21 April 2020

Calisen plc

Full year group results
For the year ended 31 December 2019

Calisen plc (the "**Company**" and together with its subsidiaries the "**Group**") has today published the Annual Report and Accounts for the Group. A copy of the Annual Report and Accounts will be available from www.calisen.com. The 2019 results pre-date the formation of the Company and reflect the performance of the predecessor Group holding company Calisen Group Holdings Limited.

Highlights

- Growth of 1.3 million revenue generating smart meters in 2019;
- Total of 8.5 million meters at end of 2019 comprising of 5.2 million smart meters and 3.4 million traditional meters (including Lowri Beck's portfolio of 0.4 million traditional meters – figures do not sum due to rounding);
- Revenue increased 28.7% to £208.8 million;
- Underlying EBITDA increased by 16.8% to £174.0 million;
- Funds From Operations increased by 15.9% to £135.9 million;
- Statutory loss before tax of £82.2 million prior to impact on capital structure of February 2020 initial public offering; and
- Pipeline of approximately 6.4 million smart meters yet to be installed now fully contracted as of 31 March 2020.

Bert Pijls, Chief Executive Officer said:

"Calisen achieved record growth in 2019 and this was driven by an increase in our portfolio of 1.3 million revenue generating smart meters. The 28.7% increase in revenue drove a 16.8% increase in Underlying EBITDA with Funds From Operations, our preferred measure of cash flow generation, growing by 15.9% to reach £135.9 million.

"As COVID-19 continues to have a profound impact on lives across the UK, we believe it was appropriate to take action to minimise its impact and safeguard the health and well-being of our employees, customers and consumers by temporarily suspending non-essential installations and field services carried out by Lowri Beck in March 2020. From April 2020 and for so long as any employee is furloughed, 20% of Executive Committee members' salaries and of Non-Executive Directors' fees are being donated to the NHS COVID-19 charity.

"Since our IPO in February, Calisen's revenue generating meter portfolio has continued to generate steady and resilient cash flows underpinned by our strong balance sheet. The reduction in the number of meter installations for a period of time due to the impact of COVID-19 will result in lower levels of capital expenditure generating increased net cashflow until meter installations resume.

"We are delighted to have de-risked a material component of our smart meter pipeline with the conclusion of a contract in Q1 2020 for a minimum of 1 million smart meters where we were previously in advanced negotiations. This will add a large number of meters to our portfolio over the next few

years and reinforces my confidence that the combination of our solid business model and financial strength will see the Group deliver growth as expected in the longer term."

Strong operational and financial performance in 2019

The Group delivered a strong performance in 2019 with an acceleration of growth in meter installations and revenues. These results predate our successful initial public offering ("**IPO**") in February 2020.

- Our base of revenue-generating smart meters increased by 1.3 million during the year compared to an increase of 0.9 million in 2018;
- This increased the total number of revenue-generating smart meters from 3.8 million at the end of 2018 to 5.2 million at the end of 2019 (numbers do not sum due to rounding);
- Our total revenue-generating meter base, including traditional meters as well as smart meters, increased by 18.1 % from 7.2 million meters in 2018 to 8.5 million meters in 2019 including Lowri Beck's portfolio of 0.4 million traditional meters;
- Revenue increased by 28.7 % from £162.1 million in 2018 to £208.8 million in 2019;
- Underlying EBITDA increased by 16.8 % from £148.9 million in 2018 to £174.0 million in 2019;
- Operating profit increased by 5.0 % from £25.4 million in 2018 to £26.7 million in 2019;
- Statutory loss before tax of £82.2 million prior to impact on capital structure of February 2020 IPO; and
- Funds From Operations ("**FFO**"), our preferred measure of cash generation before investment, grew by 15.9% from £117.2 million in 2018 to £135.9 million in 2019;
- Total available undrawn debt facilities at year end of £820.4 million, taken together with cash, FFO (and noting the subsequent IPO in February 2020) provide sufficient liquidity to deliver Calisen's existing pipeline of opportunities; and
- Calisen acquired Lowri Beck in August 2019 adding meter operations and direct installation capability to the Group. This has been key to expanding Calisen's capability to provide a full service offering to its customers.

Suspension of meter installations due to COVID-19 expected to drive increased net cashflow

- Non-essential field activity including meter installations by Lowri Beck suspended in March 2020;
- The reduction in the number of meter installations for a period of time will reduce the capital expenditure incurred;
- Additionally, reduced smart meter installations are expected to result in the Group's traditional meters remaining on the wall and generating revenue for longer;
- The Group has a large existing portfolio of 8.5 million revenue-generating meters (at 31 December 2019). This existing portfolio of revenue generating meters produces the great majority of existing and recurring revenue, EBITDA and cashflow for the Group, which Calisen does not expect to be impacted materially by the measures currently in place to tackle COVID-19; and
- With existing meters continuing to generate cash and lower levels of capital expenditure, the Group's net cashflow is expected to increase during this period.

Q1 2020 meter portfolio and pipeline update

- In line with previous years, the rate of installation of revenue generating meters has been lower in the first quarter of 2020 with a net increase of approximately 150,000 smart meters compared to approximately 423,000 during the fourth quarter 2019;

- This pattern of seasonality in installations was more pronounced than in previous years, exacerbated by the temporary suspension of meter installations across the market in mid-March as a result of COVID-19;
- As a consequence of the latter, forward guidance for smart meter installations in 2020 has been withdrawn;
- However, as Q4 2019 was an exceptionally strong quarter, on a trailing twelve-month basis Calisen's portfolio was in line with management's expectations for the Group;
- At 31 March 2020, pipeline of approximately 6.4 million smart meters de-risked with 1.0 million meters previously in advanced negotiation now fully contracted; and
- COVID-19 has delayed smart meter installations but not changed the expected end-point of the smart meter roll-out.

GUIDANCE AND OUTLOOK

2020 guidance

- Guidance for installation of smart meters suspended;
- Lowri Beck expected to be loss making at operating level in 2020;
- Existing portfolio of revenue generating meters produces majority of existing and recurring cash flow;
- Minimal impact from measures to tackle COVID-19 to date; and
- Lower levels of capex but continued cash generation expected to drive increase in net cash flow.

Medium term outlook

Group metrics

- Depreciation policy of 15 years remains unchanged for smart meters;
- Effective tax rate is expected to be in the low single digit percentage range; and
- The Group to reach a medium term maximum Adjusted net debt/Adjusted EBITDA leverage ratio threshold of 4.0x and then de-lever to a 3.0x to 3.5x range thereafter.

Calvin Capital business unit

- During the smart meter roll-out, the average revenue per meter for Calvin Capital's smart meters is expected to decrease by a low single digit percentage per annum reflecting the changing mix of the portfolio towards SMETS 2 meters with 15 year terms;
- Average revenue per meter for traditional meters expected to be consistent with 2019; and
- Expected average capital expenditure per new SMETS2 meter of £165.

Lowri Beck business unit

- MAP: Traditional meters expected to be fully removed by the end of 2024;
- Non-Technical Services: Meter reading revenues expected to decline materially by 2024;
- Technical Services: Expect the majority of installations to be executed for Calvin Capital over time; and
- Expect the business to see normalised level of metering services such as maintenance, manual reads and installation post the smart meter implementation programme. In addition, expected growth in alternative asset classes.

Dividend

No dividend will be proposed in respect of the year ending 31 December 2019.

The dividend for the year ending 31 December 2020 is expected to be approximately £7 million or 1.3 pence per share, pro-rated for the number of days for which the Company will be listed in the year ending 31 December 2020, subject to Board approval. It is expected to remain at, or above, that level in the medium term as cash is primarily deployed to grow the metering portfolio.

KEY PERFORMANCE INDICATORS

£m (unless otherwise specified)	2018	**2019**	Change
Increase in revenue generating smart meters at year end (m)	0.9	**1.3**	44.4%
Revenue generating meters at year end (m)			
Smart	3.8	**5.2**	36.8%
Traditional	3.4	**3.4**[1]	0.0%
Estimated smart meter pipeline at year end (m)	7.0	**6.5**	(7.1%)
of which contracted	7.0	**5.5**	(21.4%)
of which preferred bidder	0.0	**1.0**	-
Expected 2024 smart meters total (m)	10.8	**11.7**	8.3%
Revenue	162.1	**208.8**	28.7%
Average revenue per smart meter (£)	24.9	**26.0**	4.4%
Operating profit (£m)	25.4	**26.7**	5.0%
Operating margin (%)	15.7	**12.8**	(2.9pp)
Adjusted EBITDA (£m)**	171.5	**189.3**	10.3%
Underlying EBITDA (£m)**	148.9	**174.0**	16.8%
Funds From Operations (FFO) (£m)**	117.2	**135.9**	15.9%
Cash conversion (FFO/Underlying EBITDA) (%)	79.0	**78.0**	(1.0pp)
Loss before tax (£m)**	(65.8)	**(82.2)**	25.0%
Capex (£m)	170.5	**274.1**	60.8%
Capex per meter (£)	167	**165**	(1.2%)
Net debt (£m)[2]	1,238.3	**1,387.6**	12.1%
Adjusted net debt**	655.2	**804.4**	22.8%
Leverage** (Adjusted net debt / Adjusted EBITDA) (x)	3.8x	**4.3x**	0.5x
FTE (annual average)	38	**642**	
FTE at year end	43	**1,748**	

1. Includes 0.4 million meters owned by Lowri Beck
2. Calculation of net debt included in Financial Review section of the Strategic Report.

****Alternative Performance Measures**
The Group uses a number of alternative performance measures including Average revenue per meter, Adjusted EBITDA, Underlying EBITDA, FFO, Capex per meter, Net debt and Adjusted net debt in the discussion of its business performance and financial position. Reconciliations of these measures to

IFRS measures are included within the relevant section of the Financial Review of the Strategic Report which forms part of the Annual Report and Accounts.

The following sections titled Chief Executive's Review *and* Business Review *have been extracted from our Annual Report and Accounts.*

CHIEF EXECUTIVE'S REVIEW

Given that our purpose is to accelerate the development of a cleaner, more efficient and sustainable energy segment, we were delighted to be the first company to be awarded the London Stock Exchange's Green Economy Mark on Admission. The £300 million, before costs, which we raised though the IPO, taken together with other senior debt facilities and FFO, means that we have a fully funded business plan up to the expected end of the smart meter roll-out, underpinning our confidence in future growth. I would like to thank our new shareholders for their support.

In addition to our IPO, the other major development in the last year was the acquisition in August 2019 of Lowri Beck. Historically, Calisen has grown through contracts with the Big 6 Energy Retailers. However, with Independent Energy Retailers gaining market share, it became increasingly important to address that sector of the market too. It was for that reason that in 2017 we entered into a joint marketing arrangement with Lowri Beck and, given the success of the arrangement, when Lowri Beck's owner decided to sell, there was a clear strategic rationale for the acquisition in order to secure our route to market to the independent sector.

Performance

The Group delivered a strong performance in 2019 with an acceleration of growth in meter installations and revenues. These results predate our successful IPO in February 2020.

- Our base of revenue-generating smart meters increased by 1.3 million during the year compared to an increase of 0.9 million in 2018. This increased the total number of revenue-generating smart meters from 3.8 million at the end of 2018 to 5.2 million at the end of 2019;
- Our total revenue-generating meter base, including traditional meters as well as smart meters, increased by 18.1 per cent from 7.2 million meters in 2018 to 8.5 million meters in 2019 including Lowri Beck's portfolio of traditional meters;
- We reached preferred bidder status for up to a further 1.0 million smart meters to be installed;
- Revenue increased by 28.7 per cent from £162.1 million in 2018 to £208.8 million in 2019;
- Underlying EBITDA increased by 16.8 per cent from £148.9 million in 2018 to £174.0 million in 2019;
- Operating profit increased by 5.0 per cent from £25.4 million in 2018 to £26.7 million in 2019;
- Statutory loss before tax of £82.2 million prior to impact on capital structure of February 2020 initial public offering; and
- FFO, our preferred measure of cash generation before investment, grew by 15.9 per cent from £117.2 million in 2018 to £135.9 million in 2019.

The consistent nature of the growth in our business over time is perhaps best illustrated by the CAGR in the size of our meter portfolio since 2010 of approximately 11 per cent. Our revenues are reasonably predictable thanks to the rigour of our contract structure which seeks to ensure that risks are allocated, mitigated or appropriately priced. Input costs – meter equipment, installation and funding – are generally fixed from the outset. The benefit of this we pass on to our primary customers in the form of a fixed Meter Provision Charge.

As a leading independent MAP of scale in Britain and with almost 20 years of experience in providing meter asset ownership and operation for energy retailers, our strategic priority has always been serving the needs of our energy retailer customers. This led to our providing meter asset ownership and operation for the Big 6 Energy Retailers as well as a growing number of Independent Energy Retailers.

In 2019 we made significant progress against the three elements of our growth strategy which are to:

- Deliver contracted growth in the British MAP segment;
- Continue the build-out of our smart meter pipeline; and
- Expand into adjacent areas and internationally.

Deliver contracted growth in the British MAP segment

Calisen's MAP business has at its core the ownership and operation of a foundation layer of energy infrastructure in the form of electricity and gas meters. We do this on behalf of energy retailers in Britain and in 2019 this business has continued to grow.

