

# Annual Report and Accounts 2019

## What's in this report?

# Strategic Report

---

009	Our track record
010	Operational highlights
011	Financial highlights
013	Chair's statement
016	Chief Executive's review
023	Financial review
031	Business unit overview
036	Market overview
044	Our business model and strategy
049	Engagement with our stakeholders
050	Long term decision making
052	Sustainability
053	Health and safety
055	Risk management
057	Principal risks and uncertainties
060	Medium term viability statement

# Governance

---

063	Corporate Governance Statement
066	Board of Directors
068	Executive Committee
069	Division of Responsibilities
070	Committee Reports
075	Executive Remuneration "at a glance"
077	Remuneration Policy
088	Annual Report on Remuneration
092	Directors' Report
094	Statement of Directors' Responsibilities

# Financial Statements

---

097	Independent Auditors' report
102	Consolidated financial statements

## Other Information

---

147	Alternative performance measures
148	Definitions and abbreviations
152	Shareholder information

The 2019 Annual Report and Accounts incorporates:

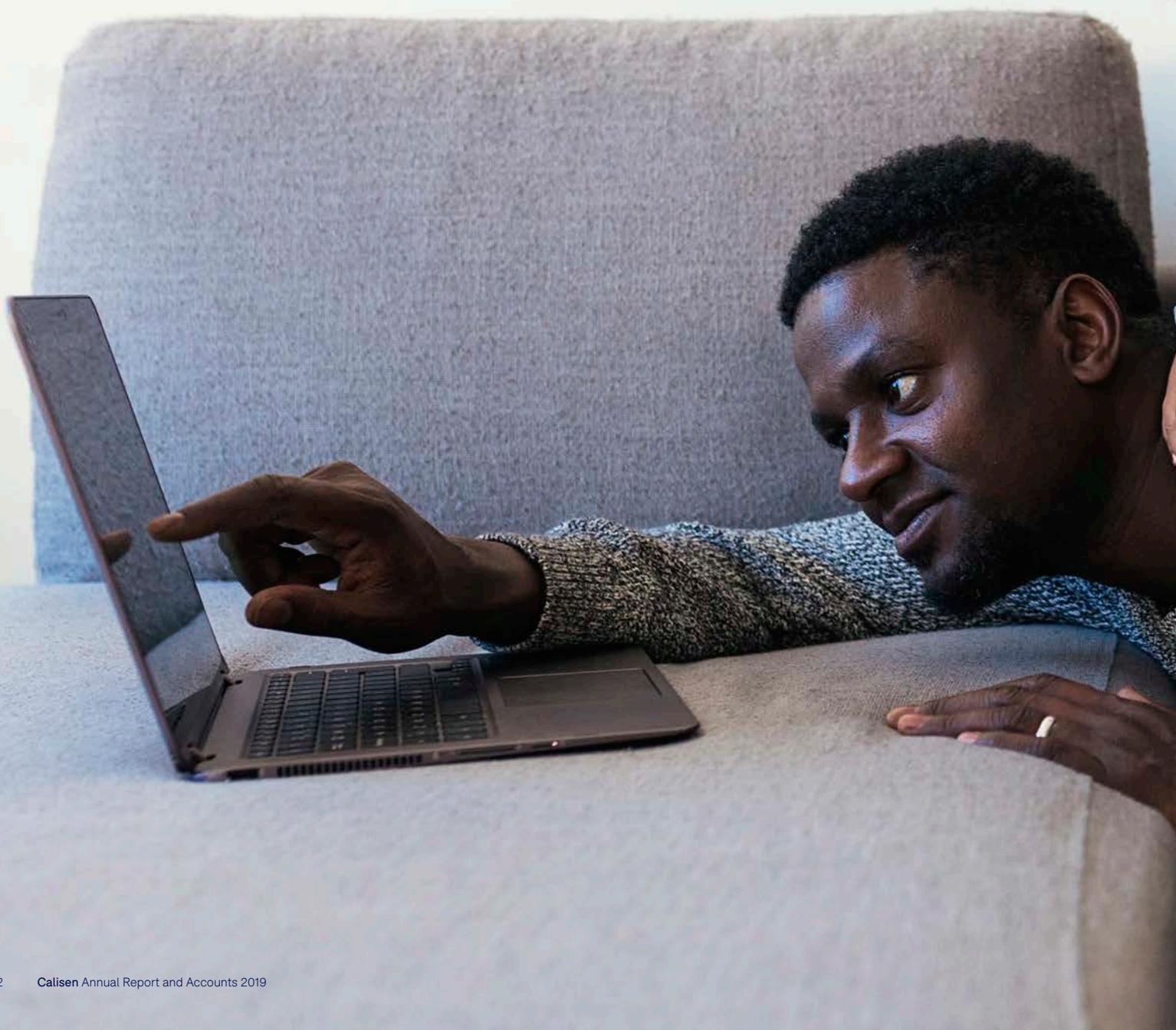
- the Directors' Report and the Financial Statements for Calisen Group Holdings Limited, each of which has been approved by the board of directors of Calisen Group Holdings Limited;
- the Strategic Report for both Calisen Group Holdings Limited and Calisen plc which has been approved by both the board of directors of Calisen Group Holdings Limited and the board (the "Board") of directors (each a "Director") of Calisen plc; and
- the Corporate Governance Statement and the Directors' Remuneration Report of Calisen plc, which has been approved by the Board.

---

**Sarah Blackburn**  
Company Secretary  
April 2020

## Overview

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





Calisen plc (“Calisen” or (other than for the Directors’ Report and the Financial Statements) the “Company” and together with its subsidiaries the “Group”) is a leading owner and manager of essential energy infrastructure assets, as well as a provider of installation, meter reading, maintenance and ancillary services. Our customers are energy retailers in Britain.

The 2019 results presented in this Annual Report and Accounts pre-date the formation of Calisen plc and reflect the performance of the predecessor Group holding company, Calisen Group

Holdings Limited and its subsidiaries. Calisen plc was admitted to the main market of the London Stock Exchange on 12 February 2020 (“Admission”), as a result of its recent listing, we have chosen to make certain disclosures relevant to listed companies in this Annual Report and Accounts. However, in some instances the listed company requirements are not relevant at this stage, and additional detail will be provided in the Company’s Annual Report for 2020. The impact of the initial public offering (the “IPO”) on the Group structure is described in note 33 of the financial statements.





# Our operations consist of two business units:



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



**Lowri Beck**  
Lowri Beck installs metering equipment and provides meter reading and associated services. Lowri Beck was acquired by the Group on 16 August 2019.

# London Stock Exchange Green Economy Mark



We were delighted to be the first company to be awarded the London Stock Exchange's Green Economy Mark at Admission, which recognises companies that derive 50 per cent or more of their total annual revenues from products and services that contribute to the global green economy. The underlying methodology incorporates the Green Revenues data model developed by FTSE Russell, which helps investors understand the global industrial transition to a green and low carbon economy with consistent, transparent data and indexes.

In 2019, income from revenue-generating smart meters and the installation of smart meters accounted for approximately

61%

of total Group revenues.

# Strategic Report



# Strategic Report

009	Our track record
010	Operational highlights
011	Financial highlights
013	Chair's statement
016	Chief Executive's review
023	Financial review
031	Business unit overview
036	Market overview
044	Our business model and strategy
049	Engagement with our stakeholders
050	Long term decision making
052	Sustainability
053	Health and safety
055	Risk management
057	Principal risks and uncertainties
060	Medium term viability statement

# Our track record

## Calisen Group Holdings Limited

The financial results presented in this Annual Report and Accounts pre-date the formation of Calisen plc and reflect the performance of the predecessor Group holding company, Calisen Group Holdings Limited and its subsidiaries.

£m (unless otherwise specified)	2016	2017*	2018	2019
Growth in smart meter portfolio (m)	1.2	0.9	0.9	1.3
Revenue-generating meters at year end (m)				
Smart	2.0	2.9	3.8	5.2
Traditional	4.3	3.9	3.4	3.4 <sup>(1)</sup>
Estimated smart meter pipeline (m)				
of which contracted			7.0	5.5
of which preferred bidder			0.0	1.0
Expected smart meters total at end of roll-out (m)			10.8	11.7
Revenue	132.8	153.3	162.1	208.8
Average revenue per smart meter (£)	25.8	26.3	24.9	26.0
Operating profit (£m)	43.4	2.1	25.4	26.7
Operating margin (%)	32.7	1.4	15.7	12.8
Adjusted EBITDA (£m)**	141.5	164.1	171.5	189.3
Underlying EBITDA (£m)**	126.6	142.4	148.9	174.0
Funds From Operations ("FFO") (£m)**	102.0	111.5	117.2	135.9
Cash conversion (FFO/Underlying EBITDA) (%)	81	78	79	78
Loss before tax (£m)** <sup>(2)</sup>	(34.8)	(71.7)	(65.8)	(82.2)
Capex (£m)	225.6	149.5	170.5	274.1
Capex per meter (£)	152	158	167	165
Net debt (£m) <sup>(3)</sup>	552.8	1,157.9	1,238.3	1,387.6
Adjusted net debt (£m)**	401.2	574.8	655.2	804.4
Leverage (Adjusted net debt/Adjusted EBITDA) (x)**	2.8x	3.5x	3.8x	4.3x
FTE (annual average)	33	34	38	642
FTE at year end	35	36	43	1,748

### The financial information comprises:

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

### IFRS transition

The Group's date of transition to International Financial Reporting Standards ("IFRS") measures was 1 January 2016 which was used for the purpose of producing a Registration Document for Admission to the London Stock Exchange in February 2020. This set of statutory financial statements, for the year ended 31 December 2019, represents the first set produced under IFRS.

### \*Unaudited 2017 information

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

### \*\*Alternative Performance Measures ("APMs")

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.

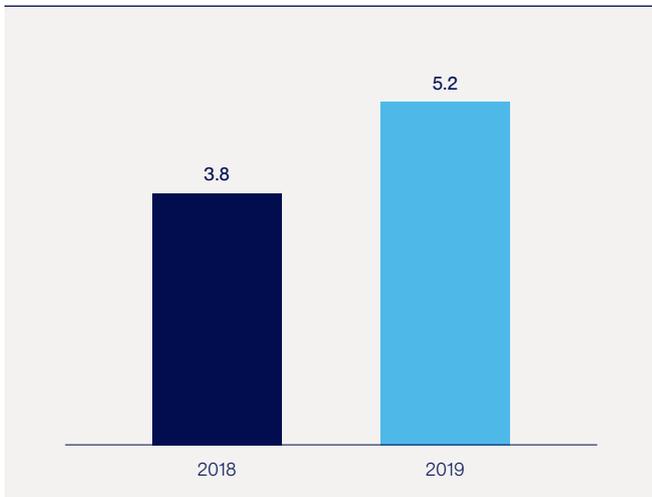
### Footnotes

- Includes Lowri Beck meters.
- Loss before tax in year ended 31 December 2016 was prior to the acquisition by the Major Shareholder. Amortisation of intangible assets during the year was £134,000 compared to £42.3 million during the year ended 31 December 2019.
- Calculation of Net debt included in Financial Review of Strategic Report.

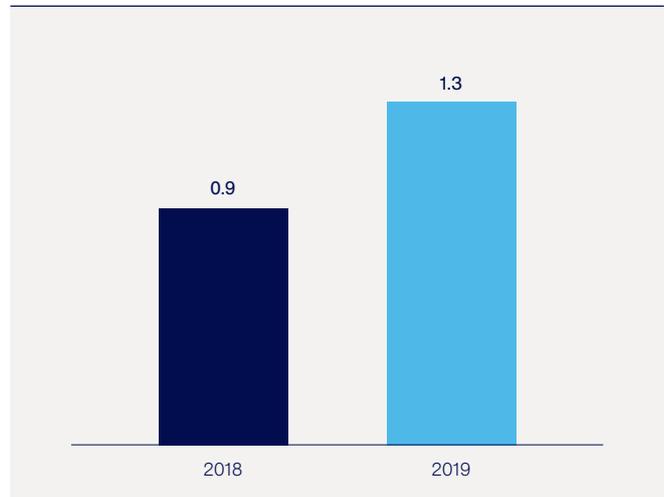
All percentage movements have been calculated from the underlying data and not all numbers sum due to rounding.

# Operational highlights 2019 saw strong growth in Calvin Capital's meter portfolio.

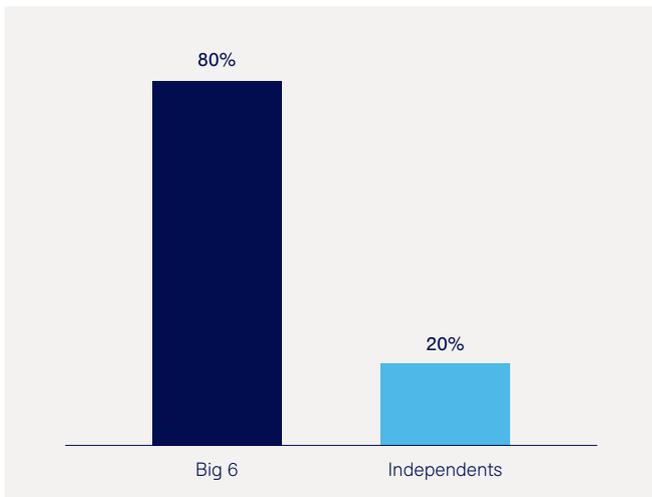
**34.9% increase in revenue-generating smart meter portfolio year on year (meters m)**



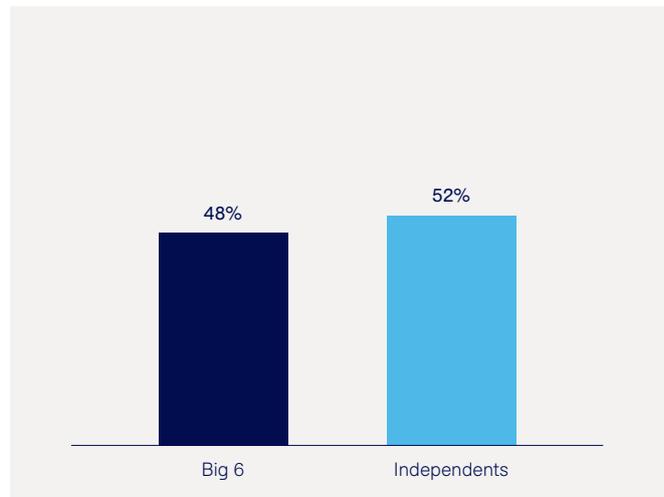
**50.3% increase in revenue-generating smart meters added to the portfolio year on year (meters m)**



**Split of revenue-generating meters by energy retailer at 31 December 2019**



**Split of smart meter pipeline by energy retailer at 31 December 2019**



## Compound Annual Growth Rate ("CAGR") in meter portfolio of approximately 11% since 2010



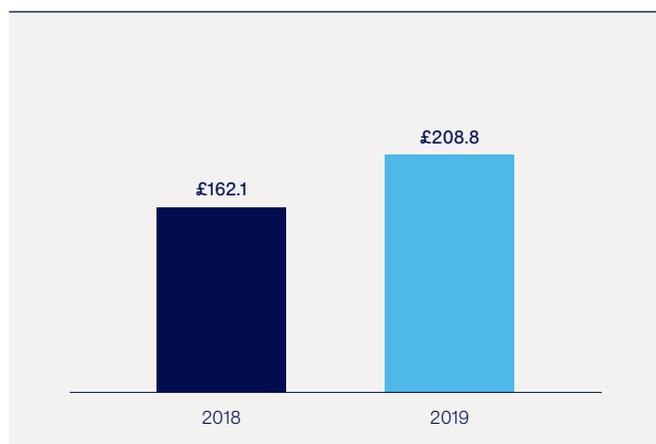
(1) Includes traditional meters at Lowri Beck.

All percentage movements have been calculated from the underlying data and not all numbers sum due to rounding.

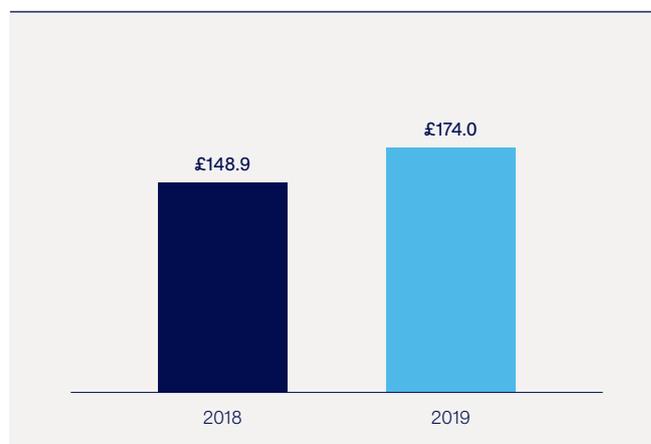
# Financial highlights

Revenue growth flowed through to growth in FFO.

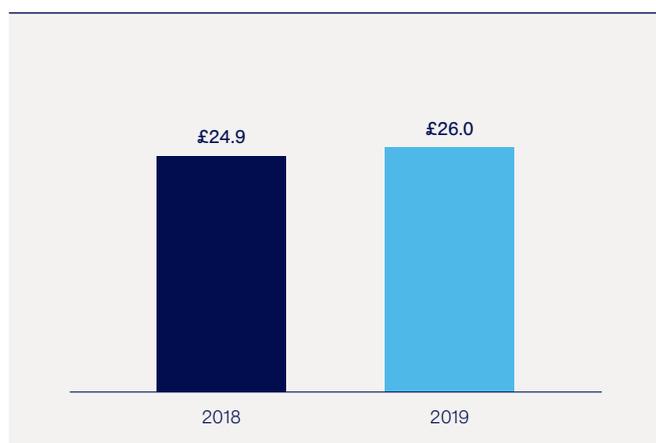
Revenue growth of 28.7% (£m)



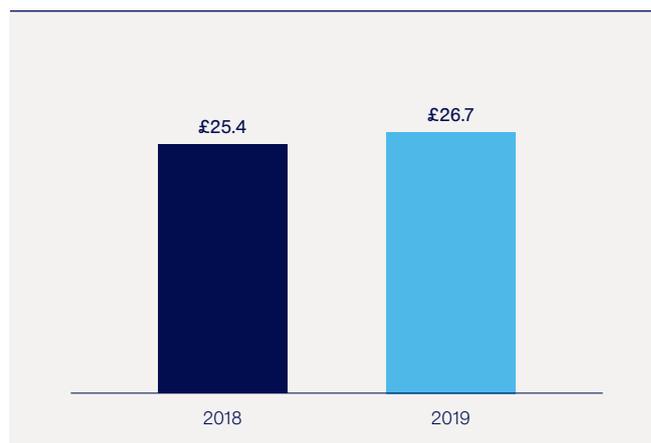
\*Underlying EBITDA growth of 16.8% (£m)



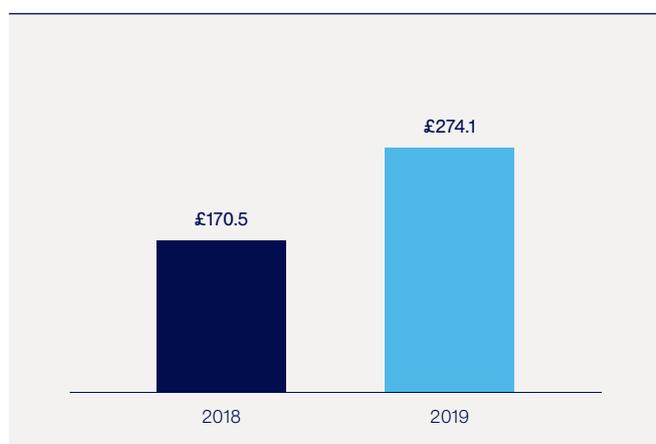
Average revenue per smart meter increased by 4.4% (£)



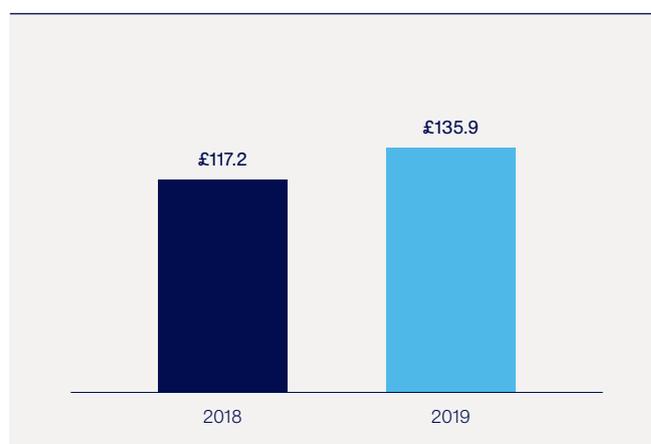
Operating profit growth of 5.0% (£m)



60.8% increase in capex as roll-out accelerated (£m)



FFO\* increased by 15.9% (£m)



\* Reconciliation of APMs to IFRS measures are included within the relevant section of the Financial Review of the Strategic Report. All percentage movements have been calculated from the underlying data and not all numbers sum due to rounding.



