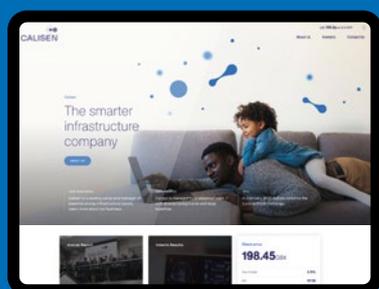


# The smarter infrastructure company

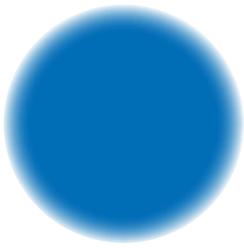
While energy demand is expected to continue to grow, there is increasing concern regarding the impact of fossil fuel energy generation on the environment. The energy segment is beginning a transition to low carbon generation underpinned by three core trends: digitalisation<sub>p.04</sub>, decentralisation<sub>p.06</sub> and decarbonisation<sub>p.08</sub>.

Calisen plc (“Calisen” or the “Company” and together with its subsidiaries the “Group”) is a leading owner and manager of essential energy infrastructure assets, as well as a provider of installation, meter reading, electric vehicle charging, maintenance and ancillary services, whose purpose is to accelerate the development of a cleaner, more efficient and sustainable energy segment.

Read more at  
[www.calisen.com](http://www.calisen.com)



<b>Strategic Report</b>	<b>02</b>
Our business at a glance	02
Opportunity and market response	04
COVID-19 response	10
Market overview	12
Our business model	14
Our strategy at a glance	16
Chair's statement	18
CEO's Q&A	21
Our investment case	23
Chief Financial Officer's review	24
Business unit overview	32
Our track record	33
Key performance indicators	34
Strategy in action	36
Our stakeholders and s.172	38
Workforce engagement	42
Our ESG strategy	44
Risk management	49
Principal risks and uncertainties	51
Medium term viability statement	56
<b>Governance</b>	<b>57</b>
Corporate Governance Report	59
Board of Directors	60
Executive Committee	62
Board leadership and Company purpose	63
Nomination Committee Report	67
Audit and Risk Committee Report	70
Remuneration Committee Report	74
Directors' Report including Statement of Directors' Responsibilities	92
<b>Financial Statements</b>	<b>95</b>
Independent Auditor's Report	97
Consolidated Financial Statements	103
<b>Other Information</b>	<b>143</b>
Alternative performance measures	145
Definitions and abbreviations	146
Shareholder information	150

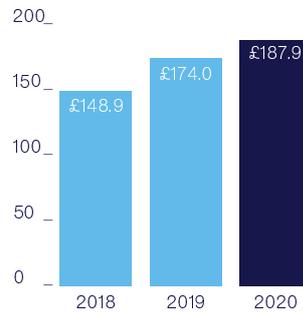


## 2020 financial highlights and Key Performance Indicators (“KPIs”)

Revenue (£m)



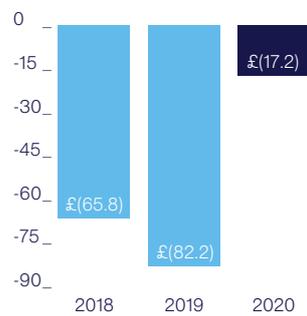
Underlying EBITDA<sup>1</sup> (£m)



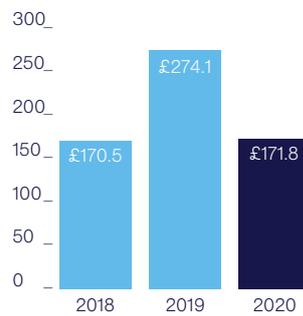
Operating profit (£m)



Profit/(loss) before tax (£m)



Capital expenditure<sup>1</sup> (£m)

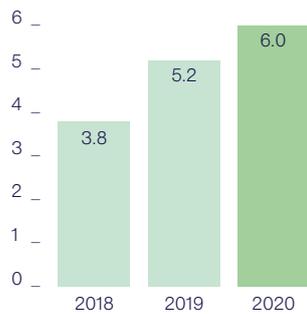


Funds From Operations (“FFO”)<sup>1</sup> (£m)

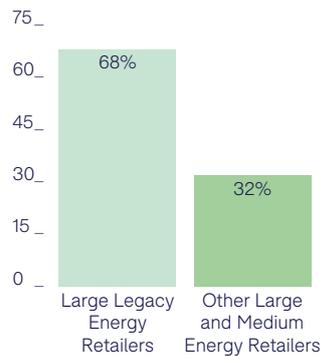


## 2020 operational highlights and KPIs

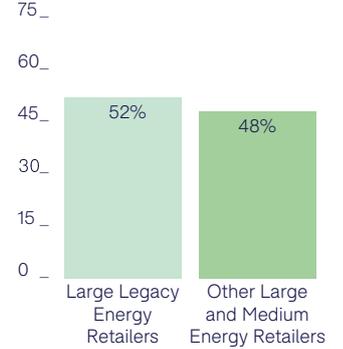
Revenue-generating smart meter portfolio (millions of meters)



Split of revenue-generating meters by energy retailer (2020, %)

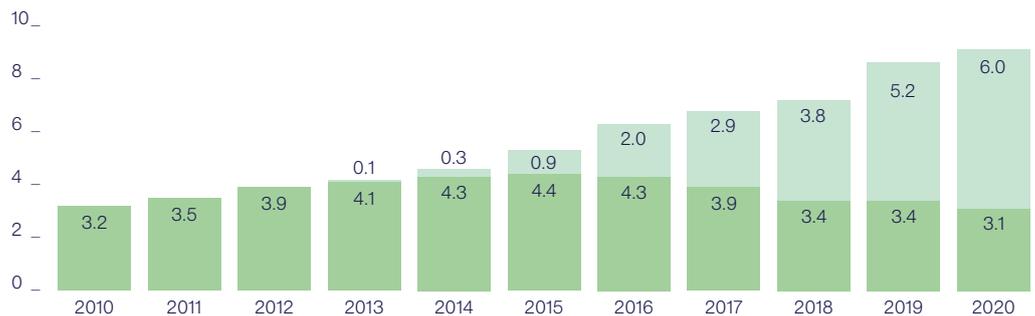


Split of smart meter pipeline by energy retailer (2020, %)



Compound annual growth rate in meter portfolio of approximately 11% since 2010

- Smart meters
- Traditional meters



1. Alternative Performance Measure (“APMs”). APMs are defined on page 145. Reconciliations of APMs to IFRS measures and an explanation of their relevance are included within the Chief Financial Officer’s review in the Strategic Report.

Calisen is a leading owner and manager of essential energy infrastructure assets. Our purpose is to accelerate the development of a cleaner, more efficient and sustainable energy segment.

Calisen is well positioned for continued leadership and expansion in the Meter Asset Provider (“MAP”) segment. Calisen has approximately 7.2 million smart meters in its contracted smart meter installation pipeline as at 31 December 2020. The pipeline of contracted meters is split between the “Large Legacy Energy Retailers” (formerly known as the “Big 6”) and the growing “Other Large” and “Medium Energy Retailers” (formerly known as “independent” energy retailers).

Our business units



**Calvin Capital**  
Calvin Capital owns and manages metering assets.

**Lowri Beck**  
Lowri Beck installs metering equipment, electric vehicle charging points and provides meter reading and associated services.

Focused on environmental, social and governance



See page 46 for more information

Calisen’s business is aligned with the targets of the UN Sustainable Development Goal 7 which aims to ensure access to affordable, reliable, sustainable and modern energy. In particular, Calisen’s smart meter business supports the United Nations’ targets relating to modern energy services and doubling the global improvement in energy efficiency by 2030.

Calisen is also committed to reducing its own emissions and has engaged a specialist carbon consultant to map its carbon footprint. The Group has disclosed its scope 1 and 2 emissions this year for the first time – consistent with the UK’s Streamlined Energy and Carbon Reporting (“SECR”) requirements – and is completing an audit of its scope 3 emissions. This work will inform the development of emissions reduction targets for all three scopes in the next 12 months consistent with the goals of the Paris Agreement. As part of this process, the Group will examine all aspects of its operations and supply chain – working with external parties where necessary to address emissions

hotspots and promote broader change in the energy industry.

As the world of work changes, we want to make sure that our business is fit for growth now and in the future. To achieve this, the most important place to start is with our people. Aligning our people with our purpose will be a focus for 2021 and will be at the heart of delivering our business strategy.

**-34%**  
carbon intensity (kgCO<sub>2</sub>e)

**2.4kgCO<sub>2</sub>e**  
reduction in carbon emissions per employee (2019: 3.6 kgCO<sub>2</sub>e)

**73%**  
response rate to our first Group-wide employee survey in 2020

Below: Smart meters with in-home displays allow consumers to monitor energy consumption in near-real time.



63%

of 2020 Group revenues came from smart meters and the installation of smart meters



Right: Government policy requires energy retailers to offer to replace traditional gas and electricity meters with smart meters in domestic and smaller non-domestic properties by the end of June 2025.



6.0m  
revenue-generating smart meters



£25.2  
average annual revenue per smart meter



84%  
of smart meters contractually protected against early removal<sup>1</sup>



£191  
average capital expenditure per smart meter installed



7.2m  
smart meter pipeline yet to be installed

1. Proportion of smart meters which benefit from early removal protection under installation or switching contracts other than in limited circumstances such as product fault.

# Starting our journey from the home

Digitalisation is critical to the decarbonisation and decentralisation of electricity generation. It comprises the increased usage of digital devices across smart grids to provide data useful both for consumers and for grid management purposes, through enhanced data connectivity and collection capabilities.

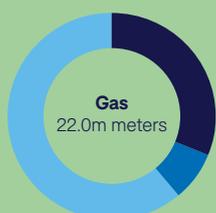
## 34 per cent of domestic gas and electricity meters in Britain were smart meters operating in smart mode in Q3 2020.

Q3 2020 millions



Smart (smart mode)	9.4
Smart (trad mode)	2.0
Non-smart meters	15.1

Q3 2020 millions



Smart (smart mode)	6.9
Smart (trad mode)	1.7
Non-smart meters	13.4

Source: energy suppliers reporting to the Department for Business, Energy and Industrial Strategy ("BEIS").

A more digitally enabled energy system should result in faster data management and monitoring, heralding a number of developments:

- Energy used by households in most circumstances currently costs the same at all times of the day, and so there is no motivation for consumers to balance consumption across the day. A more digital energy system should allow consumers to target energy use in the lower-demand and less costly time of the day;
- More digitally enabled grids are capable of integrating renewable energy generation and storage technologies. Generation such as wind and solar power tends to be less flexible at meeting peak demand when desired, and so currently tends to be supported by carbon intensive generation. A more digitally capable grid will be able to keep track of more numerous and distributed supply sources, such as domestic wind turbines, solar panels and storage, helping smooth supply and demand flows; and
- Superior consumption data, tracking and decentralised generation are likely to enable enhanced supply and demand balancing on a geographical as well as a temporal level, as the system is more aware of where and how energy is being consumed and produced.

Digitalisation therefore represents both a key enabler of decarbonisation and decentralisation, as well as having the potential to result in more informed energy consumption patterns.

Below: By allowing consumers to see their energy usage in near-real time, smart meters with in-home displays can prompt changes in consumption patterns.



Above: Smart pre-pay meters allow consumers to top up their meters from the comfort of their own homes.



**34%**  
of domestic meters were smart meters in smart mode in Q3 2020



**8.6m**  
smart gas meters installed across Britain<sup>1</sup>



**11.4m**  
smart electricity meters installed across Britain<sup>1</sup>

1. Source: BEIS at Q3 2020.

## Opportunity and market response: **Decentralisation**

Below: An opportunity adjacent to smart meters may be home battery storage to make best use of domestic generation such as solar panels.



# Seeking opportunity through innovation

As part of the decarbonisation process, global energy grids are also beginning to transition from the traditional centralised model, by which large-scale fossil fuel and nuclear power generation is distributed to consumers via one-directional grids, to decentralised and more local energy generation and energy storage equivalents.

This shift is creating a requirement for additional infrastructure, as with the advent of distributed and decentralised power generation, grids will see power flowing in both directions. This shift is also expected to create segments adjacent to smart meters which include battery storage, electric vehicle charging facilities, electric heat pumps and localised renewable energy generation.

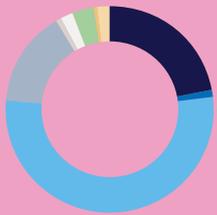


Above: Smart meters allow consumers to access tariffs which offer cheaper electricity overnight, reducing the cost of charging electric vehicles.

# Working towards net zero

Decarbonisation represents a shift to renewable energy generation and increased electrification of transport and other sectors. This has become a key social and political goal in multiple countries, as evidenced by the targets implemented by most developed countries to reduce their carbon emissions.

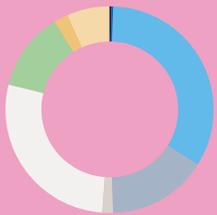
**Q2 2010** – coal and gas account for over 75% of electricity generation



- Coal
- Oil
- Gas
- Nuclear
- Hydro
- Wind and solar
- Bioenergy
- Pumped storage
- Other
- Net imports

The UK Government has written into law a target requiring the country to achieve net zero greenhouse gas emissions by 2050. This follows the previous target of at least an 80 per cent reduction in carbon emissions versus 1990 levels. Our smart meter portfolio contributes to carbon reduction in two ways: from reduced energy consumption as a result of behavioural changes once a smart meter is installed and from saved journeys since manual meter readings are no longer necessary.

**Q2 2020** – 42% of the electricity supply within the UK was produced by renewables



- Coal
- Oil
- Gas
- Nuclear
- Hydro
- Wind and solar
- Bioenergy
- Pumped storage
- Other
- Net imports



Above: Potential renewable electricity generation opportunities include small-scale hydro schemes.





Left: The increase in wind power has been a major contributor to moving UK electricity generation away from fossil fuels.



**1.7**  
average in-person traditional meter readings annually which can be avoided by fitting smart meters



**3.0%**  
average energy saving per smart electricity meter<sup>1</sup>



**1.9%**  
average energy saving per smart gas meter<sup>1</sup>

1. Source: BEIS.

# Decisive action in challenging circumstances

The greatest challenge faced by the Group in 2020 was the onset of the COVID-19 pandemic. Since its start, the Group's priority has been the safety and wellbeing of its staff, customers and consumers.

In order to keep customers safe when installing meters or taking meter readings, all our engineers and data collectors received training on COVID-19 controls and protective measures, so that if one of our team visited their home or business, consumers could be sure that the right additional precautions had been taken.

Where possible our employees worked from home during the two periods of national lockdown, using their existing IT setup and working flexibly around their domestic circumstances. Calisen and Calvin Capital's offices in Manchester were closed during the periods of national lockdown and when the offices were in Tier 3 or Tier 4 areas. Lowri Beck closed all its offices and warehouses with the exception of facilities used by a small group of engineers who remained on standby to respond to emergency call-outs.

From the beginning, we implemented social distancing in both our offices and warehouses and implemented additional cleaning regimes, to ensure the safety of our people. We also put additional measures in place to support the health and wellbeing of all our colleagues during this period of uncertainty, including:

- a 24/7 employee assistance programme with access to free and confidential counselling and support, as well as financial and physical wellbeing advice;
- a group of colleagues trained as Mental Health First Aiders who were available to other colleagues whenever needed;
- virtual "Town Hall" meetings to keep colleagues in touch with business developments and maintain a sense of shared purpose despite working remotely; and
- weekly operational meetings to implement necessary control measures to safeguard employees and consumers.

Right: All our engineers and data collectors received training on COVID-19 controls and protective measures.



# COVID-19 response timeline

## March

### 23 March

Government announced impending national lockdown in response to the COVID-19 pandemic.

### 24 March

Decision to temporarily suspend all non-essential installations and field services at Lowri Beck. This followed direction from the UK Government and consultation with customers who had taken similar decisions in respect of their own installation activities.

The Group's priority was the safety and wellbeing of its staff, customers and consumers. Lowri Beck therefore closed all its offices and warehouses with the exception of facilities used by a small group of engineers who remained on standby to respond to emergency call-outs.

### 26 March

All Calisen and Calvin Capital staff moved to remote working and offices closed.

### 27 March

First remote "Town Hall" meeting for Calisen and Calvin Capital staff.

### By 31 March

Over 1,100 Lowri Beck staff placed on furlough under the Coronavirus Job Retention Scheme. The Board and the majority of the Executive Committee members donate 20 per cent of their fees/salaries to NHS Charities Together for so long as any colleague remained on furlough.

## June

### 18 June

Calisen announced its intention to accelerate its planned restructuring of Lowri Beck.

### 29 June

Announcement that smart meter installations were re-starting. Renewed non-essential smart meter installations were carried out under an appropriate PPE protocol in order to protect the health of staff, customers and consumers. The transition back to normalised levels of activity took several months.

## July

### 4 July

First national lockdown ended. Calisen and Calvin Capital staff were able to work in the office again, subject to enhanced social distancing measures and reduced desk capacity.

## August

### By end August

Restructuring of Lowri Beck completed.

## October

### By end October

All remaining Lowri Beck staff returned to work from furlough.

## November

### November

Second national lockdown began in England.

## 2021

Third national lockdown began in England on 5 January.



### You can read more on:

Principal risks on pages 51 to 55, medium term viability statement on page 56, going concern on page 107 and the Board's response to COVID-19 restrictions on page 41.

# Market overview

Meters are a critical element of British energy supply infrastructure, essential to both consumers and energy retailers through the provision of accurate consumption and billing information.

## Moving towards a digital energy landscape

The global energy industry is undergoing significant changes. While energy demand is expected to continue to grow, there is increasing concern regarding the impact on the environment of carbon emissions from fossil fuel-based energy production. These concerns have acted as catalysts for action by Government and industry resulting in increased prioritisation of renewable sources of energy.

The changes are largely underpinned by three core trends: digitalisation, decentralisation and decarbonisation. Smart meters are believed to be a key enabler of progress in the new decentralised and digital energy landscape in Britain, and a key element of the investment required to move towards decarbonisation.



### Role and benefits of smart meters

The emergence of smart gas and electricity meters, which provide the opportunity for two-way communication with the meter, represents a major shift in the technology available to measure and effectively monitor consumer consumption. As Britain moves to a more decentralised energy system, smart meters are believed to be a key enabler of change as they allow for consumption measurements in near real time, permitting variable pricing mechanisms in order to manage demand, primarily in the electricity segment.

Increased deployment of smart metering infrastructure therefore presents positives for Calisen's main stakeholders:

**Society:** load shifting (resulting in improved infrastructure use efficiency), reduced carbon emissions (approximately 25 per cent carbon dioxide saving by 2035 (from 2015 levels), according to the "Smart Meter Benefits: Role of Smart Meters in Responding to Climate Change" report published in May 2019 by Delta Energy & Environment) and a higher proportion of renewable energy usage;

**Consumers:** increased protection via improved pricing transparency and billing accuracy through higher-quality data collection and transfer, with the potential for lower energy bills from consumption management, as well as a cheaper and simpler switching process. Vulnerable and/or elderly consumers can top up pre-pay smart meters without leaving the house during periods of adverse weather or if shielding from COVID-19; and

**Energy retailers:** a range of operational cost savings (net benefit of approximately £36 per annum cost savings per household by 2034, according to BEIS in September 2019), improved working capital positions, reduced energy theft and lower bad debts.

Smart meters are therefore considered a foundation layer of critical energy infrastructure with the potential to be used by other home assets such as domestic photovoltaic generation and associated in-home batteries. They are therefore believed to be essential enablers of the transition to a low carbon and digitalised energy economy.

### Meter Asset Providers

MAPs provide meter services directly to energy retailers, typically including, but not limited to:

- meter provision, installation services and ancillary services;
- collection of Meter Provision Charges ("MPC"s) from energy retailers;
- meter portfolio management; and
- transfer of MPC billing to the new energy retailer in the event of consumer switching.

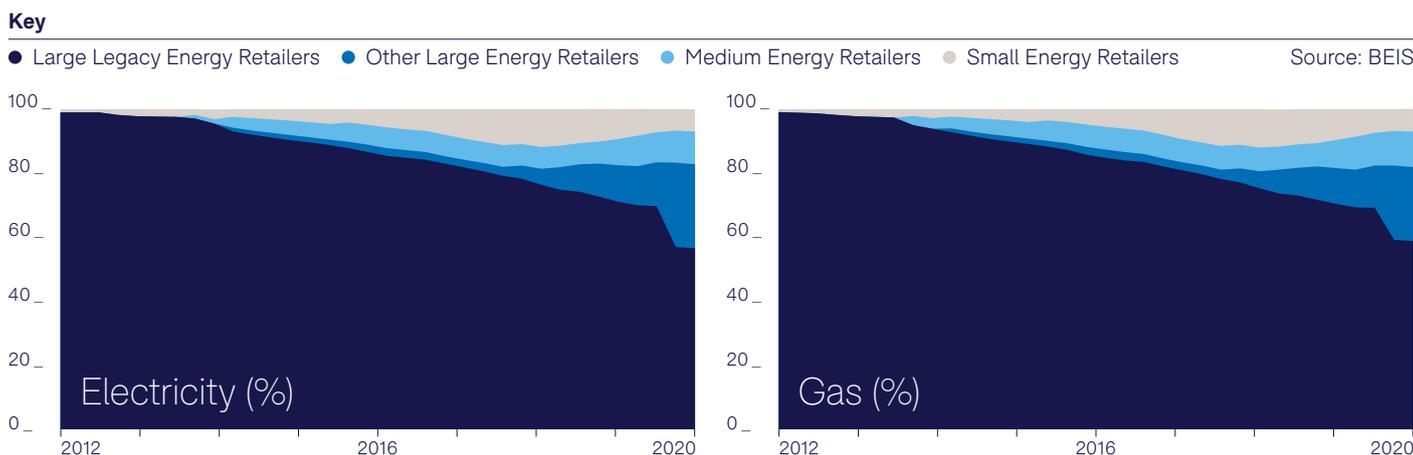
Liberalisation of the UK's energy segments in the late 1990s resulted in energy retailers evaluating their meter procurement options, with many preferring to outsource meter investment. The first MAPs appeared soon after liberalisation of the metering segment, with one of the Large Legacy Energy Retailers being a notable early adopter of the MAP model, inviting interested parties to tender for a basket of residential metering assets in 2002. There were a small number of early movers, including Calisen. MAPs have since continued to operate in the segment, becoming integral to the system, regardless of the degree of overall consumer switching in the energy retail segment.

### MAP segment participants

There are a number of distinct operators within the domestic MAP segment:

- Large independent MAPs of scale: MAPs with large-scale portfolios, such as Calisen, serving either the Large Legacy Energy Retailers or Other Large Energy Retailers (or both);
- Smaller MAPs: smaller MAPs (as well as divisions of certain network operators) which have won contracts with Medium Energy Retailers or Small Energy Retailers, but generally have not gained substantial traction with the Large Legacy Energy Retailers; and
- Self-funding energy retailers: some energy retailers have retained metering services within their groups.

## Market share of energy retailers over time



### Energy retail segment dynamics

Full competition within Britain's gas and electricity retail segments was introduced in 1996 and 1999 respectively, with consumers free to switch energy retailers as they chose. As a result, such switching has been a long-term component of the British energy retail segment, with average total monthly customers switching over the last 15 years of approximately 365,000 and 284,000 consumers per month in the electricity and gas segments, respectively. Based on data collected by BEIS, it is estimated that approximately 20 per cent of consumers switch energy retailers per year.

Historically the Large Legacy Energy Retailers dominated the British energy retail segments with a near-100 per cent market share, with switching occurring between these six energy retailers. However, Other Large Energy Retailers, Medium Energy Retailers and Small Energy Retailers have been gaining consumers in the domestic energy segments over the past 10 to 15 years, with their aggregate share increasing from near-zero in 2005 to approximately 28 per cent at the end of Q2 2020 (source: BEIS).

There are approximately 50 Other Large, Medium, and Small Energy Retailers, and according to Ofgem, the majority of consumer switching is now as a result of moving from Large Legacy Energy Retailers to these other retailers. Consequently, the Other Large and Medium Energy Retailer segments are playing an increasingly important role in the domestic energy segment.

### Smart Meter Implementation Programme ("SMIP")

Government policy requires energy retailers to offer to install gas and electricity smart meters in domestic and smaller non-domestic properties in Britain. The aim was to complete installation by December 2020. The SMIP targeted the replacement of approximately 53 million traditional meters across domestic and small non-domestic premises. During 2018, the UK Government extended the duration of its powers to 2023 through the Smart Meter Act 2018, in order to ensure oversight of the completion of the roll-out and help consumers get the most from their smart meters. In September 2019, the UK Government released a consultation document, outlining its intention for a new regulatory regime for the period from 2021 to 2024. On 18 June 2020, BEIS published its response to this consultation with the introduction of a new regulatory framework for energy retailers beyond 2020, when the current "All Reasonable Steps" supplier installation obligation comes to an end.

The UK Government confirmed that it remains committed to the SMIP, stating that smart meters have a crucial role to play in the UK's clean economic recovery, ensuring cost-effective progress towards the UK's net zero commitment in the next five years and for generations to come. BEIS confirmed the introduction of a new regulatory framework to cover a further four-year SMIP.

The BEIS response postponed the end of the current obligation by six months to the end of June 2021, postponed the start of the new four-year regulatory framework and postponed the ultimate completion of the consultation itself. This means that the deadline for the completion of the SMIP, which had been expected to be the end of December 2024, is now the end of June 2025. The six-month delay to the end of the roll-out does not materially change our view of Calisen's long-term growth prospects.

The new regulatory framework from July 2021 will see all energy retailers set annual installation targets on a trajectory towards market-wide roll-out, subject to an annual tolerance level. The new annual targets proposals from BEIS, published in November 2020, support the continued smart meter roll-out and look to provide a path to 100 per cent smart meter coverage in Britain.

While managed by BEIS, the SMIP is regulated by Ofgem and is mandated by law. Ofgem is responsible for overseeing (including monitoring, reporting and enforcement) the licence obligations under which energy retailers supply energy to consumers. Ofgem can (and does) impose financial penalties for non-compliance. However, the ultimate responsibility for complying with the licence conditions in respect of smart meters rests with the energy retailers themselves.

# Our business model

We have a simple business model with two business units: firstly, as a MAP, Calvin Capital owns and manages metering equipment; and secondly, Lowri Beck principally provides installation, data retrieval and associated services. Together they help energy retailers to meet their obligations as part of moving the UK towards net zero greenhouse gas emissions by 2050.

## The resources and relationships we rely on

### Resources

#### Colleagues

We have an experienced Executive Committee and colleagues with metering, IT, legal or financial expertise as well as a team of qualified installation engineers and data retrieval operatives.

#### Contract structure

The contractual nature of Calvin Capital's MAP business produces high-quality, long-term cash flows and allows our business to enjoy significant downside protection under both installation and switching contracts.

#### IT systems and processes

Our MAP IT systems and processes monitor the status of each meter asset from delivery to installation and ultimately through removal, tracking it at each stage through information received from industry systems.



**Purchases meters, arranges for them to be installed and charges the energy retailer utilising the meter an MPC**



**Installs metering equipment and EV charging points, and provides meter reading and associated services**

## The value we share

### Shareholders and investors

In December 2020, the Board recommended a cash acquisition of the Company at 261p per share.

### Employees

We provide jobs nationwide with a concentration in the North West of England in Manchester and Wigan. In 2020, £41.5 million was spent on salaries and pensions.

### Suppliers and customers

We engage with our suppliers to help our customers meet their smart metering obligations under the SMIP.

## Relationships

### Financing platform

We have a sophisticated funding model, which uses flexible bank and institutional debt financing to obtain competitive interest rates and allows us to offer our energy retailer customers competitive MAP solutions.

### Energy retailers

68 per cent of total revenue in 2020 came from contracts with Large Legacy Energy Retailers while 52 per cent of our pipeline is with Other Large and Medium Energy Retailers which, over time, will diversify our customer base.

### Meter manufacturers

We enjoy longstanding relationships with manufacturers of smart metering equipment and benefit from long-term manufacturers' warranties.

### Government and industry bodies

We have strong and transparent relationships with Ofgem and BEIS. Calvin Capital is a member of the Community of Meter Asset Providers to help ensure that the voice and concerns of MAPs are raised in the industry, with regulators and with the UK Government. Lowri Beck is a member of the Association of Meter Operators.

### Owns meters

Contracts and procures smart meters from manufacturers on behalf of energy retailers:

- Agreed availability period
- Fixed costs

### Arrange for meter installation

Works with installers:

- Energy retailer's/client's own workforce
- Third party installers
- Install through Lowri Beck

Channel agnostic, maximising speed of meter installation

### Maintains portfolio

Charges MPC:

- Whichever energy retailer is using its meter
- Consistently and accurately
- Throughout the life of the meter
- Charge for associated services

### Calvin Capital and Lowri Beck complement each other to offer customers the services they need, particularly those who do not have their own installation engineers.

Calisen's MAP business produces high-quality cash flows which provide downside protection.

Due to the contractual structure of the MAP contracts, the majority of the Group's revenues (83 per cent in 2020) are relatively predictable. Even with consumer switching, we typically continue to receive revenue from meters.

By combining its MAP and installation activities, depending on customer requirements, the Group can offer customers standalone services or an end-to-end offering "metering as a service" as part of the energy segment's contribution towards the decarbonisation of the UK economy.

### Carries out installations

Installs smart metering equipment and EV charging points using its team of technically qualified engineers

### Retrieves meter usage data

Retrieves, processes and aggregates data in its meter reading work. This is passed on to energy retailers for billing and settlement purposes

### Owns traditional meters

Currently owns and operates a small portfolio of traditional electricity and gas meters

### Government and regulators

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

1. Management estimate of the number of meters to be installed under installation contracts which have been signed or where the Group is preferred bidder.
2. The estimated proportion of smart meters which have been removed without compensation and without opportunity for re-deployment out of Calvin Capital's portfolio as at 31 December 2020.

# Our strategy at a glance

Our strategy consists of three elements:

**Deliver contracted growth in the British MAP segment** 

## Links between strategy and remuneration

Our remuneration policy is designed to ensure that Executive Directors are incentivised to deliver against objectives that drive both in-year and future performance.

### In-year performance – measures which drive annual bonus outcomes

The key driver of in-year performance is the first element of our strategy, the delivery of contracted growth in the British MAP segment. This is linked to three of the four measures used: FFO<sup>1</sup>, Underlying EBITDA<sup>1</sup> and capital expenditure deployed, while the fourth, personal and strategic objectives, links to the second and third elements of our strategy.

### Future performance – measures which drive Performance Share Plan (“PSP”) outcomes

Future performance is judged under the PSP against two measures, growth in FFO per share and Total Shareholder Return relative to the FTSE 250 index. The first measure is linked to all the elements of strategy as delivering against all three elements will achieve the highest growth in FFO per share. The second measure requires the delivery of above-market returns to investors in addition to strong performance against a KPI.

 Read more about KPIs on pages 34 to 35 and about remuneration on pages 74 to 91.

## Strategic focus

Our strategy is to grow our base of revenue-generating meters and continue to provide our existing customers with excellent services.

## What we achieved

In 2020 we added 0.8 million revenue generating smart meters to the portfolio.

This increase in our revenue-generating smart meter portfolio was lower than the 1.2 million we had previously guided towards due to the suspension of non-essential meter installations during the first period of national lockdown in response to COVID-19.

Following the resumption of non-essential meter installations in the summer, the volume of installations grew steadily. We provided guidance for installations in the fourth quarter to average between 80,000 and 100,000 meters per month. The increase in the revenue-generating portfolio in the fourth quarter came in towards the top of that guidance with approximately 285,000 smart meters added in the quarter.

## Opportunities

In 2021, depending on the impact of the further national lockdown(s), there may be an opportunity to return to pre-COVID-19 installation rates and accelerate the growth of the revenue-generating smart meter portfolio from the level achieved in 2020.

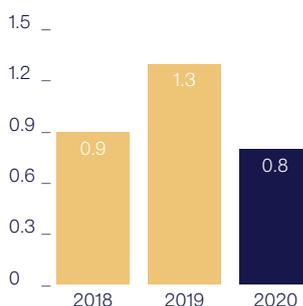
## Risks

A key risk in 2021 is the potential for a further suspension of non-essential meter installations as part of further measures to limit the spread of COVID-19.

 Read more about risks on pages 49 to 55.

## KPIs

### Increase in revenue-generating smart meters (m)



1. APMs are defined on page 145. Reconciliations of APMs to IFRS measures and an explanation of their relevance are included within the Chief Financial Officer’s review in the Strategic Report.

## Continue the build-out of Calisen's smart meter pipeline



With respect to Large Legacy Energy Retailers, our strategy is to focus on leveraging our existing relationships and track record of delivery to win future contracts and contract extensions to support customer growth.

Calisen also seeks to increase its base of revenue-generating meters by winning more MAP contracts and contract extensions with other energy retailers, who make up a growing portion of the British energy retail segment.

The build-out of our smart meter pipeline exceeded expectations with the expected 2025 smart meter portfolio (the sum of our revenue-generating smart meters and our estimated pipeline of meters which are contracted but have not yet been installed) growing from 11.7 million meters at the end of 2019 to 13.2 million meters at the end of 2020.

This success included winning a new customer with a minimum contract size of 1.0 million meters in the first quarter Q1 2020 as well as securing several contract extensions with existing customers during the year which added a further 1.3 million meters to the pipeline.

We believe there are further opportunities to grow the smart meter pipeline through extensions of existing contracts with existing customers.

The key risk to our pipeline is a change of ownership or insolvency among the energy retailers with whom we have existing installation contracts.

 Read more about risks on pages 49 to 55.

**Expected 2025 smart meter portfolio (m)**



## Expand into adjacent areas and international markets



Our strategy is to focus on:

- jurisdictions or business segments where the regulatory regime is amenable to Calisen's ownership, operational offering and business model;
- small-scale, high-volume, energy infrastructure assets consistent with Calisen's current strategy;
- a combination of both investing in and managing such assets; and
- an approach that emphasises partnerships with other players in the relevant asset's value chain, such as manufacturers and/or energy retailers.

The restrictions on international travel in response to COVID-19 resulted in international expansion being deprioritised for the time being in favour of focusing on domestic adjacencies.

In July, the Group signed its first MoU for an EV charging point pilot project.

In 2020, Lowri Beck was certified to train engineers to install EV charging points and became Office for Zero Emission Vehicles ("OZEV") accredited and as a result it also became an approved installer for an EV charging point manufacturer. In October it opened a facility to train engineers in the installation of EV charging points.

In the near term, EV charging infrastructure presents the greatest opportunity. We also believe owning and operating domestic batteries is of potential interest.

Internationally, we will continue to monitor developments in other markets.

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

 Read more about risks on pages 49 to 55.

# Chair's statement

## Crystallising value for all shareholders

The last twelve months have been busy and challenging. In February 2020 we completed our Initial Public Offering ("IPO") shortly before the onset of the COVID-19 pandemic in the UK. In the months which followed, the business proved its resilience but the share price underperformed relative to the FTSE 250 index of which we are a member.

Shortly before year end, on 11 December 2020, we announced that we had agreed the terms of a recommended cash offer by Coyote Bidco Limited ("Coyote Bidco"), a newly formed company 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 which is in turn a global investment company wholly-owned by the Government of Abu Dhabi); and (ii) WSIP (a fund managed by Goldman Sachs to make direct investments in infrastructure and infrastructure-related assets and companies), to acquire the entire issued and to be issued share capital of the Company, to be effected by means of a court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the "Acquisition").

### Crystallising value for all shareholders

Shareholders approved the Acquisition at a Court-convened meeting of Calisen's shareholders which was held on 11 February 2021. As a result, under the terms of the Acquisition, on completion our shareholders will receive 261p in cash for each Calisen share. Full details of the Acquisition were set out in the Scheme Document which was published on 18 January 2021 and is available on our website at [www.calisen.com/investors/recommendedcashacquisition](http://www.calisen.com/investors/recommendedcashacquisition). Subject to the satisfaction or waiver of certain conditions by Coyote Bidco, and the sanction of the scheme of arrangement by the Court, the Acquisition is expected to complete and the shares are expected to be delisted in March 2021.

### Performance

The Group's performance in 2020 was strong and, despite the short-term pause in meter portfolio growth while smart meter installations were suspended due to COVID-19, we delivered increases in both revenue and Underlying EBITDA compared to 2019 and a narrower loss before tax of £17.2 million. Better than expected progress in the turnaround of Lowri Beck resulted in a positive EBITDA contribution from this business unit for the full year. Furthermore, thanks to further meter installation contract wins, we added significantly to our contracted smart meter installation pipeline over the medium term.

### Economic and political backdrop

Clearly, the economic and political backdrop has been and remains challenging. The ongoing COVID-19 pandemic, geo-political instability and the full consequences of the UK's exit from the European Union remain risks. However, the UK Government's focus on building back with a "green industrial revolution" has, if anything, increased the importance and urgency of achieving net zero carbon in the British energy segment.

### Regulatory environment

On 18 June 2020, BEIS published its response to the autumn 2019 consultation on the introduction of a new regulatory framework for energy retailers beyond 2020, when the current "All Reasonable Steps" supplier installation obligation comes to an end. On 23 November 2020, BEIS issued a follow-up consultation on the minimum annual targets and reporting thresholds for energy retailers to apply to the new regulatory framework. The proposed new annual targets are designed to encourage energy retailers to achieve 100 per cent smart meter coverage for their metering portfolio by the end of the four year framework period on 30 June 2025.

The proposals look to provide a path to 100 per cent smart meter roll-out by the end of the SMIP. We therefore believe that the proposals are positive from a MAP perspective and will be more rigorous than the previous "All Reasonable Steps" regime they look to replace.

### Dividend

The maturity and size of Calisen's installed meter portfolio are approaching a level where the Board would, under normal circumstances, give consideration to the payment of an inaugural dividend to shareholders in line with stated dividend policy. However, it should be noted that while Calisen remains in an offer period, any dividend paid may, at the discretion of Coyote Bidco, be deducted from the consideration payable by Coyote Bidco and the Board will therefore not make any such proposal to shareholders during this period.

### Colleagues and the Board

Finally, I would like to thank the Board and all our employees for their continued commitment, without which the Group would not have had the success it has achieved, nor delivered these returns to our shareholders.

We look forward to the continued success of the Group.

**Phil Nolan**  
Chair





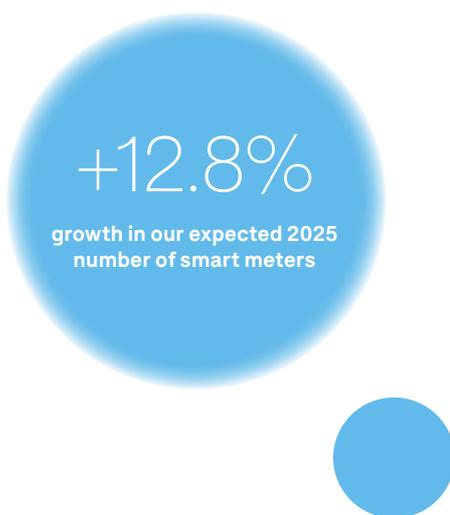
**Phil Nolan**  
Chair



**Bert Pijls**  
Chief Executive Officer

# CEO's Q&A: in conversation with Bert Pijls

I am pleased to report that our expected smart meter installation pipeline increased by 1.5 million meters in 2020. This brings our expected portfolio at the end of the roll-out to 13.2 million meters, compared to 11.7 million meters reported one year ago. Securing extra meter volumes in this way is testament to the great work of our team and our trusted collaboration with energy retailers.



## Q How would you summarise the past year?

A 2020 was undoubtedly challenging but I'm pleased to say that the Group ended the year in a stronger position than it had been in at its start. We succeeded in growing our smart meter pipeline by a further 1.5 million meters, meaning that our expected 2025 portfolio grew by 12.8 per cent. We also increased the proportion of our meters which benefit from early removal protection, we refinanced approximately £1.1 billion of existing meter funding facilities, achieving a lower cost of debt than the facilities they replaced, and we took our first steps into the adjacent asset class of EV charging points. In addition, in early December we announced the Acquisition and, subject to completion, we look forward to making further progress under new ownership. Finally, in late December the UK and EU reached agreement on a zero tariff Trade and Cooperation Agreement which means no change to the economics of meter procurement from the Single Market of the EU.

## Q How has COVID-19 impacted results?

A We always believed we had a resilient business model. COVID-19 provided an unexpected test of that but one which the Group passed well. With non-essential smart meter installations suspended between March and June, capital expenditure during that period was materially lower than expected with a corresponding impact on growth in revenue and cash flow. However, as expected, this was partially offset by a lower than expected number of traditional meter removals which continued to produce revenue and cash flow.

## Q Can you explain the Group's performance?

A The Group delivered a resilient performance in 2020. Our base of revenue-generating smart meters increased by 15.4 per cent or 800,000 meters, despite the suspension of installations during the first lockdown, to reach 6.0 million meters at year end. Revenue increased by 18.8 per cent to £248.1 million with FFO, our preferred measure of cash flow, increasing by 14.5 per cent to £155.6 million.

## Q How is the restructuring of Lowri Beck progressing?

A The success of the turnaround of Lowri Beck has exceeded my expectations. We set aside a restructuring reserve of £3.5 million but only incurred costs of £1.7 million as we were able to retain a larger workforce than predicted at the time we made the provision and the cost per role lost was lower than expected. Having completed the restructuring – which sadly included the redundancy of 224 of our workforce – in September, the focus was on returning all remaining colleagues to work from furlough. This was done gradually and safely, with all colleagues who were able to return to work doing so by the end of October. Even with the efficiencies targeted by the restructuring, we had expected Lowri Beck to remain loss-making at the EBITDA level in 2020. In fact, the impact of those efficiencies combined with a better than expected trading performance in the second half resulted in full year Underlying EBITDA of £0.8 million compared to an Underlying EBITDA loss of £2.2 million between August 2019 (when we acquired Lowri Beck) and December of the same year.

**Q What does the Government response to the consultation on the smart meter policy framework post-2020 mean for the Group?**

**A** I was pleased by the Government's response. Its aim of achieving 100 per cent smart meter coverage by 30 June 2025 is supportive of our business as it represents a continued and consistent focus on the roll-out of smart meters.

**Q How is sustainability embedded in the business?**

**A** This starts with our purpose: to accelerate the development of a cleaner, more efficient and sustainable energy segment. At IPO we were pleased to be awarded the London Stock Exchange's Green Economy Mark, which recognises companies that derive 50 per cent or more of their total annual revenues from products and services that contribute to the global green economy. I believe it has been clear for some time that our main assets, smart meters, have an important role to play as a foundational layer of infrastructure in contributing to the decarbonisation of the energy segment. In 2020 we focused on assessing risks and opportunities relating to the sustainability of the Group and in 2021 we will set targets on a pathway to net zero carbon which we will report against in future (read more on page 44).

