel participate in a share scheme in which they have purchased shares in Calisen Midco II Limited, the company's immediate parent. The general terms and conditions of this arrangement are summarised below.

Under the terms of the scheme, eligible employees have been granted share instruments in Calisen Midco II Limited by that company, which they initially acquired for their tax fair value. The terms of these instruments are such that, in an exit event (the Calisen Group being acquired or listed), those employees would be entitled to sell their instruments back to the Group at a price that depends on exit value.

Should an employee leave employment before an exit event, they may be directed to sell their shares back to Calisen Midco II for a value determined based on the market value of the shares at the transaction date and the nature of the employee's departure.

Management consider that any IFRS 2 charge for the scheme would be immaterial, both in this year and cumulatively in all years, and therefore no accounting entries have been made in respect of the scheme.

The total number of share instruments in issue as at 31 December 2023 is 1,457,992 (2022: 1,610,588). During the year, no additional instruments were issued (2022: 170,885) and 152,596 were sold (2022: Nil).

31. Related party disclosures Group

On 12 July 2023, 100% of the shares of Maple Topco Limited ("MapleCo") were acquired by the Group. Ownership was passed down the group structure to Calisen Meter Serve Holdco via a share-for-share exchange. The value of the shares issued were valued at £408.1m.

Transactions with key management personnel

Key management personnel reflect the Executive Committee, whose remuneration during the normal course of business has been disclosed within note 11 to the Consolidated Financial Statements.

In December 2023, a loan of £0.3m was provided to B Rennet. In November 2022, a loan of £0.2m was provided to M Bateman. The balance outstanding on Directors' loans as at 31 December 2023 is £0.3m, £0.2m, £0.4m and £0.3m for B Rennet, M Bateman, S Latus and S Blackburn respectively. The loan balances as at 31 December 2022 were £0.2m, £0.7m and £0.4m for M Bateman, S Latus and S Blackburn respectively. The loans attracted an interest rate of 2.0% until 5 April 2023 when it was increased to 2.25%; the charge for the year was £0.1m (2022: £0.1m) by the Company. £0.1m of the interest remained outstanding at 31 December 2023 (2022: £0.1m).

32. Dividends

During the year ended 31 December 2023, the Company paid dividends amounting to £335.8m (2022: £57.5m). This equates to 49.4 pence (2022: 10.5 pence) per ordinary share issued.

Financial Statements

Notes to the Consolidated Financial Statements continued

33. Group information

The Consolidated Financial Statements incorporate the consolidation of the subsidiaries below:

The following entities incorporated in the UK have the same registered office address of 5th Floor, 1 Marsden Street, Manchester, M2 1HW.

Company	Proportion of shares and voting rights	Country of incorporation	Principal activities
CCGH2 Dormant Company Limited	100%	UK	Holding Company
Calisen Holdco 2 Limited	100%	UK	Holding Company
Calisen Holdco 3 Limited	100%	UK	Holding Company
Calisen Holdco 4 Limited (previously Calvin Capital UK Limited)	100%	UK	Holding Company
Calisen Meter Serve Holdco Limited (previously Calvin Capital Limited)	100%	UK	Dormant Company
MSH Dormant Company Limited (previously Meter Serve (Holdco) Limited)	100%	UK	Dormant Company
MSNW Dormant Company (previously Meter Serve (North West) Limited)	100%	UK	Dormant Company
Meter Fit (North West) Limited	100%	UK	Procurement of gas and electricity meters
MSNE Dormant Company (previously Meter Serve (North East) Limited)	100%	UK	Dormant Company
Meter Fit (North East) Limited	100%	UK	Procurement of gas and electricity meters
MS2 Dormant Company (previously Meter Serve 2 Limited)	100%	UK	Procurement of gas and electricity meters
Meter Fit 2 Limited	100%	UK	Procurement of gas and electricity meters
MS3 Dormant Company (previously Meter Serve 3 Limited)	100%	UK	Holding Company
Meter Fit 3 Limited	100%	UK	Procurement of gas and electricity meters
MS4 Dormant Company (previously Meter Serve 4 Limited)	100%	UK	Dormant Company
Meter Fit 4 Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve (Holdco 2) Limited	100%	UK	Holding Company
MS5 Dormant Company (previously Meter Serve 5 Limited)	100%	UK	Dormant Company
Meter Fit 5 Limited	100%	UK	Procurement of gas and electricity meters