## Chair's statement

Calisen is well placed to deliver the three elements of its growth strategy: deliver contracted growth in the British MAP segment; continue the build-out of our smart meter pipeline; and expand into adjacent areas and internationally.

**Phil Nolan**  
Chair



I am pleased to present Calisen's first annual report since the Company's Admission to the London Stock Exchange in February 2020 and I would like to take this opportunity to welcome all our new shareholders. This Annual Report covers the year to December 2019 which was prior to the listing of Calisen and prior to the new economic and social environment dictated by the COVID-19 health crisis.

The Group's performance in 2019 was strong with growth in revenue-generating meters, new contracts won and future pipeline volumes all in line with expectations. At the year-end, the Group was on track for its predicted growth curve to the end of the current government-mandated programme for the roll-out of smart meters. The subsequent IPO and associated funding mean that the business is now fully funded for this growth trajectory.

### Strategy

Calisen is well established as a leading owner and manager of essential energy infrastructure assets with a strong track record of delivery. The Group is well placed to deliver the three elements of its growth strategy. These 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.

Our current focus is on capturing the opportunities offered by the ongoing government-mandated roll-out of smart meters in Britain. Smart meters are believed to be a key enabler of a new decentralised and digital energy landscape, and a key element of the investment required to move towards decarbonisation.

### COVID-19

The situation with regards to COVID-19 remains fluid and our priority is the safety and wellbeing of our staff, customers and consumers. In order to help minimise the spread of the virus, we suspended meter installations and meter readings at Lowri Beck in March 2020. It is not possible to predict when the restrictions brought about by the COVID-19 outbreak will end but at this stage we believe that its impact will not be material to our longer-term plans for growth, including the pipeline of new meters expected to be installed by the end of the roll-out. In the short term, the temporary reduction in installation rates will reduce our capital expenditure and the Group's net cashflow is expected to increase during this period.

### Economic and political backdrop

In 2019 the British economy continued to be resilient in the face of challenges from a slowing global economy and heightened domestic political uncertainty. The threat of international trade-wars, the current COVID-19 outbreak, geo-political instability and the nature of the UK's exit from the EU all present risks to future economic performance. However, the imperative to reduce emissions for the long-term health of society has not gone away. UK Government policy continues to require energy retailers to take all reasonable steps to install gas and electricity smart meters in domestic and smaller non-domestic properties in Britain.

### Regulatory environment

The initial aim of the Smart Meter Implementation Programme (the "SMIP") was to take all reasonable steps to complete the installation of smart meters in all homes and small non-domestic settings in Britain by the end of December 2020.

In September 2019, the Department for Business, Energy and Industrial Strategy ("BEIS") launched a consultation document outlining its intention to implement a new regulatory regime for the smart meter roll-out for the period to 2024. The UK Government proposed to introduce a new energy retailer licence obligation that would extend the monitoring framework for smart meter installations until December 2024 with the aim of completing the majority of the roll-out by that point, an extension of four years compared to the current deadline.

On 15 November 2019, Energy UK, a trade association for the UK energy industry and energy retailers, issued an open letter to BEIS providing a consolidated response to the proposed framework. The letter set out a number of concerns but also demonstrated a commitment by the energy retailers to deliver a successful smart meter roll-out.

The consultation closed in November 2019 and BEIS is currently considering its response to the consultation.

### Fully funded business plan

At the time of our IPO, we raised £300 million of additional funds (prior to fees) of which the majority was used to de-lever the business. The Group, as at the end of December 2019, had cash balances available of £50 million and total available undrawn debt facilities of £820.4 million. These facilities and the £240 million revolving credit facility put in place at IPO combined with internally generated cashflow mean the Group has sufficient funding to meet its pipeline of metering opportunities as disclosed at the time of the IPO.

### Governance

As a Board, we are focused on ensuring our strategy is able to deliver long-term success and to generate sustainable returns for shareholders, allowing for ongoing developments in the competitive and regulatory environment. We will also work to ensure that the Board and the broader business operate to the highest standards of corporate governance and the Board and the Company intend to comply in full with the 2018 version of the Corporate Governance Code (the "Code").

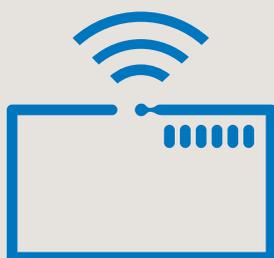
In January 2020, the Company appointed three independent Non-Executive Directors, with current and/or previous experience on listed company boards. We are currently in discussions regarding the appointment of an additional independent Non-Executive Director, in order to satisfy the recommendation of the Code in respect of the number of directors considered to be independent (the only requirement under the Code which the Company does not yet meet, as I was considered independent upon appointment). I am confident that the Board has a wealth of experience drawn from a wide range of backgrounds and I look forward to working closely with them in the coming years.



Our current focus is on capturing the opportunities offered by the ongoing government-mandated roll-out of smart meters in Britain.

## Smart meter roll-out

UK Government policy continues to require energy retailers to install gas and electricity smart meters in domestic and smaller non-domestic properties in Britain.



The Board will meet regularly during the year. In addition, we intend to hold two sessions specifically to review strategy and our plans for the future.

### Remuneration

The remuneration structure at Calisen is designed to link reward with the delivery of our strategy. We believe in market competitive rewards for colleagues whose performance is aligned to delivering long-term and sustainable returns for shareholders.

Our Remuneration Policy will be put to shareholders for their approval at the Annual General Meeting (“AGM”) which is expected to take place on 4 June 2020. More information on the proposed policy and how we ensure our approach to remuneration supports our strategy can be found in our remuneration report on page 73.

### Dividend policy

Our primary objective is to seek to achieve capital growth for our shareholders. It is our intention during the current phase of the SMIP to retain the majority of our cash flow to finance growth and to focus on the installation of smart meters.

Consequently, during this installation phase, which is expected to continue to December 2024, we intend to pay a nominal dividend. 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 we will be listed in the year ending 31 December 2020. It is expected to remain at that level in the medium term.

Once the meter installation programme has finished, we intend to propose more substantial dividends with a dividend policy that will take into account the more mature nature of the smart meter portfolio at that point and future investment opportunities that may be funded from our cash flow. We note that the payment of any dividend is subject to the availability of sufficient distributable reserves and Board approval.

We intend to review our dividend policy on an ongoing basis and will consider amendments as and when appropriate, depending on the pace of the smart meter roll-out, our free cashflow, financial condition, future prospects and any other factors deemed by the Board to be relevant at the time.

### AGM

Subject to measures to control the outbreak of COVID-19, our first AGM is expected to take place on 4 June 2020 and an invitation will be sent separately in due course.

We believe that the Group is well positioned to address the opportunities and challenges ahead. We further believe we have the financial resilience to sustain the Group through the current COVID-19 pandemic and we expect significant growth in the longer term due to the contracts that are already in place with our customers.

---

### Phil Nolan

Chair

# Chief Executive's review

It has been an exciting year for Calisen, culminating in our Admission to the London Stock Exchange on 12 February 2020.

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 through 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 pre-date 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 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;
- Loss after tax increased by 28.2 per cent from £(62.5) million in 2018 to £(80.1) million in 2019; 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.

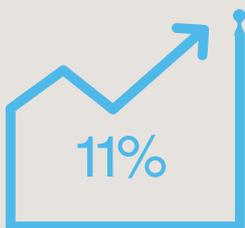
Our revenues are reasonably predictable thanks to the rigour of our contract structure which seeks to ensure that risks are allocated, mitigated or appropriately priced. Input costs – meter equipment, installation and funding – are generally fixed from the outset. The benefit of this we pass on to our primary customers in the form of a fixed Meter Provision Charge ("MPC").

\* Reconciliations of APMs to IFRS measures are included within the relevant section of the Financial Review of the Strategic Report.



## Compound Annual Growth Rate

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.



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.



We can offer an enhanced "one-stop shop" proposition which encompasses procurement, installation, ownership and management.

### 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.

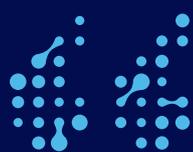
### In closing

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



We believe that we are the fastest growing MAP among Independent Energy Retailers.



# Financial 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
<b>Total revenue</b>	208.8	162.1
Cost of sales	(111.7)	(82.7)
<b>Gross profit</b>	<b>97.1</b>	<b>79.4</b>
Administrative expenses	(16.8)	(13.3)
Other expenses	(11.3)	-
Amortisation of intangible assets	(42.3)	(40.8)
<b>Group operating profit</b>	<b>26.7</b>	<b>25.4</b>
Finance expense	(108.9)	(91.2)
<b>Loss before tax</b>	<b>(82.2)</b>	<b>(65.8)</b>

## Revenue increase

# +28.7%

Revenue increased to £208.8 million

## 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<sup>(1)</sup> 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 11.7 per cent to £92.3 million. Within this figure, depreciation increased by 11.5 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).

(1) Does not sum due to rounding.

All percentage movements have been calculated from the underlying data and not all numbers sum due to rounding.

## Underlying EBITDA

# +16.8%

Underlying EBITDA increased to £174.0 million

## 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.

## Adjusted and Underlying EBITDA

(£ in millions)	Year ended 31 December 2019	Year ended 31 December 2018
<b>Profit/(loss) for the period</b>	<b>(80.1)</b>	<b>(62.5)</b>
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)
<b>Adjusted EBITDA</b>	<b>189.3</b>	<b>171.5</b>
Deduct:		
Compensation income	(15.3)	(22.6)
<b>Underlying EBITDA</b>	<b>174.0</b>	<b>148.9</b>
<b>Underlying EBITDA margin</b>	<b>83.3%</b>	<b>91.8%</b>

### 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 £3.1 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 <sup>(1)</sup>	(7.7)	(0.7)
Interest/derivatives <sup>(2)</sup>	(26.1)	(27.8)
Taxation paid	(4.3)	(3.2)
<b>FFO</b>	<b>135.9</b>	<b>117.2</b>

These adjustments are set out in the following tables:

### <sup>(1)</sup>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)
<b>Net working capital</b>	<b>1.6</b>	<b>11.2</b>
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	-
<b>Adjusted net working capital</b>	<b>35.0</b>	<b>27.4</b>
<b>Changes in net working capital</b>	<b>(7.7)</b>	<b>(0.7)</b>

### <sup>(2)</sup>Interest and derivatives

(£ in millions)	Year ended 31 December 2019	Year ended 31 December 2018
<b>Interest expense</b>		
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)
<b>Total for FFO purposes</b>	<b>(26.1)</b>	<b>(27.8)</b>

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.

## Operating profit

# +5.0%

Operating profit increased  
to £26.7 million

(£ in millions)	Year ended 31 December 2019	Year ended 31 December 2018
Shareholder loans <sup>(1)</sup>	583.2	583.1
Senior debt	622.9	524.3
Invoice discounting facility and hire purchase	5.3	0.0
Equity bridge loans	226.5	202.5
<b>Total debt</b>	<b>1,437.9</b>	<b>1,309.9</b>
Cash	(50.3)	(71.6)
<b>Net debt</b>	<b>1,387.6</b>	<b>1,238.3</b>
Shareholder loans	(583.2)	(583.1)
<b>Adjusted net debt</b>	<b>804.4</b>	<b>655.2</b>

(1) Total debt, Net debt and Adjusted net debt include only the principal of subordinated loan notes issued to an immediate parent entity. Total debt, Net debt and Adjusted net debt exclude accrued interest of £122,317,000 and £69,010,000 as at 31 December 2019 and 31 December 2018 respectively.

### Net debt and Adjusted net debt

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.

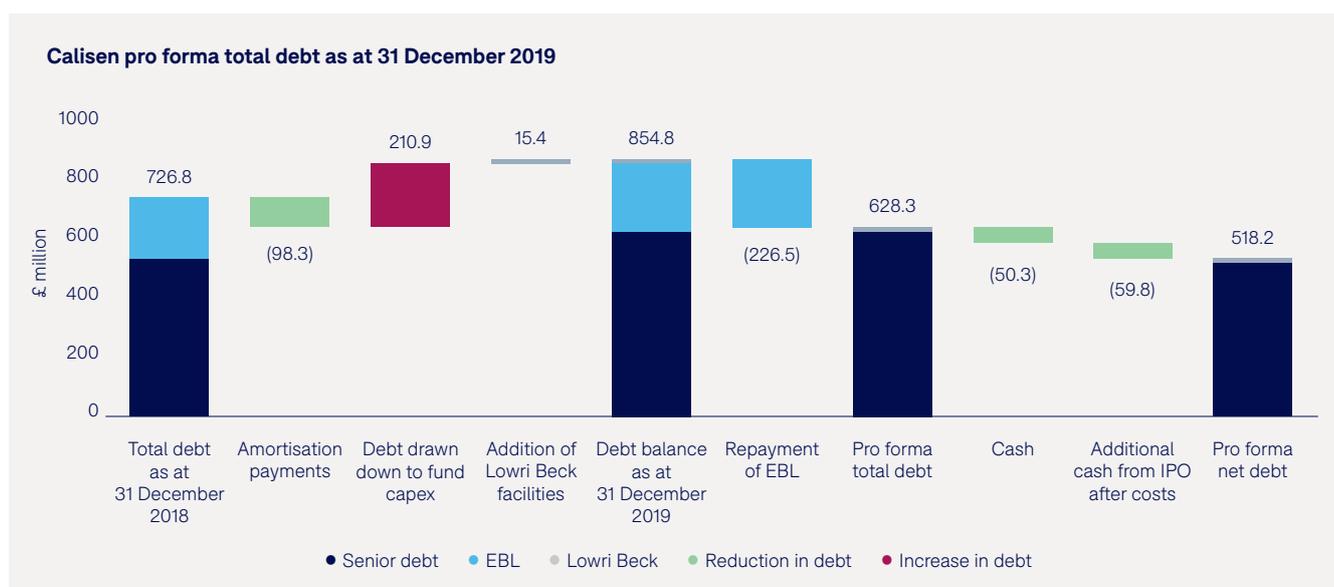
### Post balance sheet events

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.

These changes had a significant impact on the Group's post-IPO balance sheet as shown below.



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

### Unaudited pro forma statement of net assets of the Group at 31 December 2019

(£ in thousands)	At 31 December 2019 <sup>(1)</sup>	Primary issuance of ordinary shares <sup>(2)</sup>	IPO related costs	External debt repayments <sup>(3)</sup>	Shareholder loan recapitalisation <sup>(4)</sup>	Pro forma <sup>(5)</sup>
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)
<b>Net assets</b>	<b>(202,846)</b>	<b>300,000</b>	<b>(10,370)</b>	<b>(1,778)</b>	<b>705,490</b>	<b>790,496</b>
Called up share capital	1,036	1,250	–	–	0	2,286
Share premium account	17,988	298,750	(6,000)	–	(0)	310,738
Retained earnings	(221,870)	–	(4,370)	(1,778)	705,490	477,472
	<b>(202,846)</b>	<b>300,000</b>	<b>(10,370)</b>	<b>(1,778)</b>	<b>705,490</b>	<b>790,496</b>

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.

(1) The net liabilities of the 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 were £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 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 was then exchanged for ordinary shares and the amount was credited into share capital and share premium.

# Business unit overview

## Calvin Capital

Revenue: £189.7 million

Segment Operating Profit: £30.9 million

Net growth in meters: 1.3 million

Revenue generating meters: 8.2 million

Total FTE: 56



### Business unit summary

Calvin Capital is almost exclusively a MAP that procures, installs, owns and manages a growing portfolio of domestic electricity and gas meters, with a particular focus on smart meters. As a MAP, Calvin Capital manages its revenue-generating meters by tracking them from delivery to installation and ultimately through removal. Calvin Capital's customers consist of energy retailers, including the Big 6 in Britain and Independent Energy Retailers.

Calvin Capital provides domestic metering solutions by contracting with its energy retailer customers to procure domestic metering equipment from manufacturers, arrange for its installation and provide for its management. In return, Calvin Capital receives ongoing MPC payments from its energy retailer customers who are using

the metering equipment, while retaining ownership of the metering equipment. Calvin Capital has MAP contracts for smart meters with three of the Big 6 Energy Retailers, of which two are actively installing, as well as with an increasing number of Independent Energy Retailers throughout Britain. As at 31 December 2019, Calvin Capital's revenue-generating meter portfolio consisted of approximately 5.2 million smart meters and 3.0 million traditional meters.

Calvin Capital does not receive usage or consumer data from meters.

Based on management estimates, Calvin Capital, as at 31 December 2019, had a MAP pipeline of approximately 6.5 million smart meters expected to be added to the portfolio by the end of the SMIP.



The metrics below do not all comprise a full financial year for Lowri Beck. The financial data set out below reflects the financial performance of Lowri Beck since the date of acquisition on 16 August 2019. Operational data are for the full year.



## Lowri Beck

Revenue: £19.1 million  
Segment Operating Loss: £(4.2) million  
Smart meter installations: 221,000  
Meter readings: 6.4 million  
Total FTE: 1,692



### Business unit summary

The Lowri Beck business unit has three product lines:

- Technical services. This covers the installation of meters by technically qualified engineers. Lowri Beck installed approximately 221,000 meters in 2019;
- Non-technical services. Lowri Beck retrieves, processes and aggregates data in the course of its meter reading work, which it passes on to energy retailers for billing and settlements purposes. Lowri Beck carried out approximately 6.4 million billable meter readings in the year ended 31 December 2019; and

- MAP services. This product line is an asset ownership platform with traditional electricity and gas meters. As at 31 December 2019, Lowri Beck owned a portfolio of approximately 0.4 million revenue-generating traditional meters.

Since acquisition, Calisen has made changes to the senior management of Lowri Beck and implemented a number of initiatives aimed at restoring the business to profitability over 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 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 delever 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 growth in alternative asset classes.

---

### Sean Latus

Chief Financial Officer

## Market overview

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

### **Moving towards a digital energy landscape**

The global energy industry is undergoing significant changes. While energy demand is expected to continue to grow, there is increasing concern regarding the impact on the environment of carbon emissions from fossil fuel based energy production. These concerns have acted as catalysts for action by government and industry resulting in increased prioritisation of renewable sources of energy. The changes are largely underpinned by three core trends: digitalisation, decentralisation and decarbonisation. Smart meters are believed to be a key enabler of progress in the new decentralised and digital energy landscape in Britain, and a key element of the investment required to move towards decarbonisation.