Since Calisen started owning and operating smart meters in 2012, we have won contracts for the procurement, installation, ownership and management of approximately 11.7 million smart meters, of which 5.2 million were revenue-generating at year end. Our contracted installation pipeline for MAP contracts, based on management estimates, was 5.5 million smart meters plus a further 1.0 million in advanced negotiation, as at 31 December 2019. Additionally, at year end we had a portfolio of 3.4 million traditional meters which we expect to be replaced by the end of the smart meter roll-out.

Key to executing our strategy of growing our base of revenue-generating meters is to continue providing existing energy retailer customers with excellent service. Since August 2019 we have complementary capabilities to carry out installation as well as ancillary services using in-house personnel from Lowri Beck. As a result, we can offer an enhanced "one-stop shop" proposition which encompasses procurement, installation, ownership and management to the independent sector.

British electricity and gas consumers continue to have a broad range of choice of energy retailers and are actively encouraged to switch supplier. We believe that this trend will continue and, as a result, it is likely that a sizeable part of our meter portfolio will switch to energy retailers with whom we do not currently have an installation contract. During 2019 we signed multiple churn contracts with those suppliers with further contracts under negotiation.

Continue build-out of smart meter pipeline

We believe that the Big 6 Energy Retailers will continue to be an important source of new contracts. As a result, with respect to the Big 6 Energy Retailers, we will focus on leveraging our pre-existing relationships and track record of delivery to win future contracts.

We also seek to increase our base of revenue-generating meters by winning more MAP contracts with Independent Energy Retailers who have been making up a growing portion of the British energy retail segment. Our installation pipeline (contracted and in advanced negotiation) with Independent Energy Retailers has grown from 0.2 million meters at the end of 2017 to 1.7 million at the end of 2018 to 3.4 million meters at 31 January 2020, and we believe that we are the fastest growing MAP among Independent Energy Retailers.

Positioning Calisen to serve both Big 6 and Independent Energy Retailers delivers our strategy to be relevant to all sectors of the domestic market, maximising our chance of growing wherever the ultimate consumer buys his or her power.

Expand into adjacent areas and internationally

Smart meters are being rolled out in many countries, not just in Britain. Smart meters are also not an end in themselves, they are a means to an end and that end is a fully digital energy market with a significant push towards the electrification of heating and vehicles as well as distributed generation, in order to reduce carbon emissions and improve air quality.

To achieve this, over time other assets such as domestic batteries and electric vehicle chargers may have to be connected to smart meters. The level of investment required in these assets would likely be a material multiple of the investment being made in smart meters in Britain today. Many of these assets would face the same challenges with respect to consumer switching as meters and our business model could therefore be a relevant funding solution to unlock a more mass-market roll-out of these assets.

Our strategy towards adjacencies and international expansion is based on four principles:

- focus on jurisdictions or business segments where the regulatory regime is amenable to our ownership, installation, operation and maintenance offerings and our business model;
- focus on small-scale, high-volume energy infrastructure assets consistent with our strategy and existing business model;
- focus on a combination of both funding and managing such assets; and
- focus on an approach that emphasises partnerships with other players in the asset's value chain, such as manufacturers or energy retailers.

Enabling and managing such domestic energy infrastructure is a natural development of the energy retail model. If energy retailers play a key role, we are well-positioned to leverage our core competencies to support our energy retailer customers. Our existing customer relationships and expertise in efficiently managing small-scale, high-volume energy infrastructure assets, position us well to expand into adjacent infrastructure assets and this represents a potentially significant growth opportunity in the medium term. An early example of our ability to capture opportunities in adjacent areas is a memorandum of understanding which we have entered into with a major energy retailer for a pilot programme on battery storage.

We have developed a number of leading IT systems and processes to support our business, and we believe that the ability to track, locate and bill for other infrastructure assets beyond our meter portfolio will be an important success factor. Additionally, through our Lowri Beck business unit, we have access to a skilled engineering workforce which would be able, subject to receiving relevant training, to install adjacent domestic energy infrastructure assets.

Internationally, an example of our potential for expansion is borne out by a series of pilot programmes which we entered into in 2017 in Australia and subsequently exited. We still view Australia as a potentially attractive target jurisdiction for future overseas growth, due to similarities in its regulatory environment with that of Britain.

We also continue to monitor the regulatory framework in Germany as it evolves. A compulsory nationwide smart meter roll-out was introduced in 2017 for households using more than 10,000 kWh

of energy, and the requirement will be lowered to cover households using more than 6,000 kWh in 2020, thus opening up an additional market segment.

We continue to monitor developments in these and other jurisdictions but remain disciplined in our approach and will only pursue international expansion if it offers sufficient scale, profitability and regulatory stability.

In addition, we would also consider, where appropriate, mergers and acquisitions as a way to accelerate entry into adjacencies or new jurisdictions. We already have sufficient scale to continue growing organically, both with respect to our current MAP business and with respect to entering into adjacent areas or new jurisdictions. As such, we will take a disciplined approach with respect to mergers and acquisitions, only engaging in such transactions if there are clear strategic and financial advantages from such activities. The risk-adjusted returns from any proposed merger or acquisition would need to meet or exceed our existing return criteria.

COVID-19

As the Chair has noted, the situation with regards to COVID-19 remains fluid and our priority is the safety and wellbeing of our staff, customers and consumers. Since suspending meter installations and meter readings at Lowri Beck in March 2020, we have taken advantage of the UK Government's Coronavirus Job Protection Scheme to place affected colleagues at Lowri Beck onto furlough due to the suspension of their normal activity. I would like to thank all colleagues for their resilience and understanding while we work through this unprecedented situation.

Outlook

UK economic performance remained resilient in 2019 in the face of significant political and economic uncertainty. Although uncertainty remains given the ongoing negotiation of international trade agreements, there is now a clearer sense of direction.

In responding to COVID-19, we suspended meter installation and meter readings in our Lowri Beck subsidiary in March 2020. Meter installation guidance was withdrawn at that time and it is still too early to know what the impact on meter installation for Calisen will be in 2020. However, our existing portfolio of revenue generating meters produces the great majority of existing and recurring revenue, EBITDA and cashflow for the Group, and we do not expect this to be impacted materially by the measures currently proposed to tackle the COVID-19 outbreak. With existing meters continuing to generate cash and lower levels of capital expenditure, net cashflow is expected to increase during this period.

For Calisen, significant smart meter growth has already been contracted and financed but not yet implemented and there are exciting longer-term opportunities for growth in adjacent digital energy assets and overseas markets. We remain well placed to achieve our purpose of accelerating the development of a cleaner, more efficient and sustainable energy segment and look to the future with confidence.

In closing

Our success in 2019 has only been achieved with the active support of all our stakeholders. First and foremost, I wish to thank our customers for their continued support. The British market is competitive, and I am grateful that our customers have entrusted us with their smart meter roll-out. Secondly, I wish to thank you, our shareholders, as well as our Chair and Directors for their support for Calisen,

the leadership team, and myself. It makes a real difference. Finally, I wish to thank our colleagues for their continued hard work, dedication and passion in delivering for our customers.

Bert Pijls
Chief Executive Officer

BUSINESS REVIEW

Group highlights

(£ in millions)	Year ended 31 December 2019	Year ended 31 December 2018	Change y-o-y (%)
Revenue	208.8	162.1	28.7
Gross profit	97.1	79.4	22.2
Underlying EBITDA	174.0	148.9	16.8
Operating profit	26.7	25.4	5.0
Loss before tax	(82.2)	(65.8)	25.0
FFO	135.9	117.2	15.9
Capital expenditure	274.1	170.5	60.8

Summary consolidated income statement

(£ in millions)	Year ended 31 December 2019	Year ended 31 December 2018
Total revenue	**208.8**	**162.1**
Cost of sales	(111.7)	(82.7)
Gross profit	**97.1**	**79.4**
Administrative expenses	(16.8)	(13.3)
Other expenses	(11.3)	-
Amortisation of intangible assets	(42.3)	(40.8)
Group operating profit	**26.7**	**25.4**
Finance expense	(108.9)	(91.2)
Loss before tax	**(82.2)**	**(65.8)**

Revenue

Revenue grew materially in 2019, increasing 28.7 per cent to £208.8 million, reflecting both the acquisition of Lowri Beck in August 2019 as well as ongoing strength in the Calvin Capital operating segment. Within the Calvin Capital operating segment, revenue increased 17.0 per cent to £189.7 million, driven by the growth in Calvin Capital's revenue-generating smart meter portfolio. During the year, Calvin Capital's smart meter portfolio grew from 3.8 million meters to 5.2 million meters, a net increase of 1.3 million meters or 34.9 per cent which led to a corresponding increase in revenue. The traditional meter portfolio at Calvin Capital reduced by 0.4 million meters to 3.0 million meters. Calvin Capital comprises the largest share of Calisen revenues. An additional 0.4 million traditional meters were added to the total portfolio as a result of the acquisition of Lowri Beck.

Average revenue per meter ("ARPM") increased to £23.7 per annum from £22.5 at the end of 2018, comprising:

- smart meter ARPM increased to £26.0 from £24.9 in 2018; and
- stability in traditional meter ARPM at £20.5 compared to £20.3 in 2018.

Within the smart ARPM, an uplift from contract renegotiations completed in 2019 was partially offset by longer initial periods of MAP contracts (which have been extended from 10 years to 15 years). This dynamic is expected to continue to develop as the blend of contract lengths changes over time.

Lowri Beck's revenue has been consolidated from the date of acquisition on 16 August 2019. Lowri Beck contributed £19.1 million in the year ended 31 December 2019 with no contribution in the year ended 31 December 2018.

Cost of sales

Cost of sales across the group increased 35.0 per cent to £111.7 million during 2019, mostly driven by the consolidation of Lowri Beck as well as Calvin Capital continuing to grow its revenue-generating meter portfolio with an associated increase in depreciation.

Within the Calvin Capital operating segment, cost of sales comprises two elements: depreciation of installed meters and loss on disposal of meters net of compensation income from premature meter removals. In 2019, cost of sales increased by 11.5 per cent to £92.3 million. Within this figure, depreciation increased by 11.7 per cent to £85.4 million. The increase in depreciation was mainly due to an increase in the number of meters during 2019.

Compensation income relates to the effective sale of metering equipment when removed which offsets the write-off of the underlying asset. Compensation income therefore results in a reduction in cost of sales. Within the Calvin Capital operating segment, compensation income decreased by 32.5 per cent to £15.3 million, driven primarily by reducing volumes of traditional meter removals and overall ageing of the traditional meter fleet. Compensation income is calculated to make up for the loss of MPC revenue in net present value terms according to the relevant MAP contract. It will therefore be higher if the meter is removed earlier in the contract and lower if the meter has been operating for a number of years.

Lowri Beck's cost of sales was £19.4 million in the year ended 31 December 2019 (zero in the year ended 31 December 2018).

Underlying EBITDA

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. Included within Underlying and Adjusted EBITDA in the year ended 31 December 2019 is £4.7 million of non-recurring income relating to a contract modification. Given the limited timeframe of the SMIP as currently described in legislation, compensation income may not be significant in the future and we therefore deduct it when looking at Underlying EBITDA.

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 one-off in nature.

Underlying EBITDA increased by 16.8 per cent from £148.9 million to £174.0 million, predominantly driven by the increase in Calvin Capital's revenue generating smart meter portfolio.

Adjusted EBITDA increased by 10.3 per cent from £171.5 million to £189.3 million. Adjusted EBITDA increased by less than Underlying EBITDA due to the decrease in compensation income.

Other expenses increased by £11.6 million: these costs related to the acquisition of Lowri Beck and initial costs of Calisen's Admission to the London Stock Exchange. While Underlying EBITDA increased in absolute terms, Underlying EBITDA margin decreased by 8.5 percentage points, from 91.8 per cent in 2018 to 83.3 per cent in 2019, with the majority of this decrease attributable to the consolidation of Lowri Beck into the Group's financial results. Given the different operating characteristics of Lowri Beck's business, the impact of consolidating Lowri Beck into Calisen's financial statements resulted in an increase in administrative expenses and an associated decrease in Underlying EBITDA margin.

(£ in millions)	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Profit / (loss) for the period	**(80.1)**	**(62.5)**
Deduct:		
Taxation	(2.1)	(3.3)
Add:		
Finance expense	108.9	91.2
Written-off net book value of disconnected meters	22.2	28.7
Amortisation of intangible assets	42.3	40.8
Depreciation of property plant and equipment	86.8	76.9
Other expenses	11.3	(0.3)
Adjusted EBITDA	**189.3**	**171.5**
Deduct:		
Compensation income	(15.3)	(22.6)
Underlying EBITDA	**174.0**	**148.9**
Underlying EBITDA margin	**83.3%**	**91.8%**

Administrative expenses

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 auditors' remuneration.

Administrative expenses increased by 26.5 per cent from £13.3 million in 2018 to £16.8 million in 2019, reflecting predominantly the consolidation of Lowri Beck into the Group during the financial year.

Within the Calvin Capital operating segment, administrative expenses increased by 3.3 per cent from £13.3 million in 2018 to £13.7 million in 2019. This increase reflected the necessity to increase headcount and associated costs required to service the enlarged business.