Company	Proportion of shares and voting rights	Country of incorporation	Principal activities
MS10 Dormant Company (previously Meter Serve 10 Limited)	100%	UK	Dormant Company
Meter Fit 10 Limited	100%	UK	Procurement of gas and electricity meters
MS20 Dormant Company (previously Meter Serve 20 Limited)	100%	UK	Dormant Company
Meter Fit 20 Limited	100%	UK	Procurement of gas and electricity meters
Meter Fit Assets Limited	100%	UK	Procurement of gas and electricity meters
Plug Me In Limited	100%	UK	Installation of electric vehicle charging points
Plug Me In (Investments) Limited (previously Charge Fit Limited)	100%	UK	Procurement of electric vehicle charging points
Calisen Smart 360 Limited (previously Calvin Managed Services Limited)	100%	UK	Services relating to the metering sector
Calisen Meterfit Limited (previously Calvin Metering Limited)	100%	UK	Agent
Calisen Asset Management Limited (previously Calvin Asset Management Limited)	100%	UK	Group Management Company
Calvin Capital International Holdings Limited (previously Calvin Capital Australia Holdings Limited)	100%	UK	Holding Company
Maple TopCo Limited	100%	UK	Holding Company
Maple Holdco 1 Limited	100%	UK	Holding Company
Maple Holdco 2 Limited	100%	UK	Holding Company
Maple Holdco 3 Limited	100%	UK	Holding Company
Mapleco 1 Limited	100%	UK	Procurement of gas and electricity meters
Mapleco 2 Limited	100%	UK	Dormant Company
Mapleco 3 Limited	100%	UK	Procurement of gas and electricity meters

Financial Statements

Notes to the Consolidated Financial Statements continued

33. Group information continued

Company	Proportion of shares and voting rights	Country of incorporation	Principal activities
Advizzo Limited	100%	UK	Information technology service activities
Plug Me In (Heat) Limited	100%	UK	Installation of air source heat pumps

The following entities are registered in the UK and have the same registered office address of Building B, Swan Meadow Road, Wigan, WN3 5BB.

Calisen Metering Holdings Limited (previously Lowri Beck Holdings Limited)	100%	UK	Holding Company
Calisen Metering Systems Limited (previously Lowri Beck Systems Limited)	100%	UK	Computer systems development
Calisen Metering Services Limited (previously Lowri Beck Services Limited)	100%	UK	Nationwide metering and data collection services
UW Home Services Limited	100%	UK	Dormant
Central Home & Facilities Management Limited	100%	UK	Dormant

The following entities are registered in Australia. All Australian registered entities have the same registered office address of Level 16, 80 Collins Street, Melbourne, VIC 3000.

Calvin Capital Australia Pty Limited	100%	Australia	Holding Company
Calvin MS Australia 1 Pty Limited	100%	Australia	Holding Company

34. Ultimate controlling party

The Company's controlling party as at 31 December 2022 was Calisen Limited, which was indirectly owned by a consortium consisting of (i) GEPIF (an energy and infrastructure fund managed by BlackRock Alternatives Management LLC, which is an indirect wholly-owned subsidiary of BlackRock, Inc.), together with its co-investor Ninteenth (an indirectly wholly-owned subsidiary of Mubadala); and (ii) Goldman Sachs Asset Management.