## Decarbonisation

The UK Government has written into law a target requiring the country to bring all greenhouse gas emissions to net zero by 2050



## Digitalisation

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

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

- Energy used by households and small consumers in most circumstances currently costs the same at all times of the day, and so there is no motivation for consumers to balance consumption across the day. A more digital energy system (and specifically smart meters) allows consumers to target energy use in the lower-demand and less costly time of the day.

- More digitally enabled grids are better capable of integrating renewable energy generation and storage technologies. Generation such as wind and solar power is less flexible at meeting peak demand when desired, and so currently tends to have to be supported by carbon intensive generation. A more digitally capable grid will be able to keep track of more numerous and distributed supply sources, such as domestic wind turbines, solar panels and storage, helping smooth the supply and demand flows.

- Superior consumption data, tracking and decentralised generation are likely to enable enhanced supply and demand balancing on a geographical as well as a temporal level, as the system is more aware of where and how energy is being consumed and produced.

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



Smart meters are believed to be a key enabler of progress in the decentralised and digital energy landscape.



### Decentralisation

As part of the decarbonisation process, global energy grids are also beginning to transition from the traditional centralised model, by which large-scale fossil fuel and nuclear power generation is distributed to consumers via one-directional grids, to a decentralised and more local energy generation and energy storage equivalent. This shift has created a requirement for additional infrastructure, as with the advent of distributed and decentralised power generation, grids will see power flowing in both directions. This shift is also expected to create segment adjacencies which include battery storage, electric vehicle charging facilities, electric heat pumps and localised renewable energy generation.

### Decarbonisation

Decarbonisation represents a shift to renewable energy generation and increased electrification of transport and other sectors. This has become a key social and political goal in multiple countries, as evidenced by the targets implemented by most developed countries to reduce their carbon emissions. The UK Government has written into law a target requiring the country to bring all greenhouse gas emissions to net zero by 2050. This follows the previous target of at least an 80 per cent reduction in carbon emissions versus 1990 levels.



**Role and benefits of smart meters**

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

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

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

**Consumers:** Increased protection via improved pricing transparency and billing accuracy through higher-quality data collection and transfer, with the potential for lower energy bills from consumption management, as well as a cheaper and simpler switching process. Smart meters have an approval rating of approximately 94 per cent, according to Smart Energy GB in March 2019, based on positive and neutral views; and

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

Smart meters are therefore considered critical energy infrastructure and essential enablers of the transition to a low carbon, digitised energy economy.

**Meter Asset Providers**

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

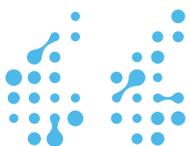
- Meter provision, installation services and financing solutions;
- Collection of MPCs from energy retailers;
- Meter portfolio management; and
- Transfer of MPC billing to the new energy retailer in the event of meter churn.

Liberalisation of the energy segments in the late 1990s resulted in energy retailers evaluating their meter procurement options, with many preferring to outsource meter investment. The first MAPs appeared soon after liberalisation of the metering segment, with a Big 6 Energy Retailer being a notable early adopter of the MAP model, inviting interested parties to tender for a basket of residential metering assets in 2002. There were a small number of early movers, including Calisen. MAPs have since continued to operate in the segment, becoming integral to the system regardless of the degree of overall churn in the energy retail segment.

**MAP segment participants**

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

- Large independent MAPs of scale: MAPs with large scale portfolios, such as Calisen, serving either the Big 6 Energy Retailers or the Independent Energy Retailers (or both);
- Smaller MAPs: Smaller MAPs (as well as divisions of certain network operators) that have won contracts with smaller energy retailers, generally not gaining substantial traction with the Big 6 Energy Retailers; and
- Self-funding energy retailers: Some energy retailers have retained metering services within their groups.



By 2027, a smart meter penetration level of 97% is expected to be reached.

Source: BEIS

**Energy retail segment dynamics**

Full competition within the gas and electricity retail segments was introduced in 1996 and 1999 respectively, with consumers free to switch energy retailers as they chose. As a result, such churn has been a long-term component of the British energy retail segment, with average total monthly customers switching or “churning” over the last 15 years of approximately 365,000 and 284,000 consumers per month in the electricity and gas segments, respectively. It is estimated that approximately 20 per cent of consumers switch energy retailers per year.

Historically the Big 6 Energy Retailers dominated the British energy retail segments with a near-100 per cent market share, with switching occurring between these six energy retailers. However, Independent Energy Retailers have been gaining consumers in the domestic energy segments over the past 10 to 15 years, with their aggregate share increasing from near-zero in 2005 to approximately 26 per cent at the end of 2018 (source: BEIS).

There are approximately 58 Independent Energy Retailers, and according to Ofgem, the majority of consumer churn is now as a result of switches from Big 6 Energy Retailers to Independent Energy Retailers. Consequently, the Independent Energy Retail segment is playing an increasingly important role in the domestic energy segment.





## SMIP

Government policy requires energy retailers to install gas and electricity smart meters in domestic and smaller non-domestic properties in Britain. The initial aim was to complete installation by December 2020. The SMIP targeted the replacement of approximately 53 million traditional meters across domestic and small non-domestic premises. During 2018, the UK Government extended the duration of its powers to 2023 through the Smart Meter Act 2018, in order to ensure oversight of the completion of the roll-out and help consumers get the most from their smart meters. In September 2019, the UK Government released a consultation document, outlining its intention for a new regulatory regime for the period from 2021 to 2024. The UK Government is proposing to introduce a new energy retailer licence obligation that would

extend the monitoring framework until December 2024 with the aim of completing the bulk of the roll-out by that point.

While managed by BEIS, the SMIP is regulated by Ofgem and is mandated by law. Ofgem is responsible for overseeing (including monitoring, reporting and enforcement) the licence obligations which empower energy retailers to supply energy to consumers. Ofgem can (and does) impose financial penalties for non-compliance. However, the ultimate responsibility for complying with the licence conditions in respect of smart meters rests with the energy retailers themselves. Importantly, MAPs are currently not regulated directly by the energy sector regulators.

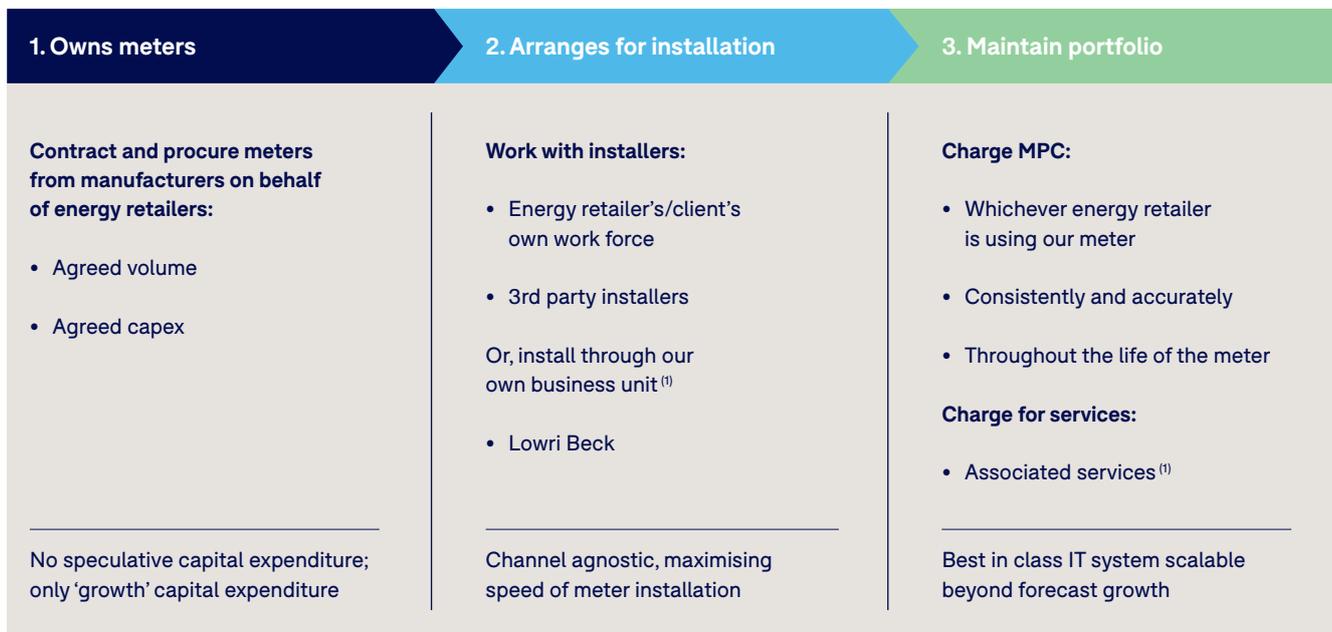
By 2027, a smart meter penetration level of 97 per cent is expected to be reached. The 3 per cent not covered reflects those households that do not adopt smart meters due to consumers electing not to have smart meters or technical issues preventing a smart meter installation. With a reduction in traditional meters being manufactured, it is expected that all replacement meters in Britain will in future be smart meters even if set to operate without using smart functionality.

# Our business model

## What does Calisen do?

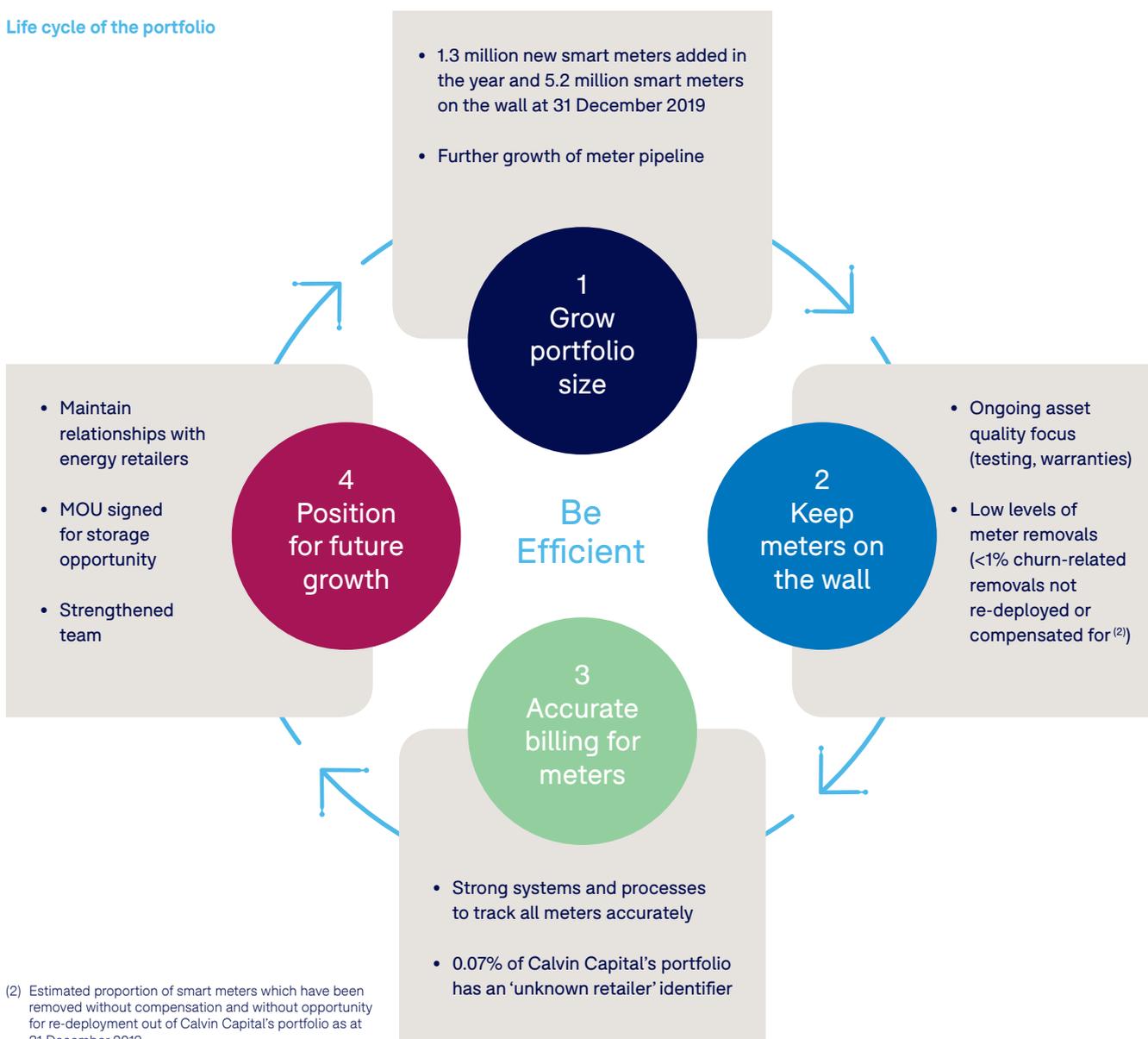
At the highest level, we have a simple business model: we purchase meters, arrange for them to be installed and charge the energy retailer supplying the meter a MPC.





(1) Lowri Beck also installs meters for third party customers

**Life cycle of the portfolio**



(2) Estimated proportion of smart meters which have been removed without compensation and without opportunity for re-deployment out of Calvin Capital's portfolio as at 31 December 2019.

# Our strategy

## Our strategy is focussed on the following areas:

### Deliver contracted growth in the British MAP segment

Calisen's strategy is to grow its base of revenue-generating meters and continue to provide its existing customers with excellent services. As at 31 January 2020, Calisen's contracted installation pipeline for MAP contracts, based on management estimates, was approximately 6.5 million meters. As the nationwide roll-out of smart meters accelerates, Calisen continues to convert its contracted installation MAP pipeline into revenue-generating meters.

In order to support its strategic development, Calisen will continue to build on the operational track record of Lowri Beck.

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

Approximately 4.9 million meters (or 10 per cent of the total estimated number of smart meters to be installed as a result of the smart meter roll-out) are estimated to be uncontracted, representing a source of organic growth opportunities for Calisen.

With respect to Big 6 Energy Retailers, Calisen will focus on leveraging its pre-existing relationships and track record of delivery to win future contracts.

Calisen also seeks to increase its base of revenue-generating meters by winning more MAP contracts with Independent Energy Retailers, who make up a growing portion of the British energy retail segment. Unlike Big 6 Energy Retailers, they typically do not have their own installation workforce, in which case they require a MAP which can provide an integrated service offering, including the installation of smart meters.

Calisen expects consolidation opportunities to arise as the SMIP progresses and the sector matures. As a result, we may seek to participate in mergers and acquisitions opportunities with respect to other MAPs to accelerate the growth of our meter portfolio and benefit from operational and financial efficiencies. In particular, we could capitalise on scale and funding advantages to create incremental value, since our operational platform is already scaled to handle additional volume.

### Expand into adjacent areas and international markets

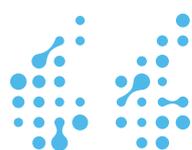
As the energy and utilities sector continues to evolve in response to market and regulatory conditions, it is expected that new growth opportunities will arise. Such opportunities may include providing electric vehicle charging infrastructure, which is a fixed energy infrastructure asset similar to meters and which may potentially enjoy a supportive regulatory environment, and owning and operating batteries, which are often transferable assets in the event of consumer churn but which does not currently have the same level of regulatory support.

As it continues to age, the energy infrastructure in Britain or abroad faces technological, political and regulatory changes that will likely support and drive the emergence of new forms of energy production, distribution or storage which are all adjacencies to Calisen's operations as a MAP. Such changes could lead to new types of energy infrastructure assets being developed, requiring significant amounts of capital to be deployed.

### Calisen's strategy towards adjacencies and international expansion is based on a set of four principles:

1. Focus on jurisdictions or business segments where the regulatory regime is amenable to Calisen's ownership and operation offerings and business model.
2. Focus on small-scale, high-volume, energy infrastructure assets consistent with Calisen's current strategy.
3. Focus on a combination of both funding and managing such assets.
4. Focus on an approach that emphasises partnerships with other players in the asset's value chain, such as manufacturers and/or energy retailers.

Calisen continues to monitor developments in Australia, Germany and other jurisdictions, but remains disciplined in its approach and will only pursue international expansion if it offers sufficient scale, profitability and regulatory stability.



As the energy and utilities sector continues to evolve in response to market and regulatory conditions, it is expected that new growth opportunities will arise.

# CALISEN<sup>PLC</sup>



# Engagement with our stakeholders

## Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly between members of the company.

The Directors consider the factors set out above in discharging their duties under section 172. The stakeholders that the Board considers in this regard are its customers, its shareholders, its colleagues, communities and the environment, alongside regulators and other government bodies. The Board recognises that building strong relationships with its stakeholders will help it to deliver its strategy in line with its purpose and operate the business in a sustainable way.

The Board of Calisen plc was appointed in January 2020. The stakeholder summaries set out below relate to 2019.

## Stakeholder engagement

We are committed to effective engagement with all of our stakeholders. Depending on the issue in question, the relevance of each stakeholder group may differ and, as such, as part of our engagement with stakeholders, we seek to understand the relative interests and priorities of each group and to take account of these, as appropriate, in our decision making.

## Customers

Providing excellent service to customers is crucial to the success of a company. Our services to our customers add value throughout the life of a meter by enabling them to benefit from our longstanding relationships with manufacturers, our experience in coordinating logistics and maintenance of meters, and our ability to finance the cost of metering equipment and its installation competitively as well as our well-established operations facilitated through scalable IT systems and processes.

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

We receive regular feedback from these sessions to ensure we understand the status

and developments in each relationship and have early sight of any emerging issues.

## Shareholders

Our Major Shareholder had two representatives on the Board of Calisen Group Holdings Limited who were closely involved in Board decision making in 2019.

Now that Calisen has been admitted to the main market of the London Stock Exchange, we understand the need to communicate effectively with existing and potential shareholders. We therefore intend to engage with shareholders, including our new institutional, free-float shareholders, through the Chair, Senior Independent Director, CEO, CFO and investor relations team as appropriate.

A Relationship Agreement has also been entered into with the Major Shareholder further details of the terms are set out on page 65.

## Colleagues

In 2019, engagement with colleagues was undertaken in a number of ways. At Calvin Capital, this included regular 'town hall' meetings including Q&A sessions led by the CEO and other senior managers. At Lowri Beck, given the nature of a nationally distributed workforce, engagement took the form of an employee magazine and periodic email updates from senior management. Additionally, there is a Lowri Beck Employee Forum. This comprises the CEO, HR Director and 14 elected employee representatives ("ERs"). The forum meets once a quarter. It serves as a platform to inform and consult ERs about issues that affect their employment and prospects of the business and to provide ERs with the opportunity to raise and discuss topics which affect them and their colleagues. Following the acquisition of Lowri Beck, its senior leadership team were invited to an event to welcome them to Calisen and explain the Board's vision for Lowri Beck and the Group as a whole.

The directors of Calisen Group Holdings Limited were provided with regular updates relating to colleagues throughout the year.

## Community and the environment

Calisen has always sought to make a positive difference in the communities in which it is based. Calvin Capital has supported Manchester Youth Zone over a number of years with donations of time, money and the expertise of its employees. In 2019, following the refurbishment of Calvin Capital's offices, we were able to donate surplus office furniture and secure its re-use rather than disposal.

Lowri Beck is a founder patron of Wigan Youth Zone and continued its support

in 2019 alongside raising money for its chosen corporate charity, Mind.