The Lowri Beck operating segment's administrative expenses from the date of acquisition on 16 August 2019 were £4.0 million (zero in the year ended 31 December 2018).

Other expenses

Other expenses consist of costs associated with the Admission of Calisen to trading on the main market of the London Stock Exchange and the acquisition of Lowri Beck, comprising costs of £11.3 million for the year ended 31 December 2019.

Group operating profit

Operating profit represents revenue, less cost of sales, administrative expenses, other expenses and amortisation of intangible assets. Operating profit for 2019 was £26.7 million, an increase of 5.0 per cent compared to 2018.

Within the Calvin Capital operating segment, operating profit increased by 21.5 per cent from £25.4 million in 2018 to £30.9 million in 2019.

The Lowri Beck operating segment contributed a loss of £4.2 million at the operating profit level with effect from its acquisition on 16 August 2019.

Dividend

No dividend was paid to shareholders during the years ended 31 December 2019 and 31 December 2018.

FFO

FFO is defined as Underlying EBITDA less relevant finance costs, taxation and adjusted net working capital items. Relevant finance costs exclude fair-value movement in derivatives (as this is a non-cash item), shareholder loan interest and charges relating to letter of credit facilities (on the basis that they are not expected to form part of Calisen's capital structure in future years) and swap break costs. Adjusted net working capital items include change in trade and other receivables and change in other payables, but exclude prepayments relating to the letter of credit facilities, which are being repaid in future years, any movements in payables where the creditor relates to capital expenditure and any items to the extent they relate to non-trading items such as compensation debtors or capital expenditure creditors, including related VAT balances. FFO also does not include compensation

income. Capital expenditure creditors are excluded on the basis that they represent new meter installation costs.

FFO

(£ in millions)	Year ended 31 December 2019	Year ended 31 December 2018
Underlying EBITDA	174.0	148.9
Change in working capital[1]	(7.7)	(0.7)
Interest / derivatives[2]	(26.1)	(27.8)
Taxation paid	(4.3)	(3.2)
FFO	**135.9**	**117.2**

[1] **Changes in working capital**

(£ in millions)	Year ended 31 December 2019	Year ended 31 December 2018
Trade receivables	33.9	19.0
Other receivables	1.6	0.4
Contract assets	13.4	14.1
VAT receivable/(payable)	1.8	2.5
Trade creditors	(17.8)	(14.9)
Other creditors	(31.3)	(9.9)
Net working capital	**1.6**	11.2
Adjusted for non-operating items:		
VAT receivable/(payable)	(1.8)	(2.5)
Compensation related receivables	(2.6)	-
Capital expenditure related creditors	30.2	18.7
Exceptional items accrued	7.7	-
Adjusted net working capital	**35.0**	**27.4**
Changes in net working capital	**(7.7)**	**(0.7)**

[2] **Interest and derivatives**

(£ in millions)	Year ended 31 December 2019	Year ended 31 December 2018
Interest expense		
Interest payable on bank loans	(22.2)	(23.9)

Lease interest	(0.2)	(0.1)
Senior debt commitment and associated fees	(3.7)	(3.8)
Total for FFO purposes	**(26.1)**	**(27.8)**

FFO increased by 15.9 per cent from £117.2 million in 2018 to £135.9 million in 2019, driven mostly by the increase in Underlying EBITDA growing from £148.9 million to £174.0 million. Movements in trade and other receivable/ payable working capital items were adverse during the year reflecting the increased debtors and receivables associated with the revenue growth driven by the enlarged metering portfolio of the Calvin Capital segment, with a net movement of £(7.7) million. Interest and cost of derivatives decreased to £(26.1) million in 2019 from £(27.8) million in 2018, driven by lower costs of borrowing as the result of a refinancing in December 2018 despite the total debt outstanding within the operating segments growing to fund the increase in the revenue-generating smart meter portfolio.

Tax paid grew slightly to £4.3 million in 2019 from £3.2 million in 2018.

Capital expenditure

Capital expenditure for the Group increased by 60.8 per cent to £274.1 million during the year ended 31 December 2019 from £170.5 million in 2018. The majority of capital expenditure relates to expenditure on the purchase and installation of smart meters within the Calvin Capital business unit.

Installation during 2019 remained strong, leading to an increase in Calisen's portfolio of revenue-generating smart meters of 1.3 million meters. This increase brought Calisen's portfolio to 8.5 million meters at year end, comprising 5.2 million smart meters and 3.0 million traditional meters within Calvin Capital, and 0.4 million traditional meters within Lowri Beck (total does not sum due to rounding).

Calisen incurred average capital expenditure per new SMETS2 meter of £165.

Lowri Beck incurred £0.1 million of capital expenditure as part of the Group following its consolidation, representing business as usual activities including the purchase of meters as part of its MAP sub-segment and ongoing expenditure in the business.

Net debt and Adjusted net debt

£ in millions)	**At 31 December 2019**	**At 31 December 2018**
Shareholder loans[(1)]	583.2	583.1
Senior debt	622.9	524.3
Invoice discounting facility and hire purchase	5.3	-
Equity bridge loans	226.5	202.5
Total Debt	**1,437.9**	**1,309.9**
Cash	(50.3)	(71.6)
Net Debt	**1,387.6**	**1,238.3**
Shareholder loans	(583.2)	(583.1)
Adjusted Net Debt	**804.4**	**655.2**

(1) Total Debt, Net Debt and Adjusted Net Debt include only the principal of subordinated loan notes.
Total Debt, Net Debt and Adjusted Net Debt exclude accrued interest of £122.3m and £69.0m as at 31 December 2019 and 31 December 2018 respectively.

Calisen typically seeks to finance 75 to 80 per cent of its capital expenditure for MAP contracts with non-recourse third-party debt financing. Historically, Calisen has utilised special purpose vehicles ("**SPVs**") to finance the acquisition and installation of meters for specific MAP contracts. More recently, as Calisen has grown its contracted installation MAP pipeline with Independent Energy Retailers, Calisen has started to use more flexible funding platforms to pool MAP contracts with various energy retailers. Debt financing raised in Calvin Capital's SPVs to fund meter acquisition and installation has historically been amortised over 10-year terms, while the debt facilities for the funding platforms have shorter maturities, typically five-year terms.

Set forth above is the calculation of Net debt and Adjusted net debt for the period of review; the figures exclude debt issue costs and accrued interest.

Adjusted net debt as at 31 December 2019 was £804.4 million, comprising £622.9 million of senior debt facilities, £226.5 million of equity bridge loans ("**EBLs**") excluding debt issue costs, £5.3 million in invoice discount facilities and hire purchase facilities and £50.3 million of cash. This represented an Adjusted net debt to Adjusted EBITDA ratio at 31 December 2019 of 4.3x.

Total Net debt, including shareholder loans, amounted to £1,387.6 million. The increase in Net debt was primarily driven by capital expenditure on new revenue-generating smart meters as part of the SMIP within the Calvin Capital business unit and the resulting leverage position was in line with expectations.

Post balance sheet events

On 19 February 2020, as part of a group reorganisation following Admission, all shares held in Calisen Group Holdings Limited by its parent Evergreen Energy Limited were transferred to Calisen plc, a newly incorporated intermediate parent entity.

The IPO provided the Group with £300 million of new primary proceeds, before costs, which has been used to reduce external debt and fully repay all amounts outstanding under the EBL arrangements.

In addition, the Group's shareholder loans were converted to equity on IPO. The pro forma Adjusted net debt at 31 December 2019, based on full settlement of the EBLs of £226.5 million excluding debt issue costs and external debt repayment of £1.8 million, together with additional cash on hand of £59.8 million, would be £518.2 million. This represents a pro forma Adjusted net debt to 2019 Adjusted EBITDA ratio at 31 December 2019 of 2.8x.

The Group's pro forma net assets, assuming the IPO had taken place on 31 December 2019, are illustrated below:

	Year ended 31 December 2019	Primary issuance of ordinary shares	IPO related costs	External debt repayments	Shareholder loan recapitalisation	Pro forma
	£'000	£'000	£'000	£'000	£'000	£'000
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6
Non-current assets	1,402,096	-	-	-	-	1,402,096
Current assets	107,693	300,000	(10,370)	(228,204)	-	169,119
Current liabilities	(149,001)	-	-	-	-	(149,001)

Non-current liabilities	(1,563,634)	-	-	226,426	705,490	(631,718)
Net assets	**(202,846)**	**300,000**	**(10,370)**	**(1,778)**	**705,490**	**790,496**
Called up share capital	1,036	1,250	-	-	-	2,286
Share premium account	17,988	298,750	(6,000)	-	-	310,738
Retained earnings	(221,870)	-	(4,370)	(1,778)	705,490	477,472
	(202,846)	**300,000**	**(10,370)**	**(1,778)**	**705,490**	**790,496**

Note 1: The net liabilities of CGH Group as at 31 December 2019 have been extracted from the Audited Statement of Financial Position
Note 2: The adjustment reflects the cash proceeds from the issue of ordinary shares in Calisen plc.
Note 3: The adjustment reflects the expected costs associated with the IPO.
Note 4: The adjustment reflects the impact of the restructuring of debt owed to the lenders of Meter Fit 5 Limited and Meter Fit 20 Limited in respect of the amounts owed under the Equity Bridge Loans that total £226,541,000 . Associated termination of the related interest rate swap hedging instrument is expected to cost £1,663,000 and release of the deferred debt issue costs of £3,441,000 have been considered.
Note 5: The adjustment in Note 5 reflects the impact of the capitalisation of the accrued interest of £122,317,000 into the amount owed in respect of the shareholder loan of £581,173,000 giving a revised outstanding principal balance of £705,490,000. The £705,490,000 is then exchanged for ordinary shares and the amount is credited into share capital and share premium.

Following the financial year end, and in conjunction with the IPO, the Group entered into a new revolving credit facility of £240 million, which is intended to provide Calisen with flexible funding for the short to medium term.

Guidance and Group outlook

2019 has been a transformational year with the acquisition of Lowri Beck and a strong increase in the Calisen revenue-generating meter portfolio on the back of new contract wins and ongoing smart meter installations.

In line with previous years, the rate of meter installation has been lower in the first quarter of 2020 with a net increase of approximately 150,000 smart meters compared to approximately 423,000 during the fourth quarter 2019. This pattern of seasonality in installations was ,more pronounced than in previous years, exacerbated by the temporary suspension of meter installations across the market in mid-March as a result of COVID-19. As a consequence, forward guidance for smart meter installations in 2020 has been withdrawn. However, as Q4 2019 was an exceptionally strong quarter, on a trailing twelve month basis Calisen's portfolio is in line with management's expectations for the Group.

The reduction in the number of meter installations for a period of time will reduce the capital expenditure incurred, currently expected to be £165 per meter. Additionally, reduced smart meter installations are expected to result in our traditional meters remaining on the wall and generating revenue for longer. The Group has a large existing portfolio of 8.5 million revenue-generating meters (at 31 December 2019). This existing portfolio of meters produces the great majority of existing and recurring revenue, EBITDA and cashflow for the Group, which Calisen does not expect to be impacted materially by the measures currently in place to tackle COVID-19. With existing meters continuing to generate cash and lower levels of capital expenditure, the Group's net cashflow will increase during this period.

Calisen's total available undrawn debt facilities at year end of £820.4 million, taken together with cash and FFO provide sufficient liquidity to deliver Calisen's existing pipeline of opportunities. Calisen regularly reviews its funding platforms and refinances its facilities as required to minimise funding costs and maximise debt tenors.

The Group's net loss for the year ended 31 December 2019 was in large part attributable to two factors: firstly, the interest on the shareholder loan and EBLs which, following Admission, were

converted into equity and repaid using IPO proceeds, respectively; and secondly, the amortisation of intangible assets generated when the Group was acquired by the Major Shareholder in 2017.

If the conversion of the shareholder loans and the repayment of the EBLs had occurred on 1 January 2019, the Group's net loss for the year including amortisation of brand and customer contracts would have been £22.0 million. Adjusted to remove amortisation, the net loss would have become a net profit of £19.4 million. This is the basis on which the Group intends to report adjusted net profit and adjusted earnings per share in future periods.

As a result of the reorganisation, the conversion of shareholder loans into equity and the issuance of £300 million of new equity capital as part of the IPO, the issued share capital for Calisen Group Holdings Limited cannot meaningfully be compared to the issued share capital of Calisen plc following Admission.

If the adjusted net profit set out above were to be divided by the current issued share capital of Calisen plc, adjusted earnings per share for 2019 would have been 3.5 pence. Shareholders may find this number useful for comparative purposes in future periods.

Group metrics

- As at 31 December 2019 Calisen's contracted installation pipeline for MAP contracts consisted of over 6.5 million meters expected to be installed by 2024;
- Depreciation policy of 15 years remains unchanged for smart meters;
- Effective tax rate is expected to be in the low single digit percentage range;
- The Group to reach a medium-term maximum Adjusted net debt/Adjusted EBITDA leverage ratio threshold of 4.0x and then de-lever to a 3.0x to 3.5x range thereafter; and
- The dividend for the year ending 31 December 2020 is expected to be approximately £7 million or 1.3 pence per share, pro-rated for the number of days for which the Company will be listed in the year ending 31 December 2020. It is expected to remain at, or above, that level in the medium term as cash is primarily deployed to grow the metering portfolio.