**Q What feedback do you get from customers?**

**A** 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. While installations were suspended in the first half of the year, Calvin Capital offered to extend the grace period after which a new meter ordered on behalf of a customer becomes revenue generating from 90 days to 180 days. The feedback on that was very positive with customers really appreciating our proactively offering to share the burden of unexpectedly tough times with them.

**Q How have you supported colleagues and other stakeholders during COVID-19?**

**A** Our priority was the safety of colleagues, customers and consumers. For the engineers on the front line, our priority was developing an appropriate health and safety protocol which meant it was safe for all parties for them to be going into people's homes when responding to emergency call-outs.

For colleagues with office-based roles, wherever possible we offered them the IT equipment and support to enable them to work from home. That wasn't possible for all roles and we did make use of the Government's Coronavirus Job Retention Scheme to safeguard roles.

One of the biggest practical challenges faced by our energy retailer customers was logistics. They had ordered smart meters in anticipation of normal installation rates but during the first lockdown, all non-emergency installations stopped nationwide. So, we worked with them and with the meter manufacturers to find extra warehouse space and to delay or cancel orders. I must say that the whole industry worked well together to help each other through this period.

**Q Personally, what was the highlight for you during the year?**

**A** The highlight of 2020 for me was the way in which the Group dealt with the COVID-19 pandemic. As I said, we always thought we had a resilient business and in 2020 we proved that both operationally and in terms of financial performance. Those colleagues who were able to work from home continued to work well as a team in order to maintain the quality of service which our customers expect. Not only that but we also made good progress in securing increased protection for our meters following customer switching and added more meters to the pipeline. My colleagues across the Group demonstrated remarkable resilience through the year and I would like to thank them for the dedication, hard work and passion they display for their work, day in and day out.

**Q What makes the business model strong?**

**A** The strength of the business model rests on a robust contractual framework and best-in-class operations. The contractual framework ensures that Calvin Capital only commits capital expenditure which is revenue generating and that once a meter is installed, if it is removed early, in the great majority of cases we are compensated. Our operations deliver an ongoing focus on asset quality combined with systems and processes which ensure we keep track of our assets and can accurately bill for their use. Lastly, we can deliver an end-to-end metering service if that is what customers want.

**Q What is the outlook for the business?**

**A** We have substantial embedded growth in our meter pipeline which has been contracted but not yet implemented and there are exciting longer-term opportunities internationally and in adjacent asset classes, most immediately in EV charging. In 2021, our focus for metering will therefore be on getting as many meters as possible installed as quickly as possible, while in adjacencies, we will focus on pilot schemes in EV charging to learn as much as we can about those assets and how they perform ahead of committing to any larger-scale projects. Overall, we remain well placed to achieve our purpose of accelerating the development of a cleaner, more efficient and sustainable energy segment.

**Bert Pijls**  
Chief Executive Officer



# Our investment case

## 1 High-quality cash flows

Calisen's business produces high-quality cash flows which are relatively predictable because of the structure of its contracts with customers. Even with consumer switching, Calisen continues to receive revenue from meters, and if a meter removal does take place, contracts most often provide compensation for Calisen from the relevant energy retailer. Calisen's customers tend to have high credit quality, with all Large Legacy Energy Retailers rated investment grade. The business faces no direct exposure to end-consumers.

## 2 Well positioned to capture an increased share of the British MAP sector

Calisen has a diversified and established customer base, holding MAP contracts with the Large Legacy Energy Retailers as well as Other Large and Medium Energy Retailers. This means we are well positioned to grow irrespective of market share swings between the different energy retailers. The acquisition of Lowri Beck has boosted our ability to capture further market share. We can now provide a combined suite of procurement, installation, ownership and management services to our customers.

## 3 Strong growth opportunities

Calisen expects to enjoy significant growth in numbers of meters in the near and medium term. Calisen's MAP pipeline as at 31 December 2020 consisted of approximately 7.2 million meters, which represents future growth that is reasonably certain. Calisen is well placed to benefit from British Government policy, which requires energy retailers to offer smart meters to all homes and small non-domestic settings by 30 June 2025. Currently, Calisen expects to have approximately a 26 per cent share of the 51.2 million smart meters that are estimated to be installed by the end of the Government-mandated roll-out.

## 4 Supported by best in class operations

Calisen's excellent meter tracking capabilities, key contractual relationships, funding structure and low meter fault rates contribute to efficient operations. The Group has been able to leverage these strengths to continue winning MAP contracts, allowing us to build our position and generate scale to operate more efficiently. Our ability to continuously track our meters and to accurately bill the correct energy retailer further contributes to efficiency. The high-quality meters with low fault rates that we use allow us to avoid potential disruptions, while our IT system ensures customers are billed accurately and on time.

## 5 Experienced leadership team

Calisen is led by a seasoned executive team with diverse backgrounds and a strong history of operating in the finance, smart metering and infrastructure sectors. With an average of more than 20 years of experience, executives have a track record of delivering growth and managing complex operations.

# Chief Financial Officer's review



**Sean Latus**  
Chief Financial Officer

## Summary

Group financial performance in 2020 reflected three significant changes compared to prior periods:

- The IPO of the Group in February raised £300 million of new equity, before costs, and resulted in a significant reduction in net debt and associated debt service costs as shareholder loans and equity bridge loans ("EBLs") were capitalised and repaid, respectively. While these changes are reflected in the 31 December 2020 balance sheet in full, interest expense for the year is a combination of the costs of the previous capital structure until IPO and the current capital structure since IPO, including the refinancing of £1.1 billion of senior debt in July 2020;
- The temporary suspension of installation activity between March and July 2020 resulted in a pause in capital expenditure and a correspondingly slower drawdown of senior debt facilities in the first half of the year; and
- The acquisition of Lowri Beck in August 2019 meant that while the financial statements for 2020 include Lowri Beck for the whole year, those for 2019 included Lowri Beck only for the period between acquisition and year end.

Taking into account these three factors, the Group delivered 8.0 per cent growth in Underlying EBITDA in 2020. In the circumstances, we believe this represents a good performance and one that emphasises the robust downside protections embedded in our business.

## Non-trading items and underlying performance

There were a number of non-trading items recorded in the year: the costs associated with the IPO; the remeasurement of depreciation for traditional meters; the reduction in interest expense following changes to the capital structure at IPO; the restructuring of Lowri Beck; the costs associated with the refinancing of approximately £1.1 billion of certain meter financing facilities; and costs associated with the Acquisition.

The table on the following page shows a reconciliation between the statutory loss for the period and the trading profit for the period adjusting for non-trading items to enable a better year-on-year comparison.

(£ in millions)	Year ended December 2020			Year ended December 2019		
	Trading	Non-trading	Statutory	Trading	Non-trading	Statutory
Revenue	<b>246.1</b>	<b>2.0</b>	<b>248.1</b>	204.1	4.7	208.8
Cost of sales	<b>(144.2)</b>	<b>30.6</b>	<b>(113.6)</b>	(127.0)	15.3	(111.7)
Gross profit	<b>101.9</b>	<b>32.6</b>	<b>134.5</b>	77.1	20.0	97.1
Administrative expenses	<b>(27.7)</b>	–	<b>(27.7)</b>	(16.8)	–	(16.8)
Other expenses	–	<b>(8.3)</b>	<b>(8.3)</b>	–	(11.3)	(11.3)
Amortisation of intangible assets	<b>(1.7)</b>	<b>(42.8)</b>	<b>(44.5)</b>	(0.9)	(41.4)	(42.3)
Operating profit	<b>72.5</b>	<b>(18.5)</b>	<b>54.0</b>	59.4	(32.7)	26.7
Finance expense	<b>(81.9)</b>	<b>(23.1)</b>	<b>(105.0)</b>	(51.0)	(58.1)	(109.1)
Finance income	<b>33.8</b>	–	<b>33.8</b>	0.2	–	0.2
Profit/(loss) before tax	<b>24.4</b>	<b>(41.6)</b>	<b>(17.2)</b>	8.6	(90.8)	(82.2)

Where relevant, an explanation of non-trading items set out in the table above is included in the commentary on each line item set out below.

## Revenue

(£ in millions)	Year ended 31 December 2020	Year ended 31 December 2019	Change %
Calvin Capital revenue	<b>205.4</b>	189.7	8.3%
Lowri Beck revenue	<b>46.0</b>	20.5	124.4%
Intercompany deduction	<b>(3.3)</b>	(1.4)	(135.7%)
Total revenue	<b>248.1</b>	208.8	18.8%

### Revenue-generating meters at period end (m)

Smart	<b>6.0</b>	5.2	15.4%
Traditional	<b>3.1</b>	3.4	(8.8%)

### Annualised average revenue per meter ("ARPM") (£)

Smart	<b>25.2</b>	26.3	(4.1%)
Traditional	<b>20.5</b>	20.5	0.0%

Revenue grew strongly, increasing by 18.8 per cent from £208.8 million in 2019 to £248.1 million in 2020, reflecting both the first full year of the consolidation of Lowri Beck as well as further growth in the Calvin Capital operating segment.

The key drivers of revenue from the smart meter portfolio were the number of revenue-generating meters and ARPM.

Calisen's revenue-generating smart meter portfolio grew from 5.2 million meters to 6.0 million meters, a net increase of 0.8 million meters or 15.4 per cent which led to a corresponding increase in revenue. The traditional meter portfolio reduced by 0.3 million meters to 3.1 million meters. Combined, this resulted in a total portfolio of 9.1 million meters at year end.

ARPM decreased from £23.8 per annum in 2019, to £23.5 in 2020 comprising:

- a decrease in smart meter ARPM from £26.3 in 2019 to £25.2 in 2020; and
- stability in traditional meter ARPM at £20.5 which was unchanged from 2019.

Within the smart ARPM, an uplift from contract renegotiations completed in 2020 was partially offset by longer initial periods of certain MAP contracts. This dynamic is expected to continue as the blend of contract lengths changes over time.

Calvin Capital contributes the largest share of Calisen revenues and within its operating segment, revenue increased 8.3 per cent to £205.4 million, driven by the growth in its revenue-generating smart meter portfolio more than offsetting the expected decrease in its traditional meter portfolio as traditional meters were replaced by smart meters. £2.0 million of non-recurring income relating to contract modifications as a result of an increase in installation costs has been treated as a non-trading item (2019: £4.7 million).

Lowri Beck's revenue was £46.0 million in 2020 reflecting lower than expected revenue in the first half due to the restrictions of the first lockdown followed by a strong trading performance in the second half of the year. Its financial results were consolidated from the date of acquisition on 16 August 2019, hence the £20.5 million of revenue recorded in 2019 is not directly comparable to 2020.

## Cost of sales

(£ in millions)	Year ended 31 December 2020	Year ended 31 December 2019	Change %
Depreciation of property, plant and equipment (meters)	(77.5)	(85.9)	9.8%
Loss on disposal of property, plant and equipment (meters), net of compensation income	(2.1)	(6.9)	69.6%
Employee benefits expense and other direct costs	(34.0)	(18.9)	(79.9%)
Cost of sales	(113.6)	(111.7)	(1.7%)

Cost of sales across the Group increased by 1.7 per cent from £111.7 million in 2019 to £113.6 million in 2020, mostly driven by the consolidation of a full year of cost of sales at Lowri Beck. This was partially offset by gross receipts from the Government's Coronavirus Job Retention Scheme of £7.7 million, which were recorded within trading items as a credit against wages and salaries, as well as from a reduction in the annual charge for the depreciation of traditional meters.

The charge for the depreciation of meters decreased year on year. This was largely because the Group had previously estimated that the useful economic life of a traditional meter would end, at the latest, one year after the regulatory deadline for the SMIP with all net book values being depreciated on a straight-line basis to nil by 31 December 2021, thus allowing for some time beyond the regulatory deadline of 31 December 2020. However, on 18 June 2020, BEIS published its response to a consultation on smart meter policy framework post-2020 and this extended the existing regulatory framework for the SMIP by six months to 30 June 2021 and implemented a new four-year regulatory framework ending on 30 June 2025. The estimated date for the end of the useful economic life of traditional meters was therefore extended to 30 June 2025. On 31 December 2019, the net book value of traditional meters amounted to £65.5 million; this is now being depreciated over five and a half years, starting from 1 January 2020, rather than over two years. This had the effect of reducing the annual depreciation charge for traditional meters in 2020 from £33.1 million to £15.9 million. The movement of £17.2 million has been recorded as a non-trading item in the calculation of APMs.

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 therefore results in a reduction in cost of sales. It decreased by 12.4 per cent from £15.3 million in 2019 to £13.4 million in 2020. This was driven by three factors: reducing volumes of traditional meter removals and overall ageing of the traditional meter fleet as well as the impact of the suspension of smart meter installations (and a corresponding reduction in the removals of traditional meters) from March 2020 until the end of the second quarter. The full £13.4 million was recorded as a non-trading item in the calculation of APMs.

## Underlying EBITDA

(£ in millions)	Year ended 31 December 2020	Year ended 31 December 2019	Change %
Profit/(loss) for the period	(27.0)	(80.1)	66.3%
Add/(deduct):			
Taxation	9.8	(2.1)	NM <sup>1</sup>
Finance expense	71.2	108.9	(34.6%)
Written-off net book value of disconnected meters	15.5	22.2	(30.2%)
Foreign exchange (gain)/loss	(0.4)	–	–
Amortisation of intangible assets	44.5	42.3	5.2%
Depreciation of property, plant and equipment	79.4	86.8	(8.5%)
Other expenses	8.3	11.3	(26.5%)
Adjusted EBITDA	201.3	189.3	6.3%
Deduct:			
Compensation income	(13.4)	(15.3)	(12.4%)
Underlying EBITDA	187.9	174.0	8.0%
Underlying EBITDA margin (%)	75.7%	83.3%	(7.6pp)

1. Not meaningful

Underlying EBITDA and Adjusted EBITDA are APMs which are used to provide proxies for the cash flow which is available for investment, debt service or distribution to shareholders.

Underlying EBITDA is composed of 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. This is particularly relevant during the SMIP while traditional meters are being replaced with smart meters. It is not expected to be a significant ongoing item. Given the limited timeframe of the SMIP as currently described in legislation, compensation income may not be significant in the future. We therefore deduct it when looking at Underlying EBITDA and are currently providing both metrics.

Adjusted EBITDA in turn is calculated by reference to the profit/(loss) for the period and adjusting this for taxation, finance income/(expenses), depreciation, amortisation, profit/(loss) on disposal of non-current assets, foreign exchange and significant costs that are non-trading or one-off in nature.

Underlying EBITDA increased by 8.0 per cent from £174.0 million to £187.9 million. The 18.8 per cent increase in Group revenue, driven by growth in the revenue-generating smart meter portfolio from 5.2 million to 6.0 million meters, was mostly offset by the increase in employee cost and other direct costs plus administrative expenses which resulted from increased headcount in Group functions plus the consolidation of a full year of expense from Lowri Beck. Improved performance at Lowri Beck nonetheless led to a positive EBITDA contribution to the Group for the full year.

Adjusted EBITDA increased by 6.3 per cent from £189.3 million to £201.3 million. Adjusted EBITDA increased by less than Underlying EBITDA due to the decrease in compensation income compared to the prior year.

Included within Underlying and Adjusted EBITDA in the year ended 31 December 2020 is £2.0 million of non-recurring income relating to contract modifications (2019: £4.7 million).

### Administrative and other expenses

(£ in millions)	Year ended 31 December 2020	Year ended 31 December 2019	Change %
Administrative expenses	(27.7)	(16.8)	(64.9%)
Other expenses	(8.3)	(11.3)	26.5%

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 64.9 per cent from £16.8 million in 2019 to £27.7 million in 2020, predominantly reflecting the consolidation of Lowri Beck into the Group for the full financial year.

Calvin Capital's administrative expenses increased by 37.3 per cent from £14.2 million in 2019 to £19.5 million in 2020. This reflected increased Group expenses which are recorded in this segment, primarily the necessity to increase headcount at a Group level and associated costs required to service the enlarged and listed business.

Lowri Beck's administrative expenses in 2020 were £8.2 million (16 August 2019 to 31 December 2019: £2.6 million).

Other expenses decreased by 26.5 per cent to £8.3 million (2019: £11.3 million). These costs, which were recognised as non-trading items in the calculation of APMs, related to Calisen's listing on the London Stock Exchange, the restructuring of Lowri Beck and £1.4 million of costs related to the Acquisition.

### Group operating profit

(£ in millions)	Year ended 31 December 2020	Year ended 31 December 2019	Change %
Group operating profit	54.0	26.7	102.2%

Operating profit represents revenue, less cost of sales, administrative expenses, other expenses and amortisation of intangible assets. In 2020, it amounted to £54.0 million, an increase of 102.2 per cent compared to 2019 due to the increase in revenue exceeding the increase in the cost of sales plus administrative and other expenses.

## Interest expense

(£ in millions)	Year ended 31 December 2020	Year ended 31 December 2019	Change %
Senior debt commitment fees	(4.4)	(3.7)	(18.9%)
Agency and technical adviser fees	(0.3)	(0.4)	25.0%
Fair value loss on derivative financial instruments	–	(14.7)	NM
Derivative breakage fees	(53.5)	(0.8)	NM
Amortisation of debt issue costs	(20.3)	(3.9)	(420.5%)
Letter of credit fees and other charges	(2.5)	(10.0)	75.0%
Interest payable on bank loans	(17.8)	(22.2)	19.8%
Interest payable on shareholder loans	(5.9)	(53.2)	88.9%
Unwinding of discount on lease liabilities	(0.3)	(0.2)	(50.0%)
Total finance expense	(105.0)	(109.1)	3.8%
Bank interest receivable	0.1	0.2	(50.0%)
Fair value gain on derivative financial instruments	33.7	–	NM
Total finance income	33.8	0.2	16,800.0%
Net finance expense	(71.2)	(108.9)	34.6%

The conversion of shareholder loans into equity, the repayment of the EBLs and cancellation of letters of credit at IPO contributed to a 34.6 per cent reduction in net finance expense from £108.9 million in 2019 to £71.2 million in 2020.

Total finance expense decreased by 3.8% from £109.1 million in 2019 to £105.0 million in 2020. The decrease of 88.9 per cent in interest payable on shareholder loans from £53.2 million in 2019 to £5.9 million in 2020 combined with the 75.0 per cent reduction in letter of credit fees and other charges from £10.0 million in 2019 to £2.5 million in 2020 was almost entirely offset by the increase in derivative breakage fees to £53.5 million in 2020 (2019: £0.8 million) as a result of the £1.1 billion refinancing. The impact of this refinancing, undertaken in July 2020, contributed to interest payable on bank loans decreasing by 19.8 per cent from £22.2 million in 2019 to £17.8 million.

Total finance income in 2020 of £33.8 million was driven by a £33.7 million fair value gain on derivative financial instruments also due to the July 2020 refinancing (2019: £0.2 million).

The costs of EBLs and hedging of £0.7 million, shareholder loan interest charges of £5.9 million and debt issuance costs associated with the £1.1 billion refinancing of £16.5 million were recognised as non-trading items in the calculation of APMs.

## Loss before tax

(£ in millions)	Year ended 31 December 2020	Year ended 31 December 2019	Change %
Loss before tax	(17.2)	(82.2)	79.1%

Loss before tax reduced by 79.1 per cent from £82.2 million in 2019 to £17.2 million in 2020 due to increased Group operating profit combined with reduced net finance expense.

## Taxation

(£ in millions)	Year ended 31 December 2020	Year ended 31 December 2019	Change %
Taxation	(9.8)	2.1	NM

In 2020, the Group recognised a corporation tax charge of £9.8 million. In contrast, in 2019, the Group recognised a corporation tax credit of £2.1 million as a result of the unwinding of deferred tax liabilities on intangible assets being in excess of the corporation tax charge in the period.

## Dividend

In accordance with the Scheme Document which was published on 18 January 2021, no dividend is proposed in respect of the year ended 31 December 2020.

## Funds From Operations

(£ in millions)	Year ended 31 December 2020	Year ended 31 December 2019	Change %
Underlying EBITDA	187.9	174.0	8.0%
Change in adjusted working capital	(5.4)	(7.7)	(29.9%)
Interest/derivatives	(22.5)	(26.1)	(13.7%)
Taxation paid	(4.4)	(4.3)	(2.3%)
FFO	155.6	135.9	14.5%
FFO/Underlying EBITDA	82.8%	78.1%	4.7pp
Underlying EBITDA interest cover	8.4x	6.7x	1.7x

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

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-operating 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.

FFO increased by 14.5 per cent from £135.9 million in 2019 to £155.6 million in 2020, principally driven by increased Underlying EBITDA combined with a reduction in the cost of interest and derivatives along with a reduced movement in working capital. 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 2020	Year ended 31 December 2019	Change %
Trade receivables	31.9	33.9	(5.9%)
Accrued income	10.0	–	NM
Prepayments	17.2	–	NM
Other receivables	1.2	1.6	(25.0%)
Inventory	0.9	1.3	(30.8%)
Contract assets	4.9	13.4	(63.4%)
VAT receivable/(payable)	(1.5)	1.8	NM
Trade creditors	(19.1)	(17.8)	(7.3%)
Other creditors	(24.0)	(31.3)	23.3%
Net working capital	21.5	2.9	641.4%
Adjustments for non-operating items:			
VAT receivable/(payable)	1.5	(1.8)	NM
Compensation related receivables	(3.8)	(2.6)	46.2%
Capital expenditure prepayment	(10.0)	–	NM
Capital expenditure related creditors	31.2	30.2	3.2%
Exceptional items accrued	1.4	7.7	(81.8%)
Adjusted net working capital	41.8	36.4	14.8%
Changes in adjusted net working capital	(5.4)	(7.7)	(29.9%)

Interest/derivatives (£ in millions)	Year ended 31 December 2020	Year ended 31 December 2019	Change %
Interest payable on bank loans	(17.8)	(22.2)	19.8%
Lease interest	(0.3)	(0.2)	(50.0%)
Senior debt commitment and associated fees	(4.4)	(3.7)	(18.9%)
Total for FFO purposes	(22.5)	(26.1)	13.7%

### Capital expenditure

Capital expenditure for the Group decreased by 37.3 per cent from £274.1 million in 2019 to £171.8 million in 2020, primarily due to the suspension of meter installations between March and July 2020 as a result of the COVID-19 pandemic. With installations curtailed during that period, Calisen's portfolio of revenue-generating smart meters grew by less than had been expected.

Calisen incurred average capital expenditure per smart meter in 2020 of £191 as a result of agreeing increased installation costs with a number of energy retailer customers. While those increases were agreed in the second half of the year, depending on the specific contract, some increases had an effective date in the first half of 2020 and in some limited cases in 2019.

### Summary consolidated balance sheet

(£ in millions)	At 31 December 2020	At 31 December 2019	Change %
<b>Assets</b>			
Intangible assets	535.5	580.0	(7.7%)
Other non-current assets	902.6	822.1	9.8%
Current assets	190.4	107.7	76.8%
<b>Total assets</b>	<b>1,628.5</b>	1,509.8	7.9%
<b>Liabilities and equity</b>			
Current liabilities	162.2	149.0	8.9%
Non-current liabilities	590.2	1,477.1	(60.0%)
Deferred tax liability	99.7	86.5	15.3%
Total liabilities	852.1	1,712.6	(50.2%)
Total equity	776.4	(202.8)	NM
<b>Total equity and liabilities</b>	<b>1,628.5</b>	1,509.8	7.9%

The Group's balance sheet, notably the structure of its liabilities and equity, changed substantially in 2020 as a result of the IPO which saw all shareholder loans converted into equity as well as additional equity raised from the issuance of new shares and the repayment of EBLs.

The Group's total assets grew by 7.9 per cent from £1,509.8 million at 31 December 2019 to £1,628.5 million at 31 December 2020. The value of intangible assets was assessed for the risk of impairment and no change to the reported value was required. Within that total, the net book value of customer contracts decreased by 8.6 per cent from £480.8 million in 2019 to £439.6 million in 2020, as a result of continued amortisation which amounted to a charge of £41.2 million in 2020 (2019: £39.9 million). Other non-current assets increased by 9.8 per cent from £822.1 million at the end of 2019 to £902.6 million, although this was lower than expected as the smart meter roll-out was paused in March 2020 until the end of the second quarter. Current assets increased by 76.8 per cent from £107.7 million at 31 December 2019 to £190.4 million at 31 December 2020, largely due to increased cash balances following the IPO.

The net book value of "green" assets (i.e. smart metering equipment) amounted to £846.2 million or 94.2 per cent of the net book value of property, plant and equipment.

The IPO provided the Group with £300 million of new primary proceeds, before costs, which were used to reduce external debt and fully repay EBLs of £230.4 million. In addition, the Group's shareholder loans and accrued interest, which amounted to £705.5 million at 31 December 2019, were converted to equity on IPO. As a result, total liabilities decreased by 50.2 per cent from £1,712.6 million at 31 December 2019 to £852.1 million at 31 December 2020. Within that total, current liabilities increased by 8.9 per cent from £149.0 million at 31 December 2019 to £162.2 million at 31 December 2020 mostly due to an increase in the current portion of interest bearing loans and borrowings. Non-current liabilities reduced by 60.0 per cent from £1,477.1 million at 31 December 2019 to £590.2 million at 31 December 2020 due to the conversion of shareholder loans into equity and the repayment of EBLs at IPO.

Total equity benefited from the capitalisation of shareholder loans and the proceeds from the issue of new shares at IPO of £300 million, before costs, resulting in negative total equity of £202.8 million at 31 December 2019 increasing to positive total equity of £776.4 million at 31 December 2020.

**Net debt**

(£ in millions)	Year ended 31 December 2020	Year ended 31 December 2019	Change %
Shareholder loans	–	(583.2)	NM
Senior debt <sup>1</sup>	<b>(717.2)</b>	(622.9)	(15.1%)
Invoice discounting facility and hire purchase	–	(5.3)	NM
Equity bridge loans	–	(226.5)	NM
<b>Total debt</b>	<b>(717.2)</b>	(1,437.9)	50.1%
Cash	<b>114.6</b>	50.3	127.8%
<b>Net debt</b>	<b>(602.6)</b>	(1,387.6)	56.6%
Shareholder loans	–	583.2	NM
<b>Adjusted net debt</b>	<b>(602.6)</b>	(804.4)	25.1%

1. Senior debt excludes debt issue costs.

Net debt is an APM which is used to show the indebtedness of the Group net of cash balances. Adjusted net debt deducts shareholder loans from Net debt in order to show the level of debt incurred in growing the meter portfolio as distinct from Net debt which includes debt incurred as the Major Shareholder's preferred form of funding for the Group prior to IPO.

The structure of the Group's borrowings changed significantly during 2020. Total debt fell by 50.1 per cent from £1,437.9 million at 31 December 2019 to £717.2 million at 31 December 2020 largely as a result of the conversion of shareholder loans into equity and the repayment of EBLs at IPO.

Despite difficult financial markets, in July 2020 we were able to implement a refinancing of the majority of our funding facilities that support contracts still in the installation phase, totalling £1.1 billion. This diversified our financing sources and facilitates future access to debt capital markets to support continued growth. The flexible nature of the financing platform allows us periodically to refinance the revolving credit facility within the platform in future with longer dated debt, which should allow us to continue to extend debt tenors at competitive long-term rates as the smart meter roll-out progresses.

Net debt as at 31 December 2020 was £602.6 million, comprising £717.2 million of senior debt facilities (excluding debt issue costs) less £114.6 million of cash. This represented a Net debt to Adjusted EBITDA ratio at 31 December 2020 of 3.0x which was an increase of 0.2x from the pro forma ratio at 31 December 2019 of 2.8x (adjusted as if the IPO had occurred on that date). The Group is operating well within the principal financial covenant in its debt facilities at Group level, namely a Net debt to Adjusted EBITDA ratio of no more than 5.5 times. The Group is also operating well above the cover ratio covenants in its debt facilities, both at Group level and at subsidiary level.

**Capital reduction**

In June 2020, as the final part of the capital reorganisation begun at IPO, the Company undertook a reduction in its share capital, whereby the entire amount standing to the credit of the Company's share premium account was cancelled, in order to create distributable reserves which amounted to £1,082.6 million.

**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 Legacy Energy Retailers, Other Large and Medium Energy Retailers, or financial institutions. The Group has identified a concentration of risk in relation to revenue and trade receivables from Large Legacy and Other Large Energy Retailers as the majority of revenue (approximately 83%) is generated from this group and predominantly from two of the Large Legacy 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.

# Business unit overview

Year to 31 December 2020 (£ in millions)	Calvin Capital	Lowri Beck	Consolidation	Total
Total revenue from external customers	205.4	46.0	(3.3)	248.1
Cost of sales	(79.2)	(37.7)	3.3	(113.6)
<b>Segment gross profit</b>	<b>126.2</b>	<b>8.3</b>	<b>-</b>	<b>134.5</b>
Administrative expenses	(19.8)	(8.2)	0.3	(27.7)
Other expenses	(6.6)	(1.7)	-	(8.3)
Amortisation	(43.1)	(1.4)	-	(44.5)
<b>Segment operating profit</b>	<b>56.7</b>	<b>(3.0)</b>	<b>0.3</b>	<b>54.0</b>
Finance expense	(103.2)	(1.5)	(0.3)	(105.0)
Finance income	33.8	-	-	33.8
<b>Profit/(loss) before tax</b>	<b>(12.7)</b>	<b>(4.5)</b>	<b>-</b>	<b>(17.2)</b>
<b>Adjusted EBITDA</b>	<b>202.0</b>	<b>0.9</b>	<b>(1.6)</b>	<b>201.3</b>
Compensation income	(13.3)	(0.1)	-	(13.4)
<b>Underlying EBITDA</b>	<b>188.7</b>	<b>0.8</b>	<b>(1.6)</b>	<b>187.9</b>

## Calvin Capital

Revenue:	£205.4 million
Segment operating profit:	£56.7 million
Net growth in meters:	0.8 million
Revenue-generating meters:	8.8 million
Full Time Employees ("FTE") (annual average):	58
FTE (at year end):	59

Calvin Capital is almost exclusively a MAP that procures, installs, owns and manages a growing portfolio of domestic electricity and gas meters, with a particular focus on smart meters. As a MAP, Calvin Capital manages its revenue-generating meters by tracking them from delivery to installation and ultimately through removal.

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

As at 31 December 2020, Calvin Capital's revenue-generating meter portfolio consisted of approximately 6.0 million smart meters and 2.8 million traditional meters. Based on management estimates, Calvin Capital, as at 31 December 2020, had a contracted smart meter installation pipeline of approximately 7.2 million smart meters expected to be added to the portfolio by the end of the SMIP.

## Lowri Beck

Revenue:	£46.0 million
Segment operating loss:	£3.0 million
Smart meter installations:	130,000
Revenue-generating meters:	0.3 million
Meter readings:	3.2 million
FTE (annual average):	1,388
FTE (at year end):	1,248

The Lowri Beck business unit has three product lines:

- **Technical services:** this covers the installation of meters and EV charging points by technically qualified engineers. Lowri Beck installed approximately 130,000 smart meters in 2020 and signed its first agreement for the installation of EV charging points in October 2020;
- **Non-technical services:** Lowri Beck retrieves, processes and aggregates data in the course of its meter reading work, which it passes on to energy retailers for billing and settlements purposes. Lowri Beck carried out approximately 3.2 million billable meter readings in 2020; and
- **MAP services:** this product line is an asset ownership platform with traditional electricity and gas meters. As at 31 December 2020, Lowri Beck owned a portfolio of approximately 0.3 million revenue-generating traditional meters.

A new leadership team was put in place at the beginning of 2020 and undertook a full review of the business model and operations. This review concluded that structural changes needed to be made to ensure the long-term viability of the Lowri Beck business.

Though some restructuring had been expected at the time of IPO, the COVID-19 pandemic made the review more urgent and accelerated the requirement for change.

On 18 June 2020, the Group announced a consultation with colleagues about the restructuring of its Lowri Beck business unit. Thanks to further contract wins and strong trading performance, Lowri Beck was able to retain more jobs than expected.

The restructuring was expected to result in a reduction of approximately 250 FTE and a provision of £3.5 million was recorded in the interim results to reflect this. The restructuring was concluded in August 2020 with the loss of 224 roles at a lower than expected cost of £1.7 million.

# Our track record

The financial results presented in this Annual Report and Accounts for 2016-2019 pre-date the formation of Calisen plc and reflect the performance of predecessor holding companies and their subsidiaries as explained below for 2016-2019.

£m (unless otherwise specified)	2016	2017*	2018	2019	2020
Growth in smart meter portfolio (m)	1.2	0.9	0.9	1.3	<b>0.8</b>
Revenue-generating meters at year end (m)	6.3	6.8	7.2	8.5	<b>9.1</b>
<i>of which smart</i>	<b>2.0</b>	<b>2.9</b>	<b>3.8</b>	<b>5.2</b>	<b>6.0</b>
<i>of which traditional</i>	<b>4.3</b>	<b>3.9</b>	<b>3.4</b>	<b>3.4<sup>1</sup></b>	<b>3.1</b>
Estimated smart meter pipeline (m)	–	–	7.0	6.5	<b>7.2</b>
<i>of which contracted</i>			<b>7.0</b>	<b>5.5</b>	<b>5.9</b>
<i>of which preferred bidder</i>			<b>0.0</b>	<b>1.0</b>	<b>1.3</b>
Expected smart meters total at end of roll-out (m)	–	–	10.8	11.7	<b>13.2</b>
Average revenue per smart meter (£)	25.8	26.3	24.9	26.3	<b>25.2</b>
Average revenue per traditional meter (£)	20.6	20.3	20.3	20.5	<b>20.5</b>
Adjusted EBITDA (£m)**	141.5	164.1	171.5	189.3	<b>201.3</b>
Underlying EBITDA (£m)**	126.6	142.4	148.9	174.0	<b>187.9</b>
FFO (£m)**	102.0	111.5	117.2	135.9	<b>155.6</b>
Cash conversion (FFO/Underlying EBITDA) (%)**	80.6	78.3	78.7	78.1	<b>82.8</b>
Loss before tax (£m) <sup>2</sup>	(34.8)	(71.7)	(65.8)	(82.2)	<b>(17.2)</b>
Capital expenditure (£m)	225.6	149.5	170.5	274.1	<b>171.8</b>
Capex per meter (£)	152	158	167	165	<b>191</b>
Net debt (£m)** <sup>3</sup>	552.8	1,157.9	1,238.3	1,387.6	<b>602.6</b>
Adjusted net debt (£m)**	401.2	574.8	655.2	804.4	<b>602.6</b>
Leverage (Adjusted net debt/Adjusted EBITDA) (x)**	2.8x	3.5x	3.8x	4.3x	<b>3.0x</b>
Underlying EBITDA interest cover**	5.4x	5.2x	5.4x	6.7x	<b>8.4x</b>
FTE (annual average)	33	34	38	575 <sup>4</sup>	<b>1,448</b>
FTE (at year end)	35	36	43	1,504 <sup>4</sup>	<b>1,309</b>

## Notes

- Includes Lowri Beck meters at year end for the first time.
- Loss before tax in year ended 31 December 2016 was prior to the acquisition of the Group by the Major Shareholder in January 2017. Amortisation of intangible assets during the year was £134,000 compared to £42.3 million during the year ended 31 December 2019.
- Calculation of Net debt included in Chief Financial Officer's review in the Strategic Report.
- Lowri Beck was acquired on 16 August 2019. The 2019 annual average FTE includes Lowri Beck from that date hence the difference between the annual average and the year end figures.

Not all numbers sum due to rounding.

## The financial information comprises:

- The consolidated statement of profit and loss of Calisen Holdco Limited (formerly Calvin Capital Holdco Limited) and its subsidiaries (the "CHL Group") for the year ended 31 December 2016 and the 31-day period ended 31 January 2017;
- The consolidated results of Calisen Group Holdings Limited (formerly CCH1 Limited) and its subsidiaries (the "CGH Group") for the 13-month period ended 31 December 2017, the year ended 31 December 2018 and the year ended 31 December 2019; and
- The consolidated results of Calisen plc for 2020.

## IFRS transition

The Group's date of transition to International Financial Reporting Standards ("IFRS") measures was 1 January 2016 which was used for the purpose of producing a Registration Document for Admission to the London Stock Exchange in February 2020.

## \*Unaudited 2017 information

Calisen Group Holdings Limited (formerly CCH1 Limited) acquired Calisen Holdco Limited (formerly Calvin Capital Holdco Limited) and its subsidiaries on 31 January 2017, prior to which Calisen Holdco Limited (formerly Calvin Capital Holdco Limited) had no trading activity. The unaudited information for the period ended 31 December 2017 represents the addition of the 31 days of financial information of the CHL Group for the period ended 31 January 2017 to the 13 months of financial information of the CGH Group, which includes the trading results of the CGH Group from 1 February 2017 which had no trading operations for the two months prior to this date.

## \*\*APMs

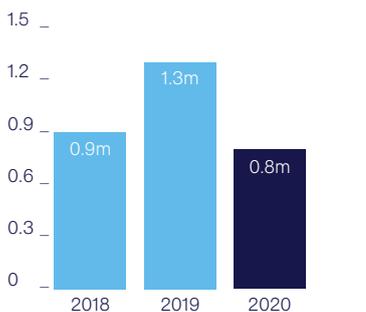
The Group uses a number of APMs including ARPM, Adjusted EBITDA, Underlying EBITDA, FFO, Net debt, Adjusted net debt, leverage and Underlying EBITDA interest cover in the discussion of its business performance and financial position to provide a fuller explanation than by using statutory measures alone.

Reconciliations of these measures to IFRS measures are included within the relevant section of the Chief Financial Officer's review in this Strategic Report.



# Key performance indicators

## 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

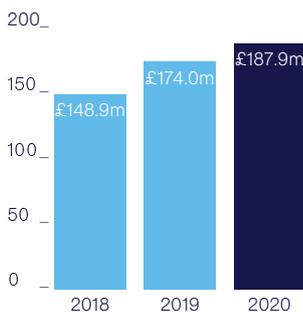
### Remuneration linkage

Associated through the link to capital expenditure deployed with annual bonus financial or personal metrics

### Target

Prior to the suspension of non-essential meter installations in March, guidance for 2020 was for an increase of an average of 100,000 revenue-generating smart meters per month. With non-essential smart meter installations resuming during the summer, guidance for the fourth quarter of 2020 was for an increase of an average of 80,000 to 100,000 revenue-generating smart meters per month

## Underlying EBITDA



### Description

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

### Definition

See page 145 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

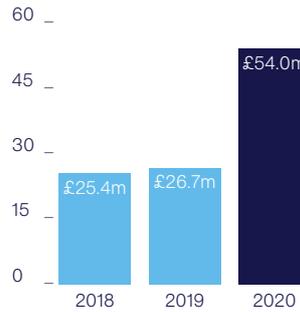
### Remuneration linkage

As a measure of in-year performance, associated with annual bonus financial or personal metrics

### Target

£182.3 million compared to £187.9 million reported

## 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

### Remuneration linkage

No direct link to remuneration

### Target

No target was set for this metric

**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

**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

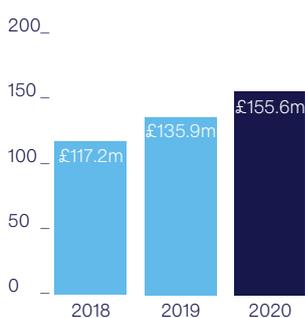
**Remuneration linkage**

No direct link to remuneration

**Target**

No target was set for this metric

**FFO**



**Description**

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

**Definition**

See page 145 for a detailed definition

**Link to strategy**



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

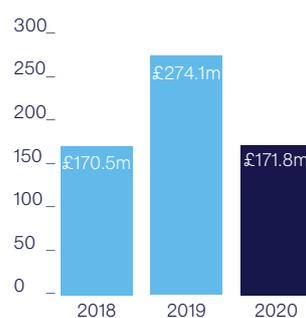
**Remuneration linkage**

As a measure of in-year and future performance, associated with both annual bonus and PSP metrics

**Target**

£148.0 million compared to £155.6 million reported

**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

**Remuneration linkage**

As a driver of growth in Underlying EBITDA and FFO in future years, associated with annual bonus metrics

**Target**

£259.6 million compared to £171.8 million reported

In addition to the KPIs set out above, we also track additional non-financial metrics. The operational KPIs set out on page 1 track the size of the smart meter portfolio over time, which shows progress in converting our contracted pipeline into revenue-generating assets, as well as the split between different categories of customer which shows how the more balanced split in the smart meter pipeline should see the split of revenue-generating meters become more balanced between the main customer categories in the future. Additional data relating to environmental matters can be found on pages 44 to 48 and data relating to employees can be found on pages 42 to 43.

### Strategy in action

## How we opened our new EV charging point training facility

The increasing number of EVs – both cars and vans – on Britain’s roads naturally drives a requirement for an increasing number of EV charging points in both domestic and business settings. EV charging point manufacturers were seeking to enter into partnerships to install their EV charging equipment nationwide but were struggling to find firms with national reach.

This presented an opportunity for Lowri Beck to engage with a new group of customers – EV charging point manufacturers – as well as expand the services it is able to offer to its existing energy retailer customers. Its aim is to be the largest independent national installation provider for EV charging points by offering a consistent end-to-end package.

Having decided to pursue this opportunity, we set aside an area of our training facility in Ashton-in-Makerfield for the provision of training in EV charge point installation for our engineers. Lowri Beck was accredited by OZEV, part of BEIS, in September 2020 and as a result became an approved installer for an EV charging point manufacturer. In October we were delighted to welcome the leader of Wigan Council, David Molyneux, to officially open the EV charging point installation facility.

 Read more at [www.calisen.com/about-us/sustainability](http://www.calisen.com/about-us/sustainability)

## Strategy in action

# Refinancing: how we drive shareholder value

### **£1.1 billion refinancing of certain senior debt facilities and new debt funding platform**

We have been incrementally changing our funding structures over the last few years to drive shareholder value through lower funding costs, greater flexibility and lengthened repayment terms which result in earlier cash flows to equity.

Despite difficult financial markets, in July 2020 we were able to implement a refinancing of the majority of our funding facilities that support contracts still in the installation phase, totalling £1.1 billion. This diversified our financing sources and facilitates future access to debt capital markets to support continued growth.

The refinancing resulted in:

- a reduction in the Group's average cost of debt to approximately 2.5-3 per cent compared to its previous all-in cost of funds of approximately 3-4 per cent (including the cost of hedging floating rate debt to fixed rates); and
- an extension to the weighted average life of longer-term drawn project finance facilities which were refinanced from 3.8 years to 8.5 years under a new long-term institutional tranche.

The flexible nature of the financing platform allows us periodically to refinance part of the facilities (a revolving credit facility) in future with longer dated debt, which should allow us to continue to extend debt tenors at competitive long-term rates as the smart meter roll-out progresses.