Given our purpose is to accelerate the development of a cleaner, more efficient and sustainable energy segment within the UK, tackling climate change is central to our business. By working with our stakeholders we help to provide the foundation layer of essential energy infrastructure which is critical to reducing the carbon emissions of the UK energy segment.

## Regulators and UK Government

We recognise the importance of our relationships with regulators and the UK Government. We have strong and transparent relationships with Ofgem, BEIS and other government bodies. We have a dedicated regulation manager who meets with them regularly to ensure we understand and are aligned to the evolving regulatory framework.

The Group did not make political donations during the year under review and does not intend to make such payments in future.

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

## Suppliers

We recognise the key role our suppliers play in ensuring we deliver excellent service to our customers. We enjoy longstanding relationships with our suppliers particularly the manufacturers of smart metering equipment. We interact with them in the initial due diligence and approval of new equipment, which includes asset lifetime, design, manufacturing and supply chain assessments. We also monitor the ongoing compliance and performance of our contractual relationships and discuss any technical queries and issues relating to the assets that may arise.

We received regular updates relating to developments in relationships with our suppliers throughout the year.

## Ethics and modern slavery

It is a fundamental policy of Calisen to conduct its business with integrity and in accordance with the highest standards of ethics, equity and fair dealing. We have a zero tolerance approach towards bribery in any part of our operations. We have a comprehensive anti-bribery policy to ensure we meet the objectives of carrying out our business fairly, honestly and openly.

We are committed to improving our practices to combat slavery and human trafficking. Our modern slavery statement setting out in further detail measures that we have taken can be found at [www.calisen.com](http://www.calisen.com).

## Long term decision making

We set out below two examples of how the directors of Calisen Group Holdings Limited had regard to the matters set out in section 172(1)(a)-(f) in discharging their duties under section 172 and its effects on the decisions taken by them.



### Key decision: Listing the Group on the London Stock Exchange

On 12 February 2020 the shares of Calisen were admitted to trading on the main market for listed securities of the London Stock Exchange and to the premium listing segment of the Official List of the FCA.

#### Our decision processes

The Group has a clear strategy as outlined on page 46, and we regularly review this strategy in light of the changing external environment to ensure that our focus remains the right one.

In the first half of 2019, a listing was assessed to ensure alignment with strategy and that it delivered an appropriate outcome in terms of capital structure.

We believed that a listing would position the Group for the next stage of its development, by further raising the profile of the Group and providing an appropriate capital structure for future growth, including the funding of existing and new contracts relating to the smart meter roll-out in Britain and increasing financial flexibility.

We therefore resolved to pursue a listing and the expected intention to float announcement was published in January 2020.

The Group used the IPO proceeds to repay £227 million of EBLs and fund £4 million of debt service reserve accounts. The remaining £69 million will be used, after covering transaction costs, to fund existing and new contracts relating to the smart meter roll-out in Britain and for other general corporate purposes.



### Key decision: Acquisition of Lowri Beck

In April 2019 we announced that we were in discussions to acquire Lowri Beck and the acquisition completed in August 2019. This secured a route to market to Independent Energy Retailers.

#### Our decision processes

The acquisition was proposed as it brought in-house a pre-existing joint marketing arrangement between Calvin Capital and Lowri Beck which had proved successful in winning MAP contracts with Independent Energy Retailer customers.

The potential acquisition was assessed to ensure alignment with strategy and that it delivered appropriate returns to the Group as a whole.

We approved the acquisition criteria and discussed the key risks that needed to be assessed.

Due diligence was undertaken by senior management before receiving Board approval and approval was sought from the UK Competition and Markets Authority.

In line with our strategy, the acquisition also provides a platform for potential future procurement, installation, ownership and management of a wider range of high-volume, small-value digital energy assets, such as battery storage and electric vehicle charging infrastructure.

# Sustainability

## Environmental impact

Given Calisen's purpose is to accelerate the development of a cleaner, more efficient and sustainable energy sector, we recognise that we have a duty to identify and minimise the impact that we have on the environment through our day to day business activities as well as through our participation in the smart meter roll-out. However, as a privately-owned company up until February 2020, we have not to date formally catalogued our carbon footprint.

Admission to the London Stock Exchange requires Calisen plc to measure and report its direct and indirect greenhouse gas emissions. The first report on greenhouse gas emissions and intensity will be made available for the period ending 31 December 2020 ("FY 2020").

The Group is well aware of the interest of investors in Environmental, Social and Governance factors and we will be considering these as part of our wider Corporate Social Responsibility policy during 2020 and will report on these in our 2020 Annual Report.

Calisen has been recognised for the benefits of our business and has been awarded the LSE's Green Economy Mark. This recognises companies which derive 50 per cent or more of their revenues from products and services that contribute to the global green economy.

## Energy and resources

In the UK, we are compliant with Phase 2 of the ESOS.

Our total energy consumption in 2019 was 18.7 GWh, including a full year of emissions for Lowri Beck (which include those incurred prior to financial consolidation in August 2019). Approximately 96 per cent of our total energy usage was attributable to transport, predominantly the fleet of vans in our Lowri Beck business unit.

## Recycling

As the smart meter roll-out proceeds, Calvin Capital's traditional meters are taken off the wall and returned for recycling. Calvin Capital partners with Dragon Recycling Solutions ("Dragon") to process these gas and electricity meters and associated equipment (predominantly gas regulators).

Of the assets that were deemed to have reached end of life and were removed from circulation in partnership with Dragon as at the end of 2019, 98 per cent of all assets and 99.8 per cent of electricity meters, 99.9% of gas meters and 100% of metering components were recycled. Of the recyclable components, zero per cent were sent to landfill, with 2,522 tonnes of waste diverted from landfill, including 34 tonnes of hazardous battery waste.

# 98%

of all Calvin Capital's assets and 99.8 per cent of electricity meters, 99.9% of gas meters and 100% of metering components were recycled as at the end of 2019 (in partnership with Dragon Recycling Solutions).



# Health and safety

Compliance with health and safety regulation is a key priority for Calisen. We seek to instil our values at every level of our business, covering our employees, suppliers, and customers.

## At Calvin Capital, the business seeks to implement the Calvin values and behaviours:

- Communicate effectively
- Act with integrity
- Lead by example
- Vigilant in delivery
- Innovate throughout
- Nurture everyone

## Lowri Beck

The main focus of Calisen's health and safety programme is the Lowri Beck business unit which has a large operational field force working on gas and electricity equipment which requires the very highest standards of health and safety. Protecting the health, safety and welfare of staff, contractors and customers remains a clear and shared responsibility across Calisen. Lowri Beck continues to develop and embed a strong health, safety and welfare culture in its day-to-day operations that targets zero incidents.

## Health and safety performance

Performance figures for the year ended 31 December 2019 were as follows:

- 58 injury incidents reported (a decrease of 20 per cent from 2018);
- 9 incidents were reported to the Health and Safety Executive (HSE) in line with RIDDOR requirements with the loss of 332 working days;
- no fatalities or life changing (permanently disabling) injuries;
- no reportable dangerous occurrences; and
- no enforcement action from the Health and Safety Executive.

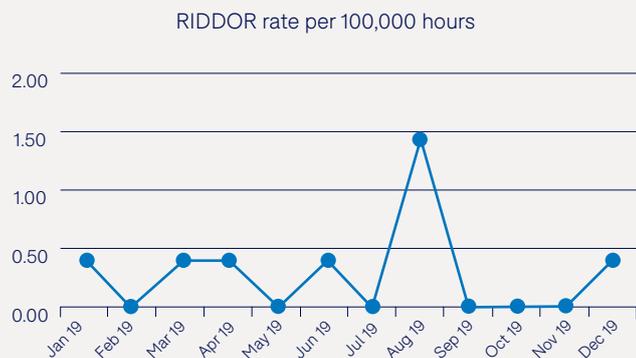


**Lost time accident rate 2019**



Lost time accident rates show falls in holiday periods or where hours are shortened, which would be expected. The main peaks coincide with periods where work levels ramp up quickly and where poor weather may be a factor. A key focus is smoothing production rates to reduce this effect.

**Reportable accident rate 2019**



RIDDOR reportable events showed a noticeable increase in late summer in a period when employees were returning to work after holidays. Reinforcing the dynamic risk assessment message during this period is part of the strategy to reduce this effect.

**Training and development**

In order to maintain the high safety standards of field teams Lowri Beck maintains a training facility at Ashton-in-Makerfield in Lancashire. Smart meter installers are trained at the site, which also provides assessment centres and approved courses. During 2019 Lowri Beck trained and assessed 106 smart meter installation operatives.

**Innovation and improvement**

Over the course of 2019 Lowri Beck has sought to improve health and safety through a range of initiatives that focus on opportunities to reduce harm, including:

- introduction of new telematics systems in commercial vehicles that provide real-time driver performance data;
- improving management systems to enable the business to meet the requirements of the ISO 45001 health and safety management standard;
- trials of lone worker devices, applications and improved working methods;
- development of a new field support team providing approved technical solutions in real time, enabling work to be completed safely on non-standard and complex installations; and
- partnering with a logistics specialist to improve delivery of stock to engineers in order to improve cost and efficiency and to reduce levels of manual handling.

# Risk management

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

As part of the IPO process a thorough and robust assessment of the emerging and principal risks faced by the Group was undertaken and set out, including those which could threaten its business model, future performance, solvency and liquidity. Additionally, the Group considered the risk mitigations available and its approach to risk management.

With the assistance of external advisers, the Group has considered its risk management framework for the next financial year which is summarised below:



### Board

- Sets risk management and internal control policies for the Group, taking into account any recommendations of the Audit and Risk Committee.
- Reviews the effectiveness of risk management and internal control systems on an ongoing basis, including receiving and reviewing regular reports on internal control.
- Carries out an assessment (at least annually) of principal, significant and emerging risks and the effectiveness of risk management and internal control systems, and reports to shareholders on such matters.

### Audit and Risk Committee

- Assists the Board with its oversight of the Company's system of internal controls, corporate reporting and risk management.
- Reviews the adequacy and effectiveness of the Company's internal controls and risk management systems.
- Discusses with the Executive Committee and auditors the Company's risk assessment and risk management policies and systems.

### Executive Committee

- Reviews the corporate risk register on a quarterly basis to ensure that it identifies all key risks and considers further mitigations.
- Executive Committee members have responsibility for identifying and managing risk in their area of responsibility.
- The CEO is responsible for managing the Group's risk profile, including the health and safety performance of the business, in line with the extent of risk identified as acceptable by the Board and ensuring appropriate internal risk controls are in place.

### Internal Audit

- Reviews the business risk registers and updates the corporate risk register on a quarterly basis.
- Reviews mitigating actions of the business and their effectiveness.
- Identifies through internal audits areas of risk and raises this with the relevant Business Unit Leadership Team, the Executive Committee and/or Audit and Risk Committee, as appropriate.

The internal audit function is currently being established following the IPO and an external advisory firm has been appointed to assist with internal audit for the next financial year.

### Calvin Capital Leadership Team

- The Calvin Capital Managing Director is expected to manage risks which are significant for Calvin Capital and take leadership of the Group risks that fall within his or her domain.
- Responsible for identifying and mitigating risk for the Calvin Capital business unit.
- Reviews the Calvin Capital risk register on a quarterly basis.

### Lowri Beck Leadership Team

- The Lowri Beck CEO is expected to manage risks which are significant for Lowri Beck and take leadership of the Group risks that fall within his or her domain.
- Responsible for identifying and mitigating risk for the Lowri Beck business unit.
- Reviews the Lowri Beck risk register on a quarterly basis.

### Calvin Capital Risk and Compliance Team

- Updates the Calvin Capital risk register on a quarterly basis.
- Reviews mitigating actions of the business and their effectiveness.
- Identifies areas of risk and raises these with the Calvin Capital Leadership Team and internal audit function, as appropriate.

### Lowri Beck Risk & Compliance Team

- Updates the Lowri Beck risk register on a quarterly basis.
- Reviews mitigating actions of the business and their effectiveness.
- Identifies areas of risk and raises these with the Lowri Beck Leadership Team and internal audit function, as appropriate.

# Principal risks and uncertainties

The risk management framework seeks to identify risks for the Group.

The principal risk and uncertainties that have been identified are set out below together with a summary of the key controls and mitigants in place for those risks.

This is the first report detailing the risks that can significantly impact the business. Future reports will disclose the Group's assessment as to whether there has been an increase, decrease or no change in the level of risk attached to each factor.

This is a constantly evolving process as risks increase, decrease or emerge and the business develops. Therefore, regular review and feedback is an essential process in the Group's risk management framework.

Risk	Key controls and mitigation
<p><b>Health and Safety</b></p> <p>Calisen, and in particular Lowri Beck, face health and safety risks over the course of its operations. While Lowri Beck strives to maintain a strong health and safety record and is committed to high standards, issues may nevertheless arise, and it could be subject to potentially significant fines or penalties, as well as reputational damage, in the event of an incident that resulted in death or significant injury.</p>	<p>Compliance with health and safety is a key priority for Calisen.</p> <p>Each business unit is required to develop effective health and safety action plans, ensuring that good operational practice is rolled out business wide. In addition, Lowri Beck maintains its own training facility and maintains a range of initiatives in support of its target of zero incidents, including holding the ISO 45001 health and safety management standard.</p>
<p><b>Strategy execution and development</b></p> <p>Calisen seeks to implement a three-fold strategy: delivering contracted growth in the British MAP segment; continuing to build out its smart meter pipeline; and expanding into adjacent areas and internationally. While Calisen believes that it has developed its strategy based on a careful analysis of its strengths, its competitors and the overall MAP segment, and that it is focused on executing its strategy, there is no guarantee that Calisen will be able to do so successfully.</p> <p>The Lowri Beck acquisition was a strategic decision for the Group, however Lowri Beck has historically been loss-making and improving the profitability of the Lowri Beck business unit may take longer and be more difficult than anticipated.</p>	<p>Calisen has an experienced Board and Executive Committee that have previously delivered successful strategies.</p> <p>The Group has a history of delivering predictable growth and allocated time is set out in the governance calendar in order to consider strategy for the Group.</p> <p>The Leadership Team at Lowri Beck has been strengthened with key additions including a new CEO of the business unit, who has experience of growing a complex operational business.</p>
<p><b>Government policy</b></p> <p>The growth of Calisen's business, its financial condition, its results of operations and its prospects depend on the regulatory and legal environment in which Calisen operates.</p> <p>There is a risk that energy networks and related industries in Britain, including the MAP segment, may be nationalised or more onerously regulated by a future government, and MAPs may become directly regulated.</p>	<p>Calisen has a dedicated regulation manager who monitors commentary on government policy and responds to any relevant consultations. Calisen plays an active part in industry events and Calvin Capital is a member of the Community of Meter Asset Providers to help ensure that the voice and concerns of meter asset providers are raised in the industry, with regulators and with the UK Government.</p> <p>Lowri Beck is also a member of Association of Meter Operators and Smart Meter Operating Group, which both provide an opportunity to voice industry concerns from a MOP/MAM perspective. Lowri Beck also meets with BEIS directly on an annual basis, again to discuss issues and concerns relating to the industry.</p>

Risk	Key controls and mitigation
<p><b>Market and counterparty risk</b></p> <p>Calisen is exposed to market risks. These include changes to the energy market and the challenges of the smart meter roll-out. The UK energy market is undergoing significant change as evidenced by recent consolidation in the industry and the introduction of an energy price cap. This change can introduce new challenges and risks for Calisen.</p> <p>Calisen is exposed to counterparty default risks and 2019 saw a number of failed energy retailers.</p> <p>Consumers changing energy retailer (i.e. churn) is an everyday occurrence in the UK energy industry. Where a consumer changes energy retailer and the new energy retailer is not one with which Calisen has a churn contract for that vintage of meter, Calisen faces the risk of loss of revenue.</p> <p>Due to the nature of the smart meter roll-out, it is difficult to predict how many revenue-generating meters Calisen will have as a result of its MAP contracts or how much actual revenue Calisen will recognise from its contracted installation MAP pipeline.</p>	<p>Due to the structure of its contracts with energy retailers Calisen's largest business unit, Calvin Capital, has revenue that is reasonably predictable. The contractual nature of Calvin Capital's business produces high-quality, long-term and "annuity-like" cash flow and allows Calvin Capital to enjoy significant downside protection.</p> <p>Calisen has no consumer credit exposure and its energy retailer customers tend to have high credit quality.</p> <p>Counterparty risk is further limited through regulation such as the "supplier of last resort" regulatory framework which can be invoked when an energy retailer is in financial difficulty or goes out of business.</p> <p>Calisen has developed systems and processes in order to minimise revenue loss when a consumer changes energy retailer. This includes Calisen's accurate meter tracking systems and processes, billing relationships with nearly every energy retailer and an increasing number of contracts with energy retailers for rental of meters following a consumer switching energy retailer.</p>
<p><b>Supply chain and counterparties</b></p> <p>Calisen depends on a limited number of manufacturers and installers, and their failure to deliver their products and services on a timely basis or to otherwise perform their contractual obligations could increase its costs, impact revenue and harm its reputation.</p> <p>This risk can manifest itself in a number of ways, for example if metering equipment installed, owned and managed by Calisen develops faults which may lead to Calisen facing warranty or liability claims.</p> <p>Calisen has the benefit of warranties from meter manufacturers for faulty products. However, the value of the warranty as a mitigant is dependent on the counterparty which provides the warranty and therefore Calisen has counterparty default risk with its supply chain.</p>	<p>Calisen has developed strong relationships with a number of manufacturers over the long-term, and Calisen's position as a major purchaser of meters helps to ensure that manufacturers generally make product deliveries and provide new supplies on time and in necessary quantities to satisfy the requirements of Calisen's energy retailer customers.</p> <p>Calisen conducts financial and other due diligence on meter manufacturers and obtains parent company guarantees from the manufacturer where required.</p> <p>Calisen has a strong focus on detailed manufacturer quality assurance that helps inform its meter selection decision-making. Calvin Capital conducts extensive testing of meters with the support of its technical due diligence providers, and as a result of this rigorous testing policy Calisen's revenue-generating smart meters have historically suffered low fault rates.</p>
<p><b>Business interruption and IT systems</b></p> <p>Calisen's operations rely on IT systems and networks, which may be affected by malfunctions, cyber-attacks, interruptions or security breaches, and any failure of the physical infrastructure or the IT systems and networks could lead to significant costs and disruptions that could reduce revenue, harm its reputation and have a material adverse effect on financial results.</p>	<p>Calisen and its subsidiary companies have disaster recovery and business continuity plans in place, and these are reviewed regularly and audited as part of ISO 27001 standard.</p> <p>Cyber security penetration testing is also carried out by external advisers in respect of certain systems on an annual basis and regular employee security awareness sessions are undertaken.</p> <p>Lowri Beck and Calvin Capital also have ISO 27001 certification with security and data controls in place to mitigate this risk.</p>

Risk	Key controls and mitigation
<p><b>Financial and funding</b></p> <p>Calisen faces credit and market risks arising from interest rates and from related hedging activities, and its financial results may be affected by fluctuations in interest rates.</p> <p>Calisen may need additional capital in the future which may not be available on terms favourable to it or at all.</p>	<p>Calisen's contracts include maximum capital expenditure commitments and these are regularly reviewed by the Executive Committee and the Board. Calisen's committed bank facilities combined with internally generated cashflow mean the Group has sufficient funding to meet its pipeline of metering opportunities as disclosed at the time of the listing.</p> <p>No meter funding facility renewals fall due before October 2022 with most debt structured as long-term amortising facilities.</p> <p>To manage interest rate risk, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts.</p>
<p><b>Attracting talent and retention of key staff with organisational knowledge</b></p> <p>Calisen may encounter difficulties in attracting or retaining key executives, officers, managers and technical personnel.</p>	<p>The business seeks to mitigate the impact of retaining its talent by ensuring strong recruitment and retention processes supported by effective HR procedures.</p> <p>Remuneration packages are benchmarked against the industry to ensure the business attracts the right calibre of applicant to its positions.</p> <p>During 2020 the Group aims to strengthen existing processes through the introduction of a structured talent management process and production of robust succession plans for key roles.</p>
<p><b>Loss of accreditations</b></p> <p>Loss of required registrations and accreditations would mean that Lowri Beck would no longer be able to operate.</p>	<p>Retention of the required accreditations is one of the top priorities for the Lowri Beck Leadership Team. Lowri Beck has an experienced team that understands the accreditation requirements and standards.</p> <p>Lowri Beck has a history of successfully renewing the accreditations, with the most recent MAMCOP and MOCOPA accreditations valid until 30 September 2020.</p>
<p><b>Emerging economic and global issues</b></p> <p>The Group monitors the impact of emerging risks including economic and global issues. In 2019 this has included the impact of the UK's exit from the European Union and, since year end, the impact of COVID-19.</p>	<p>Emerging risks are assessed as part of the risk management framework to categorise the risk and identify any mitigants that can be put in place. In respect of high impact risks, forecasts and stress testing are undertaken so that the Board and the Executive Committee can assess the impact.</p> <p>In respect of the two notable emerging economic and global issues considered by the Group, being Brexit and COVID-19, a large number of mitigants had already been built into the business model. The risk management framework will ensure that these risks are regularly reviewed and assessed.</p>

The Strategic Report has been approved by the boards of Calisen Group Holdings Limited and Calisen plc and signed on their behalf.