Financing

- Shareholder loan interest was incurred up to 6 February 2020; and
- EBLs were repaid following Admission on 12 February 2020, with no associated interest costs thereafter.

Calvin Capital business unit

- During the smart meter roll-out, the average revenue per meter for Calvin Capital's smart meters is expected to decrease by a low single digit percentage per annum reflecting the changing mix of the portfolio towards SMETS2 meters with 15 year terms;
- Average revenue per traditional meter expected to be consistent with 2019; and
- Expected average capital expenditure per new SMETS2 meter of £165.

Lowri Beck business unit

- MAP: Traditional meters expected to be fully removed by the end of 2024;
- Non-Technical Services: Meter reading revenues expected to decline materially by 2024;
- Technical Services: Expect the majority of installations to be executed for Calvin Capital over time;

- Expected to be loss making at operating level in 2020; and
- Medium term expectation for business to see normalised level of metering services such as maintenance, manual reads and installation post the SMIP. In addition, expected 4growth in alternative asset classes.

Sean Latus
Chief Financial Officer

Financial Information

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ('the Act'). The statutory accounts for the year ended 31 December 2017 will be published on the Group's website. The report of the auditor on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act. The statutory accounts for the year ended 31 December 2019 will be filed with the Registrar of Companies.

Accounting Reference Date

The Board has resolved to shorten the Company's accounting reference date from 31 January to 31 December to align with the rest of the Group.

Forward looking statements

This announcement includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "guidance", "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "targets" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the intentions, beliefs or current expectations of the Directors or the Group concerning, among other things, the results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Group and the industry in which it operates. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Such forward-looking statements contained in this announcement speak only as of the date of this announcement.

Consolidated Financial Statements

Calisen Group Holdings Limited (formerly CCH1 Limited)

Consolidated income statement and statement of comprehensive income

		Year ended 31 December	
		2019	**2018**
	Notes	**£'000**	**£'000**
Revenue	5	**208,757**	**162,146**
Cost of sales	7	(111,655)	(82,697)
Gross profit		**97,102**	**79,449**
Administrative expenses	8	(16,771)	(13,254)
Other expenses	13	(11,309)	-
Amortisation of intangible assets		(42,330)	(40,786)
Group operating profit		**26,692**	**25,409**
Finance expense	12	(108,922)	(91,184)
Loss before tax		**(82,230)**	**(65,775)**
Taxation credit	14	2,101	3,254
Loss for the period		**(80,129)**	**(62,521)**
Loss and total comprehensive loss attributable to equity holders of the parent		(80,129)	(62,521)

All activities of the Group are from continuing operations.

Revenue for the year ended to 31 December 2019 includes non-recurring income of £4,726,000 due to a contract modification.

Consolidated Statement of Financial Position

		At 31 December	
		2019	**2018**
	Notes	**£'000**	**£'000**
Assets			
Non-current assets			
Intangible assets	19	579,992	603,254
Property, plant and equipment	20	820,998	649,696

	Note		
Deferred tax asset	15	44	39
Derivative financial instruments	23	1,062	5,970
		1,402,096	1,258,959
Current assets			
Trade and other receivables	25	42,691	25,902
Contract assets	6	13,391	14,097
Inventory	26	1,296	-
Cash and cash equivalents	27	50,315	71,597
		107,693	111,596
Total assets		**1,509,789**	**1,370,555**
Liabilities			
Current liabilities			
Trade creditors	28	17,828	14,923
Other creditors	28	31,344	10,702
Interest bearing loans and borrowings	23	99,829	87,945
		149,001	113,570
Non-current liabilities			
Interest bearing loans and borrowings	23	1,444,320	1,266,905
Provisions	29	436	-
Derivative financial instruments	23	32,368	22,577
Deferred tax liability	15	86,510	90,220
		1,563,634	1,379,702
Total liabilities		1,712,635	1,493,272
Equity			
Called up share capital	30	1,036	1,036
Share premium account		17,988	17,988
Retained deficit		(221,870)	(141,741)
Total equity		(202,846)	(122,717)
Total equity and liabilities		**1,509,789**	**1,370,555**

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

Sean Latus
Chief Financial Officer

Consolidated Statement of Changes in Equity

	Called up share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Attributable to equity holders of the parent:				
At 1 January 2018	**1,036**	**17,988**	**(79,220)**	**(60,196)**

	Called up share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Loss for the period and total comprehensive loss	-	-	(62,521)	(62,521)
At 31 December 2018	**1,036**	**17,988**	**(141,741)**	**(122,717)**
Loss for the period and total comprehensive loss	-	-	(80,129)	(80,129)
At 31 December 2019	**1,036**	**17,988**	**(221,870)**	**(202,846)**

Consolidated Statement of Cash Flows

		Year ended 31 December	
		2019	December 2018
	Notes		£'000
Cash flows from operating activities			
Loss before tax		(82,230)	(65,775)
Adjustments to reconcile loss before tax to net cash flows:			
Amortisation of intangible assets	19	42,330	40,786
Depreciation of property, plant and equipment	20	86,765	76,901
Finance income	11	(175)	(181)
Finance expense	11	109,097	91,365
Loss on disposal of property, plant and equipment	6	6,901	6,096
Interest received	11	175	181
Interest paid		(38,077)	(93,567)
Tax paid	14	(4,317)	(3,177)
Gain on sale of subsidiary		-	(365)
Payment to obtain a contract		(399)	(7)
Working capital adjustments:			
Increase in trade and other receivables and contract assets	25	(5,744)	(8,303)
Decrease in inventory.................................		154	-
Increase in trade and other payables	28	15,465	8,322
Net cash flows from operating activities		**129,945**	**52,276**
Cash flows from/(used in) investing activities			
Proceeds from sale of property, plant and equipment		16,844	29,827
(IPO expenses)/Sale of a subsidiary undertaking	16	(6,150)	5,104
Net cash acquired with subsidiary undertaking		178	-
Purchase of property, plant and equipment	20	(274,098)	(170,458)
Purchase of intangible assets		(95)	-
Net cash flows used in investing activities .		**(263,321)**	**(135,527)**
Cash flows from/(used in) financing activities			
Lease payments	21	(434)	(84)
Proceeds from borrowings		210,861	416,022
Repayment of borrowings		(98,333)	(343,003)
Net cash flows from financing activities ...		**112,094**	**72,935**
Net movement in cash and cash equivalents		(21,282)	(10,316)
Cash at beginning of period		71,597	81,913
Cash at end of period		**50,315**	**71,597**

The accompanying notes form an integral part of the financial statements

Notes to the Consolidated Financial Statements

1. Basis of preparation

Calisen Group Holdings Limited (formerly CCH1 Limited) ("CGH") is a private company incorporated in the UK. Its registered office is 5th Floor, 1 Marsden Street, Manchester, England, M2 1HW.

The consolidated financial statements of CGH and its subsidiaries (collectively, the Group) have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as adopted in the EU that are in effect as at 31 December 2019. The policies set out below have been applied consistently throughout the years ended 31 December 2019 and 2018.

Information on the Group's structure is provided in Note 17. Information on other related party relationships of the Group is provided in Note 31.

The Group's date of transition to IFRS was used for the purpose of producing a Registration Document for the Admission of Calisen plc to the London Stock Exchange in February 2020. IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain IFRSs. The following exemptions have been applied.

Business combinations

IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS or acquisitions of interests in associates and joint ventures that occurred before 1 January 2016. Use of this exemption means that the carrying amounts of assets and liabilities that are required to be recognised under IFRS, are their deemed costs at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

IFRS 1 also requires that the carrying amount of goodwill at the date of transition must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 January 2016.

Leases

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 was 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 were excluded from the measurement of the right-of-use asset at the transition date.

(a) Going concern

Notwithstanding net liabilities of £202,846,000 as at 31 December 2019, and a loss for the year ended 31 December 2019 of £80,129,000, 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 2019 of £129,945,000. Within the Group's long-term liabilities at 31 December 2019 were £583,173,000 in subordinated loan notes due to an intermediate parent entity, Evergreen Holdco S.a.r.l., with a mandatory redemption date of January 2027. Related to these loan notes was accrued interest of £122,317,000. In accordance with the loan note agreement, interest accrues on the outstanding loan balance and any unpaid interest. The timing of interest payments is at the discretion of the Group and therefore cannot be called in by the loan note holders within 12 months from the date of approval of these consolidated financial statements.

Subsequent to the year end, as detailed in note 32, the Group undertook a reorganisation with a newly incorporated company, Calisen plc, becoming the immediate parent undertaking. Following the reorganisation, as detailed in note 33, gross funds of £300,000,000 were raised before the deduction of IPO related costs. The funds were used to repay EBLs held in subsidiary undertakings amounting to £223,101,000 thus reducing the overall net debt. Furthermore, the shareholder loan and accrued interest thereon of £705,490,000 at 31 December 2019 was capitalised into share capital and share premium. The share premium account was subsequently subject to a capital reduction and reduced to £nil with the full amount being transferred to distributable reserves.

The Group has prepared cash flow forecasts for a period of at least 12 months from the date of approval of the consolidated financial statements which indicate that, taking account of reasonably possible downsides as well as stress testing a number of sensitivities for the impact of COVID-19, the Group will have sufficient funds, through access to resources derived from its long-term contractual revenue streams, funding from its existing facilities which include undrawn funds totalling £820,373,000 at 31 December 2019 and cash resources, to meet its liabilities as they fall due for that period. Subsequent to the year end, as detailed in note 32, the Group agreed a new revolving credit facility amounting to £240,000,000 which has further strengthened the liquidity position.

Consequently, the Directors are confident that the Group will have 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 therefore have prepared the consolidated financial statements on a going concern basis.

(b) Basis of measurement

The functional currency is pound sterling and the financial statements are presented in pound sterling.

Amounts are rounded to the nearest thousand except where otherwise indicated.

The preparation of the consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3 and 4 respectively.

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

(c) Standards issued but not yet effective

IFRS 3 (amendment)	Definition of a Business	1 January 2020
IAS 1 and IAS 8 (amendment)	Definition of Material	1 January 2020
CF	Conceptual Framework for Financial Reporting	1 January 2020
IFRS 17	Insurance Contracts	1 January 2023

No material impact is expected on the adoption of these standards.

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.

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

The consolidated financial statements are prepared in accordance with IAS 1 *Presentation of Financial Statements*. The Group has elected to present a combined consolidated income statement and consolidated statement of other comprehensive income.

(e) Basis of consolidation

The consolidated financial statements consolidate the Group and all its subsidiary undertakings for the years-ended 31 December 2019 and 2018.

The consolidated financial statements are based on the consolidated financial statements of subsidiaries whose year ends are coterminous 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.

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, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. The customer contracts and brands are valued using the Excess Earnings Approach and Relief from Royalties techniques respectively. Both methodologies use a discounted cashflow basis to support the valuation, taking into account relevant discount factors, other relevant charges, rates and tax amortisation benefit.

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

Any contingent consideration that is 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 statement of profit or loss.

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 re-assessing 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 the 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 re-assessed 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*

(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 the MAP services is considered a single performance obligation as outlined in section (iii) of "significant judgements" 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 the installation services is considered a separate performance obligation. Revenue is recognised at a point in time on completion of the services.

(iii) Non-technical services

Revenues from Non-technical services represent meter reading and data management services provided to the 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 the 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 the number of meters installed and the 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* (IFRS 16) 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 the physical access to the meters.

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

(v) Contract with the customer and contract term

The Group's arrangements with energy retailers for MAP services include the general terms and conditions by which the arrangement is 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 the individual orders are considered to be the contract under IFRS 15. The energy retailer can terminate the contract at any time without substantive penalty. As such the contracts are treated as

month-to-month contracts for accounting purposes. When the 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 will either receive compensation income or the meter will be 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, the 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 evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes 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;

- 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.

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, and 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;

- 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 re-assessed 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 to 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 that date, are recognised subsequently if new information or facts arise and, or, circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) 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 set off current tax assets and current tax liabilities, 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 statement of profit or loss and other comprehensive income.

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 statement of profit or loss and other 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 re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

Brands and customer contracts

The 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 cashflow basis to support the valuation, taking into account relevant discount factors, other relevant charges, rates and tax amortisation benefit. Customer contracts, specifically, utilise a net present value approach to the net revenues.

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.

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
- The ability to measure reliably the expenditure during development

Following initial recognition of the 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 statement of profit or loss and other comprehensive income 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	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 the 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 10 years or straight line to 2021
Prepayment meters	The period which is shorter of 10 years and 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 20.

Computer hardware, fixtures and fittings office equipment, motor vehicles and leasehold improvements are disclosed within “Other Fixed Assets” within Note 20.

Depreciation and profits/(losses) on the disposal of equipment are disclosed within cost of sales in the consolidated income statement and other comprehensive income.