 Read more at [www.calisen.com/about-us/sustainability](http://www.calisen.com/about-us/sustainability)

# Engagement with our stakeholders

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.

## Shareholders and investors

We understand the need to communicate effectively with existing and potential 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 Major Shareholder has two representatives on the Board. The Company also has entered into a Relationship Agreement with the Major Shareholder and further details are set out on page 59.
- The Board receives regular reports from the CFO on investor relations activities.
- The Remuneration Committee Chair engaged with major shareholders and proxy associations in advance of the Company's AGM in 2020 to set out the Committee's approach to executive remuneration.

### How we engage across the Group

- The Executive Directors and the Investor Relations Director regularly engage with investors through results presentations and investor meetings.

### Outcomes of engagement

99.67 per cent of shareholders who voted, voted in favour of Directors' Remuneration Policy at the 2020 AGM. The Board receives feedback from its Major Shareholder via the non-independent NEDs.

#### Link to our business model

Deliver shareholder returns through share price maximisation.

#### Link to our principal risks

Strategy creation and development.

## 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 Employee Liaison Non-Executive Director ("NED"), Lisa Harrington, updates the Board on feedback received from the Workforce Engagement Forum, which she chairs.
- The Board had planned to make on-site "on the tools" visits with teams or individuals, but due to the COVID-19 restrictions, some of these were moved to video meetings or telephone calls.
- The CPO also provides 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 implemented a Group-wide Employee Survey.
- Further details of how we engage with our workforce are set out on page 42.

### Outcomes of engagement

We had a 73 per cent response rate to our first Group-wide Employee Survey in 2020.

#### Link to our business model

We provide jobs nationwide with a concentration in the north west of England in Manchester and Wigan. In 2020, £41.5 million was spent on salaries and pensions.

#### Link to our principal risks

Attracting talent and retention of key staff with organisational knowledge.

## 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 relationships with customers.

### How we engage across the Group

- We have regular meetings with customers at an operational level plus 360 degree 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.

#### Link to our business model

We work with our customers to help them meet their smart metering obligations under the SMIP.

#### Link to our principal risks

Market and counterparty risk.

## Suppliers and contractors

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

### What matters to them

- Longstanding 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

When non-emergency meter installations were suspended during lockdown, we worked with the meter manufacturers to find extra warehouse space and to delay or cancel orders.

#### Link to our business model

We engage with our suppliers to help our customers meet their smart metering obligations under the SMIP.

#### Link to our principal risks

Supply chain and counterparties.

## Regulators and Government

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

### What matters to them

- Smart meters are essential to the UK Government meeting its decarbonisation targets as they allow consumers to manage better when and how much energy they use.

### How we engage at Board level

- The Board receives regular updates from management on regulatory changes and how those may impact strategy. During the year a senior representative from BEIS attended a Board meeting to update the Board on the Government's zero carbon targets.

### How we engage across the Group

- We have strong and transparent relationships with Ofgem, BEIS 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

Government policy.

## 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 is well aware of the increasing interest of investors in ESG factors and the important role the Group plays in the economy of the North West.

### 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.

### Outcomes of engagement

The Calisen and Calvin Capital businesses have regular fundraising activities for the Manchester Youth Zone.

#### Link to our business model

Calisen's purpose is to accelerate the development of a cleaner, more efficient and sustainable energy segment.

#### Link to our principal risks

Emerging global issues and environmental risks.

# Our s.172 approach

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:

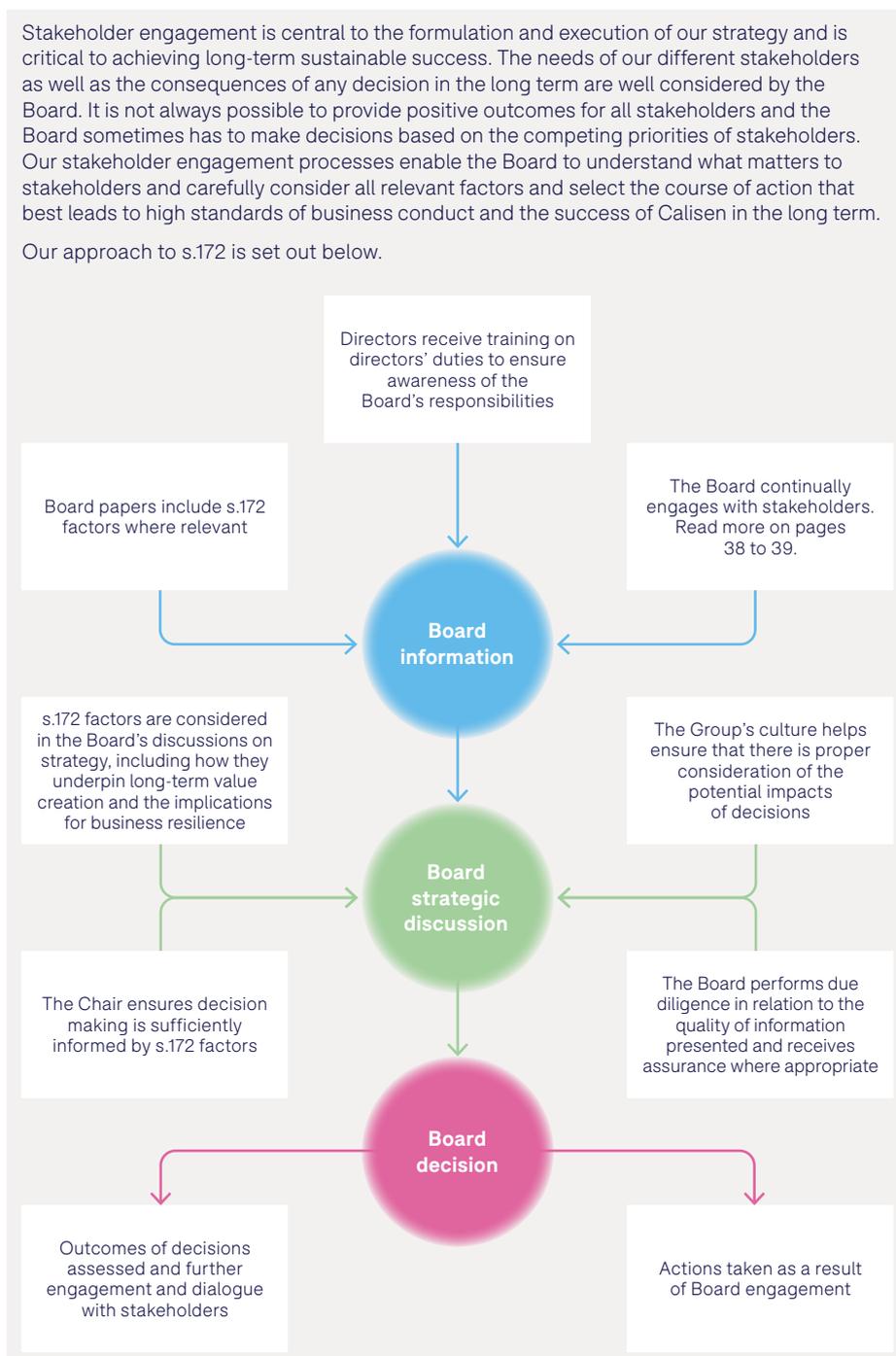
- The likely consequences of any decision in the long term.
- The interests of the company's employees.
- The need to foster the company's business relationships with suppliers, customers and others.
- The impact of the company's operations on the community and the environment.
- The desirability of the company maintaining a reputation for high standards of business conduct.
- 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 is set out below.



# Response to COVID-19 restrictions

The Board's response to the developing COVID-19 situation throughout 2020 is a good illustration of how the Board had due regard to the matters set out in section 172 of the Act when making decisions.

The Board introduced fortnightly COVID-19 calls for four months in order that it could be kept up to date with the changing position and make decisions in respect of the impact on the business and its key stakeholders.

 The COVID-19 response and timeline on pages 10 and 11 provide further detail.

## Workforce

The Company supported all roles (c. 362) capable of working from home to do so. For staff at Lowri Beck, this involved purchasing new IT equipment and implementing a phone system so that the call centre could continue to operate with call handlers at home. Calisen and Calvin Capital staff were already equipped to work remotely.

The Board authorised additional policies to help support and provide flexibility to our employees who were shielding, self-isolating or had additional carer responsibilities due to schools closing and other impacts of the pandemic.

On 25 March 2020 Calisen announced that the Board had taken the decision to temporarily suspend all non-emergency installations and field services and the business took the difficult decision to furlough over 1,100 employees at Lowri Beck under the Coronavirus Job Retention Scheme. This decision was taken in order to protect the affected roles while a significant part of the business was unable to be operational due to the restrictions in place. All members of the Board donated 20% of their net salary or fees to NHS Charities Together while any employee was furloughed.

The Board required a detailed review of procedures so that, when installations were permitted to recommence, an appropriate PPE protocol was implemented to protect the health of staff, customers and consumers.

## Customers

The Group was in regular contact with customers throughout 2020 in respect of disruption to operations due to COVID-19 restrictions. The Board supported the Calvin Capital business unit offering all its customers flexibility in respect of contractual terms where meter stock was being held for longer than forecast due to installations being temporarily suspended. These actions helped foster business relationships and the Group's reputation for high standards of business conduct.

## Consumers

The Board received and reviewed details of additional booking procedures that were implemented in order to help identify vulnerable consumers, as well as of additional PPE equipment and door-step protocols that were put in place. Following a suggestion from one of the Independent Non-Executive Directors, Lowri Beck produced a video to demonstrate to consumers the installation process and procedures in a COVID-19 safe environment in order that consumers could see in advance of an appointment the procedures that would be followed.

## Government

The Board took the decision to repay the grants received from the Coronavirus Job Retention Scheme from the date of the start of the consultation process for any employee that was made redundant.



# Workforce engagement

As the world of work changes, we want to make sure that our business is fit for growth now and in the future. To achieve this, the most important place to start is with our people.



The Group's purpose is to accelerate the development of a cleaner, more efficient and sustainable energy segment. Continuing to align our people with our purpose will be a focus for 2021 and this will be at the heart of delivering our business strategy. From an employee perspective, this has been an extremely challenging year particularly in the Lowri Beck business unit where unfortunately redundancies were made and due to the impact of COVID-19 colleagues were furloughed. It is always critically important to gain insight into how our employees are feeling, especially in challenging times. It is, however, more important to turn these insights into actions.

This year saw the appointment of a designated Employee Liaison Non-Executive Director (Jim Macdonald, and following his retirement Lisa Harrington) to focus on workforce engagement along with the recruitment of a CPO for the organisation.

The Employee Liaison NED and the CPO worked together to establish a Workforce Engagement Forum (the "Forum") with a clear terms of reference which set out the basis upon which the Forum operates. The Forum meets quarterly and membership is drawn from a variety of areas across the Calisen Group business. Topics on which the Forum sought members' opinions include culture & engagement, diversity & inclusion, Calisen people strategy and executive remuneration.

The approach to engagement also included the launch of the first Calisen Group-wide Employee Survey 'Your Opinion Matters'. The roll-out of the survey was accompanied by a training package for line managers focusing on topics such as understanding the results, communicating messages and creating and delivering action plans.

The participation rate for the survey was 73 per cent with the first overall engagement index being 58 per cent on average across the Group. Whilst positive themes of safety, business alignment and involvement, and management scored very favourably, common themes incorporated into our action plans where improvement was required include communication and development. We had already started improvement activities in both of these areas in 2020, for example, we held fortnightly Town Hall meetings with the CEO and Executive team with all staff in the Calvin Capital business unit and launched our on-line learning platform providing access to a wide range of learning modules and we will build on these. Additionally, in Lowri Beck we launched a new digital newsletter to all employees providing up to date information on key business items.

## Non-financial information statement

The sections of the Strategic report entitled 'Our business model', 'Our stakeholders and s.172', 'Workforce engagement', 'Our ESG strategy' and 'Risk management' (pages 14 to 15 and 38 to 55) the non-financial KPIs on page 1 and the Corporate Governance Report on page 66 constitute the Non-Financial Information Statement as required by the Companies Act 2006.



We do all we can to help our people feel safe and secure to speak up and as such we launched the first Group-wide whistleblowing hotline in 2020.

Separately, with a further focus on inclusion and diversity, aiming ultimately to attract and develop a workforce that is as diverse as the customers and communities we serve, we launched our Board Diversity Policy, helping to set the tone in the business to ensure our colleagues understand that we value diversity in our organisation which is also reflected in our equal opportunities policies across the business.

We recognise that there is still work to be done on diversity and inclusion. Our aim is to increase diversity and inclusion in 2021. We believe that employing people from a broad range of ethnicities, backgrounds, experiences, and perspectives creates an inclusive workforce which helps to create a competitive advantage. We can report that the membership of the Executive Committee is 43 per cent female, with the level below the Executive Committee being 40 per cent female. The breakdown as at 31 December 2020 is set out in the table below.

Calisen supports employee retirement arrangements with the provision of a multi-employer master trust pension scheme in our Lowri Beck segment operated by a not-for-profit organisation such that any surpluses are used for the benefit of members and with personal pension plan scheme provision across the rest of the business.

The wellbeing of our employees is important, and we know it can be difficult to make time for personal issues which is why we support our employees with a 24/7 Employee Assistance helpline which makes it easier to seek support from home.

We do not tolerate any form of slavery, servitude or forced compulsory labour or human trafficking in our supply chain or in any part of our business. Our Modern Slavery Act Statement is available on our website. This statement sets out the approach taken towards identifying and preventing modern slavery and human trafficking in our business and supply chains.

The Company engages with its suppliers to seek assurance about their anti-slavery and human trafficking policies and whether they are taking steps to prevent slavery and human trafficking in their respective businesses and supply chains. Calisen will not support or engage suppliers where it is aware of slavery or human trafficking in such suppliers' business or supply chains or where a supplier has failed to give Calisen the requisite assurances.

We have introduced appropriate training programmes to provide staff with the knowledge on how to identify exploitation and modern slavery, and the process for reporting suspected cases. COVID-19 has delayed delivery of some face to face training, which is now scheduled for 2021.

Finally, as we make sure the business has the right talent to deliver its strategy, we held the first group talent and succession review of members of the Executive Committee with the Board which focused on assessing leadership bench strength and identifying future leaders for our business.

	Male No.	Male %	Female No.	Female %	Total No.	Total %
Board of Directors	6	67	3	33	9	0.6
Executive Committee	4	57	3	43	7	0.5
Direct reports to Executive Committee	15	60	10	40	25	1.7
Rest of workforce	1,116	79	291	21	1,407	97.2
<b>Total</b>	<b>1,141</b>	<b>79</b>	<b>307</b>	<b>21</b>	<b>1,448</b>	<b>100.0</b>

## Sustainability

### Regulatory outlook

The UK energy system requires rapid and radical change to reach the Government's target of net zero carbon emissions by 2050. A smarter grid, new energy storage, charging infrastructure and better energy efficiency will all be needed as fossil fuels are phased out of the power, heating and transportation sectors and more activities are electrified.

The pace of change is set to rise. In December 2020, the Government announced it would target a 68 per cent reduction in emissions by 2030 (relative to 1990 levels) up from the previous 57 per cent target. Over the course of the year, it also announced several initiatives promoting decarbonisation across the economy. These have the potential to create new opportunities for Calisen.

### Smart meter roll-out

The Government has announced plans to accelerate the roll-out of smart meters with a new four-year policy framework set to begin on 1 July 2021. This targets 100 per cent coverage by 2025 with individual energy suppliers mandated to install a minimum number of smart meters each year.

The Government recently consulted on setting each energy supplier an individual target obligation, subject to annual tolerance levels that apply across the industry as a percentage of their customer base. The Government believes the regulatory certainty provided through this process will drive consistent long-term investment.

The wider success of the smart-meter installation programme is highly dependent on consumer acceptance, which has been a key hurdle to the roll-out so far. To address this challenge, the Government plans to change the way household tariffs are set alongside a broader set of market reforms. This will see the energy industry shift to half hourly price settlement – allowing consumers to access different prices for every 30-minute period of the day.

These smart tariffs will reward consumers for using less electricity when demand is high or for using more when overall demand is low and there is surplus generation available, for example on a sunny or windy weekend. Ofgem estimates this will save consumers between £1.6 billion and £4.6 billion by 2045.

### A Green Industrial Revolution

Smart meters are just one part of the Government's plan to reshape the UK's energy landscape. Its broader proposals for a "Green Industrial Revolution" may also create opportunities for Calisen.

The Government has committed to invest £9.2 billion to improve the energy efficiency of homes, schools, and hospitals – which will be supported through a new Heat and Buildings Strategy set to be published in early 2021. This includes an extension to the Green Homes Grant, which subsidises domestic energy efficiency improvement, in addition to £1 billion to support the installation of 600,000 heat pumps by 2028.

The transport sector is also set for rapid change with the sale of new petrol and diesel cars and vans banned by 2030 and hybrids banned by 2035. To facilitate this shift several measures have been announced to promote the uptake of EV, including £1.3 billion to accelerate the roll-out of the charging network, grants to subsidise the purchase of zero or ultra-low emission vehicles and funding to assist with the development and production of EV batteries. Completion of the smart grid – enabled by the meters Calisen installs – will facilitate this process by supporting smart EV charging.

### Seizing the opportunity

Calisen has already begun assessing the opportunities created by the transition to a low carbon economy through a Board level annual strategy review process. For example, over the last year, the Company has assessed the EV charging market and other areas consistent with its focus on small-scale, high-volume energy infrastructure assets.

The Company has developed a plan to further enhance the identification and management of climate-related opportunities and risks. As part of this process, it has established a Sustainability Steering Committee (the "SSC") of functional experts from across the Company, chaired by CEO Bert Pijls, to lead the development of an emissions reduction plan and appropriate targets alongside the Company's broader sustainability strategy. The Company will further define accountability for climate action at Board and management level in 2021 and further integrate climate change into its strategic business and financial planning.

## Smart meter benefits

My name is My-Yen Butler. I live in Cardiff currently with my husband and my small child. One of my favourite features of the in-home display on the smart meter is knowing exactly how much energy and money we're using, because it's so exact. So, for example, the kettle could be on for a few seconds and I can see exactly how much energy consumption it's used.

For us it was a logical next step to get a smart meter because it ensured that we could bring our energy use down and help tackle climate change. It's definitely had a positive effect because I know what I need to do in terms of saving energy in our household, and also saving money,

and just knowing that there are things on in the house that don't need to be.

I think that if more people in Great Britain were to get a smart meter it would definitely help to tackle climate change because it just gives a better insight into what energy you are using and how you can bring energy use down when you don't actually need to use it.

It's really important for me and my family to make these changes now. By having a smart meter I feel like it's just a small step that we've made to help future generations to come, in particular, my son's generation.

Source: Smart Meter GB



## Tackling Calisen's emissions

Calisen's business is aligned with the targets of the UN Sustainable Development Goal 7 which aims to ensure access to affordable, reliable, sustainable, and modern energy. In particular, Calisen's smart meter business supports the UN's targets relating to modern energy services, increasing the share of renewable energy, and doubling the global improvement in energy efficiency by 2030.

Calisen already plays a role in reducing the UK's greenhouse gas emissions. Analysis by BEIS suggests that the average smart meter helps reduce household energy use from electricity by 3 per cent and gas by 1.9 per cent.

Using this analysis as a guide, our carbon consultant, Green Element, has estimated that Calisen's installed smart meter portfolio as at 31 December 2020 is anticipated to contribute towards a total lifetime carbon emissions reduction of 3.2 million tonnes by 2035 resulting from household energy savings alone (excluding emissions from manufacture, installation or end of life).

Calisen is also committed to reducing its own emissions and continues to work with Green Element to map its carbon footprint. The Company has disclosed its Scope 1 and 2 emissions this year for the first time – consistent with the UK's Streamlined Energy and Carbon Reporting ("SECR") requirements – and is completing an audit of its Scope 3 emissions. This work will inform the development of emissions reduction targets for all three scopes in the next 12 months consistent with the goals of the Paris Agreement. As part of this process, the Company will examine all aspects of its operations and supply chain – working with external parties where necessary to address emissions hotspots and promote broader change in the energy industry.

Calisen's carbon emissions and energy use fell in 2020 as meter installation activity was curtailed by COVID-19-related restrictions and this was the primary driver of the change in energy intensity over the year. The Group closed three depots and reporting centres within the Lowri Beck business which also reduced energy use relating to buildings and transport.

Calisen also began to take actions which will sustainably reduce its carbon footprint within the ongoing business. For example, Lowri Beck began to switch to renewable energy tariffs at its major sites and adopted a centralised logistics process which will reduce energy use in its buildings and vehicles. It has also refreshed its telematics system and trained teams in how to access driver data to promote fuel efficient driving and identify excessive fuel use. In addition, Lowri Beck has changed its policies to favour lower emissions company cars and plans to begin a commercial trial of full electric and hybrid vehicles in 2021 to assess their potential to reduce the carbon footprint of its fleet.

Over the course of 2020 Calisen also decided to improve its environmental disclosure, in keeping with the longstanding ISO 14001 certifications of Calvin Capital and Lowri Beck. Further details on its plans to comply with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") standards are set out later in this section.



## Smart meters – lifetime carbon savings

This table represents Green Element's calculations of the carbon savings associated with the revenue generating meters installed in the Group's portfolio. It includes household energy savings due to the installation of smart meters and associated energy consumption behavioural changes.<sup>2</sup>

	Electricity	Gas
Annual per meter consumption (kWh)	3,550 <sup>1</sup>	12,000 <sup>1</sup>
Weighted <sup>3</sup> average energy saving (%)	3.0% <sup>2</sup>	1.9% <sup>2</sup>
Annual per meter energy reduction (kWh)	106.5	225.2
Annual per meter annual carbon reduction – energy saving (tCO <sub>2</sub> e)	0.03	0.05
<b>Total annual carbon reduction – energy saving (tCO<sub>2</sub>e)</b>	<b>96,178</b>	<b>117,947</b>
<b>Total lifetime<sup>4</sup> carbon reduction – energy saving (tCO<sub>2</sub>e)</b>	<b>1,442,674</b>	<b>1,769,201</b>

Assumptions:

1. Obtained from the 2020 average UK household energy consumption: Source, Ofgem (2020): Typical Domestic Consumption Values.
2. The 3.0% and 1.9% figures represent the average household energy savings resulting from changes in consumer behaviour after switching to smart meters for electricity and gas respectively. These figures were reported by BEIS in the "Smart meter Roll-Out Cost-Benefit Analysis" published in 2019 and take account of the proportions of credit and prepayment meters in use in the UK.
3. The number of smart meters in prepayment mode is assumed to be 19%. Source: BEIS's 2019 Q4 Smart Meters Statistics Report.
4. Illustrative lifetime based on prudent estimate consistent with the Group's smart meter depreciation policy, whilst assuming meters are installed and operational during the full depreciation period.
5. Calculation focuses specifically on the household savings benefit of a smart meter versus a traditional meter excluding certain carbon costs such as emissions from manufacture, installation and end of life.

### Task Force on Climate-related Financial Disclosures

The Group is committed to implementing the recommendations of the TCFD, recognising that better reporting helps sustain stakeholder confidence in the business and its strategy.

Calisen's purpose is to develop a clean, more sustainable energy sector. This has informed its strategy of focusing on small-scale high-volume energy infrastructure and the development of its smart meter business. The Board has considered the risks and opportunities created by the transition to a low carbon economy in this context and in 2020, consistent with this approach, the Group entered the EV charging market.

During the year Calisen established a SSC, chaired by the Chief Executive Officer, whose purpose is to assist the Board with the development, delivery and reporting of the Group's sustainability strategy and targets, the oversight of social and environmental risks and its compliance with both mandatory and appropriate climate-related voluntary disclosures, including but not limited to TCFD and SECR reporting.

The SSC has engaged special advisers to assist the Group in developing climate-related financial disclosures consistent with the TCFD recommendations. It has also developed an action plan to enhance its climate governance, risk management and strategy and will introduce appropriate metrics and targets accordingly – including a science-based emissions reduction target.

In 2021, the Company plans to further enhance its governance defining responsibility for climate change at Board level and enhancing its processes for identifying both physical and transition risk. This process will allow the Company to factor climate issues more holistically into its strategy, business and financial planning.

### Calisen's SECR for 2020

	2020 global (all UK)	2019 global (all UK)	% Difference
<b>Energy consumption used (kWh)</b>			
Electricity	515,411	623,615	-17%
Gas	25,847	30,470	-15%
Transport fuel	10,789,405	16,588,333	-35%
<b>Emissions (tCO<sub>2</sub>e)<sup>1</sup></b>			
<b>Scope 1</b>			
Emissions from combustion of gas	5.37	6.33	-15%
Emissions from combustion of fuel for transport purposes	1,141.55	1,774.55	-36%
Emissions from other activities which the Company owns or controls including operation of facilities	2.71	49.90	-95%
<b>Scope 2</b>			
Emissions from purchased electricity – location based	120.16	159.40	-25%
Emissions from purchased electricity – market based	114.93	152.17	-24%
<b>Scope 3</b>			
Emissions from business travel in rental cars or employee vehicles where the Company is responsible for purchasing the fuel	1,523.44	2,426.04	-37%
Emissions from upstream transport and distribution losses and excavation and transport of fuels – location based	668.83	1,038.49	-36%
Emissions from upstream transport and distribution losses and excavation and transport of fuels – market based	667.66	1,036.78	-36%
Total location based	3,462.07	5,454.71	-37%
Total market based	3,455.60	5,445.77	-37%
<b>Intensity (kg tCO<sub>2</sub>e/£m turnover)</b>			
Revenue £m	248.1	208.8	19%
Intensity ratio: kg tCO <sub>2</sub> e from Scope 1, 2 and 3 (fuel for business travel only)/£m Market based	13.93	26.08	-47%
Average number of FTE	1,448	1,504 <sup>2</sup>	-4%
Intensity ratio: tCO <sub>2</sub> e from Scope 1, 2 and 3 (fuel for business travel only)/FTE Market based	2.4	3.6	-34%
Methodology	Greenhouse Gas Protocol Corporate Accounting and Reporting Standard		
External verification	Green Element Limited and Compare Your Footprint Limited external verification process		

Notes:

1. tCO<sub>2</sub>e is tonnes of carbon dioxide equivalent gases.
2. 2019 FTE count represents the year end numbers and not average FTE as is the case in 2020 since the Lowri Beck business joined the Calisen Group part way through 2019.

## Electric vehicle charging

During 2020 the Lowri Beck business successfully established a new operating division for the provision of EV charging point installations.

Trained by our in-house Training Academy Centre to City & Guilds standards and having become a registered member of NICEIC for Electric Vehicle installations as well as achieving OZEV approved installer status, our highly qualified team successfully delivered our first installation in 2020 and we will continue to grow this business.



### Training Academy operations

The Training Academy Centre in our Lowri Beck business, while having a very strong background in delivering single and dual fuel smart meter training, has also established a comprehensive EV Charging training programme and our highly skilled in-house trainers are themselves qualified in power, gas, quality assurance, teaching and assessing.

We are proud of our relationships with our awarding bodies and these range from BPEC Certification which enables our assessors to directly deliver and assess the level 2 diploma in "Smart Metering Gas and Power". This extends through to City and Guild diplomas which allow highly trained staff to directly assess qualifications under the 18th Edition Electrical Regulations for Electrical Installations and Electric Vehicle Charging installations.

Finally, our registration schemes are quality controlled via audits carried out by both our own in-house team and external auditors as required. Where appropriate, these schemes are held on the Energy and Utility Skills Register recording the skills of Meter Operatives, which also incorporates an agreement on the standard of training and assessment aligned with the Meter Operation Code of Practice Agreement ("MOCOPA"). The assurances that we gain from these external industry bodies provide confidence that the content and delivery of our training programmes are absolutely to industry standard.

After our last EU Skills audit in January 2020 the feedback received was:

*"I would like to thank the team at Lowri Beck, as they put the time and effort into preparing the evidence for today's audit. All questions were answered immediately with supporting evidence shown which was to a very high standard. It was also evident that the training team within Lowri Beck operate to a high standard. Lowri Beck are always striving to improve. Lowri Beck maintain Energy and Utility Skills Provider status with no Actions or Recommendations. Well done."*

## Training Delivery in 2020

During 2020, the Training Academy Centre delivered around 9,500 hours of training either face to face or on-line across a number of courses ranging from gas and electric dual fuel training, EV charging through to asbestos awareness and first aid.



### Supporting our charities

This year the Group continued to support, through donations and fundraising activities, the Manchester Youth Zone which is a children's charity for those aged between 6-19 years of age (and up to 25 years for those with additional needs). It works with children to equip them with tools to increase their confidence, competencies, and self-reliance.

Additionally, through voluntary deductions in pay of members of the Board and Executive Committee, £160,000 was given to NHS Charities Together in 2020 in support of our front-line workers.

### Health and safety at work

The potential hazards associated with working on gas and electricity supplies require us to work to the very highest standards of health and safety. We are committed to protecting our staff and anyone affected by our operations as we work to achieve zero harm in all that we do.

No activity can be totally without risk, but we strive to ensure that our operations are carried out in ways that remove unnecessary risk, and control and manage any residual risk to prevent injury or harm. Where risk cannot be managed, and safety assured, then work is required to stop until a safe solution can be found using the expertise of our in-house technical teams.

Protecting the health, safety and welfare of our employees, contractors and customers remains a clear and shared responsibility across all our teams, as is ensuring that we deliver services with minimal impact on the environment. Achieving these goals is essential to our hard-won reputation as a leading and trusted service provider and employer.

We continue to develop and embed a strong health, safety and welfare culture in our day-to-day operations and work hard to ensure that we fully consider our environmental impacts. In all our activities we target zero incidents as we believe it supports our aim to ensure that Calisen is a great place to work and a business in which all employees can work safely and reach their full potential.

### Health and safety performance

2020 was a challenging year for the Calisen Group as it sought to integrate and develop the Lowri Beck business acquired in 2019 while working through the issues created by the COVID-19 pandemic.

While the availability of mobile IT solutions and a history of agile working allowed office and contact centre-based services to work from home relatively easily, there were more challenges for our field force. For this group we had to try to achieve smart meter installation and data recording targets against a background of travel restrictions, lockdowns, and social distancing rules associated with COVID-19 restrictions.

During this period, we continued to deliver the usual safety communications and toolbox talks to ensure that our people and customers are safe. The business has responded positively and continues to make significant improvements to safety and quality standards within its field teams.

In order to properly assess Calisen's health and safety performance we monitor all accidents and incidents reported by employees, paying particular attention to the annual number of total and reportable incidents, the areas of the Group from which these arise, the proportion of these that fall under the relevant RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) category and the total number of days lost as a result of reportable incidents.

This information is used to agree effective remedial actions and determine where resources should be allocated to ensure any areas of residual risk are dealt with effectively. In the year ended 31 December 2020, Lowri Beck incurred 35 lost time accidents which was a decrease of 40 per cent from 2019. Of these, four incidents were reported to the Health and Safety Executive in line with RIDDOR requirements which was a decrease of 55 per cent from 2019. These four incidents resulted in a loss of 59 working days which was a decrease of 82 per cent on 2019 figures.

In 2020 Lowri Beck joined other industry members in discussion with the Association of Meter Operators to explore behavioural safety techniques that could assist in further improving safety standards in a remote workforce.

Over the course of 2020, we have seen an improved health and safety focus through developing and implementing an electronic "near miss" reporting system in order to improve rates of near miss and hazard reporting. We have also worked to upgrade equipment provided to our field teams, including issuing electronic manometers to improve the accuracy of leaks checks undertaken after the installation of new gas metering equipment.

This improved focus has also included the implementation of a new electronic data system for data collection field teams allowing for quicker and easier data input. Additionally, we have partnered with a new PPE supplier to improve the range of products available to our field teams and ensuring improved order fulfilment times.

We have trained our field managers and employees in the use of vehicle data systems to ensure that driver standards and fuel use are effectively monitored. Finally, we have revised Lowri Beck's incident management system to ensure improved investigation and response standards including earlier deployment of occupational health support to ensure an effective return to work process for anyone injured at work.

# Our approach to risk

Appropriate Group-wide management of risk is important in order for Calisen to meet its corporate objectives and to develop its future competitive advantage.

## Overview

Risk management is important in order for Calisen to meet its strategic objectives and to develop its future competitive advantage. Effective risk management has the full support of the Board, the Audit and Risk Committee and the Executive Committee.

Calisen is committed to continuing a culture of well-informed risk based decision making and investing sufficient resource and time to develop and integrate its risk management system across the Group.

## Risk Management Framework

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

The Group has implemented a three lines of defence approach with external audit providing an additional line of defence. The risk management structure and responsibilities are set out in more detail opposite.

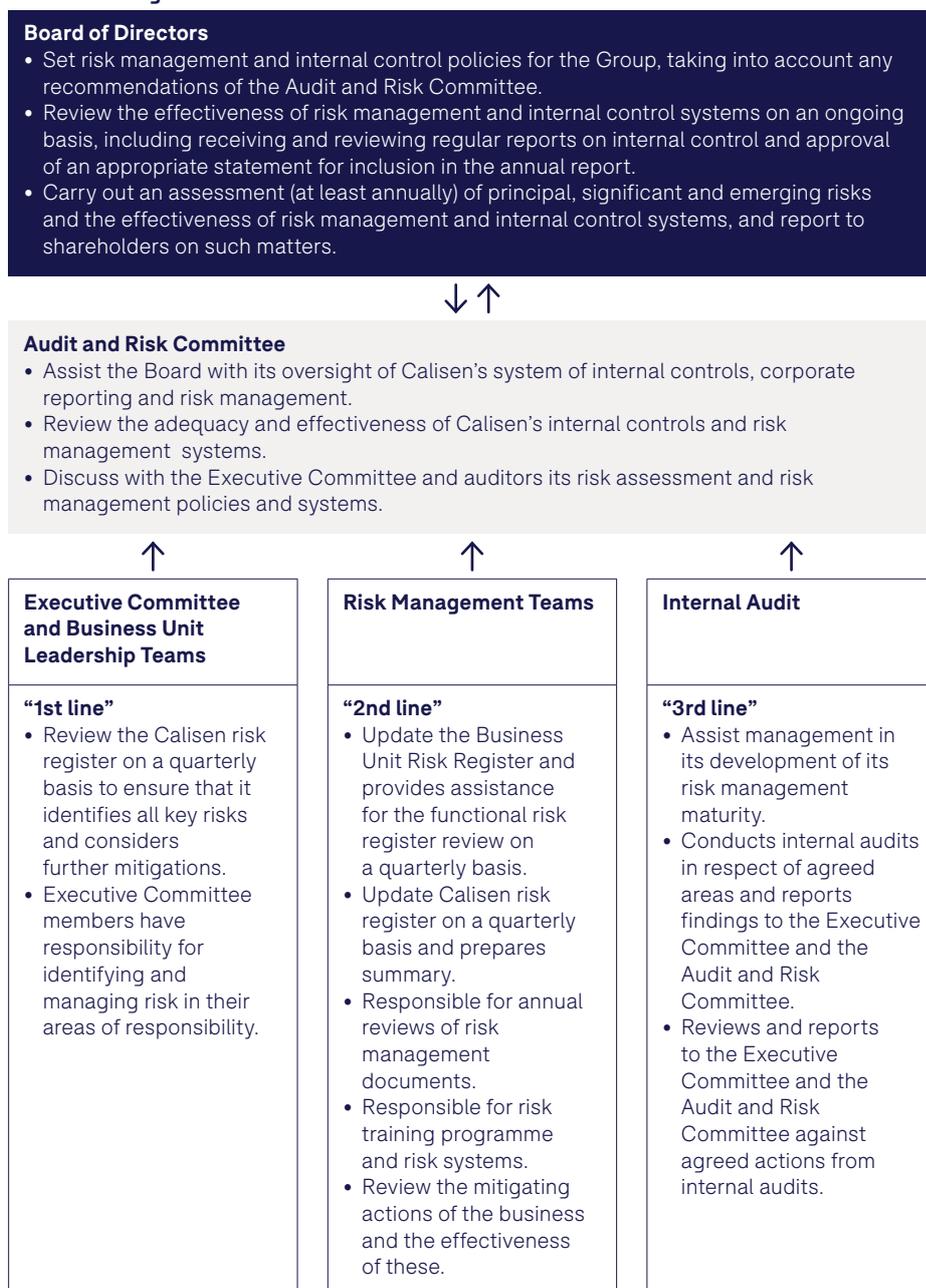
## Risk appetite

Risk appetite can be described as the amount of risk an organisation is willing to seek or to accept in pursuit of its long-term objectives. Risk appetite can change over time depending on the circumstances, available resources, skills, technologies or systems.

During the year, Calisen with assistance from Mazars as internal auditor, completed a review of its risk appetite. Risk appetite statements have been prepared with different context situations for key areas including Health and Safety, Finance, Operations and Reputation.

Calisen recognises that it operates in a competitive and rapidly changing environment. Calisen's business risk appetite is that it will accept certain risks in order to capture opportunity in line with its flexible business model; however, risks will be carefully considered and assessed in order that the Group continues to grow in a robust way with significant downside protection delivering high quality, long-term, predictable cash flows.

## Our risk management structure is illustrated below:



## Our risk assessment

### Risk heatmap

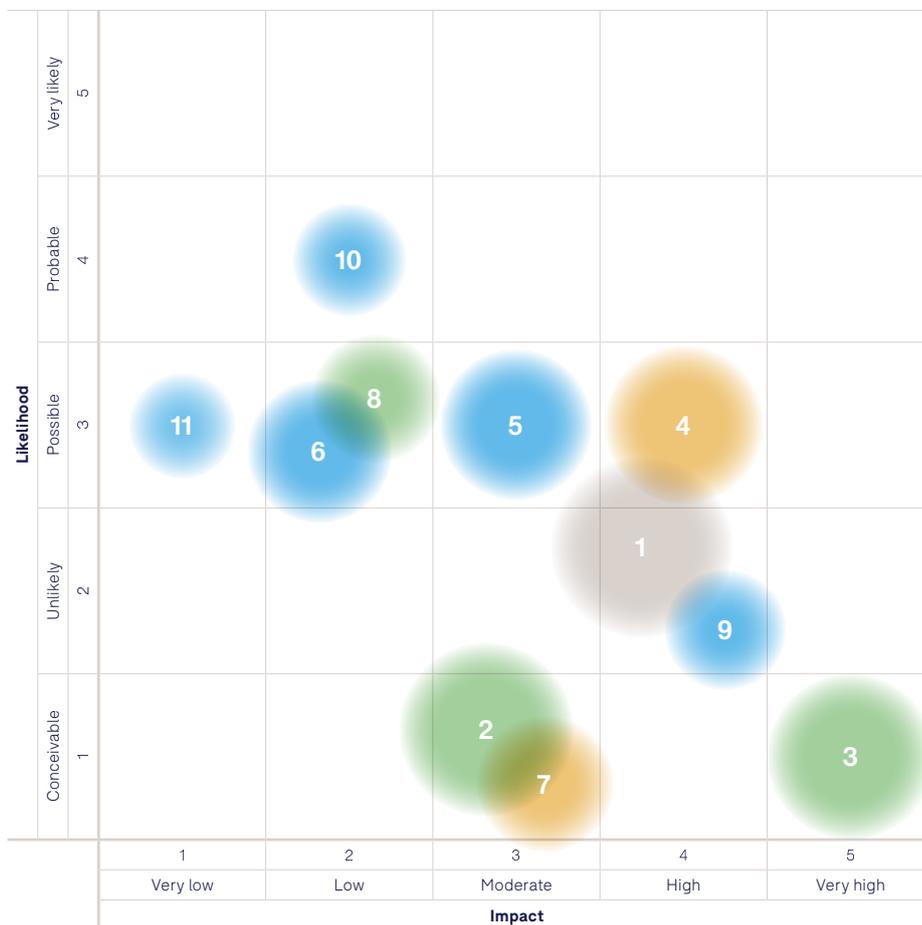
The risk heatmap illustrates the relative positioning of the potential impact and likelihood of the principal risks after mitigation, taking into consideration risks in the following categories: i) strategic objectives, ii) operational activity, iii) finance, iv) reputation, v) health and safety or vi) environmental and sustainability.

Internal or external forces, or a combination of both, will continuously have the potential to alter this positioning and hence these risks are closely monitored within our risk management framework throughout the year.

### Key

- Strategic
- Operational
- Finance
- Health and safety

- 1 Health and safety
- 2 Strategy execution and development
- 3 Government policy
- 4 Market and counterparty risk
- 5 Supply chain and counterparties
- 6 Business interruption and IT systems
- 7 Financial and funding
- 8 Attracting talent and retention of staff
- 9 Loss of accreditations
- 10 COVID-19
- 11 Brexit



### Emerging risks

Emerging risks are considered throughout our risk management processes. Like other businesses in 2020, management of the impacts of the COVID-19 pandemic as an emerging risk in 2020 was a significant risk management activity during the year. Further details of the Group's approach in respect of this emerging risk are set out on pages 10 and 55.

# Principal risks and uncertainties

The principal risks, 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, that 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. These systems have been in place for the year under review and up to the date of this Annual Report and Accounts, and are regularly reviewed by the Board. During the year the Board has carried out a robust assessment of principal and emerging risks.