**Sarah Blackburn**  
Company Secretary  
April 2020

# Medium term viability statement

## Basis of assessment

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

The Directors have based their assessment of viability on the Group's current business plan, which is updated and approved annually by the Board. The business plan makes relevant assumptions relating to the economic conditions and the global economy; the regulatory challenges facing the sector; changing customer behaviours; and the commitments associated with delivering our strategy. The Executive Committee regularly monitors the plan and the key assumptions that underpin it and any material divergence is reported to the Directors.

## Assessment period

The Directors have assessed the viability of the Group over a three-year period to December 2022. The Directors have determined that a three-year period is an appropriate timeframe for assessment as it is in line with the medium-term strategic planning period.

## Viability assessment

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

In addition to the Group's base case projections, three scenarios have been modelled, considered severe but possible, including the potential impact of COVID-19, that encompass these identified risks. The aggregate impact of these scenarios has been evaluated as the most severe scenario.

These scenarios assume that revenues are significantly delayed or reduced, costs are increased and certain banking facilities are repaid.

The scenarios above are considered severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group. Under each scenario, the Group remains viable. In the case of these scenarios arising, various options are available to the Group in order to maintain liquidity so as to continue in operation such as: more short-term cost reduction actions and delaying or reducing capital expenditure to maintain facility headroom and reduction of net debt.

## Conclusion

Based on these severe scenarios, the Directors have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due over the three-year period considered.

# Governance

The image features a dark pink background with several light pink, organic, blob-like shapes scattered across it. The shapes vary in size and form, some resembling teardrops or irregular circles. The word "Governance" is written in a large, white, sans-serif font, centered vertically and horizontally on the page.

# Governance

---

063	Corporate Governance Statement
066	Board of Directors
068	Executive Committee
069	Division of Responsibilities
070	Committee Reports
075	Executive Remuneration “at a glance”
077	Remuneration Policy
088	Annual Report on Remuneration
092	Directors’ Report
094	Statement of Directors’ Responsibilities

# Corporate Governance Statement

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

## Chair's introduction

This is the first Corporate Governance Report for the Company, following the Company's Admission to the main market of the London Stock Exchange on 12 February 2020.

This Corporate Governance Report explains key features of the Group's governance structure and how the Group measures itself (and will continue to measure itself, going forward) against the standards set out in the Code, a copy of which can be found on the Financial Reporting Council website.

## Governance framework

In preparation for Admission, a review of the existing governance structure was carried out in conjunction with various external advisers, in order to identify any measures that would need to be implemented prior to Admission. The review also enabled the Directors to satisfy themselves that they were able to provide the confirmation that Calisen was required to make on Admission that established procedures were in place which provide a reasonable basis for the

Board to make proper judgments on an ongoing basis as to the financial position and prospects of the Group.

The Corporate Governance Statement describes the framework for controlling and managing the Group in further detail.

## Compliance with the Code

Prior to Admission, neither the Company nor Calisen Group Holdings Limited were subject to the requirements of the Code. However, given that as at 31 December 2019, the Group was in the advanced stages of preparation for listing, the Company has chosen to report on its compliance with the Code thus far. Calisen plc will provide a full review of its compliance with the Code in the 2020 Annual Report and Accounts.

Since Admission the Company has been fully compliant with the Code, save for its recommendations on the number of independent non-executive directors on the board. At this early stage of the Company's life as a listed company, only three of the eight Directors (excluding, for these purposes, the Chair) are regarded

by the Company as independent for the purposes of the Code. The Company intends to comply with this requirement in due course and is currently in discussions regarding the appointment of an additional Non-Executive Director.

The Code recommends that the chair of a company should be independent on appointment, and this was the case at Calisen.

During 2020 the Chair intends to meet with the Non-Executive Directors without the Executives present.

During the course of the next financial year, the Board will continue to assess its performance alongside the provisions of the Code, with a view to providing a full report and disclosures for the year ending 31 December 2020.

**Phil Nolan**  
Chair  
Calisen plc  
April 2020

**Governance structure**

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

**Board of Directors**

The Board of Calisen is collectively responsible to shareholders and other stakeholders for the long-term sustainable success of its business, including setting the overall strategy of the organisation, promoting its objectives, monitoring culture and ensuring the highest standards of governance. The Board is also responsible for providing guidance and oversight to the business. It has overall authority for the management and conduct of the business including oversight of the Group’s financial performance and monitoring the governance, risk and control framework.

While the Non-Executive Directors have external directorships, the Board is comfortable that these do not affect the time that any Director devotes to the Company and believes that this experience only enhances the capability of the Board.

The Board delegates certain functions to Board committees as set out in further detail in the committee reports in this report. A range of matters have been delegated to the CEO and the Executive Committee who are responsible for the day-to-day operation of the Group.

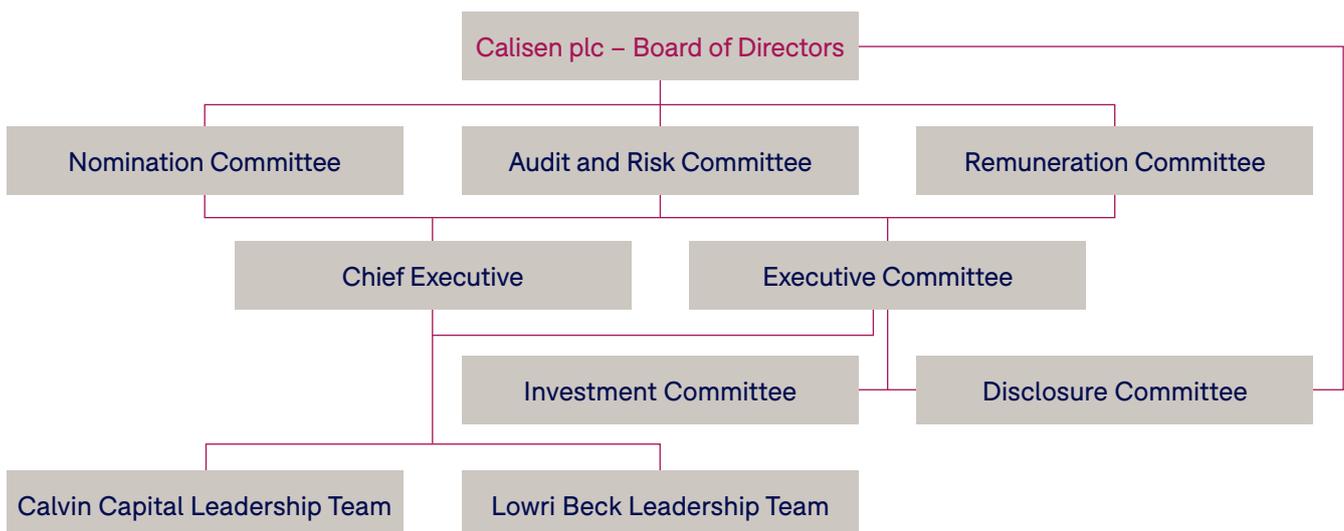
**The Board**

New appointments to the Board will be based on merit. The Nomination Committee will identify candidates being considered for Board appointments against identified objective criteria and with due regard for the benefits of diversity and inclusion which each candidate can bring to the overall Board composition.

The Board meets the objectives of the Parker review. The Board aims to meet the Hampton-Alexander objective of 33% female representation during 2020. Currently two of the Board are female and recruitment of a further Non-Executive Director is still in progress, and we can further report that a third of the Executive Committee is female.

**Diversity policy**

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



### Training and induction

In preparation for Admission, all Directors received an induction briefing from the Group's legal advisers on their duties and responsibilities as directors of a publicly quoted company. In addition, the Non-Executive Directors met key members of the senior management team. In order to familiarise themselves with the Group's business, all members of the Board undertook a visit to Calisen's offices in Manchester and Wigan.

### Appointment and removal of Directors

All Directors are subject to annual re-election at the AGM, pursuant to the recommendations of the Code.

A Director may be appointed to the Board by an ordinary resolution of the Company, or by the Directors following recommendation by the Nomination Committee. Any person so appointed by the Directors shall retire at the next AGM and shall then be eligible for re-election.

A Director may be removed from the Board in certain circumstances set out in the Company's articles of association or by an ordinary resolution of the Company.

### Relationship with Major Shareholder

The Company has a relationship agreement in place with its Major Shareholder (the "Relationship Agreement"). The principal purpose of the Relationship Agreement is to ensure that the Company and its subsidiaries are able to carry on their business independently of the Major Shareholder. The Relationship Agreement contains, among others, undertakings from the Major Shareholder that it will, and will ensure that each of its associates will: (i) conduct all transactions and arrangements with the Company or any other member of the Group on an arm's length basis and on normal commercial terms; (ii) not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and (iii) not propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

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

### Workforce views

In order to understand the views of the workforce, the Group has appointed Jim Macdonald, a Non-Executive Director designated for this purpose, with full support of the Board. A programme of work will be undertaken during the year to ensure that the Board gains an understanding of the views of the workforce. This process is at an early stage but is expected to include establishing a workforce panel which would be attended by Jim Macdonald together with other Board members on a rotational basis and reporting back to the Board; as well as members of the Board undertaking shadowing of employees in different teams and locations and undertaking a workforce survey.

It is expected that the workforce engagement will also assist the Board in understanding the culture of the business further.

The Group has a whistleblowing policy which enables employees to raise concerns in confidence.

### Articles of association

The Company's articles of association may only be amended by a special resolution of the Company.

---

### Phil Nolan

Chair  
Calisen plc  
April 2020

# Board of Directors

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



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

Date of joining the Group: 13 January 2020

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



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

Date of joining the Group: 27 September 2017

Bert assumed the CEO position of the Group in September 2017. He has over 30 years of experience in financial services and utilities. Prior to joining the Group he worked in the financial services industry as CEO of Hellenic Bank, Managing Director at Citibank and CEO of Egg Banking. In addition to his experience in the financial services industry, Bert worked in the energy sector as Managing Director for Customer Service and Commercial at British Gas/Centrica. Bert holds a B.B.A. from Nijenrode University in the Netherlands as well as a Masters in International Management from the Thunderbird School of Global Management in Arizona, United States.



**Sean Latus**  
Chief Financial Officer

Date of joining the Group: 21 October 2014

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



**Lord Jitesh Gadhia**  
Senior Independent Non-Executive Director

Date of joining the Group: 13 January 2020

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



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

Date of joining the Group: 13 January 2020

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



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

Date of joining the Group: 13 January 2020

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



**James (Jim) Macdonald**  
Non-Executive Director

Date of joining the Group: 23 August 2012

Jim has gained a vast amount of knowledge and experience of the metering industry, becoming Chair of Calvin Capital Limited in January 2018, having served as the Group's CEO from August 2012 to September 2017. As CEO he was fundamental in helping to build the business, leading the management team in the successful sale from Infracapital ownership to KKR. Following the acquisition of the Group by KKR he moved to be the Chair of the Group prior to Admission. He has been a non-executive director of Energy Assets since January 2018. He has previously served as Distribution and Customer Director at Virgin Money from September 2011 to August 2012. He was Commercial Director of Eon from August 2006 to September 2011 and prior to this he was CEO of Tesco Personal Finance.



**Tara Davies**  
Non-Executive Director

Date of joining the Group: 31 January 2017

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



**Oleg Shamovsky**  
Non-Executive Director

Date of joining the Group: 31 January 2017

Oleg joined the Group as a non-executive director in January 2017, upon the acquisition of the Group by KKR. Oleg is a member of the Infrastructure team at KKR. Prior to joining KKR, he worked at Terra Firma Capital Partners in London, in the investment banking team at Morgan Stanley and in the Firmwide Risk department at Goldman Sachs in New York. He holds a degree in Computer Science and Engineering from the Massachusetts Institute of Technology (MIT).

# Executive Committee



**Bert Pijls**  
Chief Executive Officer

Bert assumed the CEO position of the Group in September 2017. He has over 30 years of experience in financial services and utilities. Prior to joining the Group he worked in the financial services industry as CEO of Hellenic Bank, Managing Director at Citibank and CEO of Egg Banking. In addition to his experience in the financial services industry, Bert worked in the energy sector as Managing Director for Customer Service and Commercial at British Gas/Centrica. Bert holds a B.B.A. from Nijenrode University in the Netherlands as well as a Masters in International Management from the Thunderbird School of Global Management in Arizona, United States.



**Sean Latus**  
Chief Financial Officer

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



**Sarah Blackburn**  
General Counsel and Company Secretary

Sarah joined Calisen in April 2014 as part of the senior management team. She has over 15 years of experience and prior to joining Calisen she worked for Addleshaw Goddard LLP.



**Jo Cox**  
Managing Director, Calvin Capital

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



**Dave Taylor**  
CEO, Lowri Beck

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



**George Donoghue**  
Chief Technology Officer

George assumed the CTO position at Calisen in October 2017. He has over 20 years' experience in the energy, smart metering and distributed networks sectors. George's previous roles include Head of Asset Strategy at British Gas, Head of Assets and Infrastructure at npower, Director of Operations at Spark Energy and a Director of the Alternate HAN Company.

# Division of responsibilities

The Board has adopted a written statement setting out the division of responsibilities between the Chair and the Chief Executive Officer, and the role of the Senior Independent Director. The Board biographies are set out on pages 66 and 67. A summary of the responsibilities of the Directors and Company Secretary is set out below.

## Chair

### Phil Nolan

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

## Senior Independent Director

### Lord Jitesh Gadhia

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

## Non-Executive Directors

### Kath Durrant, Patrick O'Donnell Bourke, Jim Macdonald, Tara Davies, Oleg Shamovsky

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

## Chief Executive Officer

### Bert Pijls

- Responsible for day-to-day business of the Group.
- Operational and strategic management of the Group.
- Developing the Group's strategy and commercial objectives.
- Ensures effective communication with the shareholders and other stakeholders.

## Chief Finance Officer

### Sean Latus

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

## General Counsel and Company Secretary

### Sarah Blackburn

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

# Nomination Committee Report

As part of the preparations for the IPO and prior to Admission, the Group formed a Nomination Committee (in this section the "Committee") which was compliant with the Code.

## Membership

Members of the Committee:

- Phil Nolan (Chair)
- Lord Jitesh Gadhia
- Kath Durrant
- Patrick O'Donnell Bourke
- Tara Davies

The Committee is compliant with the Code recommendation that a majority its members should be independent non-executive directors. There were no meetings during the reporting period however, having been established in January 2020, the Committee will meet at least twice a year.

## Key responsibilities

The Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as directors or committee members as the need may arise. The Committee also assists the Board in the consideration and development of appropriate corporate governance principles, including, among other things, those relating to potential related party transactions. The Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and committees of the Board, and retirements and appointments of additional and replacement directors and committee members, and will make appropriate recommendations to the Board on such matters.

During 2020, the Committee will consider candidates for an additional Non-Executive Director, diversity objectives and development needs for the Board and the Executive Committee. The Committee will also review the Group's Diversity Policy, including its effectiveness, and recommend any revisions to the Board for approval. The Committee will undertake an annual review of the structure, size and composition of the Board and the senior management team including the skills, knowledge, experience and diversity.

## Composition of the Board

In anticipation of the IPO the Group appointed Korn Ferry to advise on the process to appoint the independent Chair, Senior Independent Director and Independent Non-Executive Directors, with the objective of establishing a diverse Board which was a key focus of the search.

During the IPO process, the Group went through a process of identifying and recruiting the Chair, a Senior Independent Director and two Non-Executive Directors. The process concentrated on independence, diversity and ensuring a combination of skills including listed company and committee experience to complement the Executive Directors and Major Shareholder appointed Non-Executive Directors.

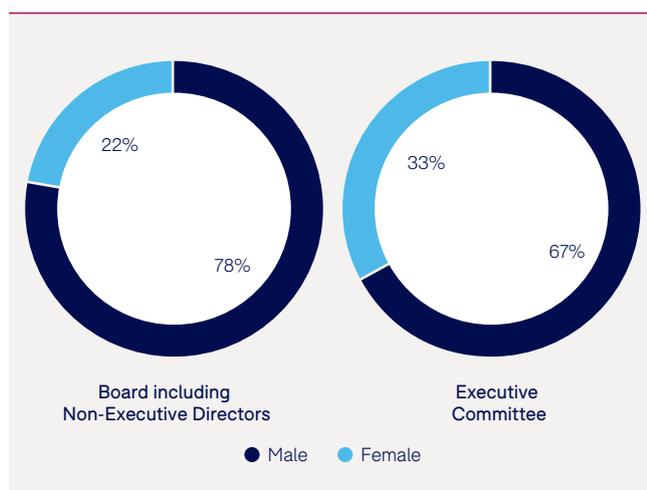
The Code recommends that the chair of a company with a premium listing on the Official List should be independent on appointment when assessed against the circumstances set out in the Code. The Chair was deemed independent on appointment.

The Company is also in discussions regarding the recruitment of a further Non-Executive Director.

### Diversity and inclusion

Calisen understands and values the benefits that diversity and inclusion can bring to the Board. It recognises that a diverse Board makes good use of differences in skills, experience, background, ethnicity, gender and other characteristics. During the process to appoint the Chair and Non-Executive Directors, candidates were considered against identified objective criteria, with due regard for the benefits of diversity and inclusion which each candidate could bring to the overall Board composition. The appointments were based on merit. The Board aims to meet the Hampton-Alexander objective of 33% female representation during 2020. The Board currently meets the objectives of the Parker review. A third of the Executive Committee are female.

Diversity charts showing male and female representation on the Board and Executive Committee can be found below.



The Board considers the majority of the Committee to be independent.

### Terms of Reference

The Committee's Terms of Reference are available on the Group's website and reflect the current statutory requirements and best practice appropriate to the Group's size and nature.

---

### Phil Nolan

Chair of the Nomination Committee  
April 2020

# Audit and Risk Committee Report

I am pleased to be appointed as Chair of the Audit and Risk Committee (in this section the “Committee”) of Calisen and look forward to leading the Committee at this exciting time. The Group formed the Committee as part of the IPO process which was compliant with the Code.