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

The Group assesses, at each reporting date, whether there is an indication that property, plant and equipment may be impaired. If any such indication exists, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or the cash generating units (“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 re-measurement 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
- re-measuring 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 and other comprehensive income in "Administrative Expenses" and "Finance Costs" 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 refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

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

- Financial assets at amortised cost (trade 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 and other comprehensive income.

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 uses an invoice discounting facility with a third party factoring company. The Group has determined that it has retained substantially all the risks and rewards of the trade receivable asset. As such the trade receivables subject to the facility continue to be shown within Trade and other receivables, measured at amortised cost, on the consolidated statement of financial position and the amount due to the factoring company is included in Interest bearing loans and liabilities.

Impairment of financial assets

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

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

ii) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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.

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 payables 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 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 re-measured 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 and other comprehensive income in the periods during which services are rendered by employees. The assets of the plan are held separately from the Group in independently administrated 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. The provisions arise principally in connection with estimated obligations under property leases to restore leased properties to the original pre-rental condition. The estimates are made of the costs anticipated to have accrued under those leases at the year-end date.

2.18 *Related parties*

All Group companies and affiliates are considered to be related parties. Also, the following parties are related parties: shareholders, subsidiaries of shareholders, directors and other key management of the Company. 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 and other comprehensive income 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 a 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.

Development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 December 2019, the carrying amount of capitalised development costs was £5,728,000 (31 December 2018: £Nil). There were no costs as at 31 December 2018 as these development costs relate to the Lowri Beck business acquired in 2019.

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.

Valuation of intangible assets arising as a result of a business combination

Following the acquisitions in 2017 and 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. Refer to Note 16 for further details.

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 22.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of

the assets. See note 20 for the carrying amount of property, plant and equipment, and note 2.10 for the accounting policy for fixed assets including the useful economic lives for each class of assets.

5. Segmental reporting

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.

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

The Chief Executive Officer (CEO) 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. These are voluntary disclosures being made by the Directors to improve the level of disclosures relating to the operating segments so that the users of the financial statements have greater visibility of how the business monitors performance.

The performance of the operating segment is primarily assessed on operating profit.

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

	Calvin Capital £'000	Lowri Beck £'000	Total £'000
Year ended 31 December 2019			
Segment Revenue			
MAP Services			
Traditional meter revenue	65,526	2,681	68,207
Smart meter revenue	120,188	-	120,188
Non-technical services	-	9,622	9,622
Technical services	-	8,195	8,195
Other income	3,989	-	3,989
Total revenue	189,703	20,498	210,201
Inter-segment revenue	-	(1,444)	(1,444)
Total revenue from external customers	**189,703**	**19,054**	**208,757**
Cost of sales	-	(18,857)	(18,857)
Depreciation of metering equipment held within property, plant and equipment	(85,373)	(524)	(85,897)
Loss on disposal of fixed assets	(6,990)	89	(6,901)

	Calvin Capital £'000	Lowri Beck £'000	Total £'000
Segment gross profit/(loss)......................	**97,340**	**(238)**	**97,102**
Depreciation of non-metering equipment held within property, plant and equipment	(279)	(589)	(868)
Net foreign exchange loss.........................	(5)	-	(5)
Other expense..	(11,309)	-	(11,309)
Overheads	(13,405)	(2,493)	(15,898)
Amortisation	(41,458)	(872)	(42,330)
Segment operating profit/(loss)	**30,884**	**(4,192)**	**26,692**
Finance income/(expense)........................	(108,274)	(648)	(108,922)
Profit/(loss) before tax............................	**(77,390)**	**(4,840)**	**(82,230)**
Tax credit	2,086	15	2,101
Profit/(loss) for the period.......................	**(75,304)**	**(4,825)**	**(80,129)**
Capital expenditure..................................	**275,590**	**165**	**275,755**

Inter-segment revenue relates to installation services provided by Lowri Beck to Calvin Capital.

Capital expenditure consists of additions of property, plant and equipment.

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	
	2019	**2018**
	£'000	**£'000**
Geographical markets		
UK......................................	1,400,990	1,252,950
Total	1,400,990	1,252,950

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

Prior to the acquisition of Lowri Beck in August 2019 (Note 16) all activities were in the Calvin Capital segment. As such for the year ended 31 December 2018, no further segment disclosure is required.

6. Revenue from contracts with customers

6.1 *Disaggregated revenue information*

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

	Year ended 31 December	
	2019	2018
	£'000	£'000
Revenue from contracts with customers		
MAP services	188,395	158,249
Non-technical services .	9,622	-
Technical services	6,751	-
Other income	3,989	3,897
Total revenue	208,757	162,146
Geographical markets		
UK................................	208,757	161,613
Australia	-	533
Total revenue	208,757	162,146
Timing of revenue recognition		
Transferred over time ..	192,384	162,146
Transferred at a point in time	16,373	-
Total revenue	208,757	162,146
Contract assets	13,391	14,097
Trade receivables (Note 25)	33,850	19,030
Costs to obtain contracts with customers	2,203	2,019

On 27 June 2019, the Group entered into a contract modification with a major customer. As a result of this contract modification non-recurring income of £ 4,726,000, of which £3,576,000 was calculated by reference to previous financial years, arose in the year ended 31 December 2019.

The Group bills monthly in arrears based on the services provided. As such, for the year ended 31 December 2019, £13,391,000 (year ended 31 December 2018: £14,097,000) of contract assets 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 2019, £214,000 of amortisation was recorded in administrative expenses (for the year ended 31 December 2018: £213,000).

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. In the year ended 31 December 2019, £1,264,000 (year ended 31 December 2018: £1,323,000) was recognised as a provision for ECLs on trade receivables.

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	
	2019	**2018**
	£'000	**£'000**
Depreciation of property, plant and equipment (meters)	(85,897)	(76,551)
Loss on disposal of property, plant and equipment (meters) net of compensation income	(6,901)	(6,146)
Employee benefits expense and other direct costs	(18,857)	-
Total cost of sales	**(111,655)**	**(82,697)**

8. Administrative expenses

Included in administrative expenses are the following:

	Year ended 31 December	
	2019	**2018**
	£'000	**£'000**
Depreciation of property, plant and equipment	(868)	(350)
Net foreign exchange loss	(5)	(87)
Short-term lease expense	(92)	-
Auditor's remuneration (Note 9)	(2,652)	(194)
Employee benefits expense (Note 10)	(7,838)	(6,065)
Other administrative overheads	(5,316)	(6,558)
Total administrative expenses	**(16,771)**	**(13,254)**

Overheads are predominantly made up of legal and professional fees.

9. Auditor's remuneration

	Year ended 31 December	
	2019	2018
	£'000	£'000
Audit of the Group and subsidiaries financial statements	(212)	(130)
Amounts payable to the Group Auditor and its associates in respect of:		
Taxation compliance services .	-	(49)
Other services relating to taxation	(310)	-
Services relating to the IPO.....	(2,100)	-
Other services not covered above	(30)	(15)
	(2,652)	(194)

Services relating to the IPO and Other services relating to taxation are included in other operating expenses in the consolidated income statement and other comprehensive income statement.

10. Employee benefits expense

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

	Year ended 31 December	
	2019	2018
	£'000	£'000
Included in cost of sales		
Wages and salaries......	(15,138)	-
Social security costs	(1,247)	-
Defined contribution costs	(289)	-
Included in administrative expenses		
Wages and salaries......	(6,348)	(4,894)

	Year ended 31 December	
	2019	2018
	£'000	£'000
Included in cost of sales		
Wages and salaries......	(15,138)	-
Social security costs	(1,247)	-
Defined contribution costs	(289)	-
Included in administrative expenses		
Social security costs	(866)	(668)
Defined contribution costs	(624)	(503)
Total employee benefits expense	**(24,512)**	**(6,065)**

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 average monthly number of employees and the number of employees as at December during the years set out below was made up as follows:

	2019		2018	
	Average	At 31 December	Average	At 31 December
	No.	No.	No.	No.
Management and Administration...........	238	619	38	38
Operational Staff	404	1,129	-	-
	642	**1,748**	**43**	**43**

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.

11. Compensation of key management personnel

The following amounts were recognised as an expense during the reporting period related to compensation of key management personnel being the Directors of the Company.

	Year ended 31 December	
	2019	**2018**
	£'000	**£'000**
Salaries and short-term benefits	(2,197)	(1,776)
Defined contribution costs	(114)	(114)
	(2,311)	(1,890)

The highest paid Director received total compensation of £851,600 in the year ended 31 December 2019 (2018: £701,129).

12. Finance income/(expense)

	Year ended 31 December	
	2019	**2018**
	£'000	**£'000**
Bank interest receivable ...	175	181
Senior debt commitment fees	(3,746)	(3,846)
Agency and technical adviser fees directly related to banking facility monitoring	(363)	(797)
Fair value movement on derivative financial instruments......................	(14,699)	17,605
Derivative breakage fees ..	(840)	(9,419)
Amortisation of debt issue costs	(3,862)	(11,777)
Letter of credit fees and other charges	(10,002)	(8,601)
Interest payable on bank loans	(22,175)	(23,871)

	Year ended 31 December	
	2019	**2018**
	£'000	**£'000**
Interest payable on shareholder loans	(53,191)	(50,587)
Unwinding of discount on lease liabilities	(219)	(72)
Total finance cost.............	(108,922)	(91,184)

13. Other operating expenses

	Year ended 31 December	
	2019	**2018**
	£'000	**£'000**
IPO related costs and acquisition expenses	(11,309)	-
	(11,309)	-

14. Taxation

	Year ended 31 December	
	2019	**2018**
	£'000	**£'000**
Current tax		
Current tax on Profit/(loss) for the year...........	(2,101)	(2,466)

	Year ended 31 December	
	2019	2018
	£'000	£'000
Adjustment in respect of prior periods.......	49	(120)
Total current tax charge	(2,052)	(2,586)
Deferred tax		
Origination and reversal of timing differences	7,528	6,565
Tax rate changes	36	(707)
Adjustment in respect of prior periods.......	(3,411)	(18)
Total deferred tax credit	4,153	5,840
Tax credit on profit on ordinary activities	2,101	3,254

There are overall tax credits in the years ended 31 December 2019 and 2018 as the timing differences relating to deferred taxation are in excess of the corporation tax charges on the taxable profits of a number of subsidiary undertakings.

Reconciliation of tax charge for the period

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	
	2019	**2018**
	£'000	**£'000**
Accounting loss before tax	(82,230)	(65,775)
At the UK's standard rate of corporation tax of 19%.........................	15,618	12,497
Effects of:		
Effect of tax rates in foreign jurisdictions	-	(11)
Reduction in tax rate on deferred tax balances	36	(707)
Adjustments in respect of prior periods	(3,362)	(138)
Non-deductible expenses	(10,229)	318
Income not subject to taxation	190	19
Other adjustments, reliefs and transfers	307	875
Current period losses for which no deferred tax asset was recognised	(602)	-
Transfer pricing adjustments	-	(9,599)
Group relief surrendered	1	-
Other	142	-
Total tax credit/(charge)	**2,101**	**3,254**

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 2019 (31 December 2018: 19%) and will reduce to 17% for financial years beginning after 1 April 2020.

Deferred tax balances have been calculated at a rate of 17% as this is the rate at which the majority of the timing differences are expected to reverse. 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. As this cancellation was not substantively enacted at the reporting date its impact has not been included in the tax balances. The unadjusted impact of maintaining a 19% tax rate post April 2020 would be an increase in the deferred tax liability of £9,700,000 as at 31 December 2019.

15. Deferred tax

	At 31 December	
	2019	**2018**
	£'000	**£'000**
Opening deferred tax liability	(90,181)	(96,031)
Reduction in provision through consolidated income statement resulting from an increase in tax losses available and reduction in timing differences arising on intangible fixed assets	3,705	5,850
Deferred tax on business combination	10	-
Closing deferred tax liability	(86,466)	(90,181)

The following table provides details of the temporary differences and unused tax losses for which deferred tax has not been recognised:

	At 31 December	
	2019	**2018**
	£'000	**£'000**
Unused tax losses – UK**	17,959	16,559
Interest restriction carried forward	47,906	36,538
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	
	2019	2018
	£'000	£'000
Excess of taxation allowances over depreciation on property, plant and equipment...............	(30,815)	(23,097)
Tax losses available..	21,780	16,630
Short term timing differences	5,383	2,869
Deferred tax arising on intangible fixed assets	(82,011)	(86,622)
Other taxable temporary differences	(847)	-
Deferred tax on IFRS 16 lease adjustments	44	39
Deferred tax liability	(86,466)	(90,181)

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 statement of comprehensive income is as follows:

	Year ended 31 December	
	2019	2018
	£'000	£'000
Accelerated capital allowances	(8,268)	(4,803)
Tax losses	3,883	5,947
Short term timing differences	2,482	(3,396)
Deferred tax arising on intangible fixed assets	6,465	8,078
Other taxable temporary differences	(414)	

	Year ended 31 December	
	2019	**2018**
	£'000	**£'000**
Deferred tax on IFRS 16 lease adjustments	5	14
Deferred tax credit	4,153	5,840

The standard rate of UK corporation tax on ordinary activities was 19% in the year ended 31 December 2019 (19% in the year ended 31 December 2018). The Spring Budget on 16 March 2016 announced a reduction in the corporation tax rate to 17% for the Financial Year beginning 1 April 2020. This change was substantively enacted in Finance Act 2016 on 15 September 2016.