## Key to risk movement

- ⬆ Risk increasing
- ⬇ Risk decreasing
- ⊞ No risk movement
- Ⓝ New risk

1. Health and safety		
Key risk description	Risk movement	Risk mitigation in action
Calisen, and in particular Lowri Beck, is required to manage a range of potential health and safety hazards in the course of its operations. While Lowri Beck strives to maintain a strong health and safety record and is committed to high standards, there is always the potential for safety related issues to arise in an operational business. Incidents that result in death, significant injury or property damage that are attributable to a failure to manage these hazards effectively may be subject to legal action that could result in fines or other penalties and resultant reputational damage.	⊞	<p>High standards of technical training and audit.</p> <p>Regular training of staff aimed at accident reduction.</p> <p>Experienced and well qualified safety and technical personnel.</p> <p>Effective investigation of incidents and implementation of learning points.</p> <p>Maintenance of the ISO 45001 Health and Safety Management Standard at Lowri Beck.</p>

2. Strategy execution and development		
Key risk description	Risk movement	Risk mitigation in action
<p>Calisen seeks to implement a three-fold strategy: delivering contracted growth in the British MAP segment; continuing to build out its smart meter pipeline; and expanding into adjacent areas and internationally. While Calisen believes that it has developed its strategy based on a careful analysis of its strengths, its competitors and the overall MAP segment, and that it is focused on executing its strategy, there is no guarantee that Calisen will be able to do so successfully.</p> <p>The Lowri Beck acquisition was a strategic decision for the Group, however, Lowri Beck has historically been loss-making and improving the profitability of the Lowri Beck business unit may take longer and be more difficult than anticipated.</p>	⬇	<p>Calisen has an experienced Board and Executive Committee that have previously delivered successful strategies.</p> <p>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.</p> <p>The leadership team at Lowri Beck has been strengthened with key additions including a new CEO with experience of growing a complex operational business.</p>

### 3. Government policy

Key risk description	Risk movement	Risk mitigation in action
<p>The growth of Calisen's business, its financial condition, its results of operations and its prospects depend on the regulatory and legal environment in which Calisen operates.</p> <p>There is a risk that energy networks and related industries in Britain, including the MAP segment, may be more onerously regulated by a future government, and MAPs may become directly regulated.</p>		<p>Calisen plays an active part in industry events and closely monitors policy development.</p> <p>Calisen employs a Regulation Manager who reviews all relevant consultations and provides a monthly report to the business. The Regulation Manager also gathers feedback on consultations and Calisen responds to any consultations that may have an impact on the business.</p> <p>Calvin Capital is a member of the Community of Meter Asset Providers to help ensure that the voice and concerns of MAPs are raised in the industry, with regulators and with the UK Government.</p> <p>Lowri Beck is also a member of the Association of Meter Operators and the Smart Meter Operations Group, which both provide an opportunity to voice industry concerns from a MOP/MAM perspective. Lowri Beck also meets with BEIS directly on an annual basis, again to discuss issues and concerns relating to the industry.</p>

### 4. Market and counterparty risk

Key risk description	Risk movement	Risk mitigation in action
<p>Calisen is exposed to market risks. These include changes to the energy market and the challenges of the smart meter roll-out. The UK energy market is undergoing significant change as evidenced by recent consolidation in the industry and the introduction of an energy price cap.</p> <p>Calisen is exposed to counterparty default risks and has a concentration exposure to certain energy retailers. In 2020 the industry had a number of failed energy retailers and Calisen's revenue in respect of MPCs prior to the "supplier of last resort" ("SOLR") event is exposed as an unsecured creditor in these circumstances.</p> <p>Consumers changing energy retailer ("switching") is an everyday occurrence in the UK energy industry. Where a consumer changes energy retailer and the new energy retailer is not one with which Calisen has a consumer switching contract for that vintage of meter, Calisen faces the risk of loss of revenue.</p> <p>Due to the nature of the smart meter roll-out, it is difficult to predict with precision how many revenue-generating meters Calisen will have as a result of its MAP contracts or how much actual revenue Calisen will recognise from its contracted installation MAP pipeline.</p>		<p>Due to the structure of its contracts with energy retailers, Calvin Capital has revenue that is reasonably predictable. The contractual nature of Calvin Capital's business produces high-quality, long-term cash flow and allows Calvin Capital to enjoy significant downside protection.</p> <p>Calisen has no consumer credit exposure and its energy retailer customers tend to have high credit quality.</p> <p>Counterparty risk is further limited as a result of regulation such as the SOLR regulatory framework which can be invoked by Ofgem when an energy retailer is in financial difficulty or goes out of business.</p> <p>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.</p>

## Key to risk movement

-  Risk increasing       No risk movement  
 Risk decreasing       New risk

## 5. Supply chain and counterparties

Key risk description	Risk movement	Risk mitigation in action
<p>Calisen depends on a limited number of manufacturers and installers, and their failure to deliver their products and services on a timely basis or to otherwise perform their contractual obligations could increase its costs, impact revenue and harm its reputation.</p> <p>This risk can manifest itself in a number of ways, for example if metering equipment installed, owned and managed by Calisen develops faults which may lead to Calisen facing warranty or liability claims.</p> <p>Calisen has the benefit of warranties from meter manufacturers for faulty products. However, the value of the warranty as a mitigant is dependent on the counterparty which provides the warranty and therefore Calisen has counterparty default risk with its supply chain.</p>		<p>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.</p> <p>Calisen conducts financial and other due diligence on meter manufacturers and obtains parent company guarantees where required.</p> <p>Calisen has a strong focus on detailed manufacturer quality assurance that helps inform its meter selection decision making. Calvin Capital 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.</p> <p>During the year Calisen had regular updates with manufacturers and energy retailers to review supply continuity plans to ensure that meter supply chains were not disrupted by Brexit.</p>

## 6. Business interruption and IT systems

Key risk description	Risk movement	Risk mitigation in action
<p>Calisen's operations rely on IT systems and networks, which may be affected by malfunctions, cyber attacks, interruptions or security breaches, and any failure of the physical infrastructure or the IT systems and networks could lead to significant costs and disruptions that could reduce revenue, harm the Group's reputation and have a material adverse effect on financial results.</p>		<p>Calisen and its subsidiary companies have disaster recovery and business continuity plans in place and these are reviewed regularly and audited.</p> <p>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.</p> <p>Lowri Beck and Calvin Capital also have ISO 27001 certification with security and data controls in place.</p>



## 7. Financial and funding

Key risk description	Risk movement	Risk mitigation in action
<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.</p> <p>Calisen may need additional capital in the future which may not be available on terms favourable to it or at all.</p>		<p>Calisen's contracts include maximum capital expenditure commitments which are regularly reviewed by the Executive Committee and the Board.</p> <p>Calisen has committed bank facilities and a business with highly predictable cashflow.</p> <p>The Group reviews the efficiency of its funding on a regular basis and in July 2020 announced that it had agreed a new financing platform to provide greater flexibility supported by an enlarged group of banks and access to blue-chip institutional investors.</p> <p>No meter funding facility renewals fall due before December 2023.</p> <p>The Group enters into interest rate swaps, 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.</p>

## 8. Attracting talent and retention of key staff with organisational knowledge

Key risk description	Risk movement	Risk mitigation in action
<p>Calisen may encounter difficulties in attracting or retaining key executives, officers, managers and technical personnel.</p>		<p>The business seeks to mitigate the risk of not retaining its talent by deploying strong recruitment and retention processes supported by effective HR procedures.</p> <p>Recruitment of a senior CPO in 2020 and active workforce engagement as set out in more detail on page 42.</p> <p>Remuneration packages are benchmarked against the industry to ensure the business attracts the right calibre of applicant.</p> <p>Development of talent management and succession plans.</p>



**Key to risk movement**

- ⬆ Risk increasing      ⬆ No risk movement
- ⬇ Risk decreasing      Ⓝ New risk

**9. Loss of accreditations**

Key risk description	Risk movement	Risk mitigation in action
Loss of required registrations and accreditations would mean that Lowri Beck would no longer be able to operate.	Ⓜ	Retention of required accreditations is one of the top priorities for the Lowri Beck leadership team. Lowri Beck has an experienced team that understands the accreditation requirements and standards. Lowri Beck ensures that there are sufficient resources and time allocated to ensure compliance with accreditations and the renewal of accreditations.  Lowri Beck has a history of successfully renewing the accreditations. Its accreditations were renewed successfully in 2020.

**10 and 11. Emerging economic and global issues**

Key risk description	Risk movement	Risk mitigation in action
The Group monitors the impact of emerging risks including economic and global issues. In 2020 this has included the impact of Brexit and the impact of COVID-19.	Ⓝ	Emerging risks are assessed as part of the risk management framework to categorise the risk and identify any mitigants that can be put in place. In respect of high-impact risks, forecasts and stress testing are undertaken so that the Board and the Executive Committee can assess the impact.  In respect of the two notable emerging economic and global issues considered by the Group, being Brexit and COVID-19, a large number of mitigants had already been built into the business model. The Group's risk management of COVID-19 risks are set out in detail on pages 10 to 11. The risk management framework ensures that these risks are regularly reviewed and assessed.



# Medium term viability statement

## Basis of assessment

The aim of the viability statement is for the Directors to report on the assessment of the prospects of the Group meeting its liabilities over the assessment period, taking into account the principal risks, financial position and prospects.

The Directors have based their assessment of viability on the Group's current business plan, which is updated and approved annually by the Board. The business plan makes relevant assumptions relating to the economic conditions; the regulatory challenges facing our sector; changing customer behaviours; and the commitments associated with delivering our strategy.

The Directors' assessment is based on the current group structure and its financial resources and does not take account of the Acquisition. The full consequences of such an event were not foreseeable during the business planning process, nor are the Directors aware of the full strategic plans of the potential new owners.

## Assessment period

The Directors have assessed the viability of the Group over a three-year period to December 2023. The Directors have determined that a three-year period is the most appropriate timeframe for assessment as it aligns with the medium-term strategic planning period.

## Current position

The Group continues to deliver against its strategic objectives and has increased both its current smart meter portfolio and contracted pipeline and achieved 8 per cent growth in Underlying EBITDA during the year. A new funding platform has been established that has reduced debt service costs and provides flexibility for funding the contracted pipeline to the end of the three year assessment period.

The financial resources available at 31 December 2020 are cash of £114.6m and agreed bank facilities of £1,479.4m, of which £762.0m was undrawn.

The impact of the first national lockdown had a challenging impact on H1 2020 results, particularly for the Lowri Beck business unit that relies on access to consumers' properties to generate a large proportion of its income.

Refer to pages 21 and 24 for the Chief Executive Officer's review and Chief Financial Officer's reviews respectively for further details regarding the Group strategic and financial progress.

## Medium-term vision

The Group has considered the following factors in generating its business plan,

Scenario	Principal risks	Description
Loss of key customer	<ul style="list-style-type: none"> <li>Strategy execution and development</li> <li>Market and counterparty risk</li> <li>Financial and funding</li> </ul>	<p>This scenario assumes that the key customer of each business unit is lost. In the MAP segment there is regulatory protection under the SOLR regime, so any losses would be confined to existing and short-term receivables until the SOLR transfer mechanism moves the end consumers to a new energy retailer.</p> <p>The broad impact of this would be a significant initial bad debt expense and a partial loss of contracted pipeline resulting in lower forecast growth. A prudent assumption for this scenario is that the new energy retailer assumes similar preferential MPC rates to that of a contracted customer.</p> <p>The impact on the Lowri Beck business unit is assumed to be more severe with a significant initial bad debt expense coupled with a loss of revenue throughout the assessment period.</p>
COVID-19	<ul style="list-style-type: none"> <li>COVID-19</li> <li>Financial and funding</li> </ul>	<p>A three month lockdown during 2021, consisting of six weeks of no installations and a six-week gradual recovery period. An assessment has been made of the impacts on revenues, costs, EBITDA and cashflows. This impact of this scenario is more severe on the Lowri Beck business unit as it requires access to consumers' properties. The Group has therefore considered whether liquidity is sufficient under this scenario.</p>

and when assessing longer-term strategic prospects:

- The current economic climate, regulatory guidance, competitor behaviour and dynamism of our customers' requirements.
- The principal risks and uncertainties and the Group's response to these, as detailed in pages 51 to 55.
- Opportunities for investment into market adjacencies and international markets and how the Group can position itself to best leverage these.
- The resilient and robust recurring cashflows provided by the existing sizeable revenue-generating metering portfolio.

## Viability assessment

The viability of the Group has been assessed considering the current financial position, including committed external funding in place over the assessment period, and after modelling the impact of certain scenarios arising from the principal risks which have the greatest potential impact on viability in that period.

A number of scenarios have been modelled, considered severe but possible, including the impact of COVID-19 on the business and the loss of continuing key customers, that incorporate these identified risks. The aggregate impact of these scenarios has been evaluated as the most severe scenario. While the scenarios assessed do adversely impact the Group's position, the impact is not so severe as to jeopardise the Group's viability.

The scenarios above are considered severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group. It is assumed that debt repayments are made as they fall due and funding facilities remain available, or increased as permitted within the existing facility indebtedness clauses, during the assessment period. If the above scenarios were to materialise, various options would be available to the Group in order to maintain liquidity so as to continue in operation, for example, short-term cost reduction actions and delaying or reducing non-contractual capital expenditure to maintain facility headroom and reduce net debt. Neither of these mitigating actions has been included within the outlined scenarios.

## Viability statement

Based on these severe scenarios and taking into account the medium term business plan, the Directors have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due over the period considered.

The going concern statement can be found in Note 1 of the financial statements.

The Strategic Report has been approved by the Board and signed on its behalf by:

**Bert Pijls**  
Chief Executive Officer

1 March 2021

# Governance

Corporate Governance Report	59
Board of Directors	60
Executive Committee	62
Board leadership and Company purpose	63
Nomination Committee Report	67
Audit and Risk Committee Report	70
Remuneration Committee Report	74
Directors' Report including Statement of Directors' Responsibilities	92

# The UK Corporate Governance Code: how we comply

The Board is pleased to report that the Company complied with the provisions set out in the UK Corporate Governance Code (the "Code") throughout the year under review, and up to the date of this report except for provision 11 (relating to Board composition) for a period between February 2020 and 31 July 2020, as explained on page 59.

The Code is available, free of charge, on the Financial Reporting Council's website at [www.frc.org.uk](http://www.frc.org.uk).

This Corporate Governance Statement, which forms part of the Directors' Report and includes the Nomination Committee, Audit and Risk Committee and Remuneration Committee Reports, explains how the Board has applied the principles and complied with the provisions of the Code.



## Section 1: Board leadership and Company purpose

The Company is led by an effective and entrepreneurial Board to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board is responsible for setting the Company's purpose, values and strategy, ensuring that these are aligned to the Company's culture. The Board has in place the necessary resources for the Company to meet its objectives, to measure performance, and to establish an effective and prudent controls framework to enable assessment and management of risks. The Board ensures effective engagement with shareholders and stakeholders, and ensures that workforce policies and practices are consistent with the Company's values.

<b>Purpose statement</b>	<b>2</b>
<b>Business model</b>	<b>14-15</b>
<b>Risk management Report</b>	<b>49-55</b>
<b>Stakeholder engagement</b>	<b>38-41</b>
<b>Workforce Engagement Forum</b>	<b>42</b>

## Section 2: Division of responsibilities

The Chair leads the Board and is responsible for its overall effectiveness. The division of responsibilities between the Chair and the Chief Executive Officer is clearly defined. The Board has delegated certain functions to its committees or to the Chief Executive Officer and the Executive Committee. The Non-Executive Directors provide constructive challenge and strategic guidance, offer specialist advice and hold management to account, and have sufficient time to meet their Board responsibilities.

<b>Board of Directors</b>	<b>60-61</b>
<b>Board roles</b>	<b>63-65</b>
<b>Nomination Committee Report</b>	<b>67-69</b>

## Section 3: Composition, succession and evaluation

Appointments to the Board are subject to a formal, rigorous and transparent procedure, with an effective succession plan for Board and senior management, that is based on merit and promotes diversity. The Board and its committees have conducted an annual performance evaluation.

<b>Nomination Committee Report</b>	<b>67-69</b>
<b>Skills chart</b>	<b>61</b>
<b>Board evaluation update</b>	<b>59</b>

## Section 4: Audit, risk and internal control

The Board has established policies and procedures to ensure the independence and effectiveness of internal and external audit functions, to satisfy itself on the integrity of financial and narrative statements, to present a fair, balanced and understandable assessment of the Company's position and prospects, to manage risk, oversee the internal control framework and to determine the Company's risk appetite in order to achieve its long-term strategic objectives.

<b>Risk management Report</b>	<b>49-55</b>
<b>Audit and Risk Committee report</b>	<b>70-73</b>

## Section 5: Remuneration

The Remuneration Policy and practices are designed to support strategy and promote long-term sustainable success with executive remuneration aligned to Company purpose and values and clearly linked to the successful delivery of the Company's long-term strategy. There is a formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration.

<b>Purpose statement</b>	<b>2</b>
<b>Strategy</b>	<b>14-15</b>
<b>Remuneration Committee Report</b>	<b>74-91</b>

# Leading with purpose



## Dear shareholder

I am pleased to present the Corporate Governance Report for the year ended 31 December 2020.

Between Admission in February 2020 and 31 July 2020, the Company was fully compliant with the Code, save for provision 11, which recommends that at least half the Board, excluding the Chair, should be independent non-executive directors. The Company's intention to address this issue in 2020 with the appointment of a further independent Non-Executive Director was noted in the Prospectus published on 7 February 2020. Since the appointment of Lisa Harrington on 1 August 2020 the Company has been fully compliant with the Code.

### Our purpose, culture, values and link to strategy

Our purpose is to accelerate the development of a cleaner, more efficient and sustainable energy segment. We have a duty to identify and minimise the impact that we have on the environment through our day-to-day business activities as well as through our participation in the smart meter roll-out.

The Board is responsible for assessing and monitoring culture and ensuring it is aligned with the Company's purpose, vision and values. The way we embed and assess culture is described on page 66.

### Promoting the success of the Company

Calisen is committed to the highest standards of corporate governance and recognises this commitment is vital to the successful delivery of its strategic objectives.

The Board sets the strategy for the Group and works with the Executive Committee to deliver that strategy for the long-term success of the Company in line with the Company's purpose and to operate the business in a sustainable way.

### Engaging with our employees

In order to understand the views of the workforce one of the Non-Executive Directors is designated as the Employee Liaison Non-Executive Director. Until his retirement from the Board on 1 August 2020 this role was carried out by Jim Macdonald with Lisa Harrington taking over this role when she joined the Board on 1 August 2020.

The 2020 workforce engagement programme included meetings with the newly created Workforce Engagement Forum, which is chaired by Lisa Harrington, "on the tools" meetings between individual Directors and members of staff across the Group as well as other activities described elsewhere in this Annual Report and Accounts. The Board received feedback from Jim and from Lisa on workforce engagement activities during the year.

### Diversity

The Company understands and values the benefits that diversity can bring to the Board. It recognises that a diverse Board makes good use of differences in skills, experience, background, ethnicity, gender and other characteristics.

The Board is pleased to report that it meets the Hampton-Alexander objective of 33 per cent female representation on the Board and also meets the objectives of the Parker Review in respect of ethnic minority representation. Further information on diversity is included in the Nomination Committee Report.

### How sustainability drives long-term success

This year we focused on developing our sustainability strategy and governance. Further details of our progress and commitment to TCFD reporting can be found on page 46.

### Outcomes of the Board evaluation

This year we conducted an internal evaluation of the performance of the Board and its committees. The evaluation process is described in the Nomination Committee report.

The evaluation results were considered by each committee and the Board, and the Board concluded that it had a good mix of skills and experiences. The list of skills and experience of the Directors is shown on page 61.

### Relationship with Major Shareholder

The Company has a relationship agreement in place with its Major Shareholder (the "Relationship Agreement"). The principal purpose of the Relationship Agreement is to ensure that the Company and its subsidiaries are able to carry on their business independently of the Major Shareholder.

The Relationship Agreement contains undertakings from the Major Shareholder that it will, and will ensure that each of its associates will:

- (i) conduct all transactions and arrangements with the Company or any other member of the Group on an arm's length basis and on normal commercial terms;
- (ii) not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and
- (iii) not propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

Under the terms of the Relationship Agreement, the Major Shareholder can appoint two directors to the Board providing it (and any of its associates, when taken together) holds 20 per cent or more of the voting rights of the Company's shares, and one director providing it (and any of its associates, when taken together) holds 10 per cent or more of the voting rights of the Company's shares.

The Board confirms that, during the year under review:

- The Company has complied with the independence provisions included in the Relationship Agreement.
- So far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by the Major Shareholder and its associates.

### Outlook

Calisen implemented a structured and robust governance process to ensure that it was compliant with the Code in 2020.

As noted on page 18 on 11 December 2020 the Board recommended the Acquisition. The good governance principles that have been implemented ensure that the Company has the foundations in place to help achieve its goals and manage its risks in the future.

**Phil Nolan**  
Chair

1 March 2021

## Governance

### Division of responsibilities Board of Directors

As a Board, we are focused on ensuring our strategy is able to generate sustainable returns for shareholders



**Dr. Philip (Phil) Nolan**  
**Chair (independent on appointment)**

Date of joining the Group: January 2020  
Committee memberships: N\*

Phil has a wealth of experience on the boards of many companies, private and public, in both executive and non-executive capacities. He is Chairman of Associated British Ports Holdings and was Chairman of John Laing from 2010 to 2018, Ulster Bank Limited and Ulster Bank Ireland Limited between July 2013 and July 2017 and Chairman of Affinity Water from 2013 to 2018. Phil has previously served as a non-executive director of Providence Resource Plc and EnQuest PLC. He was Chairman of Infinis, a then privately-held, leading renewable energy generator between 2007 and 2010, Chairman of Sepura plc, a listed global supplier of TETRA radios, between 2007 and 2010, and CEO of Eircom, Ireland's national telecommunications supplier from 2002 to 2006. Prior to that, he served as an Executive Director of BG Group plc and CEO of Transco plc from 1998 and in 2000, as CEO, led the demerger of Transco from BG, as the Lattice Group.



**Henricus Lambertus (Bert) Pijls**  
**Chief Executive Officer**

Date of joining the Group: September 2017  
Committee memberships: None

Bert assumed the CEO position of the Group in September 2017. He 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.



**Kathryn (Kath) Durrant**  
**Independent Non-Executive Director**

Date of joining the Group: January 2020  
Committee memberships: A, N, R\*

Kath was a non-executive director for Renishaw plc board between January 2015 and July 2018. She has extensive UK, US and European experience with large multinational businesses having previously been the Group HR Director and member of the Executive team at Rolls Royce plc, Ferguson Plc and CRH Plc. She has significant prior experience with AstraZeneca plc and GlaxoSmithKline plc. Kath has previously served as an Advisory Board member for the Lancaster University Management School, and is presently a Scale Up Mentor at the Royal College of Art Innovation centre. Kath is also a non-executive director of Vesuvius plc, and a non-executive director and Chair of the Remuneration Committee of SIG plc.



**Lisa Harrington**  
**Independent Non-Executive Director**

Date of joining the Group: August 2020  
Committee memberships: A, N

Lisa is a technology executive and diversity advocate. She has spent 25 years growing and transforming business across the professional services, education, technology, utilities and telecoms sectors. She started her career in consulting and later joined British Telecom where she spent 10 years in a range of leadership roles. Lisa subsequently moved into private equity and was Managing Director of QA Ltd, the largest tech and cyber learning and skills provider in the UK. She is currently acting Managing Director of Infrastructure at Hyperoptic Limited. Lisa has held a number of non-executive posts including terms on the boards of Southern Water and West London NHS Mental Health Trust. She is currently a non-executive director of Post Office Limited and is a member of its Remuneration and Nominations Committees. Lisa is a well-known diversity advocate, founder of BT TechWomen and a mentor for the UK Cabinet Office REACH programme.



**Patrick O'Donnell Bourke**  
**Independent Non-Executive Director**

Date of joining the Group: January 2020  
Committee memberships: A\*, N, R

Patrick served as Group Finance Director for John Laing Group plc from 2011 until his retirement in 2019. He has significant international experience in infrastructure, particularly in the electricity and energy sectors. He was Group Finance Director of Viridian Group PLC, the Northern Ireland-based energy group, from 2000 to 2006, becoming Group Chief Executive from 2007 to 2011 after Viridian was taken private. Previously, he was Group Treasurer for Powergen plc and spent nine years in investment banking with Barclays de Zoete Wedd and Hill Samuel. Patrick graduated from Cambridge University and qualified as a chartered accountant with Peat Marwick (now KPMG). He served as a non-executive director and Chair of the Audit Committee of Affinity Water Limited from 2013 to 2020. He currently serves as a non-executive director and Chair of the Audit Committee of Harworth Group PLC and non-executive Chair of Ecofin US Renewables Infrastructure Trust PLC.



**Lord Jitesh Gadhia**  
**Senior Independent Non-Executive Director**  
 Date of joining the Group: January 2020  
 Committee memberships: A, N, R

Jitesh is an investment banker and businessman and has been a Member of the House of Lords since September 2016. He is a board member of UK Government Investments, the centre of excellence for corporate finance and corporate governance for the UK Government and also serves on the boards of BGL Holdings, which owns comparethemarket.com, and Accord Healthcare Limited, a leading supplier of generic pharmaceuticals. He was a Senior Managing Director at Blackstone and has over 25 years' financial services experience, having also held senior positions at Barclays Capital, ABN AMRO and Baring Brothers. He has advised on a wide range of high-profile M&A transactions across developed and emerging markets. He graduated from Cambridge University with a degree in economics and attended the London Business School as a Sloan Fellow. On 1 March 2021 Jitesh joined the Board of Taylor Wimpey plc and is a member of its Nomination and Governance Committee and its Remuneration Committee.



**Sean Latus**  
**Chief Financial Officer**  
 Date of joining the Group: October 2014  
 Committee memberships: None

Sean joined the Group in October 2014 as Chief Investment Officer, and assumed the CFO position of the Group in February 2018. He has over 20 years' experience raising infrastructure finance and equity funding and has worked across multiple infrastructure sectors both in the UK and overseas. Sean's previous roles include Head of Investments at Costain Group, Senior Director at RBS Project and Infrastructure Finance, and Investment Director at John Laing.

**Key**

- A Audit and Risk Committee
- N Nomination Committee
- R Remuneration Committee
- \* denotes Chair



**Tara Davies**  
**Non-Independent Non-Executive Director**  
 Date of joining the Group: January 2017  
 Committee memberships: N

Tara joined the Group as a non-executive director in January 2017, upon the acquisition of the Group by KKR. Tara is the Global Head of Core Infrastructure, and Co-Head of the European Infrastructure Team at KKR. She is a member of the Infrastructure Investment Committee and Infrastructure Portfolio Management Committee. Prior to joining KKR, she was a Senior Managing Director and Head of Mergers and Acquisitions for Macquarie Group's infrastructure advisory arm in London. Tara commenced her career at Price Waterhouse (now PwC) and is a qualified Chartered Accountant. She holds a Bachelor of Commerce degree from the University of Sydney.



**Alberto Signori**  
**Non-Independent Non-Executive Director**  
 Date of joining the Group: August 2020  
 Committee memberships: None

Alberto joined KKR in November 2018 and is a Managing Director in the Infrastructure team in London focusing on investments across Europe, the Middle East and Africa. Prior to this, Alberto was an Investment Director and member of the Investment Committee at Infracapital (the infrastructure investment arm of M&G) where he led and participated in a number of acquisitions in the utility, energy, telecoms and transport sectors. He also spent 10 years in the investment banking divisions at UBS and Dresdner Kleinwort (now Commerzbank) across mergers and acquisitions, leveraged/structured finance and infrastructure investments. Alberto holds a university degree in Economics and an M.B.A. from SDA Bocconi (Milan).

**Experience and skills**

The experience and skills of the Directors are summarised below:

Experience and skills	
Audit and finance	71%
Compliance and regulation	100%
Digital innovation	86%
Energy	71%
Environmental matters	100%
Executive leadership	100%
Government/political	86%
Health and safety	100%
International expansion/growth	100%
Investor relations	86%
Infrastructure	86%
Listed board experience	86%
Remuneration	100%
Risk management	100%
Technology	100%

**Board changes during the year**

James (Jim) Macdonald and Oleg Shamovsky retired from the Board with effect from 1 August 2020.

Governance  
**Division of responsibilities**  
**Executive Committee**



**Bert Pijls**  
**Chief Executive Officer**



**Julie Armstrong**  
**Chief People Officer**

Date of joining the Group: July 2020



**Sarah Blackburn**  
**General Counsel and Company Secretary**

Date of joining the Group: April 2014



**Sean Latus**  
**Chief Financial Officer**

For Bert Pijls and Sean Latus's biographies, please see pages 60 and 61.

Julie Armstrong was appointed as Chief People Officer in July 2020. She has over 20 years' experience both in and outside of HR, working in a variety of industries, such as telecommunications, aviation, aerospace defence, financial services, retail, and travel and leisure. Prior to joining Calisen, Julie was the Group HR Director for Thomas Cook Group PLC. Her previous roles include Customer Services Director at Manchester Airports Group, where she was responsible for customer service and all land-side operations.

Sarah Blackburn joined Calisen in April 2014 as part of the senior management team. She has over 15 years of experience and prior to joining Calisen worked for Addleshaw Goddard LLP during which time she undertook secondments to the legal departments at Barclays Bank PLC and The Royal Bank of Scotland plc.



**Jo Cox**  
**Managing Director, Calvin Capital**

Date of joining the Group: January 2020

Jo Cox joined Calvin Capital as MD in January 2020. She has over 20 years' experience in utilities and telecommunications. Prior to joining Calvin Capital, Jo worked at Centrica Connected Home as Commercial, Digital and Marketing Director for UK & Ireland. Jo has previous experience at large blue chip companies such as Vodafone and Cable and Wireless Communications, which later became part of the Batelco Group, renamed Sure. Her previous role was Chief Commercial Officer on the board of Sure Ltd, a telecoms provider responsible for the delivery of Data Centre & Cloud services, Fixed Line, Broadband and mobile.



**George Donoghue**  
**Chief Technology Officer**

Date of joining the Group: October 2017

George Donoghue joined Calisen as Chief Operating Officer in October 2017 and became Chief Technology Officer in 2019. He has over 20 years' experience in the energy, smart metering and distributed networks sectors. George's previous roles include Head of Asset Strategy at British Gas, Head of Assets and Infrastructure at npower, Director of Operations at Spark Energy and a Board Director of the Alternate HAN Company.



**Dave Taylor**  
**Chief Executive Officer, Lowri Beck**

Date of joining the Group: January 2020

Dave Taylor was appointed the Chief Executive Officer at Lowri Beck in January 2020. Dave brings over 25 years of experience from both the Construction and Utilities sectors. Prior to joining Calisen, he was the Managing Director of SSI Services (UK) Ltd, a division of South Staffordshire Plc. Previously, Dave was the founder and Managing Director of a specialist engineering business, which was acquired by South Staffordshire Plc in 2011. Following the acquisition, Dave accepted the post of divisional Commercial Director in 2014 and subsequently that of SSI Services (UK) Ltd group Managing Director in 2015.

**The role of the Board and its Committees**

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

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.

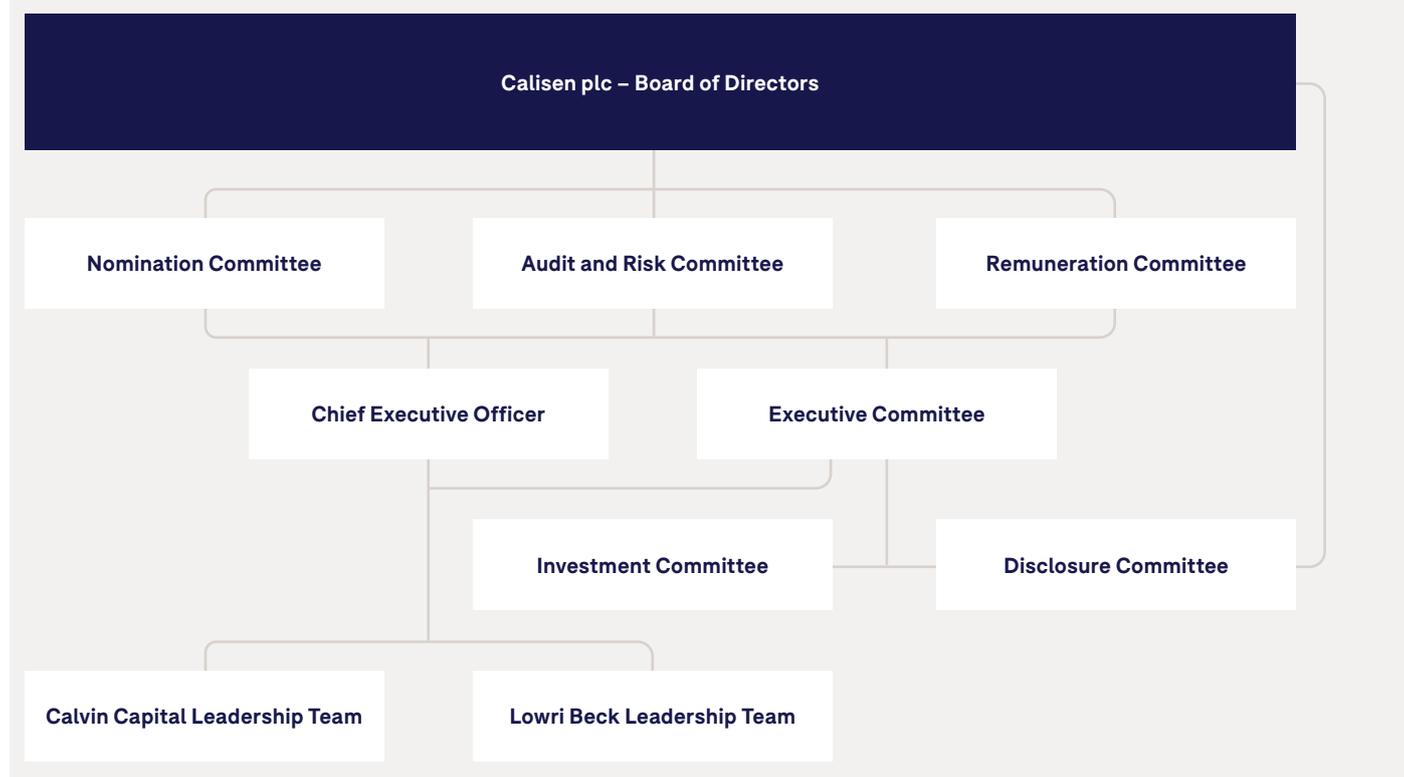
While some Non-Executive Directors have external directorships, the Board considered new external appointments in advance and concluded for each Director that there was no conflict of interest and that the Director would continue to have sufficient time to devote to his or her role with Calisen. The Board is comfortable that these external directorships do not adversely affect the time that any director devotes to the Company and believes that this experience enhances the capability of the Board.

Director	Date appointed to the Board	Attendance at scheduled Board meetings during the year
Phil Nolan	27 January 2020	4/4
Tara Davies <sup>1</sup>	27 January 2020	3/4
Kath Durrant	27 January 2020	4/4
Lord Jitesh Gadhia	27 January 2020	4/4
Lisa Harrington	1 August 2020	1/1
Patrick O'Donnell Bourke	27 January 2020	4/4
Alberto Signori	1 August 2020	1/1
Former directors	Period of appointment	Attendance at scheduled Board meetings during the year
Jim Macdonald	27 January 2020 to 1 August 2020	3/3
Oleg Shamovsky	27 January 2020 to 1 August 2020	3/3

**Note:**

1. Tara Davies was unable to attend one Board meeting during the year due to a pre-existing commitment before her appointment.

**Our governance structure explained**



**Matters reserved for the Board**

The Board has adopted a written statement setting out the division of responsibilities between the Chair and the Chief Executive Officer as well as the role of the Senior Independent Non-Executive Director. Board biographies are set out on pages 60 to 61.

The Board also delegates certain functions to Board committees as set out in further detail in the committee reports.

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 62.

The governance structure is set out on the previous page.

**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.

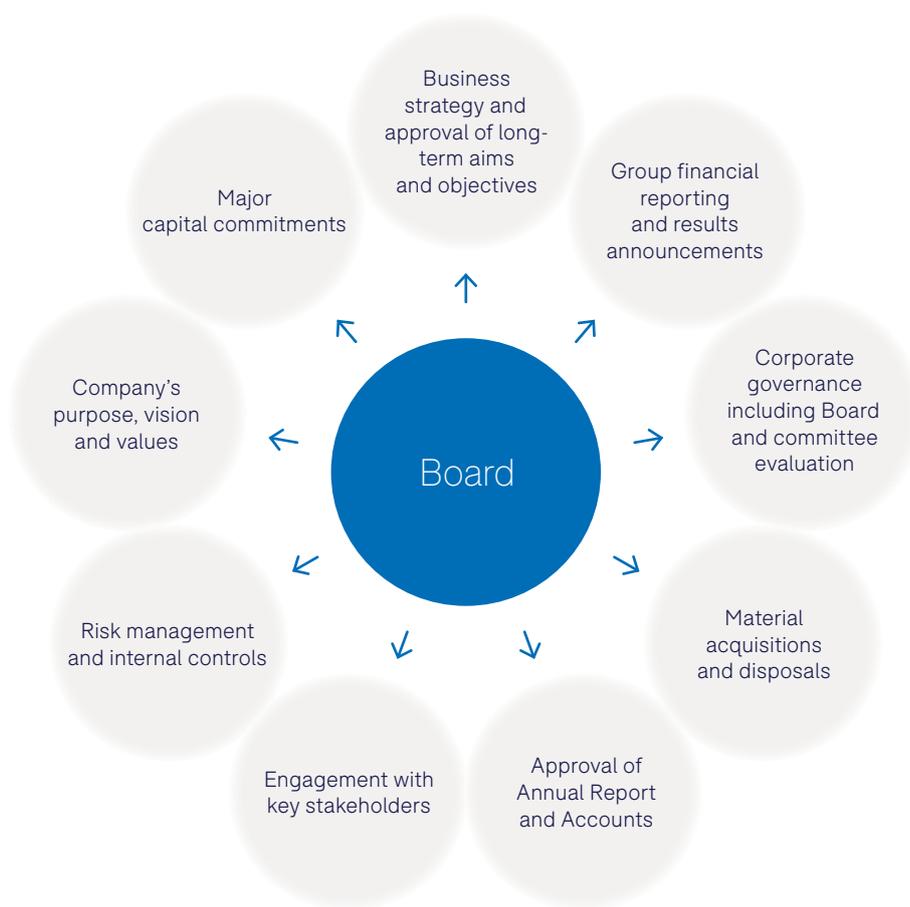
The Group's key stakeholders and their differing perspectives are taken into account as part of the Board's discussions. You can read more in our s.172(1) statement on pages 38 to 41.

**How the Board supports strategy**

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

During 2020 the Board held a number of sessions to review and assess strategy. Details of the Company's strategy are set out on pages 16 to 17.

Board meetings follow a carefully tailored agenda that is agreed in advance by the Chair, in conjunction with the Chief Executive Officer and Company Secretary. Each meeting includes an update from the chairs of our Board committees on the proceedings of those meetings, including the key discussion points and any particular areas of concern. A typical Board meeting comprises reports on operational and financial performance, legal and governance updates and one or two deep dives into areas of particular strategic importance.



**Board allocation of agenda time**

The Board has a formal annual agenda of items for its review at its regular Board meetings. Meetings are also arranged as required. During the year regular calls were held with the Board to discuss the Company's response to COVID-19 and further separate meetings were held with regard to the Acquisition referred to on page 18.

Details of the Directors' attendance at the scheduled meetings that took place during the year can be found on page 63.



## Division of responsibilities

A summary of the responsibilities of the Directors and Company Secretary is 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.

### Senior Independent Non-Executive Director

- Provides a sounding board for the Chair and serves as an intermediary for the other Directors.
- Helps to develop an understanding of the issues and concerns of major shareholders.
- Available to shareholders if they have concerns which they have been unable to resolve.
- Leads the Non-Executive Directors in their annual appraisal of the Chair's performance.

### Non-Executive Directors

- Ensure the Company preserves and generates value over the long term.
- Constructively challenge the Executive Directors and help develop strategic proposals.
- Protect shareholder and stakeholder interests.
- Scrutinise the performance of the Executive Committee.

### Employee Liaison Non-Executive Director

- Acts as the link between the Board and the workforce to help the Board to understand the views of the workforce on key topics throughout the year and to provide feedback to the workforce, including key concerns and potential solutions the Company may consider.



### 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.

### Chief Financial Officer

- Recommends annual budget and financial plan.
- Responsible for the Group's financial accounting and reporting.
- Examines all trade, investments and major capital expenditure proposed by Group companies.
- Oversee the Group's treasury and internal controls.
- Recommends appropriate changes to the Group's capital structure and debt levels.
- Maintains relationships with the Group's banks and manages the investment and banking portfolio.

### General Counsel and Company Secretary

- Develops, implements and sustains high standards of corporate governance.
- Oversees legal and regulatory matters and transactions.
- Oversees the Group's risk management processes.
- Advises the Board on legislation, regulation and corporate governance which impact the Group.
- Supports the Chair and other Board members as necessary.

# How the Board monitors culture

The Board sets the culture of the Group and 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 established a Workforce Engagement Forum (the "Forum") and the Employee Liaison Non-Executive Director has provided 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 also conducted its first Group-wide Employee Survey in 2020.

### Whistleblowing hotline

The Group implemented an independent whistleblowing hotline during the year operated by a third party where employees can report any whistleblowing concerns anonymously. This facility will allow the Board to monitor any employee reports that would indicate any areas for concern in respect of the culture of the Group.



### Employee retention

The Board receives an update on HR matters at each scheduled Board meeting.

Our employees offer one of our greatest competitive advantages and retaining their services is a key element of our strategy. Voluntary employee turnover of 15 per cent in 2020 (2019 – 23 per cent) is aligned to a strong level of engagement with the Company's 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 elsewhere in this Annual Report on page 48. The employee survey described above found that 71 per cent of employees understood their role in advancing this commitment in their day to day work.



### Compliance

The Group has robust policies, 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, whose work is monitored by the Audit and Risk Committee as described on pages 70 to 73, and an independent whistleblowing process monitored by the Board as described above.



### Membership and meeting attendance

Role	Director	Date appointed to the Committee	Attendance at Committee meetings during the year
Committee Chair	Phil Nolan	27 January 2020	4/4
Committee members	Tara Davies <sup>1</sup>	27 January 2020	3/4
	Kath Durrant	27 January 2020	4/4
	Lord Jitesh Gadhia	27 January 2020	4/4
	Lisa Harrington	1 August 2020	1/1
	Patrick O'Donnell Bourke	27 January 2020	4/4

#### Note:

1. Tara Davies was unable to attend one Committee meeting during the year due to a pre-existing commitment before her appointment.

#### Phil Nolan

Chair of the Nomination Committee

The Nomination Committee (the "Committee") is compliant with the Code recommendation that a majority of its members should be independent non-executive directors.

The Committee meets at least twice a year. Its Terms of Reference are available on our website at [www.calisen.com/investors/corporate-governance/](http://www.calisen.com/investors/corporate-governance/). These were last updated in July 2020 and reflect the current statutory requirements and best practice appropriate to the Group's size and nature.

#### Roles and responsibilities

The Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any Board committees.

The Committee is responsible for the following:

- Regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and senior management and making recommendations to the Board for any changes.
- Identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Reviewing the time required from Non-Executive Directors.
- Overseeing, with the Chair of the Board, a formal and rigorous annual evaluation of the performance of the Board, its committees and individual Directors.
- Overseeing diversity and inclusion across the Group and monitoring progress made against objectives.
- Reviewing the results of the Board performance evaluation process that relate to the composition of the Board and succession planning.
- Monitoring and overseeing the development of a diverse pipeline of talent within the Group.

#### Main focus in 2020

The Committee met four times during the year and the Committee Chair provided a verbal report to the Board on the activities of the Committee at the Board meeting that followed each Committee meeting.

During the year the Committee's focus was on the following:

- The recruitment of an additional independent Non-Executive Director.
- Appointment of a Non-Executive Director nominated by the Major Shareholder.
- Board and Group diversity and inclusion policy.
- The composition of the Board and its committees following the IPO and following the changes to the Board in August 2020.
- The development of contingency and longer-term succession planning.
- The process for the evaluation of the Board and its committees.