On 12 July 2023, the Group confirmed its acquisition of Maple TopCo Limited through an all-stock consideration in the Calisen business, Calisen Midco 1 Limited, with the existing shareholders selling down a minority secondary stake in Calisen to Equitix Maple Bidco 1 Limited as part of the transaction. As a result, the Company's controlling party is still Calisen Limited but they are now indirectly owned by a consortium consisting of (i) GEPIF (an energy and infrastructure fund managed by BlackRock Alternatives Management LLC, which is an indirect wholly-owned subsidiary of BlackRock, Inc.), together with its co-investor Ninteenth (an indirectly wholly-owned subsidiary of Mubadala); and (ii) Goldman Sachs Asset Management and (iii) Equitix Maple Bidco I Limited. Calisen Limited is ultimately indirectly owned by GEPIF, Mubadala and Goldman Sachs Asset Management in the following proportions: (a) GEPIF owns 31.43%; (b) Mubadala owns 11.39%; (c) Goldman Sachs Asset Management owns 24.34%; and Equitix Maple Bidco I Limited owns 32.65%

The ultimate controlling party of Calisen Limited is Calisen Midco I Limited, the address of which is 44 Esplanade, St Helier, Jersey, Channel Islands JE4 9WG. The smallest group in which the results of the Company for the period to 31 December 2022 are consolidated is that headed by Calisen Group (Holdings) Limited and the largest group is that headed by Calisen Limited; the consolidated financial statements of both groups are available to the public and may be obtained from 5th Floor, 1 Marsden Street, Manchester M2 1HW.

35. Subsequent events

The Group signed a MAP services contract prior to the year end which included a £70m payment in relation to the installation of metering equipment payable on satisfaction of certain conditions. These conditions were met subsequent to the year end with payment now expected after the approval of the financial statements.

In March 2024, the Group completed a £100m extension of the RCF held by Meter Serve (Holdco 2) Limited, increasing the facility balance from £400m to £500m. The RCF remains available and this resulted in an increase in headroom of £100m for the Group.

In June 2024, the Group acquired 100% of the share capital of Rodney Holdings Limited for consideration of £11.5m.

Financial Statements

Company Statement of Financial Position as at 31 December 2023

	Notes	As at 31 December	
		2023 £m	2022 £m
Assets			
Non-current assets			
Investments in subsidiaries	3	1,461.3	1,053.2
Current assets			
Trade and other receivables	4	5.7	4.2
Cash and cash equivalents	5	17.3	8.5
		23.0	12.7
Total assets		1,484.3	1,065.9
Liabilities			
Current liabilities			
Trade creditors	6	0.5	0.7
Other creditors	6	4.3	3.5
			3.9
Total liabilities		4.8	3.9
Equity			
Called up share capital	7	6.8	5.5
Share premium account	7	406.8	–
Retained earnings		1,065.9	1,056.2
Total equity		1,479.5	1,061.7
Total equity and liabilities		1,484.3	1,065.9

The accompanying notes form an integral part of the financial statements.

The amount of profit for the year ended 31 December 2023 was £345.5m (2022: £92.1m).

Brandon Rennet

Chief Financial Officer

17 September 2024

Calisen Group (Holdings) Limited Company number: 12383518

Financial Statements

Company Statement of Changes in Equity

	Called up share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
At 1 January 2022	5.5	–	1,021.6	1,027.1
Profit for the period and total comprehensive profit	–	–	92.1	92.1
Dividends paid	–	–	(57.5)	(57.5)
At 1 January 2023	5.5	–	1,056.2	1,061.7
Profit for the period and total comprehensive profit	–	–	345.5	345.5
Shares issuances	1.3	406.8	–	408.1
Dividends paid	–	–	(335.8)	(335.8)
At 31 December 2023	6.8	406.8	1,065.9	1,479.5

The accompanying notes form an integral part of the financial statements.