These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date. The closing UK deferred tax balances at each balance sheet date have been calculated at the tax rates at which the deferred tax balance is expected to be reversed in future periods based on the substantively enacted tax rates at each balance sheet date.

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. As this cancellation was not substantively enacted at the reporting date its impact has not been included in the tax balances. The unadjusted impact of maintaining a 19% tax rate post April 2020 would be an increase in the deferred tax liability of £9,700,000 as at 31 December 2019.

16. Business Combinations

Acquisitions in 2019

Lowri Beck Holdings Limited

On 16 August 2019, the Group acquired 100% of the share capital of Lowri Beck Holdings Limited ("Lowri Beck") a private company based in the UK. The shares were purchased for cash.

Lowri Beck's activities mainly comprise providing meter installation, reading and maintenance services. The reason for the acquisition was to complement the Group's capabilities to carry out installation work using in-house personnel as well as the ability to offer traditional meter reading services to its customers.

Goodwill of £1,154,000 was recognised on the acquisition, being the excess of the purchase consideration over the fair value of net assets acquired as set out below. The net asset fair values were determined in line with accounting standards.

The total cash consideration transferred on the acquisition date was £6,150,000. Following completion of negotiations pertaining to the completion accounts there will be a further transfer of economic

benefits to the vender amounting to £720,000, which has been recorded as deferred consideration within other creditors.

Included in the purchase consideration was an amount of £4,900,000, relating to the settlement of a pre-existing loan provided by the Group to Lowri Beck. This pre-existing loan was accounted separately prior to the business combination.

The amounts of revenue and profit or loss of Lowri Beck since the acquisition date of 16 August 2019 included in the consolidated statement of comprehensive income for the year ended 31 December 2019 amounted to £19,054,000 and a loss after tax of £4,825,000 respectively.

The revenue and profit or loss of Lowri Beck for the current reporting period as though the acquisition date for the Lowri Beck business combinations had been as at 1 January 2019 amount to £59,033,000 and a loss of £9,328,000 respectively.

Assets acquired and liabilities assumed

The Group has completed a provisional purchase price allocation based on the information available at the reporting date. The measurement period adjustments noted below relate to changes since the initial purchase price allocation disclosed in the historical financial information for the Company as at 30 September 2019 which was included in the IPO prospectus. The customer contracts and brands have been valued using the Excess Earnings Approach and Relief from Royalties techniques respectively. A deferred tax liability, utilising the substantively enacted rate of 17%, of £1,853,000 was recognised in the intangible assets arising from the purchase price allocation. The adjustments have arisen on account of additional information which has come to light in relation to facts and circumstances as at the date of acquisition. The fair values of the identifiable assets and liabilities of Lowri Beck Holdings Limited as at the date of reporting were:

	Fair value recognised at acquisition	**measurement period adjustments**	**Fair value recognised after measurement period adjustments**
	£'000	**£'000**	**£'000**
Assets			
Customer contracts	9,614	-	9,614
Brand	1,290	-	1,290
Development costs	6,851	(473)	6,378
Software	251	-	251
Property, plant and equipment	5,947	-	5,947
Inventory	1,451	-	1,451
Cash and cash equivalents	178	-	178

	Fair value recognised at acquisition	measurem ent period adjustment s	Fair value recognised after measurem ent period adjustment s
	£'000	**£'000**	**£'000**
Trade and other receivables	13,411	396	13,807
Deferred tax asset	15	-	15
	39,008	(77)	38,931
Liabilities			
Trade and other payables	(8,911)	(225)	(9,136)
Interest-bearing loans and borrowings	(18,290)	-	(18,290)
Provisions	(628)	192	(436)
Deferred tax	(453)	-	(453)
Total identifiable net assets at fair value	10,726	(110)	10,616
Purchase consideration transferred	(11,050)	(720)	(11,770)
Goodwill	324	830	1,154

	£'000	**£'000**	**£'000**
Purchase consideration			
Cash consideration relating to business combination	6,150	-	6,150
Non-contingent deferred consideration	-	720	720
Receivable owing from Lowri Beck to the Group as at the date of acquisition	4,900	-	4,900
Total consideration	11,050	720	11,770

Analysis of cash flows on acquisition

Cash consideration relating to business combination	(6,150)	-	(6,150)

	Fair value recognised at acquisition	measurement period adjustments	Fair value recognised after measurement period adjustments
	£'000	£'000	£'000
Transaction costs of the acquisition (included in cash flows from operating activities)................................	(500)	-	(500)
Net cash acquired with the subsidiary (included in cash flows from investing activities)..........................	178	-	178
Net cash flow on acquisition....................................	(6,472)	-	(6,472)

17. Group information

The consolidated financial statements incorporate the consolidation of the subsidiaries below:

All 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 (formerly Calvin Capital Group Holdings Limited)	100%	UK	Holding company
Calisen Holdco Limited (formerly Calvin Capital Holdco Limited	100%	UK	Holding company
Calisen Holdco 2 Limited) (formerly Calvin Capital Group Limited)	100%	UK	Holding company
Calisen Holdco 3 Limited) (formerly Calvin Capital UK Holdings 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

Company	Proportion of shares and voting rights	Country of incorporation	Principal activities
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 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

Company	Proportion of shares and voting rights	Country of incorporation	Principal activities
Lowri Beck Holdings Limited ...	100%	UK	Holding company
Lowri Beck Meters 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
Lowri Beck Systems Limited......................	100%	UK	Computer systems development
Lowri Beck Solutions Limited....................	100%	UK	Provision of call centre services

The following entities are registered in Australia. All Australian registered entities have the same registered office address of 181 William Street, Melbourne, VIC 3000.

Company	Proportion of shares and voting rights	Country of incorporation	Principal activities
Calvin Capital Australia Pty Limited	100%	Australia	Holding company
Calvin MS Australia 1 Pty Limited	100%	Australia	Holding company

In 2018 the Group sold Calvin MF Australia 1 Pty Limited, an entity listed in Australia, recognising a gain on disposal of £365,000. This gain on disposal is included within administrative expenses.

18. 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 the end of each reporting period. During the year ended 31 December 2019 there were no transfers into or out of Level 2 fair value measurements (year ended 31 December 2018: none).

19. Intangible assets

	Goodwill	Brand	Customer contracts	Software	Costs to obtain contracts with customers	Development costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 January 2018	78,238	14,600	586,022	160	2,382	-	681,402
Additions	-	-	-	-	7	-	7
At 31 December 2018	78,238	14,600	586,022	160	2,389	-	681,409
Additions	-	-	-	95	399	-	494
Disposals	-	-	-	(113)	-	-	(113)
Acquisitions through business combinations	1,154	1,290	9,614	251	-	6,378	18,687
At 31 December 2019	79,392	15,890	595,636	393	2,788	6,378	700,477

	Goodwill	Brand	Customer contracts	Software	Costs to obtain contracts with customers	Development costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated amortisation							
At 1 January 2018	-	1,338	35,813	62	156	-	37,369
Amortisation	-	1,460	39,069	44	213	-	40,786
At 31 December 2018	-	2,798	74,882	106	369	-	78,155
Amortisation	-	1,508	39,892	66	214	650	42,330
At 31 December 2019	-	4,306	114,774	172	583	650	120,485
Net book value							
At 31 December 2018	78,238	11,802	511,140	54	2,020	-	603,254
At 31 December 2019	79,392	11,584	480,862	221	2,205	5,728	579,992

20. Property, plant and equipment

	Equipment	Other fixed assets	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 January 2018	625,079	1,488	626,567
Additions	170,682	52	170,734
Disposals	(71,071)	-	(71,071)
Disposal of subsidiary	(5,802)	-	(5,802)
At 31 December 2018	718,888	1,540	720,428
Additions	273,378	2,377	275,755
Disposals	(55,697)	(206)	(55,903)
Acquisitions through business combinations	2,614	3,333	5,947
At 31 December 2019	939,183	7,044	946,227
Accumulated depreciation			
At 1 January 2018	29,446	321	29,767
Depreciation for the period	76,551	350	76,901
Disposals	(35,426)	-	(35,426)
Disposal of subsidiary	(510)	-	(510)
At 31 December 2018	70,061	671	70,732
Depreciation for period	85,897	868	86,765
Disposals	(32,144)	(124)	(32,268)
At 31 December 2019	123,814	1,415	125,229
Net book value			

	Equipment	Other fixed assets	Total
	£'000	£'000	£'000
At 31 December 2018	648,827	869	649,696
At 31 December 2019	815,369	5,629	820,998

Within other fixed assets are right-of-use assets with a carrying amount of £4,593,000 as at 31 December 2019 (31 December 2018: £693,000). Details of the right-of-use assets are provided in Note 21.

Gains and losses on disposal of equipment are included in cost of sales net of compensation income received.

21. Leases

Right-of-use assets

Within property, plant and equipment, the Group has right-of-use assets held under lease agreements as follows:

	Right-of-use asset buildings	Right-of-use asset vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 January 2018..	877	-	877
At 31 December 2018	877	-	877
Additions	1,560	97	1,657
Disposals..	-	-	-
Acquisitions through business combinations	1,760	1,134	2,894
At 31 December 2019	4,197	1,231	5,428
Accumulated depreciation			
At 1 January 2018..	88	-	88

	Right-of-use asset buildings	Right-of-use asset vehicles	Total
	£'000	£'000	£'000
Depreciation	96	-	96
At 31 December 2018	184	-	184
Depreciation	357	294	651
At 31 December 2019	541	294	835
Net book value			
At 31 December 2018	693	-	693
At 31 December 2019	3,656	937	4,593

Right of use assets relate to twelve leases for office and industrial space in addition to approximately 330 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 anticipate exercising these break clauses.

Lease-related income and expenses

	Year ended 31 December	
	2019	2018
	£'000	£'000
Interest expense on lease liabilities	(146)	(72)
Expense relating to short-term leases	(92)	-

The total cash outflow for the Group's lease arrangements in the year ended 31 December 2019 was £653,000 (year ended 31 December 2018: £84,000). Amounts relating to lease liabilities whereby the Group is a lessee are disclosed below:

Lease liabilities

31 December 2019

	£'000
Maturity analysis - contractual undiscounted cash flows	
Less than 1 year	1,607
Between 1 and 5 years...	3,103
More than 5 years...	1,660
Total undiscounted lease liabilities at 31 December 2019......................	6,370
Lease liabilities included in the statement of financial position at 31 December 2019..	5,042

22. 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	
	2019	2018
	£'000	£'000
Calvin Capital	78,238	78,238
Lowri Beck	1,154	-
Total goodwill..........................	79,392	78,238

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 budgets approved by the Board covering a five-year period. These budgets and forecasts take into account historical performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed cash flows. 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 the relevant date of the consolidated statement of financial position at either 31 December 2019 or 2018. The key assumptions used in the value in use calculations were as follows:

- **Perpetual growth rate** – The terminal cash flows were extrapolated in perpetuity using a growth rate of 2% from the year ended 31 December 2019. This aligns with the rate of inflation and 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 and post-tax discount rates used as at 31 December 2019 and 2018 were 8.72% and 7.24% respectively.

The Group have 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 2019.

Calvin Capital CGU

The headroom, based on the assumptions above was £872,695,000 as at 31 December 2019 (31 December 2018: £200,938,000). A sensitivity analysis has been 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 consider 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 £672,019,000 as at 31 December 2019 (31 December 2018: £22,594,000) and a 0.5% increase in the discount rate would result in headroom of £507,222,000 as at 31 December 2019 (31 December 2018: £7,627,000).

Lowri Beck CGU

The headroom, based on the assumptions above was £65,770,000 as at 31 December 2019. 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 £61,240,000 as at 31 December 2019 and a 0.5% increase in the discount rate would result in headroom of £64,200,000 as at 31 December 2019.

23. 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.

23.1 *Financial assets*

	At 31 December	
	2019	**2018**
	£'000	**£'000**

Derivatives not designated as hedging instruments		
Interest rate swap	963	4,633
Interest rate cap	99	1,337
Total financial assets at fair value through the profit or loss	1,062	5,970
Financial assets at amortised cost		
Trade receivables (note 25)	33,850	19,030
Total financial assets	34,912	25,000
Total current...................................	33,850	19,030
Total non-current	1,062	5,970

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 the fair value are recorded in the Consolidated income statement.

23.2 *Interest bearing loans and borrowings*

	At 31 December	
	2019	2018
	£'000	£'000
Current interest-bearing loans and borrowings		
Senior debt facilities........................	94,016	89,507
Liability to factoring company..........	5,156	-
Lease liabilities	1,264	-
Equity bridge loan	(607)	(1,562)
Total current interest-bearing loans and borrowings	99,829	87,945
Non-current interest-bearing loans and borrowings		
Shareholder loan notes including accrued interest	705,490	652,135
Senior term loan	10,000	-
Lease liabilities	3,778	-
Senior debt facilities........................	501,344	413,776
Equity bridge loan	203,708	200,994
Total non-current interest-bearing loans and borrowings	1,444,320	1,266,905
Total interest-bearing loans and borrowings	1,544,149	1,354,850

Shareholder loan notes

At 31 December 2019, the unsecured 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 is 30 January 2027, therefore all due after five years. Subsequent to 31 December 2019 this loan and the accrued interest thereon were capitalised, further details can be found in Notes 33 and 34.