**Appointment of new independent Non-Executive Director**

New appointments are made on merit. The Committee appointed Korn Ferry to assist with the search for a suitable additional Non-Executive Director. Korn Ferry also provides advice to the Remuneration Committee, via an entirely separate team, but otherwise has no connection with the Company or any individual Director.

Korn Ferry was asked to consider candidates from a wide range of backgrounds, on merit and against objective criteria and with due regard for the benefits of diversity on the Board, taking care that the appointee would have enough time available to devote to the position.

The Committee, having reviewed and discussed a long list of candidates prepared by Korn Ferry against the above criteria, agreed a shortlist of candidates. Following interviews with six candidates, Lisa Harrington was selected as the preferred candidate and Lisa joined the Board on 1 August 2020.

**Board and committee evaluation**

This is the first year of operation of the Board and its committees and an internal evaluation process was conducted using online questionnaires that were completed anonymously by the Directors in relation to the Board, each of its committees, the Chair and the Directors themselves. The Chair then conducted one to one interviews with each of the Directors. The Non-Executive Directors, led by the Senior Independent Non-Executive Director considered the performance of the Chair. Each of the committees, and the Board, reviewed the results of the questionnaires into their own performance.

The outcomes of those evaluations are set out in the Chair's statement and the respective committee reports.

The evaluation of the Nomination Committee concluded that overall the Committee was operating effectively.

The Committee reviewed the feedback from Directors on the time commitment required and agreed that the time required by the Non-Executive Directors to fulfil their role was appropriate.

The Committee also considered the structure, size and composition of the Board and its committees. The Committee agreed that the Board had a good mix of skills and experiences.

**Focus for 2021**

In 2021 the Committee will focus on setting diversity and inclusion targets and the development plan for those employees identified in the below Board succession plan.

**Diversity and inclusion**

Calisen understands and values the benefits that diversity and inclusion can bring to the Board. It recognises that a diverse Board makes good use of differences in skills, experience, background, ethnicity, gender and other characteristics and has put in place a Board Diversity Policy.

The Board is pleased to note that it meets the Hampton-Alexander objective of 33 per cent female representation on the Board, as well as at Executive Committee level and the direct reports to the Executive Committee. The table on page 43 in the Strategic Report sets out the gender balance of senior management and its direct reports.

The Board also meets the objectives of the Parker Review as it has two directors (22 per cent) from a B.A.M.E. background. Further information on diversity and inclusion initiatives can be found on page 43.

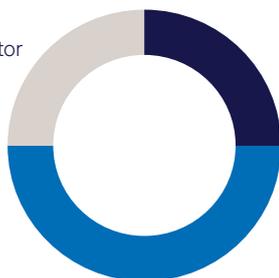
**Phil Nolan**

Chair of the Nomination Committee

1 March 2021

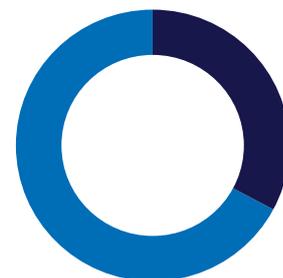
**Board composition** (excluding the Chair) as at 31 December 2020

- 25% Executive Director
- 50% Independent Non-Executive Director
- 25% Non-Executive Director



**Board gender profile** as at 31 December 2020

- 33% female
- 67% male



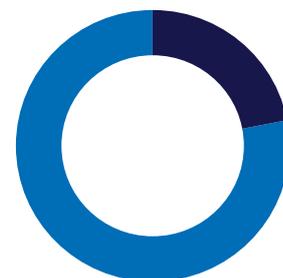
**Board age profile** as at 31 December 2020

- 22% 40-49
- 56% 50-59
- 22% 60-69



**Board ethnicity profile** as at 31 December 2020

- 22% B.A.M.E.
- 78% white



# Induction of Lisa Harrington



The Chair, supported by the Company Secretary, oversees the induction of new Directors. When Lisa Harrington joined the Board as an independent Non-Executive Director on 1 August 2020, her induction programme included the activities set out in the table to the right. Due to COVID-19 restrictions, all meetings were held remotely. A similar induction programme was put in place for Alberto Signori.

Induction activity	Summary of activity
<b>Meetings</b>	<p>Meetings with the Chair and the Executive Committee, collectively and individually.</p> <p>Meetings with the Chief Technology Officer and his team to discuss IT and cyber matters.</p> <p>Meetings with the Chief People Officer to understand workforce context and culture.</p>
<b>Workforce engagement</b>	<p>As the Board's designated Employee Liaison Non-Executive Director, Lisa met with Jim Macdonald, the outgoing Non-Executive Director responsible for workforce engagement, as well as the Chief People Officer to discuss the Group's programme of workforce engagement.</p> <p>Meetings with external advisers to discuss workforce engagement best practice.</p> <p>Meetings with individual employees across the Group as part of the Board's "on the tools" programme.</p>
<b>Documentation</b>	<p>Access to past Board and Committee papers and minutes through our electronic board portal.</p>
<b>Audit and Risk Committee</b>	<p>Lisa met with the chair of the Audit and Risk Committee and also the external and internal auditors before attending her first committee meeting. Lisa reviewed past meeting papers, minutes and Terms of Reference through the electronic Board portal.</p>
<b>Nomination Committee</b>	<p>Lisa met with the chair of the Nomination Committee before attending her first committee meeting. Lisa reviewed past meeting papers, minutes and terms of reference through the electronic Board portal.</p>
<b>Training</b>	<p>Directors' duties and governance training was provided by the Company's external lawyers, supported by the General Counsel.</p>



**Membership and meeting attendance**

Role	Director	Date appointed to the Committee	Attendance at Committee meetings during the year
Committee Chair	Patrick O'Donnell Bourke	27 January 2020	5/5
Committee members	Kath Durrant	27 January 2020	5/5
	Lord Jitesh Gadhia	27 January 2020	5/5
	Lisa Harrington	1 August 2020	1/1
Observer	Alberto Signori (from 1 August 2020)	N/A	N/A
	Oleg Shamovsky (from 27 January 2020 until 1 August 2020)	N/A	N/A

**Patrick O'Donnell Bourke**  
Chair of the Audit and Risk Committee

I am pleased to present the report of the Audit and Risk Committee (the "Committee") for the year ended 31 December 2020.

The Board considers that all members of the Committee are independent non-executive directors. As required by the Code, the Board is satisfied that Patrick O'Donnell Bourke has recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Group operates.

The Committee meets at least three times a year. Its Terms of Reference are available on our website at [www.calisen.com/investors/corporate-governance/](http://www.calisen.com/investors/corporate-governance/). These were last updated in July 2020 and reflect the current statutory requirements and best practice appropriate to the Group's size and nature.

**Roles and responsibilities**

The Committee's main responsibilities are to assist the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including the following:

- Reviewing and monitoring the integrity of the Group's annual and interim financial statements.
- Oversight and challenge of the Group's risk management system.
- Reviewing and monitoring the extent of the non-audit work undertaken by the external Auditor (the fees paid to KPMG for audit and non-audit services are disclosed in Note 9 of the financial statements).
- Advising on the appointment of the external Auditor.
- Overseeing the Group's relationship with the external Auditor.
- Reviewing the effectiveness of the external audit process.
- Reviewing the effectiveness of the Group's internal audit, internal controls, whistleblowing and fraud systems.

The ultimate responsibility for reviewing and approving the annual report and financial statements and the half yearly reports remains with the Board. The Committee gives due consideration to laws and regulations, the provisions of the Code and the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules ("DTR").

The Committee is also responsible for advising the Board on the Company's risk strategy, risk policies and current risk exposures, overseeing the implementation and maintenance of the overall risk management framework and systems as well as reviewing the Company's risk assessment processes and capability to identify and manage emerging risks.

**Main focus in 2020**

- Oversight and advice in the preparation of the 2019 annual report and the 2020 interim results.
- Assessment of whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates.
- Establishment of internal audit function.
- Consideration of internal and external audit process and approval of audit plans.
- Development of the Group's risk management system.
- Review of Group policies.
- Committee evaluation.

### Main focus in 2021

- Oversight and advice in the preparation of the 2020 Annual Report and Accounts.
- Assessment of whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates.
- Consideration of internal and external audit process and approval of audit plans.
- Further development of the Group's risk management processes and systems.
- Review of Group policies.

### External audit

KPMG LLP ("KPMG") was appointed as Auditor to the Group in September 2017 following a competitive tender process. The Committee reviewed the independence and objectivity of the external Auditor during the year and confirmed that it considers KPMG to remain independent.

Review meetings are held after each year end audit to identify areas for improvement. As KPMG has now been in place for three years as external Auditor, it was invited to carry out a client service review following the conclusion of the 2019 year end audit. This review was conducted by a senior member of KPMG not involved in the provision of any audit services to the Group. The review involved structured interviews with senior management, the finance teams and the Board, and found that the relationship was operating satisfactorily.

The Group has in place a policy adopted after the IPO which limits the non-audit services that can be provided by KPMG as external Auditor. Subject to approval as set out in the policy, KPMG may only be engaged to provide other non-audit services where they are closely related to the work performed in the external audit process and are largely carried out by members of the audit team; or where for reasons of effectiveness or efficiency it is advantageous to use the external Auditor because of its knowledge and expertise. During the year, the only non-audit service provided by KPMG, other than services related to the IPO, was the review of the interim financial statements. The Committee considered that the provision of this non-audit service by KPMG was appropriate as it was an audit-related service (as defined in the FRC Revised Ethical Standard 2019).

The non-audit fees incurred were approved in accordance with the Company's policy and are disclosed in Note 9 of the financial statements. The ratio for non-audit services to those for audit services for the year was 0.8:1. The only non-audit related services provided in the year, other than the review of the interim financial statements, related to the IPO. Excluding these IPO-related services, the ratio is 0.2:1.

### Internal audit

During the year the Company appointed Mazars to carry out the work of internal audit for the Group. The Committee approved the annual internal audit plan whose purpose is to assess the adequacy and effectiveness of the internal control environment and to identify any weaknesses in those controls.

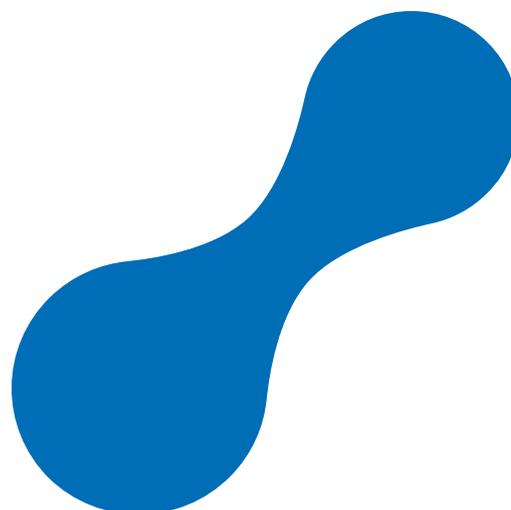
Mazars attends each Committee meeting to update the Committee on progress against that plan and on actions agreed with management. Mazars also works closely with the internal risk teams across the Group.

### Risk

The Committee oversaw the development of the Company's risk management system since the IPO. Further details of the risk management system, the principal and emerging risks of the Group and the mitigation actions that have been taken or are available can be found set out in further detail on pages 50 to 55.

### Evaluation

The evaluation of the Committee concluded that overall the Committee was operating effectively.



## Activities during the year

Principal responsibilities of the Committee	Key areas discussed and reviewed by the Committee during the year in discharging its responsibilities	
Integrity of financial statements and announcements	<p><b>Accounting judgements</b>                      Considered and approved the judgements and accounting policies.</p> <p>Considered the external Auditor's views and findings.</p> <p>Considered the adjustments and disclosure requirements to meet the transition from FRS 102 to IFRS.</p> <p><b>Non-trading items</b>                      Considered the accounting treatment of non-trading items and their impact on the financial performance of the Group (for further information see pages 24 to 28).</p>	<p><b>Financial statements and announcements</b>                      Reviewed and approved the interim and full year financial statements.</p> <p>Reviewed and recommended to the Board for approval drafts of the interim and full year results announcements.</p> <p>Considered, approved and recommended to the Board for signature the draft management representation letters for the interim and full year financial statements.</p>
Going concern and viability statements	Reviewed and discussed the stress tests, management information and external Auditor's report.	
Internal control and risk management systems	<p>Approved an updated delegation of authority matrix.</p> <p>Oversaw development of risk management systems and risk register.</p>	Development of risk appetite statement.
Internal audit	<p>Approved the appointment of Mazars to perform internal audit function.</p> <p>Approved internal audit charter and annual internal audit plan.</p>	<p>Scrutinised internal audit reports and management's responses to them.</p> <p>Held meetings without management.</p>
External audit	<p>Approved audit strategy.</p> <p>Held meetings without management.</p>	
Governance	<p><b>Terms of Reference</b>                      Reviewed and updated the Committee's Terms of Reference in line with best practice.</p> <p><b>Committee evaluation</b>                      Conducted an evaluation of the performance and effectiveness of the Committee.</p>	<p><b>Compliance with Senior Accounting Officer regime</b>                      Oversight of management's preparation for compliance with this regime in 2021.</p> <p><b>Policies</b>                      Reviewed and approved the following policies:</p> <ul style="list-style-type: none"> <li>• Depreciation of traditional meters.</li> <li>• Tax strategy.</li> <li>• Treasury and Financial Risk policy.</li> </ul>

Financial statements and significant areas considered	Action performed by the Committee
Revenue recognition	Considered the work done by KPMG around the systems and controls in place and reviewed the report from KPMG on its findings. Following enquiries with management and KPMG, the Committee concluded that there are appropriate systems and internal controls in place to assess and quantify revenue, and that the revenue recognition policy is appropriate and has been properly applied in these financial statements.
Fixed assets – meters	Approved an extension to the useful estimated economic lives of the traditional meters in the Group's portfolio of assets. This is described more fully on page 26.
Intangible assets	Reviewed and challenged management's review of intangible assets for impairment, in particular goodwill.
Going concern basis for the financial statements and viability statement	Reviewed and challenged management's assessment of going concern and longer-term viability and considered the forecast cash flows, the Group's financing facilities and the principal risks facing the Group including in the context of the Acquisition. The Committee concluded that the going concern basis of preparation continues to be appropriate.

#### Fair, balanced and understandable assessment of 2020 Annual Report and Accounts

The Committee reviewed the Annual Report and Accounts and assessed supporting information received from management and the external Auditor, and the process undertaken to prepare the Annual Report and Accounts. The Committee considered that information against the following criteria to assist it in determining whether the Annual Report is fair, balanced and understandable.

Fair	Balanced	Understandable
Is the whole story being presented?	Is the Annual Report and Accounts fit for shareholders?	Is there a clear and cohesive framework for the Annual Report?
Has any sensitive material been omitted?	Is there a good level of consistency between the front and back sections of the Annual Report and Accounts?	Are the important messages highlighted appropriately throughout the document?
Are the key messages in the narrative reflected in the financial reporting?	Are statutory and adjusted measures explained clearly with appropriate prominence?	Is the layout clear with good linkage throughout in a manner which reflects the whole story?
Are the KPIs disclosed at an appropriate level based on the financial reporting?	Are the key judgements referred to in the narrative reporting and the significant issues reported in the Audit and Risk Committee Report consistent with the disclosures of key estimation uncertainties and critical judgements set out in the financial statements?	
	How do they compare with the risks included by the external Auditor in their report?	

The Committee subsequently recommended to the Board that, taken as a whole, the Company's 2020 Annual Report and Accounts is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Company has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year ended 31 December 2020. The Directors' responsibility statement is on page 94.

#### Patrick O'Donnell Bourke

Chair of the Audit and Risk Committee

1 March 2021



**Kath Durrant**  
Chair of the Remuneration Committee

### Structure of Remuneration Committee Report

In line with the requirements of the UK reporting regulations, this report is divided into three sections:

- This Annual Statement: summarising the work of the Remuneration Committee (the “Committee”) and our approach to Directors’ remuneration.
- The Directors’ Remuneration Policy (the “Policy”): which summarises the framework under which Directors’ pay is set and how it links to strategy. The Policy was approved by shareholders at the 2020 AGM.
- The Annual Report on Remuneration (the “Report”): which sets out remuneration outcomes for 2020 and how, subject to the timetable of the Acquisition, the Committee intends to apply the Policy in 2021. This section will be subject to an advisory shareholder vote at the AGM should the Acquisition not have completed before an AGM is required.

The Committee comprises Kath Durrant, independent Non-Executive Director and Committee Chair; Patrick O’Donnell Bourke, independent Non-Executive Director and Chair of the Audit and Risk Committee; and Lord Jitesh Gadhia, Senior Independent Non-Executive Director. The Committee is advised by Korn Ferry.

Typically in attendance are Phil Nolan, Chair; Alberto Signori and previously Oleg Shamovsky as the Major Shareholder observer; Bert Pijls, Chief Executive Officer; and Julie Armstrong, Chief People Officer.

The Committee met seven times during 2020, and operated to a planned forward agenda with additional meetings as required due to the Acquisition process.

### I am pleased to present the Directors’ Remuneration Report on behalf of the Board.

#### At the start of 2020

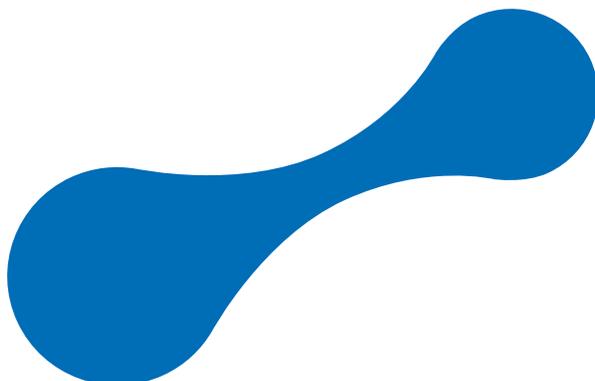
The Committee terminated the prior arrangements which existed in the Company’s pre-listed environment and the Policy to meet the relevant corporate governance requirements with the aim of ensuring competitiveness, alignment, incentivisation and proportionality. The Policy was shared with prospective investors in the IPO prospectus and was subsequently approved by 99.67% of shareholders who voted at the June 2020 AGM. The Policy is reflected in the new contracts of employment agreed with the Executive Directors, which became effective on Admission, and most other members of the senior management team, which were put in place after Admission.

#### Annual bonus plan (“ABP”)

The ABP was developed with a structure of 75% financial targets and 25% strategic targets and, in line with best practice, the deferral of 30% of any resultant bonus into shares with a two-year holding period for the Executive Directors. The Committee spent time considering the financial targets for the ABP and determined that three balancing financial measures were appropriate and aligned well with the business plan outlined to investors at the IPO:

- Underlying EBITDA which reflects profitability.
- Funds From Operations or FFO as defined on page 145.
- Capex deployed, which is another key operational measure of growth, reflecting the number and value of meter installations during the year.

Additionally, personal strategic objectives were agreed for the Executive Directors and for each Executive Committee member. These stretching objectives reflected the demands of a newly listed company, strategic refinancing, sustainability, the significant ambitions for growth in Calvin Capital as the remainder of meter contracts to be awarded came to market and a turnaround in Lowri Beck.



### Long-term incentives

A long-term incentive plan was developed and approved by shareholders, and the first awards under the Calisen plc Performance Share Plan ("PSP") were determined on listing but awarded at the first opportunity post shareholder approval in June 2020. PSP awards were made to the Executive Directors, most of the Executive Committee and to certain other senior staff.

The three-year measurement period for the awards covers 2020, 2021 and 2022 financial years. In line with good practice the PSP includes a two-year post-vesting holding period for the Executive Directors. Additionally, restricted stock awards were granted under the same plan to several other employees identified as key talent.

The Committee spent time in the development of metrics for the PSP that are directly aligned to the interests of shareholders and the effective operation of the business. Consequently, two measures with equal weight were agreed:

- Total Shareholder Return ("TSR") against a FTSE 250 (excluding investment trusts) comparator group; and
- Growth in FFO which is a core measure of the cash generation capability of the business from an increasing installed base of meter assets and also reflects the effective management of both operations and debt facilities.

### Actions during 2020 and the response to COVID-19

Soon after Admission the first national lockdown was announced in response to the COVID-19 pandemic. The Committee (and the Board) met frequently throughout 2020, monitoring the impact on the business and its stakeholders. The impact and response are summarised below, and are relevant in the Committee's decisions regarding Director remuneration.

### Impact on operations, and the experience of employees and customers

- The Calvin Capital business unit continued to operate at full capacity, however, the Lowri Beck business unit suspended all non-essential installations and field services.
- All staff in Calisen head office and the Calvin Capital business unit transferred to working from home and continued to operate remotely throughout 2020. Full pay was maintained throughout this period for employees below the Executive Committee.
- Some staff in Lowri Beck continued to work full time in management and in emergency call-out roles; for these staff full pay was maintained (apart from where the Lowri Beck CEO voluntarily donated 20% of his pay for seven months during the period employees were furloughed). Most call-centre, installation and meter-reading staff were furloughed from April 2020 with a phased return to work from July to October 2020. During the period of furlough, staff received 90% of their normal basic pay in April and 80% of their normal basic pay thereafter, supported by the Coronavirus Job Retention Scheme ("CJRS").
- The Board and most of the Executive Committee donated 20% of their net salary or fees for so long as any member of staff was furloughed, with salaries and fees returning to 100% in November. The proceeds of these donations, totalling £160,000, went to NHS Charities Together.
- Communications with employees increased throughout the period, mental health first aiders were trained, and support was provided to individuals wherever possible.
- Lowri Beck also continued to improve processes as part of its turnaround plans and progressed with a planned rebalancing of the workforce. A redundancy programme was consulted on for up to 250 roles, however, mitigation action reduced this to 224 roles. For meter installation staff, a retention plan was introduced to secure capability in the business and provide an opportunity for staff in this area to increase their pay. Training capacity and capability were reviewed and have been extended to include approved training for EV charging points. A COVID-19 secure return to work was achieved for all colleagues at Lowri Beck.

- As part of our formal process of workforce engagement, a Workforce Engagement Forum drawn representatively from across the business participated in several discussions with the designated Employee Liaison Non-Executive Director. This included an online session with Committee members and advisers on the topic of executive pay. A positive discussion took place, with a good degree of openness and a wide range of questions. Additionally, the first Group-wide Employee Survey, which yielded a response rate of 73% and an engagement rate of 58% as an average across the Group, provided valuable perspectives to the Committee on matters of importance to the workforce.

### Impact on shareholders and business performance

- In assessing the Committee's approach to Directors' remuneration the Committee also considered the shareholder experience and the business performance. The business has proved resilient in the face of the multiple challenges 2020 has brought. Despite COVID-19 restrictions requiring the suspension of all non-essential operations at Lowri Beck for a significant period of time, the Group ended the year in a stronger position than it started.
- The Group demonstrated its robust business model in 2020 with revenue increasing by 18.8% and FFO increasing by 14.5%. The Group also increased its revenue-generating smart meters by 800,000 and extended its meter installation pipeline from 11.7 million to 13.2 million meters.
- The Lowri Beck turnaround is ahead of plan with a better than expected trading performance in the second half resulting in full year Underlying EBITDA of £0.8 million.
- The Group has engaged with its customers and workforce during this difficult period and the strong business performance during the year is a testament to the great work of the employees, the trusted relationship with customers and the support of shareholders.
- In December 2020, the Company announced the Acquisition at a price of 261p per share allowing shareholders the opportunity to crystallise value.

**Decision making at the end of 2020**

The Committee has continued its work in parallel with the Acquisition process. It has considered how the proposed change of control impacts on the remuneration calendar and existing awards. It has met a number of times since the end of 2020 and decided the following.

**Changes to base salary**

In determining whether any change to base salary was required the Committee considered the following:

- The present level of pay of the Executive Directors and other senior staff together with the market conditions for similar roles.
- The performance of each individual versus pre-agreed objectives.
- The base salary review arrangements for the workforce where increases of 0.6% at Calvin Capital and 2.7% at Lowri Beck were approved by the Committee.

Having reviewed all of the above, the economic environment and the Acquisition timetable the Committee decided not to change the base salary of the Executive Directors and the Executive Committee.

**ABP pay-out for 2020**

In determining the bonus pay-out for Executive Directors and the Executive Committee the Committee considered that the Lowri Beck business unit had received Government support under the CJRS while employees were furloughed as non-emergency operations were not permitted. The Committee recognised the fact that access to the CJRS had allowed, in accordance with one of the key aims of the CJRS, the Lowri Beck business unit to retain jobs during a difficult period and that Lowri Beck had repaid any CJRS received after the start of the consultation process in respect of any employees it was not able to retain following its redundancy programme. The Committee concluded that it would therefore assess the business performance excluding the receipt of any grants from the CJRS.

In assessing the ABP pay-out for 2020, and exercising any discretion, the Committee also considered the following factors:

*The performance of the business versus the financial targets established at the beginning of 2020.*

- The business has proved resilient, improving performance in the Lowri Beck business unit which is further ahead in its turnaround plan than anticipated. The Calvin Capital business unit has continued to perform achieving significant contract wins reflected in the

increased pipeline of meter assets referred to above. At a Group level a refinancing process has enabled the business to improve its long-term funding arrangements whilst also reducing the level of interest payable. A new sustainability strategy has been developed, and considerable work has enabled the development of a strategy for EV charging capability. Refer to the 2020 annual bonus table on page 86 for further information.

- The leadership of the business throughout 2020 was exemplary and led to an improvement in the prospects for the business. The Board and the Executive Committee worked closely throughout the year.

*Bert Pijls, CEO achieved all personal objectives delivering:*

- A high-quality strategy for the business, anchored in solid financing, and enabling the Board to explore a range of medium to long term options for the business and development of the organisation. The strategy included plans related to a new sustainability approach for the business and decisions to engage the workforce in the sustainability programme.
- Customer and supplier engagement which was an essential and ongoing feature of the year, with considerable success in continuing to deepen relationships.
- A faster than expected turnaround in Lowri Beck.
- A new risk management framework that enabled the Board and the Executive team to develop greater insight into both risk and opportunity.
- Strong leadership and communication to colleagues throughout a very challenging year.

*Sean Latus, CFO achieved all personal objectives delivering:*

- A thorough review of funding arrangements and a successful refinancing that improved the Company's position in terms of interest payments and created additional security over time.
- Significantly improved processes, particularly with regard to financial control and financial reporting. The Committee took note of the positive audit outcomes.
- An effective independent internal audit function, that has worked with good effect on a range of operational improvement areas during the year.

*The experience of all employees during the year*

- This has been a challenging year for many businesses and their workforces.
- The Calvin Capital business unit continued to work throughout 2020 and no staff were furloughed.
- The Lowri Beck business unit accessed the CJRS to protect employment in a business unit that was already in a turnaround situation following its acquisition in 2019. The vast majority of roles were preserved, and a number of new roles were created to expand capabilities; 224 staff were unfortunately made redundant and the Committee considered that these redundancies were in the ordinary course of business and part of the turnaround process where a rebalancing of the workforce was required.
- Where reductions in pay occurred as a result of accessing the CJRS, the Board and most of the Executive Committee donated 20% of their net salary or fees for so long as any member of staff was furloughed, with salaries and fees returning to 100% in November.
- Pay reviews continued as normal and new incentive schemes were put in place for key groups of staff during the year. Bonuses have been awarded to all eligible staff in the Calvin Capital business unit – at a rate higher than that approved for the Executive Committee and Executive Directors; additional ex-gratia payments were made to other staff not ordinarily part of a bonus scheme.

The Committee decided as a matter of principle to consider the performance of the business versus bonus targets having deducted the value of furlough receipts from calculations. It did this to ensure that the CJRS was only used for its intended purpose and not to enhance bonus outcomes for senior staff. It has reached a balanced set of conclusions that enable a bonus payment to be made to the Executive Directors of 53% of maximum ABP potential pay-out for 2020.

The Committee did not adjust targets for the annual bonus in light of COVID-19. Further detail is provided on page 86.

Due to the anticipated Acquisition timetable it is not practicable for 30% of the 2020 annual bonus to be paid in deferred share awards and therefore the bonus will be payable in cash at the normal time after the anticipated effective date of the Acquisition.

## PSP

The first awards under the PSP were made shortly after shareholders approved the Policy at the June 2020 AGM.

The Committee has considered its approach to PSP awards as a result of the expected timetable of the Acquisition process and de-listing of the Company. The Committee has concluded not to make any new PSP awards for 2021 if the Acquisition completes, in accordance with the timetable announced.

The Committee has also considered and reviewed in detail the treatment of existing PSP awards given the prospective change of control on completion of the Acquisition.

The Committee has reviewed the terms of the Policy regarding vesting of the PSP on a change of control and the Committee will address the vesting of the existing PSP awards, in accordance with the Policy, at the latest practicable date prior to completion of the Acquisition based on the following:

- TSR will be measured at the offer price set out in the Scheme Document of 261p per share versus the FTSE 250 comparator group.
- Growth in FFO per share will be measured using the 2020 financial year data (less the value of furlough receipts) combined with the Committee's assessment of the prospective business plan.
- A consideration of whether, in the circumstances, time pro rating should be applied to reflect the shortened performance period (noting shareholders approved the Acquisition at a court-convened meeting of Calisen's shareholders on 11 February 2021 and Bidco has offered the same price per share for all shares awarded under the vesting of the PSP with no detriment to other shareholders).

## In summary

Assuming the Acquisition completes, the team at Calisen will move into a new chapter under a different ownership structure. They have proved themselves resilient and highly effective in managing change, and have continued to grow and develop a business which is important in developing the eco-infrastructure for the UK. The Committee wishes them well and thanks them for their hard work and continued high performance in challenging times.

I hope you find this report clear and useful in explaining our approach to remuneration. If you have any questions on the Policy or the Report, please contact me through the General Counsel and Company Secretary.

## Kath Durrant

Chair of the Remuneration Committee

1 March 2021

## Executive remuneration at a glance – Policy

Element of pay	Purpose	Approach for 2021 prior to any change of control
<b>Base salary</b>	Provide a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	CEO – £550,000 CFO – £350,000
<b>Pension/Benefits</b>	Provide a market competitive level of pension and other benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	CEO/CFO: <ul style="list-style-type: none"> <li>• Pension aligned with the workforce at 3% of salary</li> <li>• Standard suite of benefits</li> </ul>
<b>Annual bonus</b>	Provide an incentive to the Executive Directors linked to achievement in delivering goals in a sustainable manner that is closely aligned with the Company's strategy and the creation of value for shareholders.	CEO – 150% of salary at maximum CFO – 135% of salary at maximum 2021 targets – 25% each of FFO/Underlying EBITDA/capex deployed/personal and strategic targets 30% of any bonus paid is deferred in shares which vest after two years Malus/clawback applies
<b>PSP</b>	Incentivise the Executive Directors to maximise returns to shareholders by successfully delivering the Company's objectives over the long term in a sustainable manner.	CEO – 200% of salary performance share award CFO – 150% of salary performance share award 2021 targets – 50% relative TSR, 50% FFO growth targets A two-year holding period and malus/clawback apply
<b>Share ownership guidelines</b>	Ensure alignment of interests of Executive Directors and shareholders.	Executive Directors are required to build up and maintain a shareholding worth at least 200% of base salary, which is normally expected to be reached within five years of appointment and which applies post cessation of employment for a period of two years

This section sets out the Company's Directors' Remuneration Policy which has been prepared in accordance with the relevant law and regulations. A summary of the full Policy can be found in the 2019 Directors' Remuneration Report and online at [www.calisen.com/investors/results-reports-and-presentations/](http://www.calisen.com/investors/results-reports-and-presentations/).

The Policy was approved by shareholders at the 2020 AGM on 4 June 2020 and is intended to apply for a period of three years. However, the Committee notes that the Policy will not apply following the proposed de-listing of the Company on completion of the Acquisition.

## Key elements of the Policy

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
<p><b>Base salary</b>            Provide a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.</p>	<p>Salaries are reviewed annually and any changes are normally effective from the beginning of the financial year.</p> <p>When determining an appropriate level of salary, the Remuneration Committee considers:</p> <ul style="list-style-type: none"> <li>remuneration practices within the Company;</li> <li>the performance of the individual Executive Director;</li> <li>the individual Executive Director's experience and responsibilities;</li> <li>the general performance of the Company;</li> <li>salaries within the ranges paid by comparable companies used for remuneration benchmarking; and</li> <li>the economic environment.</li> </ul>	<p>Base salaries are set at an appropriate level within a comparator group(s) of comparable companies and normally increase in line with increases made to the wider employee workforce (save where a higher increase is appropriate to reflect a change in role/responsibilities).</p> <p>Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved.</p>	<p>No formal performance metrics employed. However, as noted in the "Operation" column, the performance of the individual Executive Director and the general performance of the Company are taken into account when consideration is given as to whether salary increases are appropriate.</p>
<p><b>Benefits</b>            Provide a market competitive level of benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.</p>	<p>The Executive Directors receive benefits which include, but are not limited to, family private health cover, critical illness cover, life assurance cover, income protection and accident/sickness/travel insurance (including tax payable if any).</p> <p>The Remuneration Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining key personnel. Accordingly, the Remuneration Committee expects to be able to adopt other benefits including (but not limited to) relocation-related expenses, tax equalisation and support in meeting specific costs incurred by Directors.</p> <p>Any reasonable business-related expenses can be reimbursed, including the tax thereon if determined to be a taxable benefit. The Executive Directors may also participate in any all-employee share plans operated by the Company.</p>	<p>The maximum is set at the cost of providing the benefits described.</p>	<p>None.</p>

## Key elements of the Policy continued

### Pay element and purpose

#### Pensions

Provide appropriate levels of pension benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.

#### Annual Bonus Plan

The Annual Bonus Plan provides an incentive to the Executive Directors linked to achievement in delivering goals in a sustainable manner that are closely aligned with the Company's strategy and the creation of value for shareholders.

### Operation

The Remuneration Committee maintains the ability to provide pension funding in the form of a salary supplement or as an employer contribution to a defined contribution pension plan, which does not form part of the salary for the purposes of determining the extent of participation in the Company's incentive arrangements.

The Remuneration Committee determines the bonus payable, normally after the year end based on performance against targets.

No more than 70% of any bonus earned is payable in cash after the end of the financial year to which it relates. No less than 30% of any bonus earned is payable as a deferred share award which normally vests two years after the bonus payment date.

The Remuneration Committee may award dividend equivalents on share awards to the extent that they vest.

Malus and clawback provisions apply up to the date of the bonus determination and for three years thereafter.

Bonus payments are not pensionable.

### Opportunity

For existing and any future Executive Directors, the maximum pension contribution as a percentage of basic salary is set in line with the contribution level provided to the majority of the workforce (currently 3% of salary). Any changes in the workforce pension arrangements may be reflected in Executive Director pension provision.

The maximum bonus opportunity of the Executive Directors as a percentage of base salary is as follows:

- CEO – 150%
- CFO – 135%

### Performance metrics, weighting and assessment

None.

Bonus pay-outs are determined on the satisfaction of a range of key financial and personal/strategic objectives set annually by the Remuneration Committee. No more than 25% of the overall bonus opportunity can be payable by reference to performance against personal/strategic targets.

Discretion to adjust the provisional bonus outturn may be exercised in cases where the Remuneration Committee believes that such outcome is not a fair and accurate reflection of business performance and/or wider circumstances.

No more than 25% of the relevant portion of the bonus is payable for delivering a threshold level of performance, and no more than 50% is payable for delivering a target level of performance (where the nature of the performance metric allows such an approach).

## Key elements of the Policy continued

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
<p><b>Long-term incentives</b>  Awards are designed to incentivise the Executive Directors to maximise returns to shareholders by successfully delivering the Company's objectives over the long term in a sustainable manner.</p>	<p>Awards can be granted annually to Executive Directors under the PSP in the form of nil cost options or conditional awards of shares. These awards normally vest at the end of a three-year period, normally subject to:</p> <ul style="list-style-type: none"> <li>• the Executive Director's continued employment at the date of vesting; and</li> <li>• satisfaction of the performance conditions.</li> </ul> <p>The Remuneration Committee may award dividend equivalents on awards to the extent that they vest.</p> <p>The net of tax number of shares that vest after the end of the three-year performance period will be subject to an additional two-year holding period, during which the shares cannot be sold (irrespective of whether the individual remains employed).</p> <p>Malus and clawback provisions apply up to the date of the vesting determination and for three years thereafter.</p>	<p>Awards may be made up to 200% of base salary in normal circumstances.</p> <p>If exceptional circumstances arise, including (but not limited to) the recruitment of an individual, the Remuneration Committee may grant awards outside this limit up to a maximum of 250% of a participant's annual basic salary.</p> <p>No more than 25% of the award vests for threshold performance. 100% of the award will vest for maximum performance.</p>	<p>Awards vest subject to the achievement of challenging performance conditions set by the Remuneration Committee prior to each grant. Discretion to adjust the provisional vesting outcome may be exercised in cases where the Remuneration Committee believes that such outcome is not a fair and accurate reflection of business performance and/or wider circumstances.</p>
<p><b>All-employee share plans</b>  To encourage share ownership among employees and increase the alignment with shareholders.</p>	<p>The Executive Directors may participate in any all-employee share plan operated by the Company (e.g. Save As You Earn ("SAYE")).</p>	<p>The maximum participation limits are set out in the relevant legislation.</p>	<p>None, unless specified and applicable to all other participants (as is the norm for approved all-employee plans).</p>



## Key elements of the Policy continued

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
<p><b>Shareholding requirement</b> To support long term commitment to the Company and the alignment of Executive Director interests with those of shareholders.</p>	<p>The Remuneration Committee has adopted formal shareholding guidelines that encourage the Executive Directors to build up and then subsequently hold a shareholding equivalent to 200% of their base salary. Executive Directors are required to retain all of the net of tax shares they receive under any incentive plan until such time as the guideline holding is met.</p> <p>Shareholding guidelines also apply post cessation of employment as set out on page 82.</p>	200% of salary	None.
<p><b>Non-Executive Directors</b> The Company provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.</p>	<p>The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chair whose remuneration is considered by the Remuneration Committee and recommended to the Board.</p> <p>Non-Executive Directors are paid a base fee and additional fees for acting as Senior Independent Director and as Chair of Board committees (or to reflect other additional responsibilities and/or additional/unforeseen time commitments).</p> <p>Non-Executive Directors do not participate in any of the Company's incentive arrangements.</p>	<p>The base fees for Non-Executive Directors are set at an appropriate rate, taking account of fees paid at companies of similar size and complexity.</p> <p>In general, the level of fee increase for the Non-Executive Directors is determined taking account of any change in responsibility and the general rise in salaries across the workforce.</p> <p>The Company pays reasonable vouched expenses incurred by the Chair and Non-Executive Directors, together with other benefits where considered necessary (and any related tax that may be payable).</p>	None.



**Malus and clawback**

Malus and clawback provisions within the ABP and the PSP may apply in certain circumstances, including (but not limited to):

- material misstatement of results;
- gross misconduct;
- error in calculating the number of shares subject to an award or the amount of cash paid;
- corporate failure; or
- serious reputational damage.

**Discretion**

The Committee retains the ability to adjust the targets and/or set different measures if events or circumstances occur (e.g. a material acquisition and/or divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose. Any use of discretion would be explained in the annual report on remuneration for the relevant year and may, as appropriate, be the subject of consultation with the Company's major shareholders. Furthermore, the Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

**Post cessation shareholding guidelines**

Subject to the point set out below in respect of the Acquisition, the Committee currently intends that its policy relating to post cessation shareholding requirements be that Executive Directors are required to retain for two years following cessation the lower in value of (i) such number of shares on cessation that have a market value equal to the shareholding guideline in place at that time (i.e. 200% of salary presently) and (ii) the number of shares they hold at that time. However, shares that are acquired by Executive Directors out of their own funds are excluded from this holding requirement (although shares acquired under the pre-Admission Management Equity Plan are included). Also, the Committee can relax this requirement in exceptional circumstances and may alter its operation to reflect changing market practice and/or such other matters as the Committee considers appropriate.

The Committee notes that the post cessation shareholding requirements will not apply to any shares purchased pursuant to a court sanctioned scheme of arrangement due to the nature of that process.

**Consideration of conditions elsewhere in the Company**

The Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Committee considers the range of base pay increases across the Group as well as wider workforce remuneration and related policies. During the year, the Company's Workforce Engagement Forum was briefed on Executive remuneration and members of the Committee attended that Forum meeting to hear those views at first hand.