Calisen Group (Holdings) Limited Company number: 12383518

Financial Statements

Notes to the Company Financial Statements

1. Basis of preparation

The Company's registered office is at 5th Floor, 1 Marsden Street, Manchester M2 1HW, England. These separate financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary and in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The disclosure exemptions adopted by the Company in preparation of these financial statements in accordance with FRS 101 are as follows:

- a cash flow statement and related notes;
- certain disclosures in relation to capital management;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- the effects of new but not yet effective IFRSs; and
- reconciliation of share capital in the period.

In addition to the FRS 101 exemptions above, the Company is exempt under section 408 of the Companies Act 2006 from the requirement to present an income statement or a statement of comprehensive income.

As the consolidated financial statements of Calisen Group (Holdings) Limited include the equivalent disclosures, the Company has also taken advantage of the following exemptions under FRS 101:

- disclosures in relation to IFRS 2 Share-based Payments; and
- disclosures required by IAS 36 Impairment of Assets in respect of impairments of the investments held by the Company.

The financial statements have been prepared on a going concern basis under the historical cost convention except as disclosed in the accounting policies. The Company's accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Disclosure of Auditor remuneration for non-audit fees is not given in these individual financial statements as the Group accounts are required to comply with regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 and present the information on a consolidated basis.

(a) Going concern

The Directors consider the going concern basis of preparation for the Company to be appropriate for the following reasons.

The Company generated a profit after taxation of £345.5m (2022: £92.1m) and has net assets at the year ended 31 December 2023 of £1,479.5m (2022: £1,070.1m).

The Group, of which the Company is a part, has prepared cash flow forecasts and considered a period of at least 12 months from the date of approval of these financial statements which include taking account of reasonably possible downsides and business continuity stress tests. These result in reduced levels of

revenues within both business units and lower levels of meter installations. The Group's forecasts show that the Group will have sufficient funds, through access to cash derived from its long-term contractual revenue streams and funding from its existing facilities to meet liabilities as they fall due. At 31 December 2023, this includes access to cash resources of £169.0m.

Consequently, the Directors are confident that the Company currently has in place sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of issue of the consolidated financial statements and have therefore prepared the Consolidated Financial Statements on a going concern basis.

(b) Basis of measurement

The functional currency is pound sterling and the financial statements are presented in pound sterling.

Amounts are rounded to the nearest hundred thousand except where otherwise indicated.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies. The historical financial information is prepared on the historical and amortised cost basis.

2. Significant accounting policies

(a) Investment in subsidiaries

Investments in subsidiaries are measured at cost less provision for impairment. Impairment losses or reversals of previous impairment losses are presented in the profit and loss account in the period they arise.

(b) Financial liabilities

Financial liabilities, including trade and other payables and interest-bearing loans and borrowings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the liability is measured at the present value of the future payments discounted at a market rate of interest.

Financial liabilities, other than short-term payables, are subsequently carried at amortised cost, using the effective interest rate method. The effective interest rate amortisation is included in the profit and loss account in the period it arises. Short-term trade and other payables with no stated interest rate which are payable within one year are recorded at transaction price.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

(c) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial Statements

Notes to the Company Financial Statements continued

2. Significant accounting policies continued

(d) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other financial assets, or to exchange financial assets or liabilities under potentially unfavourable conditions. Where such an obligation exists, the share capital is recognised as a liability notwithstanding the legal form. Incremental costs directly attributable to the issue of equity instruments are recognised as a deduction from share premium to the extent that there is sufficient share premium to do so, net of tax effects.

3. Investments

Cost	Investments in subsidiary companies £m
At 1 January 2023	1,053.2
Additions	408.1
At 31 December 2023	1,461.3

Net book value

At 31 December 2023

The Company owns 100% of the share capital of the companies listed in note 33 of the Consolidated Financial Statements.