## Membership

Members of the Committee:

- Patrick O'Donnell Bourke (Chair)
- Lord Jitesh Gadhia
- Kath Durrant

The Board considers all members of the Committee to be independent. Patrick O'Donnell Bourke is considered to have recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Group operates. There have been no meetings during the reporting period, however, having been established in January 2020 the Committee will meet at least three times a year.

## Key responsibilities

The Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of the Group's annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors (the fees paid to KPMG for audit and non-audit services are disclosed in Note 10 to the Financial Statements), advising on the appointment of external auditors, overseeing the Group's relationship with its external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of the Group's internal audit, internal controls, whistleblowing and fraud systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board. The Committee will give due consideration to laws and regulations, the provisions of the Code and the requirements of the Listing Rules and the Disclosure Guidance And Transparency Rules.

The Committee is also responsible for (i) advising the Board on the Company's risk strategy, risk policies and current risk exposures; (ii) overseeing the implementation and maintenance of the overall risk management framework and systems; and (iii) reviewing the Company's risk assessment processes and capability to identify and manage new risks.

During the remainder of 2020, the Committee will consider the internal and external audit process, undertake an analysis of the Group's risk appetite and review the relevant Group policies.

## Annual Report

Since Admission in February 2020, the Committee has provided oversight and advice in the preparation of the Annual Report and has undertaken a review of the Annual Report and Accounts to ensure that the narrative messages are consistent and accurately reflect the financial statements and that the information contained therein is fair, balanced and understandable.

The non-audit fees incurred by the Group with KPMG are set out in further detail on page 119.

The Committee has also assessed whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates.

## Terms of Reference

The Committee's Terms of Reference are available on the Group's website and reflect the current statutory requirements and best practice appropriate to the Group's size and nature.

---

## Patrick O'Donnell Bourke

Chair of the Audit and Risk Committee

April 2020

# Remuneration Committee Report

As Chair of the Remuneration Committee (in this section the “Committee”), I am pleased to present our first Directors’ Remuneration Report since our Admission to the London Stock Exchange on 12 February 2020.

## Membership

Members of the Committee are:

- Kath Durrant (Chair)
- Lord Jitesh Gadhia
- Patrick O’Donnell Bourke

The Board considers all members of the Committee to be independent. There have been no meetings during the reporting period, however, having been established in January 2020 the Committee will meet at least three times a year following establishment.

## Key responsibilities

The Committee assists the Board in determining its responsibilities in relation to Directors’ remuneration, including making recommendations to the Board on the Company’s policy on executive remuneration, including setting the over-arching principles, parameters and governance framework of the Group’s remuneration policy and determining the individual remuneration and benefits package of each of the Executive Directors, the Chair and members of the executive management team (being the first layer of management below the level of the Board and reporting to the CEO, including the Company Secretary). The Committee will give due regard to the provisions of the Code when determining the remuneration policy.

## Structure of Remuneration Committee Report

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

- This Annual Statement: summarising the work of the Committee and our approach to Directors’ remuneration.
- The Directors’ Remuneration Policy: which details the framework under which Directors’ pay will be set and how it links to strategy.
- The Annual Report on Remuneration: which sets out remuneration outcomes for 2019 (noting that this covered a period prior to Admission) and how the Committee intends to implement the new Remuneration Policy in 2020.

The Remuneration Policy will be subject to a binding vote at the 2020 AGM.

At the time of writing this report we, like every other company, are dealing with an unprecedented set of challenges raised by the COVID-19 pandemic. The Remuneration Committee is committed to adopting a considered approach to executive remuneration in this extremely volatile climate, an approach that takes due account of the interests/experience of all Calisen’s stakeholders, both external (e.g. our investors, customers and suppliers) and internal (e.g. our employees).

## Overview of Remuneration Policy design

In anticipation of the Company’s listing, a review of the pre-IPO remuneration arrangements for the senior executive team at Calisen was undertaken and consideration was given as to how to transition these arrangements to a structure that would be supportive of the Company strategy post listing while also being appropriately aligned to UK listed company market practice and corporate governance requirements.

Our post-IPO Remuneration Policy aims to recruit, retain and successfully incentivise executives of the right calibre to execute the Group’s business strategy. In addition, in determining the policy, the Code requirements of clarity, simplicity, risk, predictability, proportionality and alignment to culture were tested as part of the design process to ensure the policy would promote the long-term success of the Company.

The policy reflects the best practice governance landscape on Admission. For example:

- the pre-IPO annual incentive arrangements which comprised a bonus and uncapped commission-based scheme have been replaced by a more market standard short-term incentive plan with a capped bonus opportunity;
- the Management Equity Plan that also operated pre Admission as the long-term incentive plan has been replaced with a Performance Share Plan (“PSP”) under which regular annual awards can be made over shares that vest subject to three year performance targets (with vested shares subject to a two year post vesting holding period);
- Committee discretion may be exercised in relation to incentive outcomes to guard against inappropriate outturns and robust clawback and malus provisions are in place;
- the pension policy for the Executive Directors is aligned to the workforce; and
- a shareholding requirement has been introduced that applies for two years post-cessation of employment.

Full details on the policy can be found on pages 77 to 87.

### Remuneration for 2019

Summary details of the remuneration payable to Directors can be found on pages 88-91. As can be seen, and as noted above, remuneration paid in relation to 2019 was driven by the policy in place prior to Admission and was therefore not shaped by typical UK listed company market practice in a number of respects (i.e. prior to Admission, the remuneration packages for senior executives consisted primarily of salary, bonus, a commission-related scheme and a Management Equity Plan which crystallised on Admission (further details of which can be found below)).

### Proposed approach to remuneration for 2020

A summary of the remuneration policy to be implemented for 2020 is provided below, with further details in the Annual Report on Remuneration:

- Salaries on Admission were set at £550,000 for the CEO and £350,000 for the CFO and will remain unchanged for the remainder of 2020.
- Pension provision for our Executive Directors is aligned to levels of the wider workforce (currently 3% of salary).
- The maximum bonus for the Executive Directors is 150% of salary for the CEO and 135% of salary for the CFO. 30% of any bonus will be payable as a deferred share award of an equivalent value which vests two years later. For 2020, bonuses will be earned based on performance against a blend of targets, namely (i) 25% – Funds from Operations, (ii) 25% – EBITDA, (iii) 25% – Capex deployed and (iv) 25% – personal/strategic objectives. This approach ensures that Executive Directors are incentivised to deliver against objectives that drive both in-year (e.g. FFO, EBITDA) and future (e.g. Capex deployed) performance.
- PSP awards with a face value equivalent to 200% of salary for the CEO and 150% of salary for the CFO will be granted prior to the AGM. However, to reflect the fall in Calisen's share price since Admission (primarily driven by COVID-19 related factors), the Committee will use the share price at Admission of 240p to calculate the number of shares over which these awards are made (assuming this remains higher than the share price at the time of grant), resulting in awards over fewer shares being made. Performance will be based 50% on Total Shareholder Return ("TSR") relative to the FTSE 250 and 50% on a FFO per share growth target (thereby requiring the delivery of both above market returns to investors and strong performance against a key financial KPI on a long-term sustainable basis). Vested awards will be subject to a two-year post-vesting holding period.

- The Committee will have discretion to adjust the provisional bonus outturn or vesting level under the PSP in light of the underlying business performance of the Group or wider circumstances, if the Committee believes it would be appropriate to do so. Given the fact that the medium to long-term impact of the COVID-19 pandemic remains uncertain at the present time, the Committee believes that this flexibility may prove helpful in allowing it to ensure that bonus/PSP outturns are reflective of all relevant circumstances (including, as noted above, the experience of our internal and external stakeholders).
- Malus and clawback provisions will also apply. Further details on the circumstances in which they apply can be found on page 83.

### Terms of Reference

The Committee's Terms of Reference are available on the Group's website and reflect the current statutory requirements and best practice appropriate to the Group's size and nature.

I hope you find this report clear and useful in explaining our approach to remuneration. If you have any questions on the Remuneration Policy or Report, please contact me through the General Counsel and Company Secretary. In any event, I shall be writing to our major shareholders (together with the main UK proxy advisory services) in advance of the AGM to open lines of communication in relation to executive remuneration. The Committee looks forward to receiving your support at the AGM on 4 June 2020.

---

### Kath Durrant

Chair of the Remuneration Committee

April 2020

# Executive Remuneration

## “At A Glance”

Element of Pay	Purpose	Approach for 2020
<b>Base salary</b>	Provide a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	CEO – £550,000 CFO – £350,000
<b>Pension/Benefits</b>	Provide a market competitive level of pension and other benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	CEO/CFO: <ul style="list-style-type: none"> <li>Pension aligned with the workforce at 3% of salary</li> <li>Standard suite of benefits</li> </ul>
<b>Annual bonus</b>	Provide an incentive to the Executive Directors linked to achievement in delivering goals in a sustainable manner that is closely aligned with the Company's strategy and the creation of value for shareholders.	CEO – 150% of salary at maximum CFO – 135% of salary maximum 2020 targets – blend of FFO/EBITDA/Capex deployed/personal and strategic targets 30% of any bonus paid is deferred in shares Malus/clawback applies
<b>PSP</b>	Incentivise the Executive Directors to maximise returns to shareholders by successfully delivering the Company's objectives over the long term in a sustainable manner.	CEO – 200% of salary performance share award CFO – 150% of salary performance share award 2020 targets – 50% relative TSR, 50% FFO growth targets Two year post vesting holding period and malus/clawback apply
<b>Share ownership guidelines</b>	To ensure alignment of interests of Executive Directors and shareholders.	Executive Directors are required to build up and maintain a shareholding worth at least 200% of base salary, which is normally expected to be reached within five years of appointment and which applies post cessation of employment.



# Remuneration Policy

This section sets out the Company's first Directors' Remuneration Policy which has been prepared in accordance with the Large and Medium-sized Companies and Groups Accounts and Reports Regulations (as amended).

This Remuneration Policy will be subject to a binding shareholder vote at the 2020 AGM and is intended to apply for a period of three years.

## Key principles of policy

The policy is shaped by the following key principles:

- **Strategic alignment** – provide a package with an appropriate balance between short and longer term performance targets linked to the delivery of the Company's business plan and the generation of sustainable long-term returns for shareholders;
  - **Shareholder alignment** – ensure alignment of the interests of the Executive Directors, senior management and employees to the long term interests of shareholders;
  - **Competitive remuneration** – maintain a competitive package in order to attract, retain and motivate high-calibre talent to help ensure the Company performs successfully;
  - **Fairness** – take an active interest in the development of good practices to deliver fair remuneration at all levels of the organisation; and
  - **Performance-focussed compensation** – encourage and support a sustainable, high-performance culture in line with the agreed risk profile of the business.
- In addition, the policy is tested against six factors listed in the Code:
- **Clarity** – the policy will be clearly articulated to shareholders and management;
  - **Simplicity** – the Remuneration Committee is very mindful of the need to avoid overly complex remuneration structures – the executive remuneration policies and practices will be relevant to the continued development of the business, simple to communicate and operate;
  - **Risk** – the Remuneration Policy is designed to ensure that inappropriate risk-taking is not encouraged and will not be rewarded. This will be achieved via (i) the balanced use of both short- and long-term incentive plans which employ a blend of financial, non-financial and shareholder return targets, (ii) the significant role played by equity in the incentive plans (together with shareholding guidelines which survive cessation of employment) and (iii) malus/clawback provisions;
  - **Predictability** – the incentive plans will be subject to individual caps, with the share plans also being subject to market standard dilution limits;
  - **Proportionality** – there will be a clear link between individual awards, delivery of strategy and long-term performance. In addition, the significant role played by incentive/'at-risk' pay, together with the structure of the Executive Directors' service contracts, are designed to ensure that poor performance is not rewarded; and
  - **Alignment to culture** – our executive pay policies will be aligned to the Company's culture.

Key elements of policy

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
<p><b>Base salary</b>  <i>Provide a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy</i></p>	<p>Salaries are reviewed annually and any changes are normally effective from the beginning of the financial year.</p> <p>When determining an appropriate level of salary, the Remuneration Committee considers:</p> <ul style="list-style-type: none"> <li>remuneration practices within the Company;</li> <li>the performance of the individual Executive Director;</li> <li>the individual Executive Director's experience and responsibilities;</li> <li>the general performance of the Company;</li> <li>salaries within the ranges paid by comparable companies used for remuneration benchmarking; and</li> <li>the economic environment.</li> </ul>	<p>Base salaries will be set at an appropriate level within a comparator group(s) of comparable companies and will normally increase in line with increases made to the wider employee workforce (save where a higher increase is appropriate to reflect a change in role/responsibilities).</p> <p>Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved.</p> <p>The Executive Directors' salaries at Admission were as follows:</p> <ul style="list-style-type: none"> <li>CEO – £550,000</li> <li>CFO – £350,000</li> </ul>	<p>No formal performance metrics employed. However, as noted in the 'Operation' column, the performance of the individual Executive Director and the general performance of the Company will be taken into account when consideration is given as to whether salary increases are appropriate.</p>

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
<p><b>Benefits</b>  <i>Provide a market competitive level of benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.</i></p>	<p>The Executive Directors receive benefits which include, but are not limited to, family private health cover, critical illness cover, life assurance cover, income protection and accident/sickness/travel insurance (including tax payable if any).</p> <p>The Remuneration Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining key personnel. Accordingly, the Remuneration Committee would expect to be able to adopt other benefits including (but not limited to) relocation-related expenses, tax equalisation and support in meeting specific costs incurred by Directors.</p> <p>Any reasonable business-related expenses can be reimbursed, including the tax thereon if determined to be a taxable benefit. The Executive Directors may also participate in any all-employee share plans operated by the Company.</p>	<p>The maximum will be set at the cost of providing the benefits described.</p>	<p>None</p>
<p><b>Pensions</b>  <i>Provide appropriate levels of pension benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.</i></p>	<p>The Remuneration Committee maintains the ability to provide pension funding in the form of a salary supplement or as an employer contribution to a defined contribution pension plan, which would not form part of the salary for the purposes of determining the extent of participation in the Company's incentive arrangements.</p>	<p>For existing and any future Executive Directors, the maximum pension contribution as a percentage of basic salary will be in line with the contribution level provided to the majority of the workforce (currently 3% of salary). Any changes in the workforce pension arrangements may be reflected in Executive Director pension provision.</p>	<p>None</p>

Key elements of policy

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
<p><b>Annual Bonus Plan</b>  <i>The Annual Bonus Plan provides an incentive to the Executive Directors linked to achievement in delivering goals in a sustainable manner that are closely aligned with the Company's strategy and the creation of value for shareholders.</i></p>	<p>The Remuneration Committee will determine the bonus payable, normally after the year end based on performance against targets.</p> <p>No more than 70% of any bonus earned will be payable in cash after the end of the financial year to which it relates. No less than 30% of any bonus earned will be payable as a deferred share award which will normally vest two years after the bonus payment date.</p> <p>The Remuneration Committee may award dividend equivalents on share awards to the extent that they vest.</p> <p>Malus and clawback provisions will apply up to the date of the bonus determination and for three years thereafter.</p> <p>Bonus payments are not pensionable.</p>	<p>The maximum bonus opportunity of the Executive Directors as a % of base salary is as follows:</p> <ul style="list-style-type: none"> <li>• CEO – 150%</li> <li>• CFO – 135%</li> </ul>	<p>Bonus payouts are determined on the satisfaction of a range of key financial and personal/strategic objectives set annually by the Remuneration Committee. No more than 25% of the overall bonus opportunity can be payable by reference to performance against personal/strategic targets.</p> <p>Discretion to adjust the provisional bonus outturn may be exercised in cases where the Remuneration Committee believes that such outcome is not a fair and accurate reflection of business performance and/or wider circumstances.</p> <p>No more than 25% of the relevant portion of the bonus is payable for delivering a threshold level of performance, and no more than 50% is payable for delivering a target level of performance (where the nature of the performance metric allows such an approach).</p> <p>For the 2020 bonus, the following metrics and weightings will be used:</p> <ul style="list-style-type: none"> <li>• 25% – Funds From Operations</li> <li>• 25% – EBITDA</li> <li>• 25% – Capex deployed</li> <li>• 25% – personal/strategic targets</li> </ul>

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
<p><b>Long Term Incentives</b>  <i>Awards are designed to incentivise the Executive Directors to maximise returns to shareholders by successfully delivering the Company's objectives over the long term in a sustainable manner.</i></p>	<p>Awards can be granted annually to Executive Directors under the PSP in the form of nil cost options or conditional awards of shares. These awards will normally vest at the end of a three-year period, normally subject to:</p> <ul style="list-style-type: none"> <li>the Executive Director's continued employment at the date of vesting; and</li> <li>satisfaction of the performance conditions.</li> </ul> <p>The Remuneration Committee may award dividend equivalents on awards to the extent that they vest.</p> <p>The net of tax number of shares that vest after the end of the three-year performance period will be subject to an additional two-year holding period, during which the shares cannot be sold (irrespective of whether the individual remains employed).</p> <p>Malus and clawback provisions will apply up to the date of the vesting determination and for three years thereafter.</p>	<p>Awards may be made up to 200% of base salary in normal circumstances.</p> <p>If exceptional circumstances arise, including (but not limited to) the recruitment of an individual, the Remuneration Committee may grant awards outside this limit up to a maximum of 250% of a participant's annual basic salary.</p> <p>No more than 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance.</p> <p>For 2020, the Executive Directors will receive awards over shares with the following value (as a % of base salary, with the Remuneration Committee determining to use the share price on Admission to calculate the relevant number of shares over which these awards were be made):</p> <ul style="list-style-type: none"> <li>CEO – 200%</li> <li>CFO – 150%</li> </ul>	<p>Awards vest subject to the achievement of challenging performance conditions set by the Remuneration Committee prior to each grant.</p> <p>Discretion to adjust the provisional vesting outturn may be exercised in cases where the Remuneration Committee believes that such outcome is not a fair and accurate reflection of business performance and/or wider circumstances.</p> <p>For the initial awards made following IPO, the following metrics and weightings will be used:</p> <ul style="list-style-type: none"> <li>50% of awards – relative TSR vs the FTSE 250 (excluding investment trusts). 25% of awards will vest for median performance, full vesting at upper quartile, with straight-line pro rata vesting in between. No vesting will occur below median</li> <li>50% of awards – sliding scale of FFO per share growth targets</li> </ul>
<p><b>All-employee share plans</b>  <i>To encourage share ownership among employees and increase the alignment with shareholders.</i></p>	<p>The Executive Directors may participate in any all-employee share plan operated by the Company (e.g. any Save As You Earn ("SAYE")).</p>	<p>The maximum participation limits are set out in the relevant legislation.</p>	<p>None, unless specified and applicable to all other participants (as is the norm for approved all-employee plans).</p>

Key elements of policy

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
<p><b>Shareholding requirement</b>  <i>To support long term commitment to the Company and the alignment of Executive Director interests with those of shareholders.</i></p>	<p>The Remuneration Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up and then subsequently hold a shareholding equivalent to 200% of their base salary. Executive Directors will be required to retain all of the net of tax shares they receive under any incentive plan until such time as the guideline holding is met.</p> <p>Shareholding guidelines will also apply post cessation of employment as set out in the notes to the table below.</p>	<p>200% of salary</p>	<p>None</p>
<p><b>Non-Executive Directors</b>  <i>The Company provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.</i></p>	<p>The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chair whose remuneration is considered by the Remuneration Committee and recommended to the Board.</p> <p>Non-Executive Directors are paid a base fee and additional fees for acting as Senior Independent Director and as Chairperson of Board committees (or to reflect other additional responsibilities and/or additional/unforeseen time commitments).</p> <p>Non-Executive Directors do not participate in any of the Company's incentive arrangements.</p>	<p>The base fees for Non-Executive Directors are set at an appropriate rate, taking account of fees paid at companies of similar size and complexity.</p> <p>In general, the level of fee increase for the Non-Executive Directors will be determined taking account of any change in responsibility and the general rise in salaries across the workforce.</p> <p>The Company will pay reasonable vouched expenses incurred by the Chair and Non-Executive Directors, together with other benefits where considered necessary (and any related tax that may be payable).</p> <p>The Non-Executive Director fees at Admission were as follows:</p> <ul style="list-style-type: none"> <li>• Chair – £280,000</li> <li>• Non-Executive Director – £60,000</li> <li>• Senior Independent Director – £75,000</li> <li>• Remuneration Committee chair – £10,000</li> <li>• Audit and Risk Committee chair – £10,000</li> </ul>	<p>None</p>

### Choice of performance measures

Each year, the Remuneration Committee will choose the appropriate performance measures and targets to apply to the annual bonus plan and PSP. The measures will be closely aligned with the Company's strategy and business priorities at the time and will be consistent with a Board-approved level of business risk.