Bank loans

Bank borrowings relate to a number of equity bridge loan facilities and senior debt facilities for a total available amount of £ 818,463,000 as at 31 December 2019 (31 December 2018:£ 702,715,000).

Senior term loan

Lowri Beck entered into a term loan agreement in November 2019 with an amount outstanding of £10,000,000 as at 31 December 2019. The loan bears interest at LIBOR plus a margin of 3.25% which is payable monthly. The loan is repayable on 31 December 2022.

Senior debt facilities

Borrowings totalling £595,360,000 were outstanding under these facilities as at 31 December 2019 (31 December 2018: £503,283,000) and are repayable on an agreed or forecast repayment profile of quarterly instalments which commenced on 30 June 2007, with full repayment to be made by 30 September 2029 for all interest-bearing loans and borrowings. Issue costs totalling £17,572,000 at 31 December 2019 (at 31 December 2018: £20,975,000) have been offset against the loans and are amortised over the duration of the facilities.

Interest on £40,000,000 of the amount outstanding at 31 December 2019 (31 December 2018: £40,000,000) is charged at a rate of 2.706% *per annum*. Interest charges on the remaining amounts drawn are based on floating LIBOR rates. The Company has entered into interest rate swaps as set out in Note 23.5

Equity bridge loan

Borrowings totalling £223,101,000 were outstanding under these facilities as at 31 December 2019 (31 December 2018: £199,432,000). Of the amount outstanding at 31 December 2019, £180,388,000 was repayable in March 2021 (31 December 2019: £ 180,156,000). The remaining balance was repayable in 2022. Issue costs totalling £3,440,000 at 31 December 2019 (at 31 December 2018: £3,066,000) have been offset against the loans. The issue costs are amortised over the duration of the facilities and this results in an element of the debt issue costs that is classified as current in each period whilst the associated liability is not repayable until the end of the term. Interest charges on amounts drawn are based on floating LIBOR rates. The Group has entered into interest rate swaps as set out in Note 23.5. Subsequent to 31 December 2019 these borrowings were repaid in full.

Liability to factoring company

The Group has entered into an invoice discounting factoring arrangement in respect of Lowri Beck's trade receivables. Under the arrangement, Lowri Beck has transferred the relevant receivables to the factoring provider but retains late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in the consolidated statement of financial position. The amount repayable under the factoring agreement is presented within interest bearing loans and borrowings. The Group considers the held to collect business model to remain appropriate for these receivables and hence continues measuring them at amortised cost.

The relevant carrying amounts are as follows:

	At 31 December 2019
	£'000
Transferred receivables	5,366
Transferred contract assets (unbilled receivables)	2,669
Associated secured borrowings (loan from factoring company)	(5,156)

2018 refinancing

In the year ended 31 December 2018, the Group refinanced a large portion of its debt by repaying the loans held by a number of its special purpose companies (SPC) - CCGH, MF(NE), MF(NW), MF2, MF3 and MF4 totalling £286,230,000. This was done by raising new debt held by MSH, a new SPC, for an available amount of £280,000,000. As a result of the refinancing, debt issue costs of £9,756,000 were expensed and the associated derivative instruments were terminated resulting in a charge of £5,407,000.

23.3 *Other financial liabilities*

	At 31 December	
	2019	**2018**
	£'000	**£'000**
Derivatives not designated as hedging instruments		
Interest rate swaps	32,368	22,577
Total financial liabilities at fair value through profit and loss	32,368	22,577
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		
Trade payables....................	17,828	14,923
Deferred consideration..................	720	-
Total other financial liabilities	50,916	37,500
Total current.......................	18,548	14,923
Total non-current	32,368	22,577

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.

23.4 *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 of interest rates 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 loans, which differs from the carrying amount, due to the instrument utilising a fixed interest rate, is disclosed below:

	At 31 December	
	2019	**2018**
	£'000	**£'000**
Fair value.......................	1,119,504	886,900
Carrying amount	705,490	652,135

The fair value of borrowings 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.

The fair value of the senior debt facilities subject to fixed interest rate compared to their carrying amount is disclosed below:

	At 31 December	
	2019	**2018**
	£'000	**£'000**
Fair value.......................	41,626	38,609
Carrying amount	40,000	40,000

23.5 *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 identifies, evaluates and, where appropriate, hedges financial risk. All derivative activities for risk management purposes are carried out by specialist teams that 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 position as at 31 December 2019 and 2018.

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.

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 2019, interest on these loans was charged at LIBOR plus a margin in the range of 0.9% to 1.55% (31 December 2018: 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 2019, the derivative instruments in place were sufficient to fix the interest rate on 74% of the senior debt facilities and equity bridge loans (2018: 86%). As at 31 December 2019, the swap arrangements fixed interest rates in the range 1.0% - 2.1% (31 December 2018: 1.2% - 5.9%).

In addition, the Group has entered into interest rate caps whereby the floating rate is capped at a fixed percentage of 2%. As at 31 December 2019, 24% (31 December 2018: 12%) of the Group's borrowings were subject to this cap.

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**
		£'000
Year ended 31 December 2019	100	2,207
Year ended 31 December 2018	100	1,036

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.

Price risk

The Group is not exposed to any significant price risk in relation to its financial instruments.

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 debts 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 25. 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 Big 6 energy retailers. However, the Group assesses the associated credit risk as low despite its customers operating in one industry as these are investment grade customers 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 twelve 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 2018, an adjustment was made to increase the historical loss rates in recognition of the number of Independent Energy Retailers that went into administration during that year.

On that basis, the provision as at 31 December 2019 was determined as £1,264,000 (31 December 2018: £1,323,000) as follows:

	Loss provision - Trade receivables
	£'000
As at 1 January 2018	147
Increase in loss provision recognised in profit or loss during the year	1,346
Receivables written off during the year as uncollectable	(170)
As at 31 December 2018	1,323
Acquired in business combination	960
Increase in loss provision recognised in profit or loss during the year	432
Receivables written off during the year as uncollectable	(1,451)
As at 31 December 2019	1,264

The increase in the loss provision on trade receivables in 2018 arose due to the number of new, typically smaller, Independent Energy Retailers that went into administration during the year ended 31 December 2018, for which amounts were considered unrecoverable. For detail as to the ageing of trade receivables, refer to note 25.

In assessing impairment of contract assets the Group also applies the IFRS 9 simplified approach to measuring forward-looking ECLs which uses a lifetime expected loss allowance. The ECL for contract assets is not material at 31 December 2019 and 31 December 2018.

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 £820.0 million undrawn portion of the Group's committed banking facilities. As at 31 December 2019, 93% (31 December 2018: 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. A number of changes to the financing structure occurred subsequent to 31 December 2019, further details can be found in notes 33 and 34.

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 21). The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000
As at 31 December 2019				
Shareholder loans	-	-	-	705,490
Bank borrowings	93,408	91,200	493,455	150,398
Liability to factoring company..............	5,156	-	-	-
Trade and other payables	17,828	-	-	-
Derivatives		1,663		30,706
As at 31 December 2018				
Shareholder loan.....................	-	-	-	652,135
Bank borrowings	87,945	85,324	346,504	182,942
Trade and other payables	14,923	-	-	-
Derivatives	-	-	1,494	21,083

23.6 Changes in liabilities arising from financing activities

	At 1 January 2019	Cash flows	Acquisition	New leases	Changes in fair value	Other	At 31 December 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current interest bearing loans and borrowings..........	87,945	(98,333)	15,394	-	-	94,823	99,829
Non-current interest bearing loans and borrowings..........	1,266,905	210,861	-	-	-	(33,446)	1,444,320
Derivative financial instruments.........	16,607	-	-	-	14,699	-	31,306
Obligations under leases........	923	(653)	2,896	1,657	-	219	5,042
Total	1,372,380	111,875	18,290	1,657	14,699	61,596	1,580,497

	At 1 January 2019	Cash flows	Acquisition	New leases	Changes in fair value	Other	At 31 December 2019
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	At 1 January 2018	**Cash flows**	**Acquisition**	**New leases**	**Changes in fair value**	**Other**	**At 31 December 2018**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Current interest bearing loans and borrowings..........	49,422	(49,422)	-	-	-	87,945	87,945
Non-current interest bearing loans and borrowings..........	1,206,823	122,441	-	-	-	(62,359)	1,266,905
Derivative financial instruments.........	35,642	-	-	-	(19,035)	-	16,607
Obligations under leases........	936	(85)				72	923
Total	1,292,823	72,934	-	-	(19,035)	25,658	1,372,380

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.

24. 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 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 Alternative Performance Measure, further details can be found in the Strategic Report.

	At 31 December	
	2019	**2018**

	£'000	£'000
Interest bearing loans and borrowings..........	1,544,149	1,354,850
Trade creditors.....	17,828	14,923
Cash.....................	(50,315)	(71,597)
	1,511,662	**1,298,176**
Share capital and share premium	19,024	19,024
Total capital plus net debt	**1,530,686**	**1,317,200**
Gearing ratio	98.8%	98.6%

In order to achieve the overall objective of maximising shareholder value, the Group's capital management, among other things, aims to ensure that it maintains a sufficient credit worthiness in order to support the business and to maximise value for the stakeholders.

No changes were made in the objectives, policies or processes for managing capital during the years covered above.

25. Trade and other receivables

	At 31 December	
	2019	**2018**
	£'000	**£'000**
Trade receivables............	33,850	19,030
Other receivables............	1,629	396
VAT recoverable..............	1,844	2,540
Finance receivables..........	2,179	3,012
Tax receivable	3,189	924
	42,691	**25,902**

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 receivables as at 31 December 2019 was £1,264,000 (31 December 2018: £1,323,000). See Note 23 for further details. The ageing profile of trade receivables past their due date is shown below:

	31 December 2019	Expected loss rate 2019	31 December 2018	Expected loss rate 2018
	£'000	%	£'000	%
Not yet due	32,846	0.92%	14,360	1.59%
0-30 days........................	1,306	9.19%	4,300	18.90%
31-60 days......................	197	0.29%	1,030	1.47%
61-90 days......................	265	87.66%	413	53.59%
Over 90 days	500	91.31%	250	18.14%
Gross carrying amount....	35,114		20,353	
Loss provision.................	(1,264)		(1,323)	
Net carrying amount.......	33,850		19,030	

Trade receivables are non-interest bearing and are generally on 30 - 45 day terms. Trade receivables due from related parties as at 31 December 2019 amounted to £nil (31 December 2018: £nil).

Receivables are all denominated in pound sterling.

26. Inventories

	At 31 December	
	2019	2018
	£'000	£'000
Finished goods	1,296	-
	1,296	-

During the year ended 31 December 2019, £298,000 (31 December 2018: £nil) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

27. Cash and cash equivalents

	At 31 December	
	31 December 2019	31 December 2018
	£’000	£’000
Cash at bank and in hand..	50,315	71,597
	50,315	71,597

Cash at bank earns interest at floating rates based on daily bank deposit rates.

28. Trade and other payables

	At 31 December	
	2019	2018
	£’000	£’000
Trade creditors...................	17,828	14,923
Other creditors...................	8,081	4,939
Other creditors relating to capital expenditure	16,964	4,916
Other creditors relating to IPO costs	6,299	-
Finance creditors................	-	847
	49,172	25,625

29. Provisions

	Dilapidations	*Total*
	£’000	£’000
As at 1 January 2019	-	-
Acquired through business combination...	436	436
Arising during the year..	-	-
As at 31 December 2019...	436	436

30. Issued capital and reserves

	At 31 December	
	2019	2018
Authorised shares		
Class A shares	1,036,411	1,036,411
Ordinary shares issued and fully paid		
At start of year..........	1,036,411	1,036,411
Issued capital	-	-
At end of the year	1,036,411	1,036,411

31. Related party disclosures

Group

Identity of related parties with which the Group has transacted:

Following its acquisition of the Group on 31 January 2017, KKR became a related party by definition 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 2019 is an amount of £122,317,000 (31 December 2018: £69,010,000) in relation to loan note interest payable on the loan notes issued to Evergreen Holdco S.a.r.l., an intermediate parent entity and part of the KKR group. These loan notes carry a fixed rate of interest of 8.123%. The loan note value (principal and interest) as at 31 December 2019 of £705,490,000 (31 December 2018: £652,135,000) is 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. Subsequent to 31 December 2019 the outstanding principal and accrued interest was capitalised, further details can be found in Note 33.

Included within administrative expenses for the year ended 31 December 2019 is £613,000 (year ended 31 December 2018: £617,000) of shareholder advisory services and reimbursable expenses. Of this, as at 31 December 2019 £156,000 (31 December 2018: £150,000) is included within other creditors due within one year as these amounts had not been paid at those dates.

Transactions with key management personnel

There is not considered to be any key management personnel other than the statutory directors, whose remuneration during the normal course of business has been disclosed within Note 11 to the consolidated financial statements.