4. Trade and other receivables

	As at 31 December	
	2023 £m	2022 £m
Trade and other receivables	5.7	4.2
	5.7	4.2

5. Cash and cash equivalents

	As at 31 December	
	2023 £m	2022 £m
Cash and cash equivalents	17.3	8.5
	17.3	8.5

6. Trade and other payables

	As at 31 December	
	2023 £m	2022 £m
Trade payables	0.5	0.7
Other payables	4.3	3.5
Amounts owed to Group undertakings	–	–
	4.8	4.2

7. Issued capital and reserves

	As at 31 December	
	2023 £m	2022 £m
Allotted, called up and fully paid		
679,337,202 (2022: 549,019,023) ordinary shares of 1 pence each	6.8	5.5

During the year ended 31 December 2023, 130,317,909 ordinary shares were issued at a nominal value of 1 pence per share with £3.12 premium.

8. Related party disclosures

The company's related party transactions reflect those of the consolidated accounts, see note 31.

9. Compensation of key management personnel and directors' emoluments

The Company had 2 employees (2022: 2) during the current financial year and staff costs of £1.4m (2022: £1.2m).

The compensation of key management personnel and emoluments of directors of the company are disclosed in Note 11 and relate to the group as a whole.

An estimate of value of services provided to the company, which represents a proportion of the total remuneration, is £Nil (2022: £Nil).

10. Controlling party

The Company's controlling party as at 31 December 2022 was Calisen Limited, which was indirectly owned by, a consortium consisting of (i) GEPIF (an energy and infrastructure fund managed by BlackRock Alternatives Management LLC, which is an indirect wholly-owned subsidiary of BlackRock, Inc.), together with its co-investor Ninteenth (an indirectly wholly-owned subsidiary of Mubadala); and (ii) Goldman Sachs Asset Management.

On 12 July 2023, the Group confirmed its acquisition of Maple TopCo Limited through an all-stock consideration in the Calisen business, Calisen Midco 1 Limited, with the existing shareholders selling down a minority secondary stake in Calisen to Equitix Maple Bidco 1 Limited as part of the transaction. As a result, the Company's controlling party is still Calisen Limited but they are now indirectly owned by a consortium consisting of (i) GEPIF (an energy and infrastructure fund managed by BlackRock Alternatives Management LLC, which is an indirect wholly-owned subsidiary of BlackRock, Inc.), together with its co-investor Ninteenth (an indirectly wholly-owned subsidiary of Mubadala); and (ii) Goldman Sachs Asset Management and (iii) Equitix Maple Bidco I Limited. Calisen Limited is ultimately indirectly owned by GEPIF, Mubadala and Goldman Sachs Asset Management in the following proportions: (a) GEPIF owns 31.43%; (b) Mubadala owns 11.39%; (c) Goldman Sachs Asset Management owns 24.34%; and (d) Equitix Maple Bidco I Limited owns 32.65%.

The ultimate controlling party of Calisen Limited is Calisen Midco I Limited, the address of which is 44 Esplanade, St Helier, Jersey, Channel Islands JE4 9WG. The smallest group in which the results of the Company for the period to 31 December 2022 are consolidated is that headed by Calisen Group (Holdings) Limited and the largest group is that headed by Calisen Limited; the consolidated financial statements of both groups are available to the public and may be obtained from 5th Floor, 1 Marsden Street, Manchester M2 1HW.

GLOSSARY OF TERMS



Alternative performance measures

These full-year results include financial measures that are not defined or recognised under IFRS or UK GAAP, all of which Calisen considers to be alternative performance measures ("APMs"). These are reconciled to the statutory results in the Financial Review section.

The APMs are used by the Board and management to analyse business and financial performance, track the Group's progress and help develop long-term strategic plans. The APMs provide additional information to investors and other external stakeholders to enhance their understanding of Calisen's results of operations as supplemental measures of performance and liquidity.

Descriptions of APMs used in these accounts, including their basis of calculation, are set out on this page.