### Malus and clawback

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

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

### Discretion

The Committee will operate the annual bonus plan and PSP according to their respective rules and in accordance with the Listing Rules where relevant. Consistent with market practice, the Committee retains certain discretions in respect of the operation and administration of these arrangements which include, but are not limited to, the following:

- the participants;
- the timing of the grant of an award or payment;
- the size of an award;
- the determination of the extent to which performance measures have been met and the corresponding vesting or payment levels;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the respective arrangement and the appropriate treatment chosen, including the pro-rating of awards;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends);
- the annual review of performance measures, weighting and targets from year to year; and
- the manner in which share awards can be satisfied (i.e. through the use of new issue, market purchased or treasury shares or by way of a cash payment).

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

### Dilution limits

Market standard dilution limits will apply to the operation of the Company's share plans (e.g. no more than 10% of share capital can be issued in relation to any share plan operated by the Company in any 10 year period (commencing on IPO), and no more than 5% can be issued in relation to any discretionary share plan (such as the PSP) in the same 10 year period).

### Post cessation shareholding guidelines

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

### Differences in Policy from the wider employee population and employee engagement

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same reward and performance philosophy throughout the business. As with many companies, the Group operates variable pay plans primarily focussed on mid to senior management level. In some cases, incentive structures and performance conditions apply which are different to those used for Executive Directors. The Remuneration Committee takes into account workforce remuneration and related policies and the alignment of incentives and rewards with culture when setting the policy for Executive Directors' remuneration. The Remuneration Committee is also committed to ensuring that appropriate engagement takes place with the workforce to explain how executive remuneration aligns with Calisen's approach to wider company pay and will explain how this has been undertaken in next year's report.

### Recruitment policy

The approach when setting the remuneration of any newly recruited Executive Director will be assessed in line with the same principles for the current Executive Directors, as set out above. The Remuneration Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes. The Remuneration Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding enhanced short term or long term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award. Subject to the paragraph below, the incentive awards that can be received in any one year will not exceed the maximum individual limits as set out in the policy.

## Remuneration Policy

The Remuneration Committee's policy is not to provide sign-on compensation. In addition, the Remuneration Committee's policy is not to provide buyouts as a matter of course. However, should the Remuneration Committee determine that the individual circumstances of recruitment justified the provision of a buyout, the Committee's intention will be to ensure that any such awards will reflect the value and timing of receipt of the incentives they are replacing. This will take into account, among other things, the performance conditions attached to the vesting of these incentives, the timing of vesting, the likelihood of vesting and the nature of the awards (cash or equity). The Remuneration Committee may then grant a buyout of a value that takes account of the value of the lapsed award, where possible, under the Company's incentive plans. To the extent that it is not possible or practical to provide the buyout within the terms of the Company's existing incentive plans the Remuneration Committee may, in exceptional circumstances consider it appropriate to grant an award under a different structure to facilitate a buyout of outstanding awards held by an individual on recruitment.

Where an existing employee is promoted to the Board, the policy set out above would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Annual Report on Remuneration for the relevant financial year.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

### **Service agreements and letters of appointment**

#### ***Executive Directors***

The Company's policy is for Executive Directors to have service agreements which may be terminated by the Company for breach by the executive or with no more than 12 months' notice from the Company to the executive and 12 months' notice from the executive to the Company. If notice is served by either party, the Executive Director can continue to receive base salary, benefits and pension for the duration of their notice period during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave. Service contracts do not contain liquidated damages clauses. The Company may elect to make a payment in lieu of notice equivalent in value to a maximum of 12 months' base salary and benefits including pension contribution but excluding bonus, payable in monthly instalments, which would be subject to mitigation if alternative employment is taken up during this time. Alternatively, the Committee retains discretion to provide this payment as a lump sum. In the event of termination for cause (e.g. gross misconduct) neither notice nor payment in lieu of notice will be given and the Executive Director will cease to perform his or her services immediately.

In addition, and consistent with market practice, the Company may pay a contribution towards the Executive Director's legal fees for entering into a statutory agreement, may pay a contribution towards fees for outplacement services as part of a negotiated settlement, or may make a payment to compromise claims the Executive Director may have. There is no provision for additional compensation on termination following a change of control. Payment may also be made in respect of accrued benefits, including untaken holiday.

## Treatment on cessation

Remuneration element	Treatment on exit
<b>Salary, benefits and pension</b>	Salary, benefits and pension will be paid over the notice period. The Company has discretion to make a lump sum payment on termination equal to the salary, value of benefits and value of company pension contributions payable during the notice period. In all cases the Company will seek to mitigate any payments due.
<b>Annual Bonus Plan</b>	<p><i>Good leaver reason</i> – normally pro-rated to time and performance for year of cessation and payable at the year end.</p> <p><i>Other reason</i> – no bonus payable for year of cessation.</p>
<b>PSP</b>	<p><i>Good leaver reason</i> – normally pro-rated to time and performance in respect of each subsisting PSP award, with award vesting at the original date.</p> <p><i>Other reason</i> – Lapse of any unvested PSP awards.</p> <p>The Remuneration Committee has the following elements of discretion:</p> <ul style="list-style-type: none"> <li>to determine whether an executive is a good leaver;</li> <li>whether to measure performance over the original performance period or at the date of cessation;</li> <li>the Remuneration Committee's policy is generally to pro-rate to time from the date of grant to the date of cessation. It is the Remuneration Committee's intention to only use its discretion to adopt a different approach to pro-rating and the timing of vesting where circumstances make it appropriate to do so.</li> </ul>

A good leaver reason may include cessation in the following circumstances:

- Death;
- Ill-health;
- Injury or disability;
- Redundancy;
- Retirement with agreement of employer;
- Employing company ceasing to be a Group company;
- Employing company transferred to a person who is not a Group Member; or
- At the discretion of the Remuneration Committee.

### Incentive awards – treatment on a change in control

The Remuneration Committee's normal policy on the vesting of incentives on a change of control is summarised below:

Name of Incentive Plan	Change of control	Discretion
<b>Annual Bonus Plan</b>	Pro-rated to time and performance to the date of the change of control and paid at that time.	The Remuneration Committee has discretion to adopt a different approach if it believes it appropriate to do so (for example, but not limited to, continuing the operation of the Plan to the end of the bonus year (subject to the agreement of the acquiring company)).
<b>PSP</b>	The number of shares subject to subsisting PSP awards vesting on a change of control will be pro-rated to time and performance.	<p>The Remuneration Committee retains absolute discretion regarding the proportion vesting, taking into account time and performance as considered appropriate.</p> <p>There is a presumption that the Remuneration Committee will pro-rate for time, although it may adopt a different approach if it considers appropriate.</p>

## Remuneration Policy

### Non-Executive Directors

The Non-Executive Directors have each entered into letters of appointment with the Company. Each independent Non-Executive Director's term of office runs for an initial period of three years unless terminated earlier upon six months written notice or upon his or her resignation.

### External appointments

The Board recognises the benefit which the Company can obtain if Executive Directors serve as non-executive directors of other companies. Subject to review in each case, and prior permission being granted, the Board's general policy is that an Executive Director can accept one non-executive directorship of another company (but not the position of chair) and can retain the fees in respect of such appointment.

### Statement of conditions elsewhere in the Company

The Remuneration Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Remuneration Committee considers the range of base pay increases across the Group as well as wider workforce remuneration and related policies.

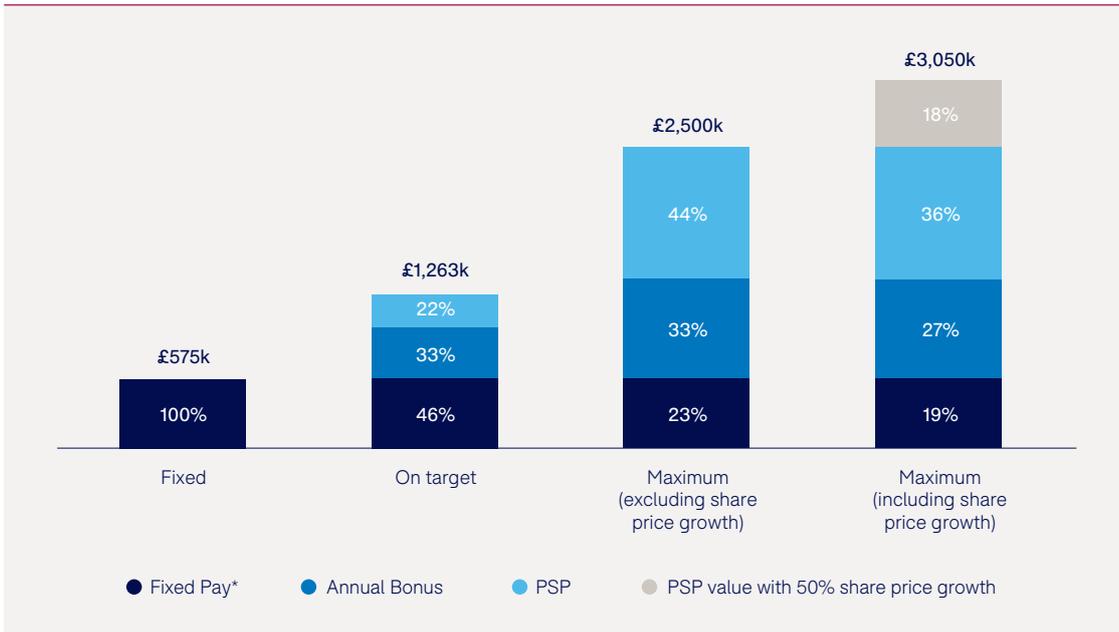
### Consideration of Shareholder views

The Remuneration Committee takes the views of shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Remuneration Committee commits to consulting with key shareholders prior to any significant changes to its remuneration policy.

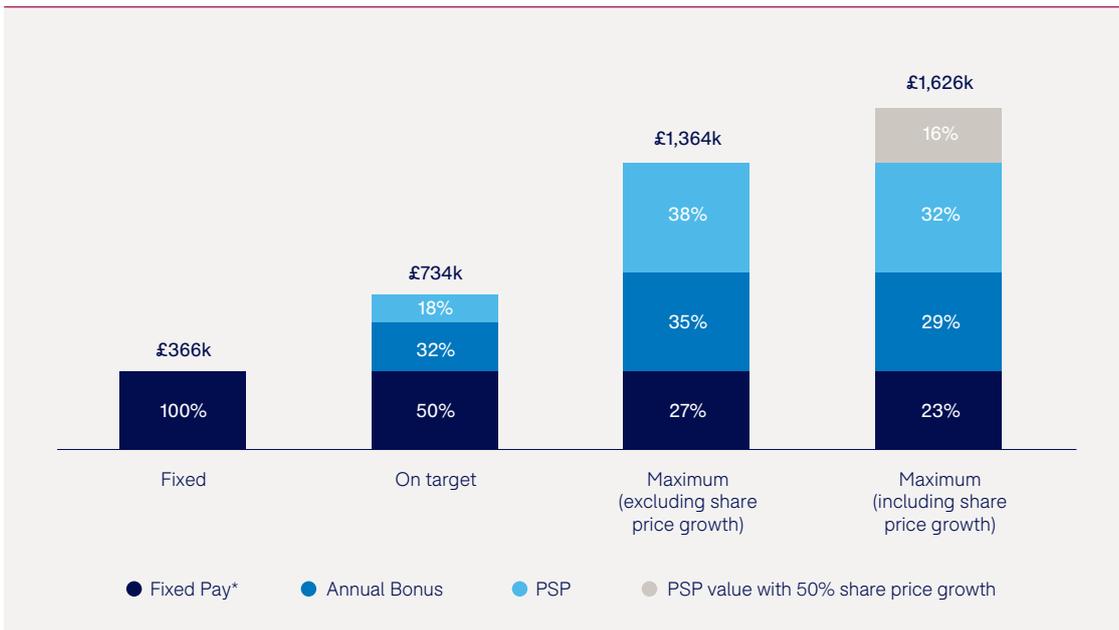
### Illustration of application of Remuneration Policy

Element of remuneration	Below target	Target	Maximum	Maximum + 50% share price growth
Salary	Base salary on Admission			
Benefits	2019 value provided			
Pension	3% of salary			
Annual bonus	0% of max	50% of max	100% of max	100% of max
PSP	0% vesting	25% of max vesting	100% of max vesting	100% of max vesting + 50% share price growth

## CEO – Bert Pijls



## CFO – Sean Latus



\* Fixed pay includes base salary, pension and benefits

# Annual Report on Remuneration

The Board has chosen to prepare an annual report on remuneration in line with what it will expect to prepare going forward in accordance with requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 (as amended). The disclosure below relate, where applicable, to either the 2019 financial year (which was pre-incorporation of Calisen plc and pre-Admission), or to Calisen plc going forward as a listed company.

## Remuneration Committee

The Remuneration Committee was established on Admission and comprises the following independent Non-Executive Directors:

<b>Committee Chair</b>	Kath Durrant
<b>Committee members</b>	Lord Jitesh Gadhia Patrick O'Donnell Bourke

## Advice to the Committee

The Committee receives independent advice from Korn Ferry as the Committee's adviser. Korn Ferry advised on remuneration arrangements in advance of the listing and continues to advise the Committee post-Admission. Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres in all respects to the terms of this code. Korn Ferry also provides other consulting services to the Board relating to, inter alia, senior recruitment. This advice was provided by entirely separate teams independent from the team advising the Committee. The Committee has satisfied itself that advice from Korn Ferry is independent and objective. Fees paid to Korn Ferry for advice provided since Admission amount to £7,679.

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

## Single figure of remuneration for the year ended 31 December 2019

The table below sets out the total remuneration received for 2019 for the Executive and Non-Executive Directors, the financial year prior to Admission. No prior year comparison has been provided.

	Salary and fees £000	Benefits <sup>1</sup> £000	Pension £000	Annual bonus <sup>2</sup> £000	Total remuneration £000
<b>Executive Directors</b>					
Bert Pijls	357	4.6	50	440	<b>851.6</b>
Sean Latus	204	2.0	28.6	265.6	<b>500.2</b>
<b>Non-Executive Directors<sup>3</sup></b>					
Tara Davies	Nil				<b>Nil</b>
Jim Macdonald	75				<b>75</b>
Oleg Shamovsky	Nil				<b>Nil</b>
<b>Total</b>	<b>636.0</b>	<b>6.6</b>	<b>78.6</b>	<b>705.6</b>	<b>1,426.8</b>

### Notes to the remuneration table

1. Benefits include private health cover
2. Includes both annual bonus and commission payments (see below)
3. Pre-IPO consulting fees paid in 2019 to the individuals who are now the Independent Non-Executive Directors of the Company have not been included.

## 2019 annual bonus

For the financial year ended 31 December 2019, the CEO and CFO participated in an annual bonus plan that measured performance against targets relating to (inter alia) EBITDA, UK metering growth and revenue. Given that these targets were set in the year prior to Admission, no further disclosure is considered appropriate. However, full details of the financial targets employed in the 2020 bonus will be included in next year's report (provided such disclosure is not considered commercially sensitive). For 2019, the Chief Executive received £325,000 and the Chief Financial Officer received £195,000 under the annual bonus plan.

In addition, the Executive Directors participated in a Commission Plan for 2019. Under the Commission Plan, a cash pool was created primarily based on (i) the amount of capital expenditure contractually committed in respect of new UK and/or international business and (ii) new non-metering business. For 2019, the Chief Executive received £115,000 and the Chief Financial Officer received £70,600 under the Commission Plan (which are included in the “Annual Bonus” column in the above table).

The 2019 bonus plan and the Commission Plan were part of the pre-IPO remuneration structure and as such, no awards will be made to Executive Directors under either Plan going forward which have been replaced by the new annual incentive arrangements described in this report.

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

There were no long-term incentive awards that vested during the year. A Management Equity Plan (“MEP”) operated prior to, and crystallised as a consequence of, Admission. In summary, the MEP was a management incentive plan introduced when KKR purchased the business in 2017. It was open to a wide selection of Calvin Capital employees to invest their own funds in shares and loan notes with a multiple return possible depending on the exit value following a KKR sale or partial sale (including an IPO).

Following the sale of a portion of the shares they acquired under the MEP on Admission, Bert Pijls and Sean Latus held 3,536,900 and 1,107,986 shares respectively. These shares are subject to customary post-Admission “lock-up” arrangements.

#### Long-term incentive awards granted during the year

There were no long-term incentive awards granted in 2019. The first awards under the PSP will be granted in 2020 (with details set out below).

#### Payments to former Directors and for loss of office

No payments were made to former Directors of the Company or in relation to loss of office during the year.

#### Statement of Director’s shareholdings and share interests

The share interests of each Director (and their immediate families) are set out in the table below. The Executive Directors are required to build and maintain a shareholding of 200% of salary. Until this guideline is met, Executives will be required to retain 100% of the awards vesting under the PSP and deferred shares under the bonus plan. However, as can be seen below, both Executive Directors satisfy this requirement:

	Beneficially owned shares	
	Immediately following Admission	Shareholding (as % of salary)
<b>Executive Directors</b>		
Bert Pijls	3,536,900	1,543%
Sean Latus	1,107,986	760%
<b>Non-Executive Directors</b>		
Phil Nolan	104,166	N/A
Patrick O’Donnell Bourke	20,833	N/A
Tara Davies	Nil	N/A
Kath Durrant	12,500	N/A
Lord Jitesh Gadhia	31,250	N/A
Jim Macdonald	72,141	N/A
Oleg Shamovsky	Nil	N/A

1. Immediately following Admission, based on a share price on Admission of 240p and the salaries of the Executive Directors on Admission.

Following Admission, on 11 March 2020 Bert Pijls, Sean Latus and Jim Macdonald sold 46,183, 14,467 and 942 shares respectively as part of the IPO over-allotment process at a sale price of 240p. Other than this, there have been no changes to the above shareholdings since Admission.

### Performance graph and table

The relevant Regulations technically require the inclusion of a graph showing the Company's TSR performance over a period of up to 10 years, together with a table summarising the CEO's remuneration over the same period. However, as this report has been prepared shortly following Admission on 12 February 2020, the Committee does not consider this disclosure necessary or relevant.

### Percentage change in remuneration of the Chief Executive Officer

As the Company listed in February 2020 there is no disclosure of remuneration relating to prior years and therefore the percentage change in remuneration of the CEO cannot be provided. Full disclosure of the percentage changes required under the relevant Regulations will be provided in future remuneration reports.