Key management personnel held equity in Evergreen Energy Limited (the immediate parent undertaking) amounting to £1,199,000 (2018: £1,199,000) and loan notes in the company for £799,000 (2018: £799,000).

32. Ultimate controlling party

At the balance sheet date of 31 December 2019, the immediate parent company of Calisen Group Holdings Limited was Evergreen Energy Limited, a company registered in Jersey. The registered office address of Evergreen Energy Limited is 4th Floor, St. Paul's Gate, 22-24 New Street, St. Helier, Jersey. The ultimate controlling party 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. The registered office address of KKR Infrastructure II Limited is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

This set of financial statements is the largest and smallest group in the UK, of which the company is a member, and for which consolidated accounts are drawn up. The largest group outside the UK drawing up consolidated financial statements, which includes the company, is that headed by Evergreen Holdco S.a.r.l., which is incorporated in Luxembourg. The registered office of this company is, 63, rue de Rollingergrund, L-2440 Luxembourg.

33. Post balance sheet events

On 12 February 2020, Calisen plc undertook an IPO on the London Stock Exchange for a proportion of its share capital. On 19 February 2020, as part of a post-IPO group reorganisation, all shares held in Calisen Group Holdings Limited (formerly CCH1 Limited) by Evergreen Energy Limited were transferred to Calisen plc. KKR Infrastructure II Limited remains the ultimate controlling party of KKR Evergreen Aggregator L.P., which is an indirect parent company of Calisen Group Holdings Limited and a major shareholder of Calisen plc.

As part of the group reorganisation, the shareholder loan notes plus the accrued interest thereon amounting to £705,490,000 as at 31 December 2019 were transferred by the holders to Calisen plc. Calisen plc then transferred this receivable comprising the principal and interest on the shareholder loan notes to Calisen Group Holdings Limited in exchange for the issuance of 1,220,821 ordinary shares. As such the shareholder loan liability held by Calisen Group Holdings Limited was settled in full. Subsequently Calisen Group Holdings Limited undertook a capital reduction reducing share premium by £ 968,287,000 with a corresponding increase to distributable reserves.

Calisen plc raised £300,000,000 in gross proceeds through its IPO. A proportion of these proceeds were transferred to Calisen Group Holdings Limited via a subscription of ordinary shares and were

used to repay the equity bridge loans which as at 31 December 2019 amounted to £223,101,000. In addition, in February 2020, the Group agreed a new revolving credit facility amounting to £240,000,000.

34. Unaudited pro forma statement of financial position of the Group at 31 December 2019 (as if the IPO had taken place on that date)

		Adjustments				
	Consolidated net assets of the Group as at 31 December 2019	Adjustment for issue of ordinary shares	Adjustments in respect of IPO related costs	Adjustment for debt restructuring	Adjustment for shareholder loan recapitalisation	Pro forma
	Note 1	**Note 2**	**Note 3**	**Note 4**	**Note 5**	**Note 6**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non-current assets						
Intangible assets	579,992					579,992
Property, plant and equipment	820,998					820,998
Deferred tax asset	44					44
Derivative financial instruments	1,062					1,062
	1,402,096	-	-	-	-	1,402,096
Current assets						
Trade and other receivables	42,691	-	-	-	-	42,691
Contract assets	13,391	-	-	-	-	13,391
Inventory	1,296	-	-	-	-	1,296
Deferred tax asset	-	-	-	-	-	-
Cash and cash equivalents	50,315	300,000	(10,370)	(228,204)	-	111,741
	107,693	300,000	(10,370)	(228,204)	-	169,119
Total assets	**1,509,789**	**300,000**	(10,370)	**(228,204)**	**-**	1,571,215
Current liabilities						

Trade creditors	(17,828)					(17,828)
Other creditors	(31,344)					(31,344)
Interest bearing loans and borrowings	(99,829)					(99,829)
	(149,001)	**-**	**-**	**-**	**-**	**(151,348)**
Non-current liabilities						
Interest bearing loans and borrowings	(1,444,320)			224,763	705,490	(514,067)
Provisions	(436)					(436)
Derivative financial instruments	(32,368)			1,663		(30,705)
Deferred tax liability	(86,510)					(86,510)
	(1,563,634)	-	-	226,426	705,490	(631,718)
Total liabilities	**(1,712,635)**	**-**	**-**	**226,426**	**705,490**	**(780,719)**
Net (liabilities)/assets	**(202,846)**	**300,000**	**(10,370)**	**(1,778)**	**705,490**	**790,496**
Equity						
Called up share capital	1,036	1,250			-	2,286
Share premium account	17,988	298,750	(6,000)		-	310,738
Retained earnings	(221,870)		(4,370)	(1,778)	705,490	477,472
Total equity	**(202,846)**	**300,000**	**(10,370)**	**(1,778)**	**705,490**	**790,496**

Notes

1. The net liabilities of CGH Group as at 31 December 2019 have been extracted from the Audited Statement of Financial Position.
2. The adjustment reflects the cash proceeds from the issue of ordinary shares in Calisen plc.
3. The adjustment reflects the expected costs associated with the IPO incurred since 1 January 2020. Total costs incurred in relation to the IPO are £21,150,000.
4. The adjustment reflects the impact of the restructuring of debt owed to the lenders of Meter Fit 5 Limited and Meter Fit 20 Limited in respect of the amounts owed under the Equity Bridge Loans that total £226,541,000 . Associated termination of the related

interest rate swap hedging instrument is expected to cost £1,663,000 and release of the deferred debt issue costs of £3,441,000 has been assumed.

5. The adjustment in reflects the impact of the capitalisation of the accrued interest of £122,317,000 into the amount owed in respect of the shareholder loan of £581,173,000 giving a revised outstanding principal balance of £705,490,000. The £705,490,000 is then exchanged for ordinary shares and the amount is credited into share capital and share premium.
6. No adjustment has been made to reflect the trading results of the Group since 31 December 2019 or any change in its financial position in this period.

Company Balance Sheet

	Notes	At 31 December 2019 £'000	2018 £'000
Assets			
Non-current assets			
Investments in subsidiaries	3	601,629	601,629
		601,629	601,629
Current assets			
Trade and other receivables		2	-
Cash and cash equivalents..................	4	809	649
		811	649
Total assets...		**602,440**	**602,278**
Liabilities			
Current liabilities			
Trade creditors	5	-	2
Other creditors	5	252	131
		252	133
Non-current liabilities			
Interest bearing loans and borrowings	6	705,490	652,135
		705,490	652,135
Total liabilities...................................		705,742	652,268
Equity			
Called up share capital........................	7	1,036	1,036
Share premium account		17,987	17,987
Retained deficit..................................		(122,325)	(69,013)

Total equity	(103,302)	(49,990)
Total equity and liabilities	**602,440**	**602,278**

Sean Latus

Chief Financial Officer

Results for the year

The loss after tax for the year attributable to ordinary shareholders amounted to £53,312,000 (2018: £ 25,590,000).

Company Statement of Changes in Equity

	Called up share capital	Share premium account	Retained earnings	Total equity
	£'000	**£'000**	**£'000**	**£'000**
At 1 January 2018......................................	**1,036**	**17,987**	**(43,423)**	**(24,400)**
Loss for the period and total comprehensive loss	-	-	(25,590)	(25,590)
At 31 December 2018................................	**1,036**	**17,987**	**(69,013)**	**(49,990)**
Loss for the period and total comprehensive loss	-	-	(53,312)	(53,312)
At 31 December 2019................................	**1,036**	**17,987**	**(122,325)**	**(103,302)**

Notes to the Company Financial Statements

1. Basis of preparation

Calisen Group Holdings Limited (formerly CCH1 Limited) ("CGH" or the "Company") is a private company incorporated in the UK. 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 102 (FRS 102) and the Companies Act 2006 ("the Act").

The Company is a qualifying entity for the purposes of FRS 102 as it is a member of a group which prepares publicly available consolidated financial statements and it is included in the consolidation of that group.

The disclosure exemptions adopted by the Company in preparation of these financial statements in accordance with FRS 102 are as follows:

a) Section 7 Statement of Cash Flows;

b) Section 3 Financial Statement Presentation, paragraph 3.17(d);

c) Section 33 Related Party Disclosures, paragraph 33.7; and

d) Section 11 Basic Financial Instruments, paragraphs 11.41(c), 11.41(e), 11.42, 11.48(a)(iii), 11.48(a)(iv).

In addition to the FRS 102 exemptions above, the Company has taken advantage of the exemption available under section 408 of the Act and not presented a profit and loss account for 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 thousand except where otherwise indicated.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of

applying the Company's accounting policies. The historical financial information is prepared on the historical and amortised cost basis.

2. Significant accounting policies

(a) Investment in subsidiaries

Investments in subsidiaries are measured at cost less provision for impairment. Impairment losses or reversals of previous impairment losses are presented in the profit and loss account in the period they arise.

(b) Financial liabilities

Financial liabilities, including trade and other payables and interest bearing loans and borrowings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the liability is measured at the present value of the future payments discounted at a market rate of interest.

Financial liabilities, other than short term payables, are subsequently carried at amortised cost, using the effective interest rate method. The effective interest rate amortisation is included in the profit and loss account in the period it arises. Short term trade and other payables with no stated interest rate which are payable within one year are recorded at transaction price.

Derecognition

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

(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
	£'000
Cost	
At 31 December 2018 and 31 December 2019.......	601,629
Net book value	
At 31 December 2018 and 31 December 2019.......	601,629

The company owns 100% of the share capital of Calisen Group Limited (formerly Calvin Capital Group Holdings Limited) which in turn, owns 100% of the companies listed in note 17 of the consolidated financial statements.

4. Cash and cash equivalents

	At 31 December	
	2019	2018
	£'000	£'000
Cash and cash equivalents	809	649
	809	649

5. Trade and other payables

	At 31 December	
	2019	2018
	£'000	£'000
Trade payables....................	-	2
Other payables....................	252	131

	252	133

6. Interest bearing loans and borrowings

	At 31 December	
	2019	**2018**
	£'000	**£'000**
Non-current interest-bearing loans and borrowings		
Shareholder loan.............................	705,490	652,135
Total non-current interest-bearing loans and borrowings	705,490	652,135
Total interest-bearing loans and borrowings	705,490	652,135

Shareholder loan notes

The unsecured 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 is 30 January 2027, therefore all due after five years. Subsequent to 31 December 2019, the shareholder loan and accrued interest thereon were capitalised, further details can be found in note 10.

7. Issued capital and reserves

	At 31 December	
	2019	**2018**
Allotted, called up and fully paid		
1,036,412 ordinary shares of £1 each	1,036	1,036
	1,036	1,036

8. Commitments and contingencies

There were no commitments or contingencies as at 31 December 2019 or 31 December 2018.

9. Related party transactions

KKR is a related party by definition as it is deemed to have control and significant influence over the Company. 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 2019 is an amount of £122,317,000 (31 December 2018: £69,010,000) in relation to loan note interest payable on the loan notes issued to Evergreen Holdco S.a.r.l., an intermediate parent entity and part of the KKR Group. These loan notes carry a fixed rate of interest of 8.123%. The loan note value (principal and interest) as at 31 December 2019 of £705,490,000 (31 December 2018: £652,135,000) is included within interest bearing loans and borrowings due in over one year within the statement of financial position. The loans are repayable on 30 January 2027.

10. Ultimate controlling party

As at 31 December 2019, the immediate parent company of Calisen Group Holdings Limited was Evergreen Energy Limited, a company registered in Jersey. The registered office address of Evergreen Energy Limited is 4th Floor, St. Paul's Gate, 22-24 New Street, St. Helier, 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. The registered office address of KKR Infrastructure II Limited is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The consolidated financial statements for CGHL comprise the largest and smallest group in the UK, of which the Company is a member, and for which consolidated accounts are drawn up. The largest group outside of the UK drawing up consolidated financial statements, which includes the Company, is that headed by Evergreen Holdco S.a.r.l., which is incorporated in Luxembourg. The registered office of this company is, 63, rue de Rollingergrund, L-2440 Luxembourg.

11. Events after the reporting period

On 12 February 2020, Calisen plc undertook an IPO on the London Stock Exchange for a proportion of its share capital. On 19 February 2020, as part of a post-IPO group reorganisation, all shares held in CGHL by Evergreen Energy Limited were transferred to Calisen plc KKR Evergreen Aggregator L.P. which is an indirect parent company of CGHL and a major shareholder of Calisen plc.

As part of the group reorganisation, on 6 February 2020, the shareholder loan notes plus the accrued interest thereon amounting to £705,490,000 as at 31 December 2019 were transferred by the holders to Calisen plc. Calisen plc then transferred this receivable comprising the principal and interest on the shareholder loan notes to CGHL in exchange for the issuance of 1,220,821 ordinary shares. As such the shareholder loan liability held by CGHL was settled in full. Subsequently CGHL undertook a capital reduction reducing share premium by £968,287,000 with a corresponding increase to distributable reserves.

Enquiries:

Analysts and investors
Calisen Investor Relations
Adam Key +44 (0)7572 231453
Investor Relations Director
adam.key@calisen.com

Media
Finsbury (public relations adviser to Calisen)
Dorothy Burwell / Harry Worthington
+44 7733 294 930 / +44 7818 526 556
Calisen-LON@finsbury.com