Adjusted EBITDA	Profit/(loss) for the period adjusted for taxation, finance income/(expenses), depreciation, amortisation, profit/(loss) on disposal of non-current assets and other expenses. See page 37 for reconciliation of Adjusted EBITDA to statutory loss for the period.
Cash conversion	FFO as a percentage of Underlying EBITDA. See page 39 for calculation.
FFO	FFO is defined as Underlying EBITDA less relevant finance costs, taxation and adjusted net working capital items. Relevant finance costs exclude fair value movement on derivatives (as this is a non-cash item), shareholder loan interest and charges relating to letter of credit facilities (on the basis that they no longer form part of Calisen's capital structure) and interest rate swap break costs. Adjusted net working capital items include change in trade and other receivables and contract assets, change in inventories and change in trade and other payables, but exclude any movements in payables where the creditor relates to capital expenditure, accrued other expenses and any items to the extent they relate to non-trading items such as compensation debtors or capital expenditure prepayments or creditors, including related VAT balances. FFO also does not include compensation income. Capital expenditure creditors are excluded to the extent that they represent new meter installation costs. See page 39 for calculation.
Net debt	The sum of senior debt and equity bridge loans, less cash. Therefore, net debt includes bank borrowings and equity bridge loans, net of cash and excludes trade payables and debt issue costs. See page 41 for calculation.
Underlying EBITDA	Adjusted EBITDA less compensation income. Compensation income is received from relevant contractual arrangements where meters are prematurely removed, and, as a consequence, reflects income that would have otherwise been earned in future periods. Given the limited timeframe of the SMIP as currently described in legislation, the Directors deem compensation income to be a line item that may not consistently be significant in the future. Because compensation income arises as a result of the removal of traditional meters in order to replace them with smart meters, it is expected that compensation income will decrease over time as the number of traditional meters decreases. See page 37 for reconciliation of Underlying EBITDA to statutory loss for the period.
Underlying EBITDA Interest Cover	Underlying EBITDA divided by net interest expense. See page 39 for calculation.
Underlying EBITDA Margin	Underlying EBITDA as a percentage of revenue. See page 37 for calculation.

Definitions and abbreviations

The following definitions and abbreviations apply throughout this Report unless the context otherwise requires:

A

APMs	alternative performance measures, being a financial measure not defined or recognised under IFRS
ARPM	average revenue per meter
Articles	Calisen's Articles of Association
Auditor	KPMG LLP

B

BEIS	Department for Business, Energy and Industrial Strategy
Board	Board of Directors of the Company from time to time
B2B	business to business
B2C	business to consumer
B2B2C	business to business to consumer

C

Calisen	Calisen Group (Holdings) Limited (formerly Calisen plc)
Calvin Capital	Calvin Capital Limited and its subsidiaries
Capital expenditure	purchase of property, plant and equipment per the Consolidated Statement of Cash Flows
CEO	Chief Executive Officer
CGH Group	CGH2 Dormant Company Limited (formerly Calisen Group (Holdings 2) Limited) and its subsidiaries
CGHL	Calisen Group (Holdings) Limited
Challenger Energy Retailers	energy retailers with a market share of less than 5 per cent in either the gas or electricity sector
CHL Group	Calisen Holdco Limited (formerly Calvin Capital Holdco Limited) and its subsidiaries
CGU	cash-generating unit
Code	the UK Corporate Governance Code published in July 2018 by the Financial Reporting Council, as amended from time to time
Company	Calisen Group (Holdings) Limited (formerly Calisen plc)
Companies Act 2006 (or "the Act")	the Companies Act 2006 of England and Wales, as amended from time to time

D

Directors	Directors of the Company; "Director" means any one of them
Direct costs	purchases and employee-related costs directly incurred in relation to the delivery of Data and Technical Services within the Lowri Beck segment
DTR	disclosure guidance and transparency rules made by the FCA under Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time
DESNZ	the Department for Energy Security and Net Zero