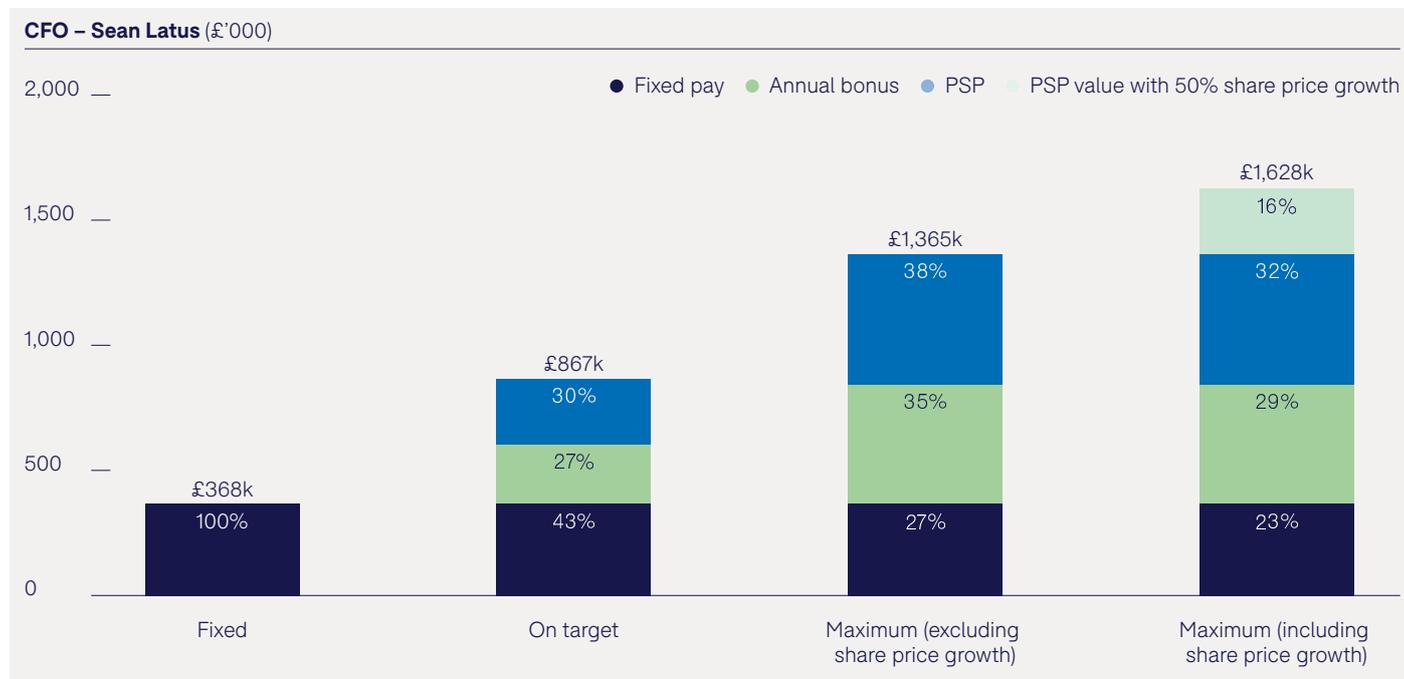
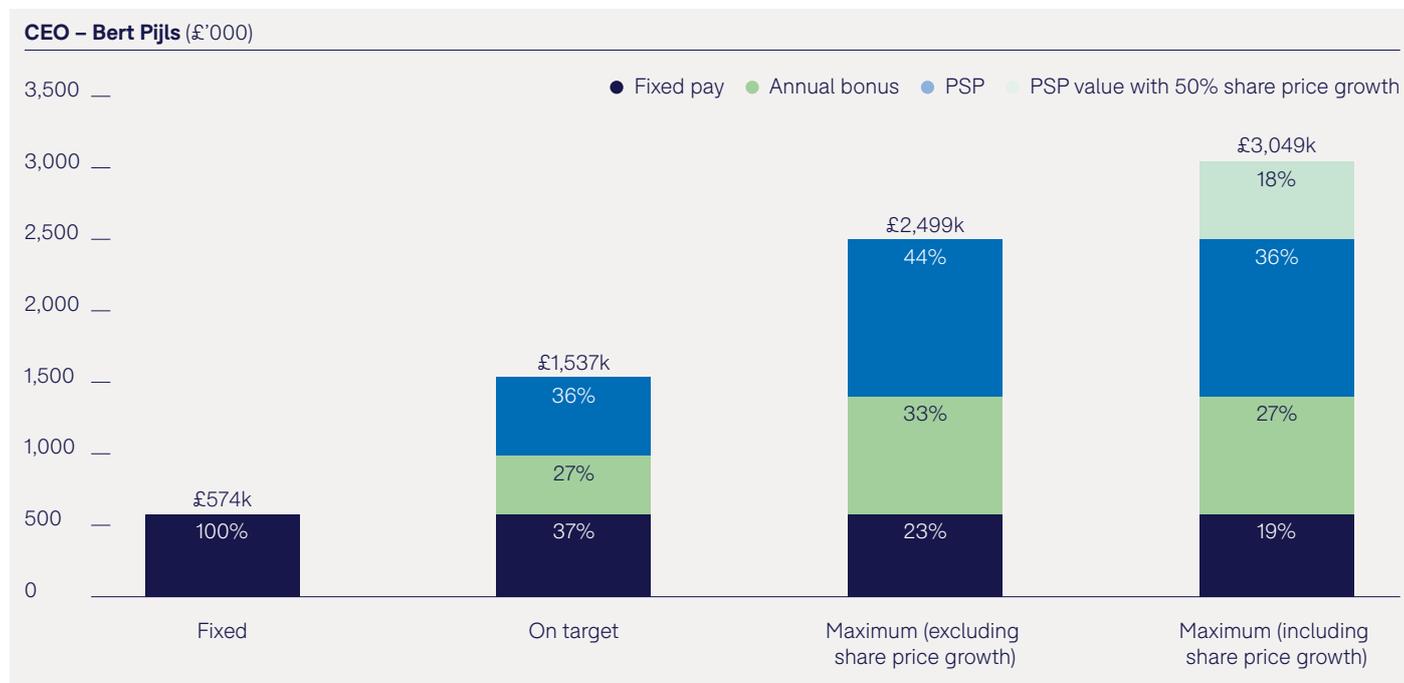
**Consideration of shareholder views**

The Committee takes the views of shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its Policy. In advance of the 2020 AGM, the Committee wrote to major shareholders to outline the Committee's approach to remuneration. No issues were raised.

Illustration of application of the Policy

Element of remuneration	Below target	Target	Maximum	Maximum + 50% share price growth
Salary	CEO – £550,000 and CFO £350,00			
Benefits	2020 value of private health cover provided			
Pension	3% of salary			
Annual bonus	0% of max	50% of max	100% of max	100% of max
LTIP	0% vesting	25% of max vesting	100% of max vesting	100% of max vesting + 50% share price growth

The total remuneration for each of the Executive Directors that could result from the Policy in 2021 is shown below:



## Remuneration Committee

The Committee comprises the following independent Non-Executive Directors and meeting attendance is set out below.

Role	Director	Date appointed to the Committee	Attendance at Committee meetings during the year
Committee Chair	Kath Durrant	27 January 2020	7/7
Committee members	Lord Jitesh Gadhia	27 January 2020	7/7
	Patrick O'Donnell Bourke	27 January 2020	7/7
Observer	Alberto Signori (from 1 August 2020)	N/A	N/A
	Oleg Shamovsky (from 27 January 2020 until 1 August 2020)	N/A	N/A

### Key responsibilities

The Committee assists the Board in determining its responsibilities in relation to Directors' remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, setting the over-arching principles, parameters and governance framework of the Policy and determining the individual remuneration and benefits package of each of the Executive Directors, the Chair and members of the executive management team (being the first layer of management below the level of the Board and reporting to the CEO, including the Company Secretary). The Committee gives due regard to the provisions of the Code when determining the Policy, and the Policy is tested against the following factors in the Code of clarity, simplicity, risk, predictability, proportionality and alignment to culture.

### Terms of Reference

The Committee operates in accordance with its Terms of Reference, which are available on the Group's website and reflect the current statutory requirements and best practice appropriate to the Group's size and nature.

### Advice to the Committee

The Committee receives independent advice from Korn Ferry as the Committee's adviser. Korn Ferry advised on remuneration arrangements in advance of the IPO and continues to advise the Committee post-Admission. Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres in all respects to the terms of this code. Korn Ferry has also provided other consulting services to the Board relating to, inter alia, senior recruitment. This advice was provided by entirely separate teams independent from the team advising the Committee. The Committee has satisfied itself that advice from Korn Ferry is independent and objective. Fees paid to Korn Ferry for advice during the year amount to £103,782 inclusive of VAT. The Committee also benefited from advice from the CPO and the General Counsel and Company Secretary on issues other than those relating to their own remuneration.

The Committee may invite the Chair of the Board and members of the management team to attend meetings where appropriate, but they are not present when their own remuneration is being directly discussed.

### Main focus in 2020

- Set the bonus measures and targets for 2020.
- Approve the 2019 Remuneration Report.
- Engage with shareholders on the Remuneration Report.
- Set the measures and targets for the awards under the PSP.
- Conduct an internal performance evaluation of the Committee.
- Consider the terms and conditions for the rest of the workforce, including pay review levels and bonus arrangements.
- Engage with the workforce on executive remuneration.
- Consider the implications for remuneration as a result of the Acquisition.

### Evaluation

The evaluation of the Committee concluded that overall the Committee was operating effectively.

### Main focus in 2021

- Review Executive Director salaries.
- Approve the 2020 bonus payments.
- Set measures and targets for the 2021 bonus.
- Approve the 2020 Remuneration Report.
- Set measures and targets for the 2021 PSP awards.
- Consider the vesting of incentives and the continuation of the 2021 ABP on the proposed change of control should the Acquisition proceed.

## How the Policy operated in 2020

### Single figure of remuneration for the year ended 31 December 2020 (audited)

The tables below set out the total remuneration received for 2020 for the Executive and Non-Executive Directors, with the figures for the financial year prior to Admission included for comparison, where applicable.

		Salary and fees <sup>1</sup> £	Benefits <sup>2</sup> £	Pension £	Annual bonus <sup>3</sup> £	PSP vesting	Total fixed remuneration £	Total variable remuneration £	Total remuneration £
Bert Pijls <sup>4</sup>	2020	528,890	29,384	20,351	433,538	N/A	578,625	433,538	1,012,163
	2019	357,000	4,620	49,980	439,969	N/A	411,600	439,969	851,569
Sean Latus <sup>4</sup>	2020	333,919	28,969	12,580	248,299	N/A	375,468	248,299	623,767
	2019	204,000	2,037	28,560	265,550	N/A	234,597	265,550	500,147

		Salary and fees <sup>1</sup> £	Total remuneration £
Phil Nolan <sup>4</sup>	2020	280,000	280,000
	2019	N/A	N/A
Lord Jitesh Gadhia <sup>4</sup>	2020	75,000	75,000
	2019	N/A	N/A
Tara Davies	2020	N/A	N/A
	2019	N/A	N/A
Kath Durrant <sup>4</sup>	2020	70,000	70,000
	2019	N/A	N/A
Lisa Harrington <sup>5</sup>	2020	25,500	25,500
	2019	N/A	N/A
Patrick O'Donnell Bourke <sup>4</sup>	2020	70,000	70,000
	2019	N/A	N/A
Alberto Signori <sup>5</sup>	2020	N/A	N/A
	2019	N/A	N/A
Jim Macdonald <sup>4,6,7</sup>	2020	43,750	43,750
	2019	75,000	75,000
Oleg Shamovsky <sup>7</sup>	2020	N/A	N/A
	2019	N/A	N/A
Totals	2020	564,250	564,250
	2019	75,000	75,000

#### Notes to both tables:

- Salaries and fees shown for 2020 in this table are the amounts paid to Directors since their date of appointment. All Directors made a voluntary donation to charity in the amount of 20% of their post-tax salary and fees between April and October 2020, the period during which there were any employees of the Group placed on furlough.
- Benefits include private health cover and employment-related advisory services.
- 2019 figures include both annual bonus and commission payments due under the pre-IPO remuneration arrangements.
- Appointed on 13 January 2020.
- Appointed on 1 August 2020.
- Pre-IPO consulting fees paid in 2019 to the individuals who are now the independent Non-Executive Directors of the Company have not been included.
- Resigned on 1 August 2020.

Governance  
**Remuneration**  
**Annual Report on Remuneration continued**

**2020 annual bonus**

For the year ended 31 December 2020, the maximum bonus was 150% of salary for the CEO and 135% of salary for the CFO. The bonus targets for 2020 and the performance against those targets are set out below. The Committee considers that this blend of short-term and longer-term targets ensures that the Executive Directors are incentivised to deliver against objectives that drive both in-year and future performance. Due to the anticipated Acquisition timetable it was not deemed practicable for 30% of the Executive Directors' 2020 annual bonus to be paid in deferred share awards and therefore the bonus will be payable in cash.

	Weighting	Threshold <sup>2</sup>	Target (50% of max payable)	Maximum (100% of max payable)	Achieved for bonus purposes <sup>2</sup>	Total bonus award
	%	£m	£m	£m	£m	(% of salary)
FFO	25	141	148	155	150	12
Underlying EBITDA	25	173	182	191	182	15
Capex deployed	25	247	260	273	172	0
Personal/strategic objectives	25		See table below			25
Total	100					53

**Notes:**

- The amount payable at threshold is 0% of maximum for FFO and Underlying EBITDA, and 25% of maximum for capex deployed.
- The bonus calculation reflects the exclusion of the £7.7m furlough payments received and takes account of any difference between amounts accrued for bonus costs at the year end and amounts paid. The exercise of discretion in the calculation of the bonus by the Committee reduced the payment as a percentage of maximum from 47% to 28% for the financial measures.  
 Not all numbers sum due to rounding.

The table below sets out details of each Executive Director's personal/strategic objectives, the Committee's assessment of performance and the resulting score.

<b>Bert Pijls objectives</b>		
Personal/strategic objective	Assessment of performance	Score
Review and agree the long-term strategy for Calisen beyond 2024		
Evaluate UK merger and acquisition opportunities		
Commence adjacent asset test pilot	25%	25%
Effectively manage risk across the Group		
Develop the Company's sustainability purpose		
Implement a turnaround at Lowri Beck		
<b>Sean Latus objectives</b>		
Personal/strategic objective	Assessment of performance	Score
Improve and continue to develop the Group's funding and pursue refinancing improvement opportunities		
Post IPO: further improve the Company's financial control environment and financial reporting framework	25%	25%
Establish an effective investor relations function		
Create an effective independent internal audit function		



### Long-term incentive awards with performance periods ending in the year

There were no PSP awards that vested during 2020.

#### Long-term incentive awards granted during the year (audited)

Details of the long-term incentive awards granted to the Executive Directors in 2020 under the PSP are set out below.

	Awards granted/ awarded during the year	Exercise price/ market price at date of award (p)	Date of grant/ award	Value of award at date of grant £	Performance period	Exercisable/ capable of vesting from
Bert Pijls	458,333	240	25 June 2020	1,100,000	TSR: 7 February 2020 to 31 December 2022 FFO: 1 January 2020 to 31 December 2022	25 June 2023
Sean Latus	218,750	240	25 June 2020	525,000	TSR: 7 February 2020 to 31 December 2022 FFO: 1 January 2020 to 31 December 2022	25 June 2023

#### Notes:

- The performance conditions are split 50% against relative TSR performance versus the FTSE 250 Index (excluding investment trusts) and 50% against FFO per share growth. For the TSR part of the award, 25% of the award will vest at threshold for median performance and full vesting at upper quartile or more, with straight-line pro rata vesting in between. No vesting will occur below median. For the purposes of the TSR element, the base TSR for Calisen and the peer group reflects the companies' average Net Returns for the one month following 7 February 2020. The end TSRs will reflect the three-month average Net Returns up to 31 December 2022. For the purposes of the FFO growth targets, the base FFO number from which growth will be measured is £141m (2019), with threshold vesting beginning at 5% CAGR and full vesting at 8.7% CAGR or more.
- The awards are subject to a two year post vesting holding period assuming no change of control prior to the relevant date.
- The nil cost conditional share awards were granted to the Executive Directors, most of the Executive Committee and to certain other senior staff.
- The market price of the ordinary shares at 31 December 2020 was 258p and the closing range during the year was 111p to 260p.

### Payments to former Directors and for loss of office (audited)

Jim Macdonald retired from the Board on 1 August 2020 and received payment of fees as a Non-Executive Director up to and including his date of resignation. No other remuneration payment or payment for loss of office will be made. Jim continues to be engaged by the Group as a consultant. No payments were made to any other former Directors of the Company or in relation to loss of office during the year.

### Directors' contracts and letters of appointment

Director	Commencement date of contract or letter of appointment	Unexpired term (months)
Phil Nolan	13 January 2020	22
Bert Pijls	12 February 2020	12-month rolling
Jitesh Gadhia	13 January 2020	22
Sean Latus	12 February 2020	12-month rolling
Tara Davies	13 January 2020	22
Kath Durrant	13 January 2020	22
Lisa Harrington	1 August 2020	29
Patrick O'Donnell Bourke	13 January 2020	22
Alberto Signori	1 August 2020	29

#### Note:

- The Non-Executive Directors have a six-month notice period on either side.



### Implementation of the Policy in 2021

#### Salary

The Committee reviews salaries annually and any increases are effective from 1 January each year. No pay increase has been awarded to the Executive Directors or the Executive Committee for 2021. This is less than the pay increase awarded to the workforce generally where with effect from 1 January 2021 a pay increase of 0.6% was awarded to employees at Calisen and the Calvin Capital business unit and an average pay increase of 2.7% was approved by the Committee for employees at Lowri Beck.

The salaries of the Executive Directors are therefore as follows:

- Bert Pijls – £550,000.
- Sean Latus – £350,000.

#### Benefits and pension

As set out in the Policy, Executive Directors are entitled to benefits that include family private health cover, critical illness cover, life assurance cover, income protection and accident, sickness and business travel insurance.

Both Executive Directors receive a pension contribution of 3% of salary, in line with the pension contribution offered to the majority of the workforce.

#### Annual bonus

The maximum annual bonus opportunity for Executive Directors is 150% of salary for the CEO and 135% of salary for the CFO.

Performance will be based on the following measures:

- FFO (25%).
- Underlying EBITDA (25%).
- Capex deployed (25%).
- Strategic/personal objectives (25%).

The Committee has agreed in principle that the 2021 ABP will continue following completion of the Acquisition. If the Acquisition does not complete and such disclosure is not considered commercially sensitive full details of the financial targets, and the objectives under the strategic and personal element, employed in the 2021 bonus will be included in next year's Report and Committee discretion, malus and clawback provisions will apply in line with the Policy as set out on pages 78 to 82.

#### Performance Share Plan

Subject to the Acquisition not completing in 2021 the Committee anticipates making PSP grants to the Executive Directors over 200% and 150% of salary for the CEO and CFO, respectively. The Committee has considered its approach to PSP awards as a result of and the expected timetable of the Acquisition process and de-listing of the Company. The Committee has concluded not to make any new PSP awards for 2021 if the Acquisition completes, in accordance with the timetable announced.

If the Acquisition has not completed by the end of April 2021 the Committee will consider making PSP grants to the Executive Directors in line with the Policy and it is expected that this would be in line with the Committee's approach to PSP grants in 2020 in respect of vesting and performance measures.

#### Non-Executive Director fees from 1 January 2021

As the Acquisition is expected to complete around March 2021, at which date the Non-Executive Directors will resign from the Board, no change has been made to the fees paid to the Chair and independent Non-Executive Directors for 2021. The fees will be reviewed if the Acquisition has not completed by the end of April 2021. If an increase is awarded at that time, it would be no more than the average increase awarded to the rest of the workforce and would take effect from 1 January 2021.

The Non-Executive Director fees are set out below. A Non-Executive Director appointed by the Major Shareholder does not receive a fee.

	<b>Fee from Admission £</b>
Chair	280,000
Senior Independent Director	75,000
Non-Executive Director	60,000
Committee Chair	10,000

The Company's Articles of Association specify an annual limit on Non-Executive Directors' fees of £1.5 million. This excludes fees for the Chair and additional fees payable to the Senior Independent Director and to Committee Chairs. Shareholder approval is required to amend this limit. The annual amount for 2020 was £248,750.

### Statement of Directors' shareholdings and share interests (audited)

The share interests of each Director (and their immediate families) are set out in the table below. The Executive Directors are required to build and maintain a shareholding of 200% of salary. There is no shareholding requirement for Non-Executive Directors.

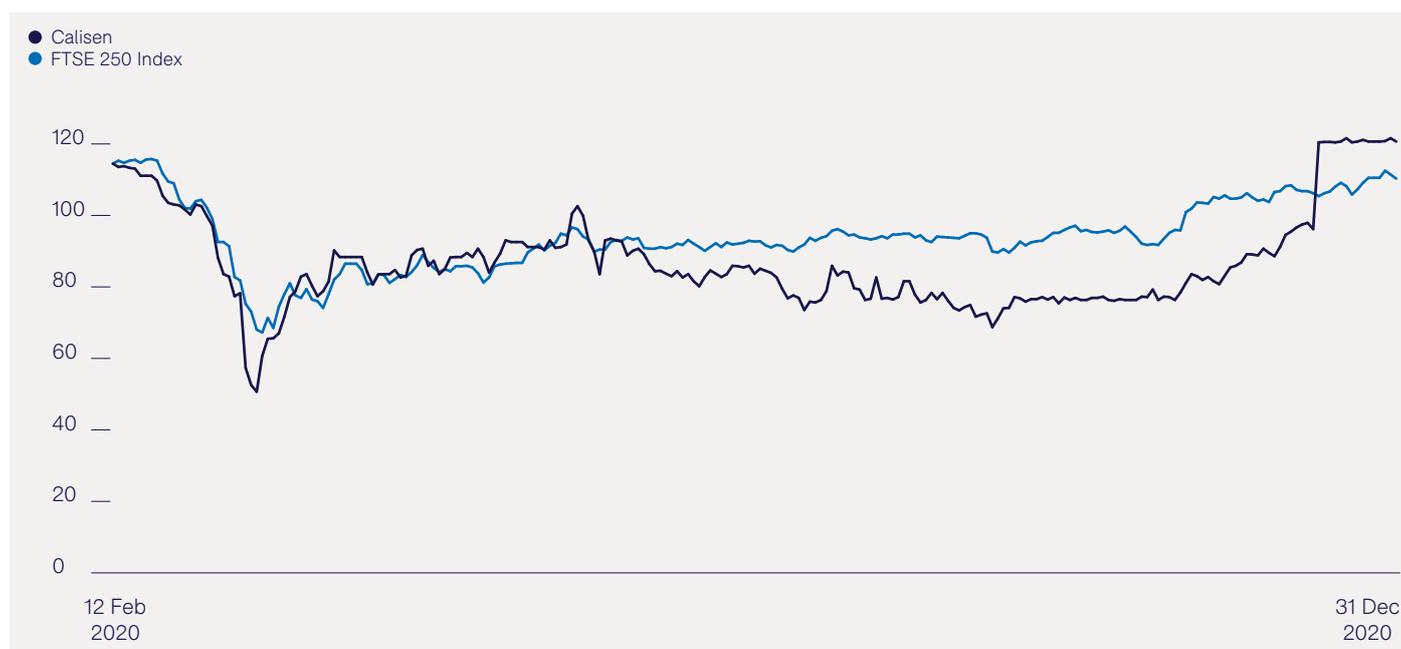
	Beneficially owned immediately following Admission/date of appointment if later	Shareholding (as % of salary) <sup>1</sup>	Shareholding target of 200% of basic salary met?	Beneficially owned at 31 December 2020	Outstanding and unvested PSP awards <sup>2</sup>
Bert Pijls	3,536,900	1,650	Yes	3,517,104 <sup>3</sup>	458,333
Sean Latus	1,107,986	806	Yes	1,093,519 <sup>3</sup>	218,750
Phil Nolan	104,166	N/A	N/A	104,166	N/A
Lord Jitesh Gadhia	31,250	N/A	N/A	31,250	N/A
Tara Davies	0	N/A	N/A	0	N/A
Kath Durrant	12,500	N/A	N/A	12,500	N/A
Lisa Harrington	0	N/A	N/A	0	N/A
Patrick O'Donnell Bourke	20,833	N/A	N/A	20,833	N/A
Alberto Signori	0	N/A	N/A </tr		

#### Notes:

- The percentage shareholding is based on salaries and closing share price as at 31 December 2020.
- Subject to performance measures.
- On 11 March 2020 Bert Pijls and Sean Latus sold 46,182 and 14,467 shares respectively following the exercise of the Over-allotment Option as prescribed in the Underwriting Agreement to the IPO.
- There have been no other changes in any of the above interests between 31 December 2020 and the date of this report.

### Performance graph and table

The graph below shows the Company's TSR performance since Admission, together with the FTSE 250 Index. The FTSE 250 Index has been selected as the most appropriate "broad equity market index" as the Company is a member of this Index. As the data becomes available, this chart will be expanded to contain up to 10 years of TSR performance data.



#### Note:

- The graph above shows the value, by 31 December 2020, of £100 invested in the Company on Admission compared with the value of £100 invested in the FTSE 250 index.



### Chief Executive Officer total remuneration

The table below shows the remuneration of the Chief Executive Officer for 2020. The TSR performance graph shown on the previous page shows the Company's TSR performance from Admission on 12 February 2020.

	<b>2020</b>
Total remuneration (£'000)	1,012,163
Annual bonus paid (as a % of maximum)	53%
PSP vesting (as a % of maximum)	N/A

### Percentage change in remuneration of the Directors

The table below shows for each Director and for all other employees the annual percentage change in remuneration from 2019 to 2020. Where a Director does not have comparable data for 2019, they have been excluded from the table. The figures for all individuals disregard any temporary salary reductions that took effect during the year. As Lowri Beck was not part of the Group for 2019 estimates have been made of the percentage changes of some Group employees in some cases.

		<b>% change from 2019 to 2020</b>
Salary/fees	Chief Executive Officer	<b>+48</b>
	Chief Financial Officer	<b>+64</b>
	Jim Macdonald	<b>-42</b>
	All other employees	<b>+4</b>
Benefits including pension	Chief Executive Officer	<b>-9</b>
	Chief Financial Officer	<b>+36</b>
	Jim Macdonald	<b>N/A</b>
	All other employees	<b>-3</b>
Annual bonus	Chief Executive Officer	<b>-1</b>
	Chief Financial Officer	<b>-6</b>
	Jim Macdonald	<b>N/A</b>
	All other employees	<b>-28</b>

1. In time, this data will be provided over a five-year rolling period.  
2. Jim Macdonald retired from the Board on 1 August 2020.

### CEO pay ratio

The CEO to employee pay ratios are set out below. Over time, 10 years' ratios will be provided:

Financial year	Method	25th percentile	50th percentile	75th percentile
<b>2020</b>	<b>A</b>	<b>60:1</b>	<b>51:1</b>	<b>33:1</b>
2019	A	49:1	40:1	27:1

In time, this data will be provided over a five-year rolling period.

The pay for the 2020 financial year for the CEO and the employees at the percentiles are set out below:

	CEO	25th percentile	50th percentile	75th percentile
Salary	£528,890	£16,275	£17,063	£30,000
Total pay	£1,012,163	£16,847	£19,722	£30,413

The ratios have been calculated in accordance with Option A, as this is the most statistically accurate method. The CEO pay is compared to the pay of our UK employees at the 25th, 50th and 75th percentile, calculated based on full-time equivalent base pay data as at 31 December 2020. Calisen consists of two business units, Calvin Capital and Lowri Beck. The vast majority of Calisen employees sit in the Lowri Beck business unit.

The calculations use the pay for Bert Pijls as disclosed in the single figure table. The value of the pre-IPO Management Equity Plan is excluded from the comparison tables – but the value is indicated in this Report by the significant shareholdings of the Executive Directors. The pay for all employees in the Calvin Capital and Lowri Beck business units comprises salary, benefits, pension and annual bonus payments due for the year. Pay for employees who were furloughed has been included at the actual amount paid rather than normal basic pay. Part-time employees and leavers and joiners during the year have been included in the analysis and converted to full-time equivalents. The ratio has increased as a result of the organisation becoming a listed company and as a result the CEO's remuneration in 2020 reflects this change.

The Committee is satisfied the pay of the employees identified for the quartiles appropriately reflects the employee pay structure in each quartile and the resulting pay ratios are consistent with the pay, reward and progression policies in place for all employees.

#### Relative importance of spend on pay

The table below shows the relative spend on remuneration paid to all employees compared to dividends and capital expenditure for the year ended 31 December 2020. These have been chosen as comparators to employee costs as they demonstrate the relative importance of the remuneration of its employees to the returns to shareholders and the funds reinvested in the business. As the Company listed in February 2020 there is no disclosure for 2019 or prior years.

	2020 £m
Employee costs <sup>1</sup>	41.5
Dividends paid	–
Capital expenditure <sup>2</sup>	171.8

1. Employee costs are calculated as wages and salaries, bonus and taxable benefits (including the Directors).  
2. Capital expenditure is calculated as set out on page 35 of the Strategic Report.

#### Dilution limits

The Calisen plc Employee Benefit Trust ("EBT") was established to satisfy awards made under the Company's discretionary employee share schemes. At 31 December 2020 the EBT held no shares in the Company. It is the Company's current intention to use new issue shares to satisfy awards made under the discretionary share schemes. The Company's share plans comply with the Investment Association's guidance on dilution limits and the position as at 31 December 2020 is set out below.

Limit of 5% in any 10 years under all discretionary share plans	<b>Actual 0.26%</b>
Limit of 10% in any 10 years under all share plans	<b>Actual 0.26%</b>

#### Statement of voting at AGM

The votes cast on a poll at the 2020 AGM to approve the Policy are set out in the table below. This was the first Directors' Remuneration Report to be put to a shareholder vote. Future remuneration reports will include the votes cast on the relevant remuneration report.

	Directors' Remuneration Policy (binding vote at AGM on 4 June 2020)	
	Number of votes	% of votes cast
For	461,251,051	99.67
Against	1,537,768	0.33
<b>Total votes cast (excluding votes withheld)</b>	<b>462,788,819</b>	<b>100.00</b>
Votes withheld	4,200	

On behalf of the Board

#### Kath Durrant

Chair of the Remuneration Committee

1 March 2021

### Cautionary statement

This Annual Report has been prepared for, and only for the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report and Accounts involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and Accounts and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

The Directors of Calisen plc present their report for the year ended 31 December 2020.

The shares of the Company were admitted to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange in February 2020.

Calisen plc is the holding company of the Calisen group of companies and is a UK publicly listed company whose shares are traded on the London Stock Exchange. The main trading companies are Calvin Capital Limited, Lowri Beck Services Limited and their subsidiaries. These and all other subsidiaries of the Group are listed in Note 32 of the financial statements.

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 below. The table also refers to certain other disclosures elsewhere in this Annual Report, which are incorporated into this Directors' Report by reference.

On 11 December 2020, the Acquisition was announced. A copy of the full announcement can be found at [www.calisen.com/investors/recommendedcashacquisition](http://www.calisen.com/investors/recommendedcashacquisition).

### Results and dividends

The loss for the year attributable to the equity holders of the parent company amounts to £15.5 million.

The Directors do not recommend payment of a dividend. No interim dividend was paid in respect of the year ended 31 December 2020.

### Directors' indemnities and directors' and officers' liability insurance

Directors' and Officers' 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.

Topic	Section of report	Page numbers
Important events since the financial year end	Strategic Report and Note 1 of the financial statements	22 and 107
Likely future developments	Strategic Report	7, 22 and 23
Greenhouse gas emissions, energy consumption and energy efficiency action	Strategic Report	44 to 48
Financial instruments	Note 22 of the financial statements	128 to 132
Employee engagement	Strategic report (section 172(1) statement)	42 to 43
Relationships with customers, suppliers and others	Strategic report (section 172(1) statement)	38 to 41
Modern Slavery Statement	Strategic Report	43
Risk management	Strategic Report	49 to 55
Going concern	Going concern statement	107
Viability statement	Viability statement	56
Corporate Governance Statement	Corporate Governance Report	59
Directors	Corporate Governance Report	60 to 61
Appointment and replacement of Directors	Corporate Governance Statement	67 to 68 and in the Articles
Directors' interests	Remuneration Report	85 and 89

### Disclosures required under Listing Rule 9.8.4R

The following table sets out where items required under Listing Rule section 9.8.4R can be found:

Information required	Section of Report	Page numbers
Directors' interests	Remuneration Report	89
Relationship Agreement	Chair's statement	59

## Major interests in shares

As at 31 December 2020 and as at the date of this report, the Company had been notified under DTR5 of the following interests in the issued ordinary share capital of the Company.

Shareholder	As at 31 December 2020		As at 1 March 2021	
	Number of shares with voting rights	% total voting rights	Number of shares with voting rights	% total voting rights
KKR Evergreen Aggregator L.P.	547,980,973	72.77	547,980,973	72.77

**Note:**  
Information provided to the Company under the DTR is publicly available via the regulatory information service and on the Company's website.

### Research and 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

The Company is party to a revolving credit facility that may be terminable in the event of a change of control of the Company. On a change of control any outstanding options and awards granted under the Group's share schemes would become exercisable, subject to any performance conditions being met and the terms of the options and awards.

### Share capital

The Company's total issued share capital, as at 31 December 2020, consisted of 547,980,973 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. Copies of the Articles can be obtained from Companies House or by writing to the General Counsel and 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 of Association. In compliance with the Company's Dealing Code, Company approval is required for Directors, persons closely associated with them, and certain employees to deal in the Company's ordinary shares. No person has special rights of control over the Company's share capital.

### Rights in relation to the shares held in the employee benefit trust

As at the date of this report no shares are held in the Company's Employee Benefit Trust. The voting rights on any shares would be exercisable by the trustees.

### 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 of Association by passing a special resolution at a general meeting of its shareholders. The Articles of Association 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 of Association, required to be exercised by the Company in general meetings. Subject to the provisions of the Articles of Association, all powers of the Directors are exercised at meetings of the Directors which have been validly convened and at which a quorum is present.

### Allotment of shares

Since the IPO, no new ordinary shares have been issued. The Directors have authority to allot shares within limits agreed by shareholders.

### Purchase of the Company's own shares

The Company was given authority at the AGM on 4 June 2020 to purchase 54,798,097 of its own ordinary shares. As at the date of this report, no market purchases have been made by the Company. This authority will expire on the earlier of 4 September 2021 and the conclusion of the AGM of the Company held in 2021.

### Accountability and audit

The going concern statement, medium term viability statement and the Responsibility statement of the Directors in respect of the Annual Report and Financial Statements are shown on pages 107, 56 and 94 respectively.

The Audit and Risk Committee, whose role is described on pages 70 to 73, meets at least twice a year with the Company's Auditor KPMG LLP.

### People

The role that our employees perform is described throughout the Strategic Report. However, the following disclosures provide additional information on how we engage with and treat our workforce.

We are an equal opportunities employer. It is our policy to develop and apply, throughout the Group, procedures and practices which are designed to ensure that equal opportunities are provided to all of our employees or those who seek employment with the Group irrespective of their age, colour, disability, ethnic origin, gender, marital status, nationality, parental status, race, religion, belief or sexual orientation. All employees, whether part-time, full-time or temporary, are treated fairly and equally. Selection for employment, promotion, training or other matters affecting their employment is on the basis of aptitude and ability.

All employees are supported and encouraged to develop to their full potential and the talents and resources of the workforce are fully utilised to maximise the efficiency of the organisation. It is our policy to give full and fair consideration to the employment needs of disabled persons (and persons who become disabled whilst employed by the Group) and to comply with any current legislation with regard to disabled persons.

All new employees, when eligible, are automatically entered into the Group's pension arrangements. In addition, we have discretionary bonus arrangements in place.

#### Health and safety at work

Health and safety is a key priority for the Group. The Board considers health and safety matters at each of its main Board meetings. We seek to instil our values and behaviours at every level of our business, for employees, suppliers and customers. Further information on how we control and monitor health and safety is provided in the Strategic Report.

#### Political donations

The Group made no political donations and incurred no political expenditure during the year.

#### Disclosure of all relevant information to the Auditor

The Directors who held office at the date of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware and that each Director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

#### Statement of Directors' Responsibilities in respect of the Annual Report and 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU") and applicable law and have elected to prepare the parent company financial statements on the same basis.

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 their 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 apply them consistently.
- Make judgements and estimates that are reasonable, relevant and reliable.
- State whether they have been prepared in accordance with IFRSs as adopted by the EU.
- Assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

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.

#### Responsibility statement of the Directors in respect of the Annual Report and Financial Statements

Each of the Directors in office as at the date of this report, whose names and functions are listed on pages 60 and 61, confirm that to the best of his or her knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Approved by the Board of Calisen plc and signed on its behalf.

#### Sarah Blackburn

Company Secretary  
For and on behalf of the Company  
5th Floor, 1 Marsden Street, Manchester,  
England, M2 1HW

1 March 2021

# Financial Statements

Independent Auditors' report  
Consolidated financial statements

97  
103



## Independent auditor's report to the members of Calisen plc

### 1. Our opinion is unmodified

We have audited the financial statements of Calisen plc ("the Company") for the year ended 31 December 2020 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 Cash Flows, and the related notes, including the accounting policies in note 2.

#### 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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

#### 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 6 February 2020. The period of total uninterrupted engagement is one year, for the financial year ended 31 December 2020. Prior to that we were also auditor to the group's previous parent company, but which, being unlisted, was not a public-interest entity. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
<b>Materiality:</b> group financial statements as a whole	£10m (2019:£10m) 0.6% (2019: 0.7%) of Total Assets	
<b>Coverage</b>	99% (2019: 99%) of Group Total Assets	
<b>Key audit matters</b>		<b>vs 2019</b>
<b>Recurring risks</b>	Carrying amount of Fixed Asset – Meters	◀▶
	Recoverable amount of Calvin Capital Intangible Assets including Goodwill	◀▶
<b>Company key audit matter</b>	Recoverability of parent company's investments in subsidiaries	◀▶

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p><b>Carrying amount of Fixed Assets – Meters</b></p> <p>(£893.1 million; 2019: £815.4 million)</p> <p><i>Refer to page 70 (Audit &amp; Risk Committee Report), page 112 (property, plant and equipment accounting policy) and page 126 (Property, plant and equipment financial disclosures).</i></p>	<p><b>Risk (1): Volume of transactions susceptible to error:</b></p> <p>Meters comprise a significant number of low value amounts and are inextricably linked to revenue generation. Although we note that certain contracts allow for meters taken off the wall to be re-installed, the vast majority of contracts do not and therefore there is a risk meters have been taken off the wall by the energy supplier, but have not been identified by management for write off.</p> <p>Essentially there is a risk that meters exist on the balance sheet which are not generating revenue, and their value therefore may be diminished.</p> <p><b>Risk (2): Application of Useful Economic Life (UEL):</b></p> <p>Depending on the profile of the meter (Smart/ Traditional) there are different UELs applied from the date at which depreciation begins.</p> <p>Furthermore, management have undertaken an exercise in the year to update the UELs of the traditional meter portfolio in response to the extension of the Smart Metering Implementation Programme. This update was initially supported by manual calculations and subsequently adjusted in the system, which contributes to the above risk noted.</p> <p>Given the volume of meters, an error in the date of depreciation could give rise to a material misstatement when applied across a portion of the overall population.</p>	<p>We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of related IT controls indicated that we would not be able to obtain the required evidence to support reliance on controls.</p> <p>Our procedures included:</p> <p><b>Data comparison:</b> We apply data and analytics procedures in analysing the significant amounts of data by comparing the fixed asset register data to the billing data for the period on an individual meter basis. This would identify any outliers between the two data sets, which could indicate the data listings are incomplete or there are individual meters capitalised on the Statement of Financial Position which do not generate revenue.</p> <p><b>Test of detail:</b> We perform substantive sample testing of fixed asset additions and disposals and also over the reciprocal revenue population, agreeing items back to supporting documentation.</p> <p><b>Recalculation:</b> We utilise data and analytics to perform a full recalculation of the depreciation charged in the year by individual meter type/batch. Sampling procedures are performed to verify the completeness and accuracy of the input data.</p> <p><b>Our results:</b></p> <p>The results of our testing were satisfactory and we consider the carrying value of the Fixed Asset – meters, and the application of UELs to be acceptable (2019: acceptable).</p>

	The risk	Our response
<p><b>Recoverable amount of Calvin Capital Intangible Assets including Goodwill</b></p> <p>(£522.0 million; 2019: £559.4 million)</p> <p>Refer to page 70 (Audit &amp; Risk Committee Report), page 111 (intangible assets accounting policy) and page 125 (intangible assets financial disclosures).</p>	<p><b>Subjective estimate in respect of assessing the recoverability of Calvin Capital Intangible assets including Goodwill</b></p> <p>Goodwill and intangible assets in the Group are the second most quantitatively significant items on the Balance sheet, and their recoverability is subjective due to the inherent uncertainty involved in forecasting and discounting of future cash flows.</p> <p>This is considered to be one of the areas that had the greatest effect on our audit due to the inherent significant judgements involved in the impairment test.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the value in use of the Calvin Capital CGU has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 21) disclose the sensitivity estimated by the Group.</p>	<p>We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.</p> <p>Our procedures included:</p> <p><b>Historical comparisons:</b> assessing the reasonableness of the forecasts by considering the historical accuracy of previous forecasts.</p> <p><b>Our sector experience:</b> assessing whether assumptions used, in particular those relating to forecast revenue growth, profit margins and capital expenditure, reflect our knowledge of the business, including known or probable changes in the business environment.</p> <p><b>Test of details and sensitivity analysis:</b> We obtained the discounted cash flow workings and critically assessed management's sensitivities. We also assessed the appropriate inputs building up these forecasts including the benchmarking versus historic data and own research. Inputs assessed included terminal growth value, discount rate, and the period of cash flows included within the model.</p> <p><b>Assessing transparency:</b> assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the estimation of the recoverable amount of goodwill and other intangible assets and include details about the level of estimation uncertainty.</p> <p><b>Assessing external market data:</b> assessing whether any public information (e.g. Group announcements, share price etc.) and their potential impact on the recoverability of Intangible Assets including Goodwill.</p> <p><b>Our results:</b> We found the group's conclusion that there is no impairment of intangible assets and goodwill to be acceptable (2019 result: acceptable).</p>
<p><b>Recoverability of parent company's investments in subsidiaries</b></p> <p>(£1051.2 million; 2019: £601.6 million)</p> <p>Refer to page 70 (Audit &amp; Risk Committee Report), page 140 (Investment in subsidiaries accounting policy) and page 141 (Investment in subsidiaries financial disclosures).</p>	<p><b>Low risk, high value:</b></p> <p>The carrying amount of the parent company's investments in subsidiaries represents 97.6% (2019: n/a) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.</p>	<p>We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.</p> <p>Our procedures included:</p> <p><b>Tests of detail:</b> comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.</p> <p><b>Comparing valuations:</b> for the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on a suitable multiple of the subsidiaries' earnings before interest, taxes, depreciation and amortisation, comparing to projected future cash flows and assessing against external market data.</p> <p><b>Our results:</b> We found the Company's conclusion that there is no impairment of Investments in subsidiaries to be acceptable (2019 result: acceptable).</p>

We continue to perform procedures over Revenue recognition. However, following the level of precision achieved from our audit procedures on revenue recognition in prior periods and based on our procedures performed over fixed assets (refer KAM above), we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year

### 3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group Financial Statements as a whole was set at £10 million (2019: £10 million), determined with a reference to a benchmark of Group total assets of £1,629 million, of which it represents 0.6% (2019: 0.7%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the Group was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to £7.5 million (2019: £7.5 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

## Financial Statements Independent Auditor's Report continued

Materiality for the parent company financial statements as a whole was set at £5.0 million (2019: £3.8 million), determined with a reference to a benchmark of parent company total assets of £1,077 million of which it represents 0.5% (2019: 0.6%).

Performance materiality for the parent company was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to £3.8 million (2019: £2.9 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit & Risk Committee any corrected or uncorrected identified misstatements exceeding £0.5 million (2019: £0.5 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 40 (2019: 37) reporting components, we subjected 23 (2019: 18) to full scope audits for group purposes. The remaining 11 components were not individually financially significant, nor presented specific individual risks sufficient enough to require audit procedures for group purposes.

For the residual 11 components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

Work on all components, including the audit of the parent company, was performed by the Group team.

The components within the scope of our work accounted for the percentages illustrated.

#### 4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that 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").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this auditor's report. 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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- The loss of the Group's most significant customer;
- The impact of Covid-19 on business continuity, recovery and growth.
- The business plan for the Group following the proposed acquisition of the share capital of the Company.

We considered whether these risks could plausibly affect liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test).

We assessed the completeness and adequacy of the going concern disclosure.

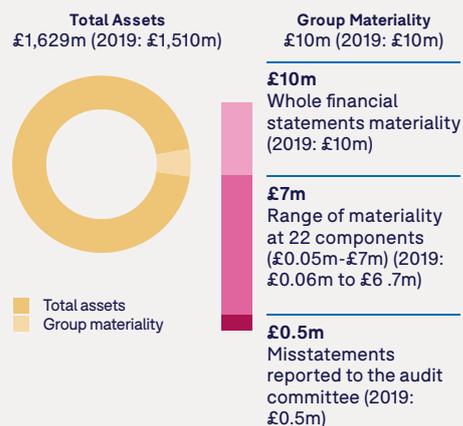
*Our conclusions based on this work:*

- 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's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the Financial Statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 107 is materially consistent with the Financial Statements and our audit knowledge.

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.

#### 5. 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, the Legal team, the Audit & Risk Committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, and the Group's channel for "whistleblowing", as well as whether Directors or management have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit and Risk Committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for Directors and key management personnel.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test, based on risk criteria and comparing the identified entries to supporting documentation. These included those posted between unusual or unexpected account combinations, including revenue and cash.
- Substantive sample testing of revenue recognised in the period, agreeing items back to supporting contractual or other third party support.

#### Identifying and responding to risks of material misstatement due 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 the auditing standards), and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

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, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Group's activities. 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 these 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.

#### 6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

#### Strategic report and directors' report

Based solely on our work on the other information:

- 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.

#### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the Financial Statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Medium term viability statement, page 56 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and

- the Directors' explanation in the Medium term viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Medium term viability statement, set out on page 56 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made. The absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

#### Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the Financial Statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit & Risk Committee, including the significant issues that the Audit & Risk Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

#### 7. We have nothing to report on the other 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 and the part of the Directors' Remuneration Report to be audited 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.

#### 8. Respective responsibilities

##### Directors' responsibilities

As explained more fully in their statement set out on page 94, the Directors are responsible for: the preparation of the Financial Statements including 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 other irregularities (see below), 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, other irregularities 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](http://www.frc.org.uk/auditorsresponsibilities).

#### 9. 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.

**Stuart Burdass (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

1 St Peter's Square  
Manchester  
M2 3AE  
1 March 2021

## Consolidated Income Statement and Statement of Comprehensive Income

	Notes	Year ended 31 December	
		2020 £m	2019 £m
<b>Revenue</b>	<b>5</b>	<b>248.1</b>	<b>208.8</b>
Cost of sales	7	(113.6)	(111.7)
<b>Gross profit</b>		<b>134.5</b>	<b>97.1</b>
Administrative expenses	8	(27.7)	(16.8)
Other expenses	13	(8.3)	(11.3)
Amortisation of intangible assets	18	(44.5)	(42.3)
<b>Group operating profit</b>		<b>54.0</b>	<b>26.7</b>
Finance expense	12	(105.0)	(109.1)
Finance income	12	33.8	0.2
<b>Loss before tax</b>		<b>(17.2)</b>	<b>(82.2)</b>
Taxation (expense)/credit	15	(9.8)	2.1
<b>Loss for the year</b>		<b>(27.0)</b>	<b>(80.1)</b>
<b>Loss and total comprehensive loss attributable to equity holders of the parent</b>		<b>(27.0)</b>	<b>(80.1)</b>
Earnings per share:			
Basic (pence)	14	(5.5)	(364.2)
Diluted (pence)	14	(5.5)	(364.2)

All activities of the Group are from continuing operations.

## Financial Statements

### Consolidated Statement of Financial Position

	Notes	As at 31 December	
		2020 £m	2019 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	18	535.5	580.0
Property, plant and equipment	19	897.9	821.0
Deferred tax asset	16	1.4	–
Derivative financial instruments	22	3.3	1.1
		1,438.1	1,402.1
<b>Current assets</b>			
Trade and other receivables	24	70.0	42.7
Contract assets	6	4.9	13.4
Inventory	25	0.9	1.3
Cash and cash equivalents	26	114.6	50.3
		190.4	107.7
<b>Total assets</b>		<b>1,628.5</b>	<b>1,509.8</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade creditors	27	19.1	17.8
Other creditors	27	26.4	31.3
Interest-bearing loans and borrowings	22	116.7	99.9
		162.2	149.0
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	22	587.1	1,444.3
Provisions	28	1.5	0.4
Derivative financial instruments	22	1.6	32.4
Deferred tax liability	16	99.7	86.5
		689.9	1,563.6
<b>Total liabilities</b>		<b>852.1</b>	<b>1,712.6</b>
<b>Equity</b>			
Called up share capital	29	5.5	0.2
Share premium account		–	82.1
Share-based payment reserve	30	0.4	–
Merger reserve		(63.3)	(63.3)
Retained earnings/(deficit)		833.8	(221.8)
<b>Total equity</b>		<b>776.4</b>	<b>(202.8)</b>
<b>Total equity and liabilities</b>		<b>1,628.5</b>	<b>1,509.8</b>

The Financial Statements on pages 103 to 142 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

**Sean Latus**

Chief Financial Officer

1 March 2021

## Financial Statements

### Consolidated Statement of Changes in Equity

	Called up share capital £m	Share premium account £m	Share-based payment reserve £m	Retained earnings/ (deficit) £m	Merger reserve £m	Total equity £m
Attributable to equity holders of the parent:						
<b>At 1 January 2019</b>	<b>0.2</b>	<b>82.1</b>	<b>–</b>	<b>(141.7)</b>	<b>(63.3)</b>	<b>(122.7)</b>
Loss for the year and total comprehensive loss	–	–	–	(80.1)	–	(80.1)
<b>At 31 December 2019</b>	<b>0.2</b>	<b>82.1</b>	<b>–</b>	<b>(221.8)</b>	<b>(63.3)</b>	<b>(202.8)</b>
Loss for the year and total comprehensive loss	–	–	–	(27.0)	–	(27.0)
Shares issued	1.3	293.2	–	–	–	294.5
Debt for equity swap (note 1)	4.0	707.3	–	–	–	711.3
Equity settled share awards	–	–	0.4	–	–	0.4
Capital reduction (note 1)	–	(1,082.6)	–	1,082.6	–	–
<b>At 31 December 2020</b>	<b>5.5</b>	<b>–</b>	<b>0.4</b>	<b>833.8</b>	<b>(63.3)</b>	<b>776.4</b>

## Financial Statements

### Consolidated Statement of Cash Flows

	Notes	Year ended 31 December	
		2020 £m	2019 £m
<b>Cash flows from operating activities</b>			
Loss before tax		(17.2)	(82.2)
Adjustments to reconcile loss before tax to net cash flows:			
Amortisation of intangible assets	18	44.5	42.3
Depreciation of property, plant and equipment	19	79.4	86.8
Finance income	12	(33.8)	(0.2)
Finance expense	12	105.0	109.1
Share-based payment expense	30	0.4	–
Loss on disposal of property, plant and equipment	7	2.1	6.9
Interest received	12	0.1	0.2
Interest paid		(91.8)	(38.1)
Tax paid	15	(4.4)	(4.3)
Payment to obtain a contract		–	(0.3)
Working capital adjustments:			
Increase in trade and other receivables and contract assets	6, 24	(12.9)	(5.7)
Decrease in inventory	25	0.4	0.2
(Decrease)/increase in trade payables, other payables and provisions	27, 28	(4.3)	15.3
<b>Net cash flows from operating activities</b>		<b>67.5</b>	<b>130.0</b>
<b>Cash flows from/(used in) investing activities</b>			
Proceeds from sale of property, plant and equipment		13.4	16.8
Purchase of subsidiary undertaking		(0.7)	(6.2)*
Net cash acquired with subsidiary undertaking		–	0.2
Purchase of property, plant and equipment	19	(171.8)	(274.1)
Purchase of intangible assets		–	(0.2)
<b>Net cash flows used in investing activities</b>		<b>(159.1)</b>	<b>(263.5)</b>
<b>Cash flows from/(used in) financing activities</b>			
Lease payments	20	(1.1)	(0.4)
Proceeds from the issue of share capital		294.5	–
Proceeds from borrowings		668.7	210.9
Repayment of borrowings		(806.2)	(98.3)
<b>Net cash flows from financing activities</b>		<b>155.9</b>	<b>112.2</b>
Net movement in cash and cash equivalents		64.3	(21.3)
Cash at beginning of period		50.3	71.6
<b>Cash at end of period</b>		<b>114.6</b>	<b>50.3</b>

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

During the period, there was a non-cash transaction of £711.3m in relation to a debt for equity swap. This was in addition to proceeds from the issue of share capital of £294.5m. See note 1 for further detail.

\* Description updated from corresponding statement in 2019 Calisen Group Holdings Limited accounts to be more reflective of the transaction.

## 1. Basis of preparation

On 7 February 2020, as part of a Group reorganisation, all shares held in Calisen Group Holdings Limited by Evergreen Energy Limited and Evergreen Holdco S.a.r.l. were transferred to Calisen plc, a newly incorporated intermediate parent entity. This was achieved by Calisen plc issuing shares at fair-value and nil gain, to the shareholders of Evergreen Energy Limited and Evergreen Holdco S.a.r.l. in exchange for their investments and a receivable amounting to £711.3m, with resulting entries recorded in ordinary share capital and share premium.

Following this reorganisation, Calisen plc undertook an initial public offering ("IPO") on the London Stock Exchange for a proportion of its share capital. A number of other changes to the financing structure of the Group occurred following the IPO, further details can be found in note 29. During June 2020, the Company, having by special resolution cancelled its share premium account amounting to £1,082.6m, as confirmed by an order of the High Court of Justice, Chancery Division.

The insertion of the Company on top of the existing Calisen Group Holdings Limited Group did not constitute a business combination under IFRS 3 Business Combinations and instead was accounted for as a capital reorganisation. Merger accounting was used to account for this transaction. As a result of this approach, share capital and share premium were amended, effective from 1 January 2019, as if the current Group had been in existence since that date. The comparative and current year consolidated reserves of the Group were adjusted to reflect the statutory share capital, share premium and merger reserve of Calisen plc as if they had always existed. A negative merger reserve of £63.3m was recognised as at 1 January 2019 to complete the equity position as a result of the application of merger accounting.

Following the IPO, both Evergreen Holdco S.a.r.l. and Evergreen Energy Limited were placed into liquidation, the latter of which was dissolved on 7 May 2020 with the former being dissolved on 11 February 2021. As a result of the liquidations, the indirect investment and receivable held by the Company, in Calisen Group Holdings Limited were transferred as direct holdings. The trading results and net asset positions for both companies are immaterial to the Group. The Board has excluded these companies for each stated accounting period following an assessment of the liquidation status and immaterial impact on the consolidated results. The approach to exclude these companies is consistent with that of the prospectus filed at the time of the IPO and with the 30 June 2020 interim statements.

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 adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The policies set out below have been applied consistently throughout the years ended 31 December 2020 and 2019.

### (a) Going concern

Notwithstanding the loss for the year ended 31 December 2020 of £27.0m, the Directors consider the going concern basis of preparation for the Group and the Company to be appropriate for the following reasons. The Group generated net cash flows from operating activities for the year ended 31 December 2020 of £67.5m.

In February 2020, as detailed in the basis of preparation, the Group undertook a reorganisation with a newly incorporated Company, Calisen plc, becoming the ultimate parent undertaking. Following the reorganisation, gross funds of £300m were raised before the deduction of IPO costs. The funds were used to repay EBLs held in subsidiary undertakings amounting to £230.4m at 6 February 2020. Furthermore, the shareholder loan and accrued interest thereon of £711.3m at 6 February 2020 was capitalised into share capital and share premium thus reducing the overall net debt of the Group. In addition, in February 2020, the Group agreed a new revolving credit facility ("RCF") amounting to £240m.

In July 2020, the Group completed a refinancing, replacing bank facilities of £1,130.0m with new facilities of £1,067.5m which include structured institutional debt as set out in note 22. The old facilities had maturity dates of 2022 and 2029 and in addition to significantly extending the average life of the finance facilities, some of which extend to 2034, the new financing arrangement also reduces the Group's average cost of debt. The Group's previous all-in cost of funding was approximately 3-4% (including the cost of hedging floating rate debt to fixed rates) and has now reduced to 2.5-3%.

The Group has prepared cash flow forecasts to 31 December 2023 which include taking account of reasonably possible downsides in addition to stress testing for the impact of COVID-19. 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, liabilities as they fall due, through access to cash derived from its long-term contractual revenue streams and funding from its existing facilities. At 31 December 2020, this includes cash of £114.6m and undrawn funds of £762.0m (of which £240.0m is available for working capital funding, and the remaining £522.0m primarily ring-fenced for contracted capital expenditure commitments). Debt covenants in relation to the new RCF entered into during 2020 are set at a ratio of 5.5x (consolidated EBITDA/total net debt) and 1.05x (aggregate net present value of distributable cash flows/total amount outstanding under the RCF facility less any cash and cash equivalents held as investments). There are no forecast breaches, under any scenario, of these covenants at any point during the three year forecast period.

The proposed Acquisition of the Company, announced by the Board on 11 December 2020, is expected to complete and the Company's shares are expected to be delisted in March 2021. Accordingly, the Group has assessed the impact of the Acquisition on its going concern assessment. The only potential impact is that the Group's £240m RCF, held by Calisen plc, may become unavailable because it is subject to a change of control clause. The Group's other facilities, totalling £1,239.4m, will not be affected by this change of control. In addition, the Group's cash flow forecasts indicate that, under all scenarios, the £240m RCF should remain undrawn and therefore the going concern assessment would not be affected by the loss of this facility. While the future funding structure of the Company and its detailed business plan under its new prospective owners are not yet formalised, the Directors have not been made aware of any information that would change the conclusion of the Group's going concern assessment.

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.

## 1. Basis of preparation continued

### (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 prior period financial statements have accordingly also been restated to the nearest hundred thousand unless otherwise stated.

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 note 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 standards, interpretations and amendments, issued by the International Accounting Standards Board ("IASB") effective for the year ended 31 December 2020, are relevant to the Group but have had no material impact on the Group's Financial Statements:

IFRS 3 (amendment)	Definition of a Business	effective date of 1 January 2020
IAS 1 and IAS 8 (amendment)	Definition of Material	effective date of 1 January 2020
CF	Conceptual Framework for Financial Reporting	effective date of 1 January 2020

The following standards while not new or amended in the year ended 31 December 2020 have been adopted in the year as they have now become relevant to the Group and have a material impact to the Group's Financial Statements:

#### IFRS 2 Share-based Payments

The Group adopted IFRS 2 on 25 June 2020 following the issue of equity settled share award schemes to certain employees, details of which are set out in note 30. The fair value of the equity settled share awards is measured at the date of grant and expensed on a straight-line basis over the vesting period based on how many awards are expected to vest. The Group uses simulation models to estimate the fair value of the schemes based on the various measures of performance.

#### IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

During the period, certain employees at Lowri Beck were placed on furlough under the Coronavirus Job Retention Scheme. Furlough income of £7.7m in relation to a maximum of 1,420 employees has been recognised in the year ended 31 December 2020 and as such the Group has adopted IAS 20 in accounting for this Government assistance. The grant has been recognised as income and matched with associated payroll costs over the same period. An asset is shown within trade and other receivables on the balance sheet, to the extent that claimed amounts remained outstanding at 31 December 2020.

#### Underwriting commissions

In accordance with IFRS 9, underwriting costs relating directly to the new issuance of shares as part of the Company's IPO were deducted against share premium on the basis that they are directly incremental costs that would not have been incurred had the Group not raised equity during the period. During the year to 31 December 2020, £6m of underwriting costs were deducted from share premium.

### (d) Standard issued but not yet effective

IFRS 17	Insurance Contracts	effective date of 1 January 2023
---------	---------------------	----------------------------------

No material impact is expected on the adoption of this standard.

There are no other relevant standards, which are expected to have a material impact on the Group, that have been issued by the IASB and endorsed by the EU but are not yet effective.

### (e) Presentation of financial statements in accordance with IAS 1

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

### (f) Basis of consolidation

The Consolidated Financial Statements consolidate the Group and all its subsidiary undertakings, other than those listed in note 1, for the years ended 31 December 2020 and 2019.

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 32. Information on other related party relationships of the Group is provided in note 31.

## 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 (iv) 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) Technical services

Revenues from technical services represent fees earned from energy retailers for installation of meters by the Lowri Beck operating segment.

Provision of installation services is considered a separate performance obligation. Revenue is recognised at a point in time on completion of the services.

## 2. Significant accounting policies continued

### 2.3 Revenue from contracts with customers continued

#### (iii) Non-technical services

Revenues from non-technical services represent meter reading and data management services provided to energy retailers by the Lowri Beck 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

#### (iv) 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.

#### (v) 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.

#### (vi) Performance obligations

Over the course of a contract for MAP services, the Group performs a series of activities that are substantially the same in terms of the nature of the Group's undertaking to the customer i.e. the procurement and management of a portfolio of meters. In addition, the benefits are simultaneously received and consumed by the customer. Therefore, the services are accounted for as a single performance obligation.

#### (vii) Costs to obtain a contract

The Group pays 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.

## 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 other comprehensive income.

### 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 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, other relevant charges, and tax amortisation benefit 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.

## 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 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.

Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value.

Depreciation begins from the date an asset is ready for intended use. The cost of these items is depreciated using the straight-line method over the following remaining estimated useful lives:

Computer hardware	3 years
Credit meters	Shorter of asset life or 30 June 2025 (year ended 31 December 2019: Shorter of 10 years or straight line to 2021)
Prepayment meters	Shorter of asset life or 30 June 2025 (year ended 31 December 2019: Shorter of 10 years or straight line to 2021)
Smart meters	15 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. A change in the useful expected life of traditional meters has been deemed necessary in the year ended 31 December 2020, see note 4 for further details.

## 2. Significant accounting policies continued

### 2.10 Property, plant and equipment continued

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.

### 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.

## 2. Significant accounting policies continued

### 2.13 Financial instruments continued

#### *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 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 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:

## 2. Significant accounting policies continued

### 2.13 Financial instruments continued

#### *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 2020 or 2019.

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. Significant accounting policies continued

### 2.18 Related parties

All Group companies and affiliates are considered to be related parties. In line with IAS 24 and Disclosure and Transparency Rules 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.

## 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 2020, the Group had derivative assets of £4.0m (31 December 2019: £1.1m) and derivative liabilities of £1.6m (31 December 2019: £32.4m).

### Valuation of intangible assets arising as a result of a business combination

Following the acquisition of Lowri Beck in 2019, management undertook a purchase price allocation exercise to identify the separable identifiable intangible assets. Management made judgements relating to the fair value of the assets and liabilities acquired. At 31 December 2020, the Group had intangible assets of £449.6m (31 December 2019: £492.4m) made up of brands and customer contracts.

### 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 21. At 31 December 2020, the Group had goodwill of £79.4m (31 December 2019: £79.4m).

### Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated 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.

During the period, 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 still be a reliable estimate and no change was made to this estimate. Traditional meters had been depreciated over the shorter of 10 years or to the end of 2021. In June 2020, BEIS announced its intention to extend the smart meter implementation programme to the end of June 2025. The Group has installation contracts in place to support this timeline. Given these factors, the Group has determined that the UEL of the traditional meters should be extended to the shorter of their asset life or 30 June 2025. The net book value of traditional meters at 31 December 2019 was £65.5m; this is now being depreciated over five and half years, starting from 1 January 2020, rather than over 2 years. This change in policy had the effect of reducing the depreciation charge by £17.2m to £15.9m in the year ended 31 December 2020.

The Group had plant, property and equipment with a net book value of £897.9m at 31 December 2020 (31 December 2019: £821.0m). 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.

## 5. Segmental reporting

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

- Calvin Capital, which procures, owns and manages meter assets on behalf of its customers, who make MPC payments on a long-term contracted basis; and
- 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.

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 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 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 Chief Financial Officer's Review in the Strategic Report.

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

	Calvin Capital £m	Lowri Beck £m	Consolidation £m	Total £m
<b>Year ended 31 December 2020</b>				
<b>Segment revenue</b>				
MAP services:				
Traditional meter revenue	59.9	6.1	–	66.0
Smart meter revenue	141.8	–	–	141.8
Non-technical services	–	21.5	–	21.5
Technical services	–	18.1	(3.3)	14.8
Other income	3.7	0.3	–	4.0
<b>Total revenue from external customers</b>	<b>205.4</b>	<b>46.0</b>	<b>(3.3)</b>	<b>248.1</b>
Cost of sales:				
Direct costs	–	(37.3)	3.3	(34.0)
Depreciation of metering equipment held within property, plant and equipment	(77.0)	(0.5)	–	(77.5)
(Loss)/gain on disposal of fixed assets	(2.2)	0.1	–	(2.1)
<b>Segment gross profit</b>	<b>126.2</b>	<b>8.3</b>	<b>–</b>	<b>134.5</b>
Admin expenses:				
Depreciation of non-metering equipment held within property, plant and equipment	(0.3)	(0.3)	(1.3)	(1.9)
Net foreign exchange gain	0.4	–	–	0.4
Overheads	(19.9)	(7.9)	1.6	(26.2)
Other expenses	(6.6)	(1.7)	–	(8.3)
Amortisation of intangible assets	(43.1)	(1.4)	–	(44.5)
<b>Segment operating profit/(loss)</b>	<b>56.7</b>	<b>(3.0)</b>	<b>0.3</b>	<b>54.0</b>
Finance expense	(103.2)	(1.5)	(0.3)	(105.0)
Finance income	33.8	–	–	33.8
<b>Loss before tax</b>	<b>(12.7)</b>	<b>(4.5)</b>	<b>–</b>	<b>(17.2)</b>
Tax expense	(9.8)	–	–	(9.8)
<b>Loss for the year</b>	<b>(22.5)</b>	<b>(4.5)</b>	<b>–</b>	<b>(27.0)</b>
<b>Capital expenditure</b>	<b>171.4</b>	<b>0.4</b>	<b>–</b>	<b>171.8</b>

Consolidation adjustments relate to the elimination of revenue for installation services provided by Lowri Beck to Calvin Capital and IFRS conversion amounts.

Capital expenditure consists of additions of property, plant and equipment.

## 5. Segmental reporting continued

The comparative information for the year ended 31 December 2019 is presented below although this does not reflect a full year's trading for the Lowri Beck segment as the business was acquired in August 2019.

	Calvin Capital £m	Lowri Beck £m	Consolidation £m	Total £m
<b>Year ended 31 December 2019</b>				
<b>Segment revenue</b>				
MAP Services				
Traditional meter revenue	65.5	2.7	–	68.2
Smart meter revenue	120.2	–	–	120.2
Non-technical services	–	9.6	–	9.6
Technical services	–	8.2	(1.4)	6.8
Other income	4.0	–	–	4.0
<b>Total revenue from external customers</b>	<b>189.7</b>	<b>20.5</b>	<b>(1.4)</b>	<b>208.8</b>
Cost of sales:				
Direct costs		(20.3)	1.4	(18.9)
Depreciation of metering equipment held within property, plant and equipment	(85.4)	(0.5)	–	(85.9)
(Loss)/gain on disposal of fixed assets	(7.0)	0.1	–	(6.9)
<b>Segment gross profit/(loss)</b>	<b>97.3</b>	<b>(0.2)</b>	<b>–</b>	<b>97.1</b>
Admin expenses:				
Depreciation of non-metering equipment held within property, plant and equipment	(0.2)	(0.1)	(0.6)	(0.9)
Other expenses	(11.3)	–	–	(11.3)
Overheads	(14.2)	(2.5)	0.8	(15.9)
Amortisation of intangible assets	(41.4)	(0.9)	–	(42.3)
<b>Segment operating profit/(loss)</b>	<b>30.2</b>	<b>(3.7)</b>	<b>0.2</b>	<b>26.7</b>
Finance expense	(108.3)	(0.6)	(0.2)	(109.1)
Finance income	0.2	–	–	0.2
<b>Loss before tax</b>	<b>(77.9)</b>	<b>(4.3)</b>	<b>–</b>	<b>(82.2)</b>
Tax credit	2.1	–	–	2.1
<b>Loss for the period</b>	<b>(75.8)</b>	<b>(4.3)</b>	<b>–</b>	<b>(80.1)</b>
<b>Capital expenditure</b>	<b>275.6</b>	<b>0.2</b>	<b>–</b>	<b>275.8</b>

### 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	
	2020 £m	2019 £m
<b>Geographical markets</b>		
UK	1,438.1	1,402.1
<b>Total</b>	<b>1,438.1</b>	<b>1,402.1</b>

## 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	
	2020 £m	2019 £m
<b>Revenue from contracts with customers</b>		
MAP services	207.8	188.4
Non-technical services	21.5	9.6
Technical services	14.8	6.8
Other income	4.0	4.0
Total revenue	248.1	208.8
<b>Geographical markets</b>		
UK	248.1	208.8
Total revenue	248.1	208.8
<b>Timing of revenue recognition</b>		
Transferred over time	211.8	192.4
Transferred at a point in time	36.3	16.4
Total revenue	248.1	208.8
<b>Green revenue</b>		
MAP services (smart meter)	141.8	120.2
Technical services	14.8	6.8
Total green revenue	156.6	127.0
Contract assets	4.9	13.4
Accrued income	17.2	–
Trade receivables (note 24)	31.9	33.9
Costs to obtain contracts with customers	2.0	2.2

During 2020, the Group entered into contract modifications with a number of customers. As a result of these contract modifications, additional income of £2.0m (2019: £3.6m) was calculated by reference to previous financial years.

The Group bills monthly in arrears based on the services provided. As such, for the year ended 31 December 2020, £4.9m (year ended 31 December 2019: £13.4m) of contract assets and £17.2m (year ended 31 December 2019: £Nil) 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 2020, £0.2m of amortisation was recorded in administrative expenses (year ended 31 December 2019: £0.2m).

Trade receivables are non-interest-bearing and are generally on terms of 30 to 45 days. In the year ended 31 December 2020, £2.2m (year ended 31 December 2019: £1.3m) was recognised as a provision for ECLs on trade receivables. A provision against of £0.7m (2019: £nil) 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	
	2020 £m	2019 £m
Depreciation of property, plant and equipment (meters)	(77.5)	(85.9)
Loss on disposal of property, plant and equipment (meters) net of compensation income	(2.1)	(6.9)
Employee benefits expense and other direct costs	(34.0)	(18.9)
<b>Total cost of sales</b>	<b>(113.6)</b>	<b>(111.7)</b>

## 8. Administrative expenses

Included in administrative expenses are the following:

	Year ended 31 December	
	2020 £m	2019 £m
Depreciation of property, plant and equipment	(1.9)	(0.9)
Net foreign exchange gain	0.4	–
Short-term lease expense	(0.1)	(0.1)
Auditor's remuneration (note 9)	(0.8)	(2.7)
Employee benefits expense (note 10)	(12.6)	(7.8)
Other administrative overheads	(12.7)	(5.3)
<b>Total administrative expenses</b>	<b>(27.7)</b>	<b>(16.8)</b>

Overheads are predominantly made up of legal and professional fees.

## 9. Auditor's remuneration

	Year ended 31 December	
	2020 £m	2019 £m
<b>Audit and audit-related services</b>		
Audit of the Group and Company financial statements	(0.3)	(0.2)
Audit of the financial statements of subsidiaries of the Company	(0.1)	(0.1)
Audit-related assurance services (Interim Review)	(0.1)	–
	(0.5)	(0.3)
<b>Amounts payable to the Group Auditor and its associates in respect of:</b>		
Other services relating to taxation	–	(0.3)
Services relating to the IPO	(0.3)	(2.1)
	(0.8)	(2.7)

Services relating to the IPO and other services relating to taxation are included within other operating expenses (note 13) in the Consolidated Income Statement. The IPO occurred in February 2020 and costs were therefore incurred in both 2019 and 2020. All non-audit services were incurred prior to or as part of the IPO.

## 10. Employee benefits expense

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

	Year ended 31 December	
	2020 £m	2019 £m
<b>Included in cost of sales</b>		
Wages and salaries	(33.4)	(15.1)
Social security costs	(2.9)	(1.3)
Defined contribution costs	(0.7)	(0.3)
Furlough income received under the Coronavirus Job Retention Scheme	7.7	–
<b>Included in administrative expenses</b>		
Wages and salaries	(10.5)	(6.3)
Social security costs	(0.8)	(0.9)
Defined contribution costs	(0.9)	(0.6)
Share-based payment charge	(0.4)	–
<b>Total employee benefits expense</b>	<b>(41.9)</b>	<b>(24.5)</b>

Employee benefits expense for the year ended 31 December 2019 includes, within cost of sales, the expense for Lowri Beck from the date of acquisition.

The Group adopted IFRS 2 in the year ended 31 December 2020 and recognised a share-based payment charge of £0.4m in relation to a PSP, further details of which can be found in note 30.

The average monthly number of FTE and the number of FTE as at December during the years set out below were as follows:

	2020		2019	
	Average	At 31 December	Average	At 31 December
Management and administration	516	419	238	619
Operational staff	932	890	337	885
	<b>1,448</b>	<b>1,309</b>	<b>575</b>	<b>1,504</b>

The period end figures are provided in addition to the time weighted average during the year due to the acquisition of Lowri Beck on 16 August 2019. The figures for 2019 have been restated to exclude agency staff and contractors thereby reducing the average employees by 67 and the employees at 31 December 2019 by 244.

## 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.

	Year ended 31 December	
	2020 £m	2019 £m
Salaries and short-term benefits	(4.4)	(2.2)
Defined contribution costs	(0.2)	(0.1)
Share-based payment charge	(0.2)	–
	<b>(4.8)</b>	<b>(2.3)</b>

The highest paid Director received total compensation of £1.0m for the year ended 31 December 2020 (2019: £0.9m).

The Group adopted IFRS 2 in the year ended 31 December 2020 and recognised a share-based payment charge of £0.2m in relation to a PSP for key management personnel, further details of which can be found in the Directors' Remuneration Report and note 30.

Following the IPO in February 2020, the way the business is strategically managed developed to reflect the newly listed nature of the business. The ongoing strategy is now governed by the Executive Committee and the expense for the year ended 31 December 2020 reflects the fact that certain additional key management personnel only joined the business during the year ended 31 December 2020.

## 12. Finance income/(expense)

	Year ended 31 December	
	2020 £m	2019 £m
Senior debt commitment fees	(4.4)	(3.7)
Agency and technical adviser fees	(0.3)	(0.4)
Fair value loss on derivative financial instruments	–	(14.7)
Derivative breakage fees	(53.5)	(0.8)
Amortisation of debt issue costs	(20.3)	(3.9)
Letter of credit fees and other charges	(2.5)	(10.0)
Interest payable on bank loans	(17.8)	(22.2)
Interest payable on shareholder loans	(5.9)	(53.2)
Unwinding of discount on lease liabilities	(0.3)	(0.2)
<b>Total finance expense</b>	<b>(105.0)</b>	<b>(109.1)</b>
Bank interest receivable	0.1	0.2
Fair value gain on derivative financial instruments	33.7	–
<b>Total finance income</b>	<b>33.8</b>	<b>0.2</b>
<b>Net finance expense</b>	<b>(71.2)</b>	<b>(108.9)</b>

## 13. Other operating expenses

	Year ended 31 December	
	2020 £m	2019 £m
IPO-related costs	(5.2)	(10.8)
Lowri Beck acquisition	–	(0.5)
Acquisition-related expenses	(1.4)	–
Restructuring costs	(1.7)	–
<b>Other operating expenses</b>	<b>(8.3)</b>	<b>(11.3)</b>

IPO-related costs were incurred as part of the Admission to the London Stock Exchange in February 2020. Lowri Beck was acquired in August 2019 incurring costs during the year ended 31 December 2019. The Acquisition-related expenses have been incurred in connection with the offer for the Group announced on 11 December 2020. The restructuring costs relate to the restructuring programme at Lowri Beck undertaken during 2020.

## 14. Earnings per share

	Year ended 31 December	
	2020	2019
Loss attributable to equity shareholders of the Company (£m)	(27.0)	(80.1)
Basic earnings per share (pence)	(5.5)	(364.2)
Diluted earnings per share (pence)	(5.5)	(364.2)

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to shareholders for the period by the weighted average number of shares in issue for that period. As set out in note 1, the IPO of the Group in February 2020 resulted in a significant change in the capital structure of the Company. This is reflected in the weighted average numbers of shares used in the earnings per share calculation below.

During the year ended 31 December 2020, the Group awarded conditional share awards to directors and certain employees through a PSP, see note 30 for further details. The awards have not yet vested but as per IAS 33 these awards must be reflected through the diluted EPS.

	Year ended 31 December	
	2020 m	2019 m
Weighted average number of shares (basic)	493.4	22.0
Weighted average number of shares (diluted)	494.8	22.0

## 15. Taxation

	Year ended 31 December	
	2020 £m	2019 £m
<b>Current tax</b>		
Current tax on loss for the year	(1.6)	(2.0)
Adjustment in respect of prior periods	3.7	–
<b>Total current tax credit/(charge)</b>	<b>2.1</b>	<b>(2.0)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1.4	7.5
Tax rate changes	(9.7)	–
Adjustment in respect of prior periods	(3.6)	(3.4)
<b>Total deferred tax (charge)/credit</b>	<b>(11.9)</b>	<b>4.1</b>
<b>Tax (charge)/credit on loss on ordinary activities</b>	<b>(9.8)</b>	<b>2.1</b>

There was an overall tax credit in the year ended 31 December 2019 as the timing differences relating to deferred taxation were in excess of the corporation tax charges on the taxable profits of a number of subsidiary undertakings. There was an overall tax charge in the year ended 31 December 2020 driven by the cancellation of the 17% tax rate from 1 April 2020 leading to a remeasurement of deferred tax balances at 19%.

The adjustments in respect of prior periods relate to refunds due from HMRC following resubmission of a number of subsidiaries' tax returns from earlier years. The refunds have been derived from the loss reliefs not previously utilised.

### 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 19% as set out below:

	Year ended 31 December	
	2020 £m	2019 £m
Accounting loss before tax	(17.2)	(82.2)
At the UK's standard rate of corporation tax of 19%	3.3	15.6
<b>Effects of:</b>		
Adjustments in respect of prior periods	0.1	(3.4)
Non-deductible expenses	(3.7)	(10.2)
Income not subject to taxation	0.3	0.2
Other adjustments, reliefs and transfers	(3.1)	0.3
Current period losses for which no deferred tax asset was recognised	–	(0.6)
Change in tax rate on deferred tax balances	(9.4)	–
Recognition of previously unrecognised deferred tax assets	2.9	–
Other	(0.2)	0.2
<b>Total tax (charge)/credit</b>	<b>(9.8)</b>	<b>2.1</b>

### Factors that may affect future tax charges

The standard rate of UK corporation tax on ordinary activities was 19% in the year ended 31 December 2020 (31 December 2019: 19%) and was expected to reduce to 17% for financial years beginning after 1 April 2020. On 11 March 2020, the UK Government announced its intention to cancel the reduction in the corporation tax rate to 17% effective from 1 April 2020 and therefore deferred taxation balances have been measured at 19%.

## 16. Deferred tax

	At 31 December	
	2020 £m	2019 £m
<b>Opening deferred tax liability</b>	<b>(86.5)</b>	(90.2)
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	<b>(11.9)</b>	3.7
Change in provision through other comprehensive income in respect of IFRS 2 Share-based Payments	<b>0.1</b>	–
<b>Closing deferred tax liability</b>	<b>(98.3)</b>	(86.5)

The following table provides details of the temporary differences and unused tax losses for which deferred tax has not been recognised:

	At 31 December	
	2020 £m	2019 £m
Unused tax losses – UK*	–	18.0
Interest restriction carried forward	<b>22.2</b>	47.9
Other temporary differences	–	–

\* The unused tax losses have no fixed expiry date.

The Group's liability for deferred taxation consists of the tax effect of temporary differences in respect of:

	At 31 December	
	2020 £m	2019 £m
Excess of taxation allowances over depreciation on property, plant and equipment	<b>(46.0)</b>	(30.8)
Tax losses available	<b>33.5</b>	21.8
Short-term timing differences	<b>(0.5)</b>	5.4
Deferred tax arising on intangible fixed assets	<b>(84.7)</b>	(82.0)
Other taxable temporary differences	<b>(0.7)</b>	(0.9)
Deferred tax on IFRS 16 lease adjustments and IFRS 2 Share-based Payments	<b>0.1</b>	–
<b>Deferred tax liability</b>	<b>(98.3)</b>	(86.5)

The net deferred tax liability of £98.3m is recognised as a £1.4m deferred tax asset and a £99.7m 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	
	2020 £m	2019 £m
Accelerated capital allowances	<b>(15.2)</b>	(8.3)
Tax losses	<b>11.7</b>	3.9
Short-term timing differences	<b>(5.9)</b>	2.5
Deferred tax arising on intangible fixed assets	<b>(2.7)</b>	6.5
Other taxable temporary differences	<b>0.2</b>	(0.4)
<b>Deferred tax (charge)/credit</b>	<b>(11.9)</b>	4.2

The standard rate of UK corporation tax on ordinary activities was 19% in the years ended 31 December 2020 and 2019.

## 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 2020 there were no transfers into or out of Level 2 fair value measurements (year ended 31 December 2019: 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 2019	78.2	14.6	586.0	0.2	2.4	–	681.4
Additions	–	–	–	0.1	0.4	–	0.5
Disposals	–	–	–	(0.1)	–	–	(0.1)
Acquisitions through business combinations	1.2	1.3	9.6	0.2	–	6.4	18.7
At 31 December 2019	79.4	15.9	595.6	0.4	2.8	6.4	700.5
Additions	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
<b>At 31 December 2020</b>	<b>79.4</b>	<b>15.9</b>	<b>595.6</b>	<b>0.4</b>	<b>2.8</b>	<b>6.4</b>	<b>700.5</b>

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 2019	–	2.8	74.9	0.1	0.4	–	78.2
Amortisation	–	1.5	39.9	0.1	0.2	0.6	42.3
At 31 December 2019	–	4.3	114.8	0.2	0.6	0.6	120.5
Amortisation	–	1.6	41.2	0.1	0.2	1.4	44.5
<b>At 31 December 2020</b>	<b>–</b>	<b>5.9</b>	<b>156.0</b>	<b>0.3</b>	<b>0.8</b>	<b>2.0</b>	<b>165.0</b>

Net book value	Goodwill £m	Brand £m	Customer contracts £m	Software £m	Costs to obtain contracts with customers £m	Development costs £m	Total £m
At 31 December 2019	79.4	11.6	480.8	0.2	2.2	5.8	580.0
<b>At 31 December 2020</b>	<b>79.4</b>	<b>10.0</b>	<b>439.6</b>	<b>0.1</b>	<b>2.0</b>	<b>4.4</b>	<b>535.5</b>

## 19. Property, plant and equipment

Cost or valuation	Equipment £m	Other fixed assets £m	Total £m
At 1 January 2019	718.9	1.5	720.4
Additions	273.4	2.4	275.8
Disposals	(55.7)	(0.2)	(55.9)
Acquisitions through business combinations	2.7	3.3	6.0
At 31 December 2019	939.3	7.0	946.3
Additions	170.7	1.1	171.8
Disposals	(41.4)	(0.1)	(41.5)
<b>At 31 December 2020</b>	<b>1,068.6</b>	<b>8.0</b>	<b>1,076.6</b>
<b>Accumulated depreciation</b>			
At 1 January 2019	70.1	0.6	70.7
Depreciation	85.9	0.9	86.8
Disposals	(32.1)	(0.1)	(32.2)
At 31 December 2019	123.9	1.4	125.3
Depreciation	77.5	1.9	79.4
Disposals	(25.9)	(0.1)	(26.0)
<b>At 31 December 2020</b>	<b>175.5</b>	<b>3.2</b>	<b>178.7</b>
<b>Net book value</b>			
At 31 December 2019	815.4	5.6	821.0
<b>At 31 December 2020</b>	<b>893.1</b>	<b>4.8</b>	<b>897.9</b>

Within other fixed assets are right-of-use assets with a carrying amount of £3.3m as at 31 December 2020 (2019: £4.6m). Details of the right-of-use assets are provided in note 20.

Gains and losses on disposal of equipment are included in cost of sales net of compensation income received.

## 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 2019	0.9	–	0.9
Additions	1.5	0.1	1.6
Disposals	–	–	–
Acquisitions through business combinations	1.8	1.1	2.9
At 31 December 2019	4.2	1.2	5.4
Additions	–	0.1	0.1
Disposals	(0.1)	–	(0.1)
<b>At 31 December 2020</b>	<b>4.1</b>	<b>1.3</b>	<b>5.4</b>
<b>Accumulated depreciation</b>			
At 1 January 2019	0.2	–	0.2
Depreciation	0.3	0.3	0.6
At 31 December 2019	0.5	0.3	0.8
Depreciation	0.7	0.7	1.4
Disposals	(0.1)	–	(0.1)
<b>At 31 December 2020</b>	<b>1.1</b>	<b>1.0</b>	<b>2.1</b>
<b>Net book value</b>			
At 31 December 2019	3.7	0.9	4.6
<b>At 31 December 2020</b>	<b>3.0</b>	<b>0.3</b>	<b>3.3</b>

## 20. Leases continued

### Right-of-use assets continued

Right-of-use assets relate to 10 leases for office and industrial space in addition to approximately 290 leases for vehicles. Two of the office leases, which have lease terms of ten years, contain a break clause after six and a half years. The Board does not currently anticipate exercising these break clauses.

### Lease-related income and expenses

	Year ended 31 December	
	2020 £m	2019 £m
Interest expense on lease liabilities	(0.3)	(0.1)
Expense relating to short-term leases	-	(0.1)

The total cash outflow for the Group's lease arrangements in the year ended 31 December 2020 was £1.2m (year ended 31 December 2019: £0.7m). Amounts relating to lease liabilities whereby the Group is a lessee are disclosed below:

	At 31 December	
	2020 £m	2019 £m
Maturity analysis – contractual undiscounted cash flows		
Less than 1 year	1.1	1.6
Between 1 and 5 years	2.5	3.1
More than 5 years	1.2	1.7
<b>Total undiscounted lease liabilities</b>	<b>4.8</b>	<b>6.4</b>
<b>Lease liabilities included in the statement of financial position</b>	<b>3.9</b>	<b>5.0</b>

## 21. Goodwill

The goodwill acquired in business combinations is allocated, at acquisition, to a CGU. Management consider the business to consist of two CGUs; Calvin Capital and Lowri Beck and goodwill is monitored at this level.

Carrying amount of goodwill allocated to each CGU:

	At 31 December	
	2020 £m	2019 £m
Calvin Capital	78.2	78.2
Lowri Beck	1.2	1.2
Total goodwill	79.4	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 2020 or 2019. In addition, the Acquisition price of 261 pence per share values the issued share capital of Calisen at approximately £1,434.0m providing the Group with additional comfort that no impairment is required. 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% from 31 December 2020. This is not considered to be higher than the average long-term industry growth rate.
- **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 and post-tax discount rates used as at 31 December 2020 and 2019 were 7.21% and 7.24% respectively.

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 either CGU as at 31 December 2020.