E

EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
ECLs	expected credit losses
EIR	effective interest rate
ESG	Environmental, Social and Governance
EU	European Union
EVs	electric vehicles; "EV" means any of them
Exceptional Items	exceptional items have the same meaning as Other operating expenses, as detailed in note 2.20
Executive Committee	the CEO and his direct reports

Definitions and abbreviations continued

F

FCA	Financial Conduct Authority of the UK
FFO	Funds from Operations
FRC	Financial Reporting Council
FRS	Financial Reporting Standard applicable in the UK and Republic of Ireland
FRS 101	Financial Reporting Standard 101 Reduced Disclosure Framework
FTE	full-time employee(s)
FSMA	the Financial Services and Markets Act 2023

G

Greenhouse Gas Protocol Corporate Accounting and Reporting Standard	the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard published by the World Business Council for Sustainable Development and the World Resources Institute, as amended from time to time
Green Revenue	revenue from carbon-reducing activities such as installation of smart meters and MPCs from smart meters
Grey fleet	vehicle or vehicles that are owned and driven by an employee for business purposes
Group	the Company and its subsidiaries (as that term is defined in section 1159 of the Companies Act 2006)
GAAP	generally accepted accounting principles

H

Health and Safety Executive	UK's regulator for workplace health and safety
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I

IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISAs (UK)	International Standards on Auditing (UK)

K

KPI	Key Performance Indicator
KPMG	KPMG LLP

L

Large Energy Retailers	energy retailers with a market share of at least 5 per cent in either the gas or electricity sector since privatisation
LIBOR	London Interbank Offered Rate
London Stock Exchange	London Stock Exchange plc
Lowri Beck	Lowri Beck Holdings Limited, or the group consisting of Lowri Beck Holdings Limited and its affiliates, parents or subsidiaries, as applicable

M

MAP	meter asset provision or meter asset provider (as the context requires)
Mental Health First-Aiders	the Company's employees trained to be mental health first-aiders
MPC	meter provision charge
M&A	merger and acquisitions

N

NICEIC	National Inspection Council for Electrical Installation Contracting
Non-operating items	for the purposes of calculating FFO, non-operating items constitute compensation income and compensation debtors or capital expenditure prepayments or creditors, and their consequential VAT balances
Non-trading items	costs or income that are one-off in nature and non-recurring
NBV	net book value
n.m.	not meaningful

O

OCI	other comprehensive income
Ofgem	Office of Gas and Electricity Markets, the regulator for gas and electricity markets in Great Britain

P

Paris Agreement	the legally binding international treaty on climate change which was adopted by 196 parties at COP 21 in Paris on 12 December 2015 and entered into force on 4 November 2016
PSP	Calisen plc Performance Share Plan
PPE	personal protective equipment

R

RCF	the revolving credit facility agreement of £240 million entered into on 12 February 2020 between, among others, Calisen, the financial institutions named therein as arrangers, and lenders, HSBC Bank Plc as facility agent and HSBC Corporate Trustee Company (UK) Limited as security agent
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

Definitions and abbreviations continued

S

SaaS	software as a service
SECR	Streamlined Energy and Carbon Reporting as set out in Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018
SMETS1	the first generation of Smart Metering Equipment Technical Specification
SMETS2	the second generation of Smart Metering Equipment Technical Specification
SMIP	Smart Meter Implementation Programme
SOLR	supplier of last resort
SONIA	Sterling Overnight Interbank Average Rate
SPPI	solely payments of principal and interest
SSC	the Company's Sustainability Steering Committee chaired by Calisen's CEO

T

TSR	Total Shareholder Return
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Task Force on Nature-related Financial Disclosures

U

UEL	useful economic life
UK GAAP	Generally Accepted Accounting Practice in the UK
UN Sustainable Development Goal 7	one of the United Nations' 17 Sustainable Development Goals. Goal 7 is to ensure access to affordable, reliable, sustainable and modern energy for all

W

WACC	weighted average cost of capital
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luminous

Consultancy, design and production

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