### Calvin Capital CGU

The headroom, based on the assumptions above, was £518.4m as at 31 December 2020 (31 December 2019: £872.7m). 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 £324.8m as at 31 December 2020 (31 December 2019: £672.0m) and a 0.5% increase in the discount rate would result in headroom of £300.2m as at 31 December 2020 (31 December 2019: £507.2m).

## 21. Goodwill continued

### Lowri Beck CGU

The headroom, based on the assumptions above, was £18.6m as at 31 December 2020 (31 December 2019: £65.8m). 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 £15.3m as at 31 December 2020 (31 December 2019: £61.2m) and a 0.5% increase in the discount rate would result in headroom of £15.1m as at 31 December 2020 (31 December 2019: £64.2m).

## 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	
	2020 £m	2019 £m
<b>Derivatives not designated as hedging instruments</b>		
Interest rate swap	3.3	1.0
Interest rate cap	–	0.1
<b>Total financial assets at fair value through profit or loss</b>	<b>3.3</b>	<b>1.1</b>
<b>Financial assets at amortised cost</b>		
Trade receivables (note 24)	31.9	33.9
Total financial assets	35.2	35.0
Total current	31.9	33.9
<b>Total non-current</b>	<b>3.3</b>	<b>1.1</b>

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	
	2020 £m	2019 £m
<b>Current interest-bearing loans and borrowings</b>		
Senior debt facilities	115.8	94.0
Liability to factoring company	–	5.2
Lease liabilities	0.9	1.3
Equity bridge loan	–	(0.6)
<b>Total current interest-bearing loans and borrowings</b>	<b>116.7</b>	<b>99.9</b>
<b>Non-current interest-bearing loans and borrowings</b>		
Shareholder loan notes including accrued interest	–	705.5
Senior term loan	–	10.0
Lease liabilities	3.0	3.8
Senior debt facilities	584.1	501.3
Equity bridge loan	–	223.7
<b>Total non-current interest-bearing loans and borrowings</b>	<b>587.1</b>	<b>1,444.3</b>
<b>Total interest-bearing loans and borrowings</b>	<b>703.8</b>	<b>1,544.2</b>

#### Shareholder loan notes

At 31 December 2019, the unsecured shareholder loan notes were listed on the International Stock Exchange and bore a fixed rate of interest of 8.123%. The maturity date of the loan notes was 30 January 2027, therefore all due after five years. The balance of the loan notes and accrued interest at 31 December 2019 was £705.5m. In February 2020, following the Group reorganisation, these loan notes and the accrued interest thereon of £711.3m were capitalised resulting in no outstanding amounts at 31 December 2020.

#### Senior term loan

Lowri Beck entered into a term loan agreement in November 2019 with an amount outstanding of £10.0m as at 31 December 2019. The loan bore interest at LIBOR plus a margin of 3.25% which was payable monthly. The loan was repayable on 31 December 2022 but was settled in November 2020 resulting in no outstanding balance at 31 December 2020.

## 22. Financial instruments continued

### 22.2 Interest-bearing loans and borrowings continued

#### Equity bridge loan

The Group had equity bridge loans outstanding at 31 December 2019 of £223.1m inclusive of debt issue costs. Following the IPO in February 2020 and the receipt of the primary share issue proceeds, the equity bridge loan facilities were repaid in full.

#### Liability to factoring company

At 31 December 2019, an invoice discounting factoring arrangement was in place in respect of Lowri Beck's trade receivables resulting in a liability of £5.2m. Under the arrangement, Lowri Beck transferred the relevant receivables to the factoring provider but retained late payment and credit risk. During April 2020, the facility was settled in full and closed.

#### Senior debt facilities

In February 2020, the Group agreed a new RCF amounting to £240.0m. During the year ended 31 December 2020, the Group drew down funds of £48.0m and subsequently repaid this resulting in no outstanding balance at the year end. The facility matures in 28 February 2025.

On 22 July 2020, the Group completed a refinancing, replacing two senior debt facilities of £400.0m and £730.0m which were maturing in October 2022 and September 2029 respectively, with new facilities totalling £1,067.5m. The new financing arrangement is composed of the following facilities:

- A fixed rate institutional loan of £290.0m which amortises from June 2025 and is to be repaid by December 2034. The fair value of this loan, which is subject to fixed interest, has been considered in note 22.4.
- An amortising bank loan of £192.5m to be repaid by December 2023. Repayments have commenced resulting in current and non-current debt.
- An amortising capital expenditure facility of £115.0m to be repaid by December 2027 of which £12.7m was drawn down as at 31 December 2020.
- A revolving credit facility of £400.0m due June 2025 of which £68.0m was drawn down as at 31 December 2020.
- A standby facility of £70.0m due June 2025 and not utilised.

Senior debt facilities totalling £699.8m were outstanding under the new and existing facilities as at 31 December 2020 (31 December 2019: £595.4m) 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 2034 for all interest-bearing loans and borrowings. Issue costs totalling £17.4m at 31 December 2020 (2019: £17.6m) have been offset against amounts drawn down and amortised over the duration of the facilities.

Interest on fixed rate loans of £290.0m and £40.0m of the amount outstanding at 31 December 2020 (2019: £Nil and £40.0m) are charged at rates of 2.635% and 2.706% respectively per annum. Interest charges on the remaining amounts drawn are based on floating LIBOR rates. Group has entered into interest rate derivatives as set out in note 22.5.

### 22.3 Other financial liabilities

	At 31 December	
	2020 £m	2019 £m
<b>Derivatives not designated as hedging instruments</b>		
Interest rate swaps	1.6	32.4
<b>Total financial liabilities at fair value through profit and loss</b>	<b>1.6</b>	<b>32.4</b>
<b>Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings</b>		
Trade payables	19.1	17.8
Deferred consideration	–	0.7
<b>Total other financial liabilities</b>	<b>20.7</b>	<b>50.9</b>
<b>Total current</b>	<b>19.1</b>	<b>18.5</b>
<b>Total non-current</b>	<b>1.6</b>	<b>32.4</b>

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 LIBOR and so are regularly reset to current market rates.

The fair value of the shareholder loan, which differs from the carrying amount, due to the instrument utilising a fixed interest rate, is disclosed below:

	At 31 December	
	2020 £m	2019 £m
Fair value	–	1,119.5
Carrying amount	–	705.5

## 22. Financial instruments continued

### 22.4 Fair value of non-derivative financial assets and financial liabilities continued

The fair value of the shareholder loan is based on the net present value of the anticipated future cash flows associated with these instruments using rates currently available for debts on similar terms, credit risk and equivalent maturity dates. This loan was recapitalised during February 2020 and no amounts remain outstanding at 31 December 2020.

The fair value of the senior debt facilities subject to fixed interest rate compared to their carrying amount is disclosed below:

	At 31 December			
	2020		2019	
	Fair value (£m)	Carrying value (£m)	Fair value (£m)	Carrying value (£m)
£40m loan	42.1	40.0	41.6	40.0
£290m fixed rate institutional loan	301.1	290.0	–	–

Repayments of principal amounts against the senior debt facility of £40m commence in December 2023 with the balance to be fully repaid by June 2024.

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.

### 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 2020 and 2019.

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 LIBOR, thereby exposing the Group to fluctuations in LIBOR and the consequential impact on interest cost.

As at 31 December 2020, interest on these loans was charged at LIBOR plus a margin in the range of 1.2% to 2.3% (31 December 2019: 0.9% to 1.55%).

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 2020, the derivative instruments in place were sufficient to fix the interest rate on 81% of the senior debt facilities (2019: 74%). As at 31 December 2020, the swap arrangements fixed interest rates in the range of 0.1% to 1.1% (31 December 2019: 1.0% to 2.1%).

In addition, the Group has entered into interest rate caps whereby floating rates are capped at a fixed percentage in the range of 0.9% to 2%. As at 31 December 2020, 83% (31 December 2019: 24%) of the Group's borrowings were subject to this cap.

#### (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/(loss) before tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease in basis points	Effect on profit/(loss) before tax £m
<b>Year ended 31 December 2020</b>	<b>100</b>	<b>3.9</b>
Year ended 31 December 2019	100	2.2

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.

## 22. Financial instruments continued

### 22.5 Financial instruments risk management objectives and policies continued

#### (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.

#### 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 (approximately 83%) is generated from the Legacy Large and Other 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.

#### Impairment of trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring forward-looking ECLs 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. In calculating the provision on trade receivables as at 31 December 2020, an adjustment was made to increase the historical loss rates on invoiced and accrued receivables not yet due in recognition of the volatility of the economic environment during the year ended 31 December 2020 caused by COVID-19.

On that basis, the provision as at 31 December 2020 was determined as £2.9m (31 December 2019: £1.3m) as follows:

	<b>Loss provision – receivables £m</b>
As at 1 January 2019	1.3
Acquired in business combination	1.0
Increase in loss provision recognised in profit or loss during the year	0.4
Receivables written off during the year as uncollectable	(1.4)
As at 31 December 2019	1.3
Increase in loss provision recognised in profit or loss during the year	1.9
Receivables written off during the year as uncollectable	(0.3)
<b>As at 31 December 2020</b>	<b>2.9</b>

The increase in the loss provision on trade receivables in 2019 arose due to the number of new, typically Smaller, Medium Energy Retailers that went into administration during the year ended 31 December 2019, for which amounts were considered unrecoverable. For detail as to the ageing profile of trade receivables, refer to note 24.

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. Due to the ongoing economic disruption and stress placed on businesses the Group included a loss provision against accrued income for the year ended 31 December 2020 of £0.7m; this is included within the £1.9m charge. The total provision of £2.9m therefore includes £2.2m in relation to trade receivables and £0.7m in relation to accrued income. The ECL for contract assets was not material at 31 December 2020 or 31 December 2019.

## 22. Financial instruments continued

### 22.5 Financial instruments risk management objectives and policies continued

#### 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 strategic plans. The Group finances operations and growth from its existing cash resources and the £762.0m undrawn portion of the Group's committed banking facilities. As at 31 December 2020, 83% (31 December 2019: 93%) 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.

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.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
<b>As at 31 December 2020</b>				
Bank borrowings	115.8	155.7	181.7	246.6
Trade and other payables	19.1	–	–	–
Derivatives	(3.3)	–	1.6	–
<b>As at 31 December 2019</b>				
Shareholder loan	–	–	–	705.5
Bank borrowings	93.4	91.2	493.5	150.4
Liability to factoring company	5.2	–	–	–
Trade and other payables	17.8	–	–	–
Derivatives	–	1.7	–	30.7

### 22.6 Changes in liabilities arising from financing activities

	At 1 January 2020 £m	Cash flows £m	Recapitalisation of shareholder loans £m	Changes in fair value £m	Other £m	At 31 December 2020 £m
Current interest-bearing loans and borrowings	99.9	(806.2)	(711.3)	–	1,533.4	115.8
Non-current interest-bearing loans and borrowings	1,444.3	668.7	–	–	(1,528.9)	584.1
Derivative financial instruments	31.3	(52.7)	–	19.7	–	(1.7)
Obligations under leases	5.0	(1.5)	–	–	0.4	3.9
<b>Total</b>	<b>1,580.5</b>	<b>(191.7)</b>	<b>(711.3)</b>	<b>19.7</b>	<b>4.9</b>	<b>702.1</b>

	At 1 January 2019 £m	Cash flows £m	Acquisition £m	New leases £m	Changes in fair value £m	Other £m	At 31 December 2019 £m
Current interest-bearing loans and borrowings	87.9	(98.3)	15.4	–	–	94.9	99.9
Non-current interest-bearing loans and borrowings	1,266.9	210.9	–	–	–	(33.5)	1,444.3
Derivative financial instruments	16.6	–	–	–	14.7	–	31.3
Obligations under leases	0.9	(0.7)	2.9	1.7	–	0.2	5.0
<b>Total</b>	<b>1,372.3</b>	<b>111.9</b>	<b>18.3</b>	<b>1.7</b>	<b>14.7</b>	<b>61.6</b>	<b>1,580.5</b>

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.

At 31 December 2019, the Group had £705.5m shareholder loans which were included in non-current interest-bearing loans and borrowings. In February 2020, the Group recapitalised shareholder loans of £711.3m, see note 22.2 for further detail. This was a non-cash transaction which has been captured in the "Other" column to reflect the transfer from non-current to current.

During the year ended 31 December 2020, the Group repaid borrowings of £806.2m; £664.9m of which related to the closure of facilities including the senior term loan, equity bridge loan, liability to factoring company and senior debt facilities as part of the refinancing set out in note 22.2. The Group received proceeds from borrowings of £668.7m of which £611.2m related to new facilities and £57.5m of which related to existing facilities.

## 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	
	2020 £m	2019 £m
Interest-bearing loans and borrowings	703.8	1,544.2
Trade creditors	19.1	17.8
Cash	(114.6)	(50.3)
	<b>608.3</b>	<b>1,511.7</b>
Share capital and share premium	5.5	82.3
<b>Total capital plus net debt</b>	<b>613.8</b>	<b>1,594.0</b>
Gearing ratio	<b>99.1%</b>	94.8%

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	
	2020 £m	2019 £m
Trade receivables	31.9	33.9
Other receivables	1.2	1.6
Accrued income	17.2	–
VAT recoverable	–	1.8
Prepayments	10.0	–
Finance receivables	–	2.2
Tax receivable	9.7	3.2
	<b>70.0</b>	<b>42.7</b>

The carrying value of the Group's trade and other receivables approximates to their fair value.

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 2020 was £2.9m of which £2.2m was recognised in relation to trade receivables and £0.7m in relation to accrued income. The total loss provision as at 31 December 2019 was £1.3m and this was recognised in full against trade receivables. See note 22 for further details. The ageing profile of trade receivables past their due date is shown below:

	31 December 2020 £m	Expected loss rate 2020 £m	31 December 2019 £m	Expected loss rate 2019 £m
Not yet due	29.4	2.61%	32.9	0.92%
0-30 days	2.6	17.38%	1.3	9.19%
31-60 days	0.6	8.23%	0.2	0.29%
61-90 days	0.4	95.62%	0.3	87.66%
Over 90 days	1.1	68.91%	0.5	91.31%
Gross carrying amount	34.1		35.2	
Loss provision	(2.2)		(1.3)	
Net carrying amount	31.9		33.9	

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 2020 amounted to £Nil (31 December 2019: £Nil). Receivables are all denominated in pound sterling.

## 25. Inventories

	At 31 December	
	2020 £m	2019 £m
Finished goods	0.9	1.3
	<b>0.9</b>	1.3

During the year ended 31 December 2020, £0.4m (31 December 2019: £0.3m) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

## 26. Cash and cash equivalents

	At 31 December	
	2020 £m	2019 £m
Cash at bank and in hand	114.6	50.3
	<b>114.6</b>	50.3

Cash at bank earns interest at floating rates based on daily bank deposit rates.

## 27. Trade and other payables

	At 31 December	
	2020 £m	2019 £m
Trade creditors	19.1	17.8
Other creditors	9.6	8.0
VAT payable	1.5	–
Other creditors relating to capital expenditure	13.0	17.0
Other creditors relating to other operating expenses	1.4	6.3
Finance creditors	0.9	–
	<b>45.5</b>	49.1

For the year ended 31 December 2020, other creditors relating to other operating expenses relate to the Acquisition announced in December 2020. For the year ended 31 December 2019, other creditors relating to other operating expenses related to the IPO.

## 28. Provisions

	Dilapidations £m	Total £m
As at 1 January 2019	–	–
Acquired through business combination	0.4	0.4
Arising during the year	–	–
As at 31 December 2019	0.4	0.4
Arising during the year	1.1	1.1
<b>As at 31 December 2020</b>	<b>1.5</b>	<b>1.5</b>

## 29. Issued capital and reserves

	At 31 December	
	2020	2019
<b>Authorised shares</b>		
Ordinary shares	<b>547,980,973</b>	22,000,000
Nominal value of each share (pence)	<b>1</b>	1
Nominal value of shares (£m)	<b>5.5</b>	0.2
<b>Ordinary shares issued and fully paid</b>		
At start of year	<b>22,000,000</b>	22,000,000
Shares issued	<b>130,168,749</b>	–
Debt for equity swap	<b>395,812,224</b>	–
At end of year	<b>547,980,973</b>	22,000,000

As detailed in note 1, the Group completed a capital reorganisation during February 2020. The issued share capital as at 31 December 2020 represents the authorised share capital of Calisen plc. The authorised share capital as at 31 December 2019 has been restated to reflect the reorganisation as a result of the application of merger accounting.

## 30. Share-based payments

The Group adopted IFRS 2 in the year ended 31 December 2020 by granting conditional share awards through a PSP. The Calisen plc EBT, whose trustee is Ocorian Limited, has been established to satisfy awards made under the share plans.

The table below summarises the amounts recognised in the income statement during the year:

	At 31 December	
	2020 £m	2019 £m
2020 Restricted share awards	<b>0.1</b>	–
2020 Performance share awards	<b>0.3</b>	–
	<b>0.4</b>	–

The details for each scheme are as follows:

### 2020 Restricted share awards

On 25 June 2020, the Group granted conditional awards over 113,417 shares, with 50% of shares due to vest on 25 June 2022 and 50% due to vest on 25 June 2023. Vesting of the awards is contingent on the continued employment of the individuals.

The fair value was determined to be the share price at grant date of £1.86. 5,833 shares have been forfeited in the year ended 31 December 2020 resulting in the outstanding balance of 107,584.

### 2020 Performance share awards

On 25 June 2020, the Group granted conditional awards over 1,290,011 shares due to vest on 25 June 2023. Half of the awards are subject to an FFO performance target and half of the awards are subject to a TSR performance target; the two tranches of shares have therefore been considered separately when calculating the fair value of the options.

Vesting of the awards is also contingent on the continued employment of the individuals to the vesting date with the exception of awards issued to the Executive Directors which have a two-year holding period and which, subject to meeting performance targets, will be issued in 2023 and must be retained until 2025.

### TSR Measure

The percentage of the 645,006 awards that vest based on the TSR is as follows:

Relative TSR versus the FTSE 250 Index (excluding Investment Trusts)	Percentage of TSR tranche that vest
Below median	0%
Median	25%
Between median and upper quartile	Straight-line basis from 25% to 100%
Upper quartile and above	100%

The fair value of the share awards subject to TSR performance has been estimated at the grant date using a Monte Carlo simulation. The following table shows the assumptions used within the Monte Carlo simulation for the year ended 31 December 2020:

Risk-free rate	-0.1%
Expected volatility	41.2%
Expected dividend yield	0.0%
Expected life	3 years
Weighted average fair value	£1.13

As at 31 December 2020, no awards have been forfeited and there are still 645,006 awards outstanding.

### 30. Share-based payments continued

#### 2020 Performance share awards continued

##### FFO Measure

The percentage of 645,006 awards that vest based on the FFO is as follows:

Compound annual growth in FFO over the performance period	Percentage of FFO tranche that vest
Less than 5%	0%
5%	25%
Between 5% and 8.7%	Straight-line basis from 25% to 100%
8.7% and above	100%

The fair value of the awards at grant was £1.86 with a downward adjustment to reflect the post vesting holding period for the Executive Directors resulting in a weighted average fair value of £1.74.

As at 31 December 2020, no awards have been forfeited and there are still 645,006 awards outstanding.

### 31. Related party disclosures

#### Group

Identity of related parties with which the Group has transacted:

Following its acquisition of the Calisen Group Holdings Limited Group on 31 January 2017, KKR became a related party as it was deemed to have control and significant influence over the Group. The transactions below have been transacted with both KKR Capital Markets Limited and Kohlberg Kravis Roberts & Co. L.P. collectively classed as "KKR".

Included within long-term interest-bearing loans and borrowings as at 31 December 2020 is an amount of £Nil (31 December 2019: £122.3m) in relation to loan note interest payable on the loan notes issued to Evergreen Holdco S.a.r.l., a group undertaking and part of the KKR Group. These loan notes carried a fixed rate of interest of 8.123%. The loan note value (principal and interest) as at 31 December 2020 of £Nil (31 December 2019: £705.5m) was included within interest-bearing loans and borrowings due in over one year within the statement of financial position. The loans were repayable on 30 January 2027; however following the Group restructure at the time of the IPO, the loan note value (principal and interest) of £711.3m at 6 February 2020 was capitalised. Following the IPO, £6.0m of underwriting expenses were offset against share premium, of which £1.3m related to underwriting fees paid to KKR.

Included within administrative expenses for the year ended 31 December 2020 is £0.1m (year ended 31 December 2019: £0.6m) of shareholder advisory services and reimbursable expenses. Of this, as at 31 December 2020 £Nil (31 December 2019: £156,000) is included within other creditors due within one year as these amounts had not been paid at those dates.

Included within other expenses for the year ended 31 December 2020 is £2.7m for fees owed to KKR (31 December 2019: nil); this includes £0.6m in relation to services and reimbursable expenses incurred for the IPO and £2.1m for termination of the managed service agreement that occurred on the IPO.

#### 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.

Key management personnel, defined as the statutory directors for the year ended 31 December 2019, held equity in Evergreen Energy Limited, the immediate parent undertaking of Calisen Group Holdings Limited as set out in note 1, amounting to £1.2m and loan notes in the Company for £0.8m at 31 December 2019. Following the liquidation of Evergreen Energy Limited, those key management personnel received shares in Calisen plc in replacement of the equity and loan notes previously held.

## 32. 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, UK, M2 1HW.

Company	Proportion of shares and voting rights	Country of incorporation	Principal activities
Calisen Group Limited	100%	UK	Holding Company
Calisen Group 2 Limited	100%	UK	Holding Company
Calisen Group Holdings Limited	100%	UK	Holding Company
Calisen Holdco Limited	100%	UK	Holding Company
Calisen Holdco 2 Limited	100%	UK	Holding Company
Calisen Holdco 3 Limited	100%	UK	Holding Company
Calvin Capital UK Limited	100%	UK	Holding Company
Calvin Capital Limited	100%	UK	Holding Company
Meter Serve (Holdco) Limited	100%	UK	Holding Company
Meter Serve (North West) Limited	100%	UK	Holding Company
Meter Fit (North West) Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve (North East) Limited	100%	UK	Holding Company
Meter Fit (North East) Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve 2 Limited	100%	UK	Holding Company
Meter Fit 2 Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve 3 Limited	100%	UK	Holding Company
Meter Fit 3 Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve 4 Limited	100%	UK	Holding Company
Meter Fit 4 Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve (Holdco 2) Limited	100%	UK	Holding Company
Meter Serve 5 Limited	100%	UK	Holding Company
Meter Fit 5 Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve 10 Limited	100%	UK	Holding Company
Meter Fit 10 Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve 20 Limited	100%	UK	Holding 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
Calvin Metering Limited	100%	UK	Agent
Calvin Asset Management Limited	100%	UK	Group management Company
Calvin Capital Australia Holdings Limited	100%	UK	Holding Company

The following entities are registered in the UK and have the same registered office address of Building B, Swan Meadow Road, Wigan, WN3 5BB.

Lowri Beck Holdings Limited	100%	UK	Holding Company
Lowri Beck Meters Limited	100%	UK	Dormant
Lowri Beck Systems Limited	100%	UK	Computer systems development
Lowri Beck Solutions Limited	100%	UK	Dormant
Lowri Beck Services Limited	100%	UK	Nationwide metering and data collection services
Lowri Beck Software Limited	100%	UK	Dormant
Lowri Beck Direct Limited	100%	UK	Dormant

The following entities are registered in Australia. All Australian registered entities have the same registered office address of 181 William Street, Melbourne, VIC 3000.

Calvin Capital Australia Pty Limited	100%	Australia	Holding Company
Calvin MS Australia 1 Pty Limited	100%	Australia	Holding Company

### 33. Ultimate controlling party

As at 31 December 2019, the immediate parent company of the Group was Evergreen Energy Limited, a company registered in Jersey. The ultimate controlling entity of Evergreen Energy Limited was KKR Infrastructure II Limited, which controls and manages, and is the General Partner of a Global Infrastructure Fund of the investment business of KKR & Co Inc., which is quoted on the New York Stock Exchange.

On 7 February 2020, as detailed in note 1, all shares held, directly or indirectly, in Calisen Group Holdings Limited by intermediary holding companies Evergreen Energy Limited and Evergreen Holdco S.a.r.l were transferred to the newly incorporated immediate parent entity Calisen plc. Calisen plc then undertook an IPO on the London Stock Exchange. Subsequent to the IPO both Evergreen Energy Limited and Evergreen Holdco S.a.r.l were placed into liquidation, the former of which was closed during May 2020. At 31 December 2020, the immediate parent company and ultimate controlling party of Calisen plc is therefore KKR Infrastructure II Limited. The registered office address of this company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

This set of financial statements is the largest and smallest Group for which consolidated accounts are drawn up.

## Financial Statements

### Company Statement of Financial Position

	Notes	2020 £m
<b>Assets</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	3	1,051.2
<b>Current assets</b>		
Trade and other receivables	4	2.9
Cash and cash equivalents	5	22.9
		25.8
<b>Total assets</b>		<b>1,077.0</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade creditors	6	0.1
Other creditors	6	3.9
		4.0
<b>Total liabilities</b>		<b>4.0</b>
<b>Equity</b>		
Called up share capital	7	5.5
Share-based Payment reserve		0.4
Retained earnings		1,067.1
<b>Total equity</b>		<b>1,073.0</b>
<b>Total equity and liabilities</b>		<b>1,077.0</b>

#### Sean Latus

Chief Financial Officer  
1 March 2021

## Company Statement of Changes in Equity

	Called up share capital £m	Share premium account £m	Share-based Payment reserve £m	Retained earnings £m	Total equity £m
<b>At 1 January 2019</b>	–	–	–	–	–
Share capital issued (note 7)	5.5	1,082.6	–	–	1,088.1
Capital reduction (note 7)	–	(1,082.6)	–	1,082.6	–
Equity settled share awards	–	–	0.4	–	0.4
Loss for the period and total comprehensive loss	–	–	–	(15.5)	(15.5)
<b>At 31 December 2020</b>	<b>5.5</b>	<b>–</b>	<b>0.4</b>	<b>1,067.1</b>	<b>1,073.0</b>

Calisen plc Company number: 12383518

## 1. Basis of preparation

Calisen plc was incorporated in the UK on 2 January 2020; as such this is the first set of audited Financial Statements presented for the Company. Its registered office is at 5th Floor, 1 Marsden Street, Manchester, England, M2 1HW. 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 relation to the compensation of key management personnel;
- 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 plc 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

Based on the current projections and facilities in place, the Directors consider it appropriate to continue to prepare the 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

On 7 February 2020, as part of a Group reorganisation, all shares held in Calisen Group Holdings Limited, a subsidiary of the company, by Evergreen Energy Limited and Evergreen Holdco S.a.r.l. were transferred to the Company following incorporation. This was achieved by the Company issuing shares at fair-value amounting to £793.6m, to the shareholders of Evergreen Energy Limited and Evergreen Holdco S.a.r.l. in exchange for their debt, investments and a receivable, resulting in a £1.1m gain. The corresponding entries were recorded in ordinary share capital and share premium with the gain recognised in the income statement. Following the IPO, both Evergreen Holdco S.a.r.l. and Evergreen Energy Limited were placed into liquidation, the latter of which was dissolved on 7 May 2020 with the former being dissolved on 11 February 2021. As a result of the liquidations, the indirect investment and receivable held by the Company, in Calisen Group Holdings Limited were transferred to direct holdings.

During the period ended 31 December 2020, the Company subscribed for further shares in its' subsidiary undertaking amounting to £256.5m.

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.

## 2. Significant accounting policies continued

### (b) Financial liabilities continued

#### 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.

### (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

	Investments in subsidiary companies £m
<b>Cost</b>	
<b>At 31 December 2020</b>	<b>1,051.2</b>
<b>Net book value</b>	
<b>At 31 December 2020</b>	<b>1,051.2</b>

The Company owns 100% of the share capital of Calisen Group Holdings Limited which in turn, owns 100% of the companies listed in note 32 of the consolidated financial statements.

## 4. Trade and other receivables

	At 31 December 2020 £m
Trade and other receivables	0.6
Debt issue costs	2.3
	2.9

## 5. Cash and cash equivalents

	At 31 December 2020 £m
Cash and cash equivalents	22.9
	22.9

## 6. Trade and other payables

	At 31 December 2020 £m
Trade payables	0.1
Other payables	3.5
Finance creditors	0.4
	4.0

## 7. Issued capital and reserves

	At 31 December 2020 £m
<b>Allotted, called up and fully paid</b>	
547,980,973 ordinary shares of 1 pence each	5.5

The Company was incorporated in January 2020 with £0.1m share capital. As set out in note 1 of the Consolidated Financial Statements, the Company was part of a Group reorganisation significantly impacting the capital structure of both the Company and the Group. Investments and a receivable amounting to £793.6m held in Calisen Group Holdings Limited were transferred from Evergreen Energy Limited and Evergreen Holdco S.a.r.l to Calisen plc in exchange for £4.2m share capital with the capitalisation of £789.4m shareholder loans to share premium.

Following the transfer of shares, Calisen plc undertook an IPO on the London Stock Exchange raising £300.4m gross proceeds. The primary share issue was in exchange for £1.3m share capital and £299.2m share premium. Underwriting expenses of £6m on the issuance of the new shares was deducted from share premium.

During June 2020, the Company, having by special resolution cancelled its share premium account of £1,082.6m, as confirmed by an order of the High Court of Justice, Chancery Division.

## 8. Commitments and contingencies

There were no commitments or contingencies as at 31 December 2020.

## 9. Ultimate controlling party

On 7 February 2020, as detailed in note 1 of the Consolidated Financial Statements, all shares held, directly or indirectly, in Calisen Group Holdings Limited by intermediary holding companies Evergreen Energy Limited and Evergreen Holdco S.a.r.l were transferred to the newly incorporated Calisen plc. Calisen plc then undertook an IPO on the London Stock Exchange. Subsequent to the IPO both Evergreen Energy Limited and Evergreen Holdco S.a.r.l were placed into liquidation, the former of which was closed during May 2020. At 31 December 2020, the immediate parent company and ultimate controlling party of Calisen plc is therefore KKR Infrastructure II Limited. The registered office address of this company is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

This set of Financial Statements is the largest and smallest Group for which consolidated accounts are drawn up.

# Other information

Alternative performance measures  
Definitions and abbreviations  
Shareholder information

145  
146  
150



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 below:

<b>Adjusted EBITDA</b>	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 26 for reconciliation of Adjusted EBITDA to statutory loss for the period;
<b>Adjusted net debt</b>	Net debt less shareholder loans. See page 31 for calculation;
<b>Cash conversion</b>	FFO as a percentage of Underlying EBITDA. See page 29 for calculation;
<b>Cost of debt</b>	The average balance of Group debt outstanding (excluding shareholder loans and EBLs) divided by the corresponding total interest expense (including the cost of hedging) for a given period. Total interest expense includes senior debt commitment fees and interest payable on bank loans;
<b>FFO</b>	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 29 for calculation;
<b>Net debt</b>	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 31 for calculation;
<b>Underlying EBITDA</b>	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 26 for reconciliation of Underlying EBITDA to statutory loss for the period;
<b>Underlying EBITDA Interest Cover</b>	Underlying EBITDA divided by net interest expense. See page 33 for calculation; and
<b>Underlying EBITDA Margin</b>	Underlying EBITDA as a percentage of revenue. See page 26 for calculation.

The following definitions and abbreviations apply throughout this report unless the context otherwise requires:

<b>ABP</b>	Annual Bonus Plan;
<b>Acquisition</b>	the recommended cash offer by Coyote Bidco Limited to acquire the entire issued and to be issued share capital of the company to be effected by means of a court-sanction scheme of arrangement under Part 26 of the Companies Act 2006;
<b>Admission</b>	the admission of the shares of Calisen plc to the premium listing segment of the official list maintained by the FCA and to trading on the main market for listed securities of the London Stock Exchange which became effective on 12 February 2020;
<b>AGM</b>	Annual General Meeting;
<b>APMs (or “Alternative Performance Measures”)</b>	alternative performance measures, being a financial measure not defined or recognised under IFRS;
<b>ARPM</b>	average revenue per meter;
<b>Articles</b>	Calisen’s Articles of Association;
<b>Auditor</b>	KPMG LLP;
<b>BEIS</b>	the Department for Business, Energy and Industrial Strategy;
<b>Board</b>	the Board of Directors of the Company from time to time;
<b>Brexit</b>	the UK’s exit from the EU;
<b>British Gas</b>	British Gas Trading Limited, or the group consisting of British Gas Trading Limited and its affiliates, parents or subsidiaries, as applicable;
<b>CAGR</b>	Compound Annual Growth Rate;
<b>Calisen</b>	Calisen plc;
<b>Calvin Capital</b>	Calvin Capital Limited and its subsidiaries;
<b>Capital expenditure</b>	purchase of property, plant and equipment per the consolidated statement of cashflows;
<b>CEO</b>	Chief Executive Officer;
<b>CFO</b>	Chief Financial Officer;
<b>CGH Group</b>	Calisen Group Holdings Limited (formerly CCH1 Limited) and its subsidiaries;
<b>CGHL</b>	Calisen Group Holdings Limited;
<b>CHL Group</b>	Calisen Holdco Limited (formerly Calvin Capital Holdco Limited) and its subsidiaries;
<b>CGU</b>	cash-generating unit;
<b>Code</b>	the UK Corporate Governance Code published in July 2018 by the Financial Reporting Council, as amended from time to time;
<b>Company</b>	Calisen plc;
<b>Companies Act 2006 (or “the Act”)</b>	the Companies Act 2006 of England and Wales, as amended from time to time;
<b>Coronavirus Job Retention Scheme</b>	the wage support measure implemented by the UK Government during the COVID-19 pandemic;
<b>Court</b>	the High Court of Justice of England and Wales;
<b>Coyote Bidco</b>	Coyote Bidco Limited;
<b>CPO</b>	Chief People Officer;
<b>Directors</b>	the Directors of the Company and “Director” means any one of them;

<b>DTRs</b>	the disclosure guidance and transparency rules made by the FCA under Part VI of FSMA (as set out in the FCA Handbook), as, from time to time, amended;
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation and Amortisation;
<b>ECLs</b>	expected credit losses;
<b>EBLs</b>	equity bridge loans;
<b>EDF</b>	EDF Energy Customers plc, or the group consisting of EDF Energy Customers plc and its affiliates, parents or subsidiaries, as applicable;
<b>EIR</b>	effective interest rate;
<b>ESG</b>	environmental, social and governance;
<b>EU</b>	the European Union;
<b>EVs</b>	electric vehicles and “EV” means any of them;
<b>Executive Committee</b>	the CEO and his direct reports;
<b>Executive Directors</b>	the Executive Directors, being the CEO and the CFO;
<b>FCA</b>	the Financial Conduct Authority of the UK;
<b>FFO</b>	Funds From Operations;
<b>FRC</b>	Financial Reporting Council;
<b>FRS</b>	Financial Reporting Standard applicable in the UK and Republic of Ireland;
<b>FRS 101</b>	Financial Reporting Standard 101 Reduced Disclosure Framework;
<b>FTE</b>	full-time employees;
<b>Green Element</b>	Green Element Limited;
<b>Greenhouse Gas Protocol Corporate Accounting and Reporting Standard</b>	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;
<b>Green Homes Grant</b>	the home grants scheme implemented by the UK Government;
<b>Green Revenue</b>	revenue from carbon reducing activities such as installation of smart meters and MPCs from smart meters;
<b>Group</b>	the Company and its subsidiaries (as that term is defined in section 1159 of the Companies Act 2006);
<b>Health and Safety Executive</b>	the UK’s regulator for workplace health and safety;
<b>Heat and Buildings Strategy</b>	the UK Government scheme to improve the energy efficiency of homes, workplaces and community buildings;
<b>IAS</b>	International Accounting Standards;
<b>IASB</b>	International Accounting Standards Board;
<b>IFRS</b>	International Financial Reporting Standards;
<b>IPO</b>	Calisen’s initial public offering in February 2020;
<b>ISAs (UK)</b>	International Standards on Auditing (UK);
<b>KKR</b>	Kohlberg Kravis Roberts & Co. L.P. and/or one or more of its affiliates, including funds advised by Kohlberg Kravis Roberts & Co. L.P., as the context may require;
<b>KPI</b>	key performance indicator;
<b>KPMG</b>	KPMG LLP;

Other information  
**Definitions and abbreviations continued**

<b>Large Legacy Energy Retailers</b>	energy retailers with a market share of at least 5 per cent in either the gas or electricity sector since privatisation;
<b>LIBOR</b>	London Interbank Offered Rate;
<b>Listing Rules</b>	the listing rules made by the FCA under Part VI of FSMA (as set out in the FCA Handbook), as, from time to time, amended;
<b>London Stock Exchange</b>	the London Stock Exchange plc;
<b>Lowri Beck</b>	Lowri Beck Holdings Limited, or the group consisting of Lowri Beck Holdings Limited and its affiliates, parents or subsidiaries, as applicable;
<b>LTIP</b>	long-term incentive plan;
<b>Major Shareholder</b>	KKR Evergreen Aggregator L.P.;
<b>MAM</b>	meter asset management or meter asset manager (as the context requires);
<b>MAMCOP</b>	Meter Asset Managers Code of Practice;
<b>MAP</b>	meter asset provision or meter asset provider (as the context requires);
<b>Mazars</b>	Mazars LLP;
<b>MD</b>	Managing Director;
<b>Medium Energy Retailers</b>	energy retailers with a market share exceeding 1 per cent but below 5 per cent in both the gas and electricity sectors;
<b>Mental Health First Aiders</b>	the Company's employees trained to be mental health first aiders;
<b>MOCOPA</b>	Meter Operations Code of Practice Agreement;
<b>MOP</b>	meter operator provision or meter operator provider (as the context requires);
<b>MoU</b>	Memorandum of Understanding;
<b>MPC</b>	Meter Provision Charge;
<b>NHS Charities Together</b>	the charity organisation that supports all the devolved National Health Service in the United Kingdom;
<b>NICEIC</b>	National Inspection Council for Electrical Installation Contracting;
<b>Non-Executive Directors (or "NEDs")</b>	non-executive Directors of the Company and "Non-Executive Director" means any one of them;
<b>Non-Independent Non-Executive Directors</b>	non-independent non-executive Directors of the Company and "Non-Independent Non-Executive Director" means any one of them;
<b>OCI</b>	other comprehensive income;
<b>Ofgem</b>	Office of Gas and Electricity Markets, the regulator for gas and electricity markets in Britain;
<b>Official List</b>	the official list maintained by the FCA;
<b>Other Large Energy Retailers</b>	energy retailers with a market share of at least 5 per cent in either the gas or electricity sector, having increased their market share from below 5 per cent at the time of privatisation;
<b>OZEV</b>	the Office for Zero Emission Vehicles (formerly the Office for Low Emission Vehicles or OLEV);
<b>Paris Agreement</b>	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;
<b>PPE</b>	personal protective equipment;

<b>PSP (or “Performance Share Plan”)</b>	the Calisen plc Performance Share Plan;
<b>RCF</b>	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;
<b>Registrar</b>	Equiniti Limited;
<b>Relationship Agreement</b>	the relationship agreement entered into between the Company and the Major Shareholder dated 7 February 2020;
<b>RIDDOR</b>	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations;
<b>Scottish Power</b>	Scottish Power Limited, or the group consisting of Scottish Power Limited and its affiliates, parents or subsidiaries;
<b>Scheme Document</b>	the circular dated 18 January 2021 relating to the Company’s scheme of arrangement under Part 26 of the Companies Act 2006 (and see “Acquisition”);
<b>Single Market</b>	the single market of the EU (which includes Switzerland);
<b>Small Energy Retailers</b>	energy suppliers with a market share below 1 per cent in both the gas and electricity sectors;
<b>SMETS2</b>	the second generation of Smart Metering Equipment Technical Specification;
<b>SMIP</b>	Smart Meter Implementation Programme;
<b>SPPI</b>	solely payments of principal and interest;
<b>SSC</b>	the Company’s Sustainability Steering Committee chaired by Calisen’s CEO;
<b>SSE</b>	means Southern Electric Gas Limited and SSE Energy Supply Limited, or the group consisting of Southern Electric Gas Limited and SSE Energy Supply Limited and its mutual or respective affiliates, parents or subsidiaries;
<b>SECR</b>	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;
<b>SOLR</b>	supplier of last resort;
<b>UEL</b>	useful economic lives;
<b>Tier</b>	the tier system implemented by the UK Government during COVID-19 pandemic;
<b>Trade and Cooperation Agreement</b>	the agreement signed on 30 December 2020 between the EU and the UK that governs the relationship between the EU and the UK after Brexit;
<b>TSR</b>	Total Shareholder Return;
<b>TCFD</b>	Task Force on Climate-related Financed Disclosures;
<b>UK GAAP</b>	Generally Accepted Accounting Practice in the UK;
<b>UN Sustainable Development Goal 7</b>	One of the United Nation’s 17 Sustainable Development Goals. Goal 7 is to ensure access to affordable, reliable, sustainable and modern energy for all; and
<b>WACC</b>	weighted average cost of capital.

# Shareholder information

## Registrar

All administrative enquiries relating to shareholdings and requests to receive corporate documents by email should, in the first instance, be directed to Equiniti Limited.

## Enquiries

All administrative enquiries relating to shareholdings and requests to receive corporate documents by email should, in the first instance, be directed to:

Equiniti Limited,  
Aspect House,  
Spencer Road,  
Lancing,  
West Sussex,  
BN99 6DA.

Telephone 0371 384 2030 (+44 (0) 121 415 7047 from outside the UK). Lines are open 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales). Alternatively you can log onto [www.help.shareview.co.uk](http://www.help.shareview.co.uk). From here you will be able to email your query securely.

Shareholders who receive duplicate sets of Company mailings because they have multiple accounts should write to the registrar to have the accounts amalgamated.

By logging on to [www.shareview.co.uk](http://www.shareview.co.uk) and creating a shareview portfolio, you can benefit from a number of online services as follows:

- View share price and current value of shareholding.
- View shareholding details.
- View share transaction history.
- View details of dividends paid.
- Apply/change dividend mandate instruction.
- Change registered postal address.

You will need your shareholder reference number.

## Share dealing services

Calisen has established a telephone and online share dealing service for UK shareholders. To use this service shareholders should contact Equiniti by telephone on 0345 603 7037. Lines are open 8am to 4.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales) or visit [www.shareview.co.uk](http://www.shareview.co.uk)



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Blackdog Digital Print Ltd  
3798189  
Printed on carbon neutral paper  
from Elliott Baxter & Co Ltd

Issued by Calisen plc

Registered Office:  
5th Floor, 1 Marsden Street,  
Manchester M2 1HW

Registered in England and Wales no. 12383518

Carbon neutral printed report

Designed and produced by

*luminous*



**Calisen**

5th Floor, 1 Marsden Street,  
Manchester, M2 1HW UK

[calisen.com](http://calisen.com)

Published in March 2021

To receive a copy, please contact:  
[co.sec@calisen.com](mailto:co.sec@calisen.com)