### CEO pay ratio

The Chief Executive to employee pay ratio for 2019 is set out below:

Financial year	Method	25th percentile	50th percentile	75th percentile
2019	A	49:1	40:1	27:1

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

	CEO	25th percentile	50th percentile	75th percentile
Salary	£357,000	£17,063	£16,146	£30,012
Total pay	£851,569	£17,502	£21,154	£32,132

The ratios have been calculated in accordance with Option A, as this is the most statistically accurate method. The CEO pay is compared to the pay of our UK employees at the 25th, 50th and 75th percentile, calculated based on full-time equivalent base pay data as at 31 December 2019. Calisen consists of two business units, Calvin Capital and Lowri Beck (which was acquired by the Company in August 2019). The vast majority of Calisen employees sit in the Lowri Beck business unit.

The calculations use the pay for Bert Pijls as disclosed in the single figure table. The pay for all employees in the Calvin Capital and Lowri Beck business units comprises salary, benefits, pension and annual bonus payments due for the year. Part time employees and leavers and joiners during the year have been included in the analysis and converted to full time equivalents.

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

### Relative importance of spend on pay

As the Company listed in February 2020 there is no disclosure for 2019 or prior years of how remuneration paid to all employees compared to distributions to shareholders. Full disclosure of these matters for 2020 and onwards will be provided in future remuneration reports.

### Implementation of Policy in 2020

#### Salary

The Committee reviews salaries annually and any increases are effective from 1 January each year. Salaries were set on IPO and as such there is no increase to salaries for 2020. Salaries for 2020 for the Executive Directors are therefore:

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

#### Benefits and pension

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

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

### Annual bonus

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

Performance will be based on the following measures:

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

The Committee considers the disclosure of targets to be commercially sensitive but intends to provide strong levels of retrospective disclosure in next year's report.

The Committee will have discretion to adjust the provisional bonus outturn in cases where the Remuneration Committee believes that such outcome is not a fair and accurate reflection of business performance and/or wider circumstances.

30% of any bonus payable will be in the form of a deferred share award which will vest after two years.

Malus and clawback provisions apply in line with the policy, as set out on page 83.

### Performance Share Plan

The Executive Directors will receive PSP grants over 200% and 150% of salary respectively (with the number of shares determined by the share price on Admission of 240p). Vesting of the 2020 award will be subject to performance against the following two measures. Straight line vesting will occur between target points.

Measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
Relative TSR versus the FTSE 250 Index (excluding Investment Trusts)	50%	Median	Upper quartile
FFO per share growth	50%	5% CAGR	8.7% CAGR

For the purposes of the TSR element, the base TSR for Calisen and the peer group will reflect the companies' average Net Returns for the one month following 7 February 2020. The end TSRs will reflect the three month average Net Returns up to 31 December 2022. For the purposes of the Funds From Operations growth targets, the base FFO number from which growth is measured will be £141m (2019).

As for the annual bonus, the Remuneration Committee may exercise discretion to adjust the provisional bonus outturn in cases where the Committee believe that such outcome is not a fair and accurate reflection of business performance and/or wider circumstances.

Awards will be subject to a two-year holding period following the end of the three-year performance period.

Malus and clawback provisions apply in line with the policy, as set out on page 83.

### Non-Executive Director fees

The Non-Executive Director fees were set on Admission and are set out below for 2020. A Non-Executive Director appointed by the major shareholder will not receive a fee.

	Fee
Chair	£280,000
Non-Executive Director	£60,000
Senior Independent Director	£75,000
Chair of Committee	£10,000

# Directors' Report

## Directors' Report

The directors (for the purposes of this Directors' Report, the "Directors") of Calisen Group Holdings Limited (formerly CCH1 Limited) for the purposes of this Directors' Report, the "Company") present their report for the financial year ended 31 December 2019.

The Company has chosen in accordance with s414C (11) of the Companies Act 2006 to provide disclosures and information in relation to a number of matters which are covered elsewhere in this Annual Report. These matters, together with those required (or in respect of which the Company has chosen to report) under the 2013 Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2013 (as amended), are cross referenced in the table below.

Topic	Section of Report	Pages
<b>Important events impacting the business</b>	Strategic report and note 33 of the Financial Statements	9-60 and 139
<b>Likely future developments</b>	Strategic report	36
<b>Post-balance sheet events</b>	Strategic report and note 33 of the Financial Statements	29 and 139
<b>Financial instruments</b>	Note 2.13 of the Financial Statements	113
<b>Employee engagement</b>	S172 statement	49
<b>Stakeholder engagement</b>	S172 statement	49
<b>Relationship with customers, suppliers and others</b>	S172 statement	49
<b>Modern Slavery Statement</b>	S172 statement	49
<b>Risk Management</b>	Strategic report	55-59
<b>Risk information about the use of Financial instruments</b>	Note 2.13 and 23.5 of the Financial Statements	113 and 133
<b>Going concern</b>	Going concern statement	94

### Dividends

The Directors do not recommend payment of a dividend (FY19: £nil).

### Directors

The Directors who held office during the year and/or to the date of this report were:

H L Pijls

S A Blackburn (appointed 25 February 2020)

G M Donoghue (appointed 25 February 2020)

P A McLelland (appointed 25 February 2020)

T C Davies (resigned 12 February 2020)

S Latus (appointed 11 February 2020)

O I Shamovsky (resigned 12 February 2020)

### Directors' indemnities

Directors' and Officers' insurance has been established for all Directors and officers of the Company. Calisen plc also indemnifies the Directors under a qualifying indemnity for the purposes of section 236 of the Companies Act 2006. This indemnity contains provisions that are permitted by the director liability provisions of the Companies Act 2006 and the articles of association of the Company.

### Political donations

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

### Share capital

As at 31 December 2019, the issued share capital of the Company comprised 1,036,412 ordinary shares, each with a nominal value of £1.

### Employee disabilities

Should one of our employees become disabled (mentally or physically, permanently or temporarily) during employment, we have processes in place so that we are able to make every effort to assess, and where required adjust their environment and accessibility to work and in turn provide the opportunity for them to maximise their potential and remain a valued member of the team including retraining where necessary.

### Disclosure of information to the Auditor

As far as the Directors are aware, there is no relevant audit information that has not been brought to the attention of the Auditor during the audit process.

Each of the Directors at the date of this report confirms that:

- so far as that the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with Section 418 of the Act.

Approved by the Board of Calisen Group Holdings Limited and signed on its behalf.

---

### Sarah Blackburn

Company Secretary

For and on behalf of the Company,

5th Floor 1 Marsden Street,

Manchester,

England,

M2 1HW

21 April 2020

# Statement of Directors' Responsibilities

The directors of Calisen Group Holdings Limited are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations. The directors of Calisen Group Holdings Limited have elected to prepare the Financial Statements in accordance with IFRS as adopted by the European Union and applicable law.

In preparing the Financial Statements, the directors of Calisen Group Holdings Limited were required to:

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

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Confirmations by the Directors of Calisen plc

Going forward, the Directors of Calisen plc are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation

of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. They are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

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

To the best of the Directors' knowledge:

- the Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Strategic Report includes a fair review of the development or performance of the business and the position of the Group, together with a description of the principal risks and uncertainties faced by it.

## Going concern

After having assessed the prospects of the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group will therefore continue to adopt the going concern basis in preparing its financial statements. The basis on which this conclusion has been reached is set out on pages 105-106 which is incorporated by reference here.

# Financial Statements

# Financial Statements

---

097	Independent Auditors' report
102	Consolidated financial statements

# Independent Auditor's Report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CALISEN GROUP HOLDINGS LIMITED

### 1 Our opinion is unmodified

We have audited the financial statements of Calisen Group Holdings Limited (being for this Auditor's Report the "Company" and together with its subsidiaries the "Group") for the year ended 31 December 2019 which comprise the Consolidated Income Statement and Statement of Other Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated and Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed, in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2018).

#### **Revenue recognition – existence and completeness related to revenue recognition, £208,757,000 (2018: £162,146,000)/ Existence and completeness of fixed assets (meters), £815,369,000 (2018: £648,827,000)**

Refer to page 108-109 for revenue and pages 111-112 for fixed assets (accounting policies) and pages 118-119 for revenue and 128 for fixed assets (financial disclosures).

#### **The risk (1):** Volume of transactions

Revenue and meters comprise a significantly large number of low value transactions and are heavily interlinked. Essentially there is a risk that;

- revenue is being recognised from meters which are not included on the fixed asset register, therefore do not exist within the financial statements; and
- there are installed meters for which no revenue has been recognised.

The risk is heightened particularly at period end in relation to the timing of meter installations and/or where meters have churned to other energy suppliers.

## 2 Key audit matters: including our assessment of risks of material misstatement (continued)

### The risk (2): Completeness of billing provision

There is a risk that revenue is being recognised in the following cases in error:

- (a) for meters which have been taken off the wall but for which Calisen has not been notified therefore continues to bill in line with the agreement; and
- (b) for meters which have churned mid-month from one energy supplier to another, meaning there is potential for an overlap where both suppliers are billed.

**Our response:** Our audit procedures included:

1. **Data comparisons:** We utilise data and analytics procedures in analysing the significant amounts of data by:
  - (a) comparing the fixed asset register data to the billing data for the period on an individual meter basis to identify any outliers between the two data sets, which could indicate the data listings are incomplete, investigating any outliers with management; and
  - (b) on a customer level recalculating the closing trade debtor by taking opening trade debtor balances, the billing data and considering cash listings (payments received), comparing the recalculated amount to the actual closing trade debtor position. Any anomalies were followed up with management.
2. **Tests of detail:** For sales within the Calvin Capital segment, we vouched a sample of invoices to underlying rental contracts or other customer agreements to verify that rentals were calculated and recognised accordingly. For sales within the Lowri Beck segment, these were substantively sampled and agreed back to invoice and the cash receipt from the customer. We critically assessed the adequacy of the billing provision by challenging management in respect of calculation inputs such as the billing rate and time period and agreeing the meter removal/churn date in the calculation to third party data and performing a recalculation of each provision.

### Recoverability of goodwill and intangible assets, £579,992,000 (2018: £603,254,000) and parent company investment in subsidiaries, £601,629,000 (2018: £601,629,000)

Refer to pages 110-111 (intangible assets accounting policy), page 142 (investment in subsidiaries accounting policy) and page 127 (intangible assets financial disclosures), page 130 (goodwill financial disclosures) and page 143 (investments in subsidiaries financial disclosures).

**The risk:** Subjective estimate

Goodwill and intangible assets in the Group and parent company investment in subsidiaries are the most quantitatively significant items on the Group and parent company balance sheet respectively, and their recoverability is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

This is considered to be one of the areas that had the greatest effect on our overall Group and parent company audits due to their materiality in the context of the Group and parent company financial statements and due to the inherent significant judgements involved in the impairment test.

The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the recoverable amount of these balances had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 22) disclose the sensitivity estimated by the Group.

**Our response:** Our audit procedures included:

1. **Historical comparisons:** assessing the reasonableness of the forecasts by considering the historical accuracy of previous forecasts.
2. **Our sector experience:** assessing whether assumptions used, in particular those relating to forecast revenue growth, profit margins and capital expenditure, reflected our knowledge of the business, including known or probable changes in the business environment.
3. **Test of details and sensitivity analysis:** We obtained the discounted cash flow workings and reviewed management's sensitivities. We also assessed the appropriate inputs building up these forecasts including the challenge of management drawing on historic data and own research. Inputs assessed included terminal growth value, discount rate, and the period of cash flows included within the model.
4. **Assessing transparency:** assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill and other intangible assets.

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

The materiality for the Group financial statements as a whole was set at £10m (2018: £10m), determined with reference to a benchmark of Group total assets of £1.5bn (2018: £1.4bn), of which it represents 0.7% (2018: 0.7%).

The materiality for the parent company financial statements as a whole was set at £3.8m (2018: £6m), determined with reference to a benchmark of total assets of £602.4m (2018: £602.2m), of which it represents 0.6% (2018: 1%).

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £0.5m (2018: £0.5m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 31 (2018: 30) reporting components, the Group subsidiaries, we subjected 18 (2018: 19) to full scope audits for Group purposes.

We conducted reviews of financial information (including enquiry) at a further two (2018: 0) non-significant components to obtain further coverage. These components were not individually financially significant enough to require an audit for Group reporting purposes.

The components within the scope of our work accounted for the following percentages of the Group's results:

	Number of components		Group revenue		Group profit before tax		Group total assets	
	2019	2018	2019	2018	2019	2018	2019	2018
Audits and specified procedures for group reporting purposes	18	19	98%	100%	94%	100%	97%	100%
Reviews of financial information (including enquiry)	2	–	–%	–%	2%	–%	2%	–%
<b>Total</b>	<b>20</b>	<b>19</b>	<b>98%</b>	<b>100%</b>	<b>96%</b>	<b>100%</b>	<b>99%</b>	<b>100%</b>

The work on all components including the audit of the parent company was performed by KPMG LLP Manchester to the materiality level specified above.

### 4 We have nothing to report on going concern

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

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- compliance with loan requirements in order to retain access to funding; and
- the availability of meters and ability for these to be installed and resulting ability to fulfill contractual obligations.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

## **5 We have nothing to report on the other information in the Annual Report**

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### **Strategic Report and Directors' Report**

Based solely on our work on the other information:

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

### **Disclosures of emerging and principal risks and longer-term viability**

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the medium term viability statement on page 60 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks and uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the medium term viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

### **Corporate governance disclosures**

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

## 6 We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## 7 Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 94, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

---

**Stuart Burdass (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants**

1 St Peter's Square  
Manchester  
M2 3AE

21 April 2020

# Consolidated income statement and statement of comprehensive income

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

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

	Notes	At 31 December	
		2019 £'000	2018 £'000
<b>Assets</b>			
Non-current assets			
Intangible assets	19	579,992	603,254
Property, plant and equipment	20	820,998	649,696
Deferred tax asset	15	44	39
Derivative financial instruments	23	1,062	5,970
		<b>1,402,096</b>	<b>1,258,959</b>
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
		<b>107,693</b>	<b>111,596</b>
<b>Total assets</b>		<b>1,509,789</b>	<b>1,370,555</b>
<b>Liabilities</b>			
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
		<b>149,001</b>	<b>113,570</b>
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
		<b>1,563,634</b>	<b>1,379,702</b>
<b>Total liabilities</b>		<b>1,712,635</b>	<b>1,493,272</b>
<b>Equity</b>			
Called up share capital	30	1,036	1,036
Share premium account		17,988	17,988
Retained deficit		(221,870)	(141,741)
<b>Total equity</b>		<b>(202,846)</b>	<b>(122,717)</b>
<b>Total equity and liabilities</b>		<b>1,509,789</b>	<b>1,370,555</b>

The financial statements on pages 102 to 144 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 £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
Attributable to equity holders of the parent:				
<b>At 1 January 2018</b>	<b>1,036</b>	<b>17,988</b>	<b>(79,220)</b>	<b>(60,196)</b>
Loss for the period and total comprehensive loss	-	-	(62,521)	(62,521)
<b>At 31 December 2018</b>	<b>1,036</b>	<b>17,988</b>	<b>(141,741)</b>	<b>(122,717)</b>
Loss for the period and total comprehensive loss	-	-	(80,129)	(80,129)
<b>At 31 December 2019</b>	<b>1,036</b>	<b>17,988</b>	<b>(221,870)</b>	<b>(202,846)</b>

# Consolidated Statement of Cash Flows

	Notes	Year ended 31 December	
		2019 £'000	2018 £'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	12	(175)	(181)
Finance expense	12	109,097	91,365
Loss on disposal of property, plant and equipment	6	6,901	6,096
Interest received	12	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
<b>Net cash flows from operating activities</b>		<b>129,945</b>	<b>52,276</b>
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)	-
<b>Net cash flows used in investing activities</b>		<b>(263,321)</b>	<b>(135,527)</b>
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)
<b>Net cash flows from financing activities</b>		<b>112,094</b>	<b>72,935</b>
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) (the “Company”) 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 the Company 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.

**1. Basis of preparation (continued)**

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.

## 2. Significant accounting policies (continued)

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.

## 2. Significant accounting policies (continued)

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.

## 2. Significant accounting policies (continued)

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.

## 2. Significant accounting policies (continued)

### 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 administered funds.

## 2.17 Provisions

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

The Group occupies a number of properties under leases containing dilapidation obligations. 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. Significant accounting policies (continued)

### 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:

Year ended 31 December 2019	Calvin Capital £'000	Lowri Beck £'000	Total £'000
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)
<b>Total revenue from external customers</b>	<b>189,703</b>	<b>19,054</b>	<b>208,757</b>
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)
<b>Segment gross profit/(loss)</b>	<b>97,340</b>	<b>(238)</b>	<b>97,102</b>
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)
<b>Segment operating profit/(loss)</b>	<b>30,884</b>	<b>(4,192)</b>	<b>26,692</b>
Finance income/(expense)	(108,274)	(648)	(108,922)
<b>Profit/(loss) before tax</b>	<b>(77,390)</b>	<b>(4,840)</b>	<b>(82,230)</b>
Tax credit	2,086	15	2,101
<b>Profit/(loss) for the period</b>	<b>(75,304)</b>	<b>(4,825)</b>	<b>(80,129)</b>
<b>Capital expenditure</b>	<b>275,590</b>	<b>165</b>	<b>275,755</b>

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

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

## 5. Segmental reporting (continued)

### 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 £'000	2018 £'000
<b>Geographical markets</b>		
UK	1,400,990	1,252,950
<b>Total</b>	<b>1,400,990</b>	<b>1,252,950</b>

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 £'000	2018 £'000
<b>Revenue from contracts with customers</b>		
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
<b>Geographical markets</b>		
UK	208,757	161,613
Australia	–	533
Total revenue	208,757	162,146
<b>Timing of revenue recognition</b>		
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 £'000	2018 £'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)	–
<b>Total cost of sales</b>	<b>(111,655)</b>	<b>(82,697)</b>

## 8. Administrative expenses

Included in administrative expenses are the following:

	Year ended 31 December	
	2019 £'000	2018 £'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)
<b>Total administrative expenses</b>	<b>(16,771)</b>	<b>(13,254)</b>

Overheads are predominantly made up of legal and professional fees.

## 9. Auditor's remuneration

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

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

## 10. Employee benefits expense

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

	Year ended 31 December	
	2019 £'000	2018 £'000
<b>Included in cost of sales</b>		
Wages and salaries	(15,138)	–
Social security costs	(1,247)	–
Defined contribution costs	(289)	–
<b>Included in administrative expenses</b>		
Wages and salaries	(6,348)	(4,894)
Social security costs	(866)	(668)
Defined contribution costs	(624)	(503)
<b>Total employee benefits expense</b>	<b>(24,512)</b>	<b>(6,065)</b>

Employee benefits expense for the year ended 31 December 2019 includes, within cost of sales, the expense for Lowri Beck from the date of acquisition.

The average monthly full time equivalent number of employees and the number of employees as at 31 December during the periods set out below were made up as follows:

	Year ended 31 December			
	2019		2018	
	Average No.	At 31 December	Average No.	At 31 December
Management and administration	238	619	38	43
Operational Staff	404	1,129	–	–
	<b>642</b>	<b>1,748</b>	<b>38</b>	<b>43</b>

The period end figures are provided in addition to the time weighted average during the year due 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 £'000	2018 £'000
Salaries and short-term benefits	(2,197)	(1,776)
Defined contribution costs	(114)	(114)
	<b>(2,311)</b>	<b>(1,890)</b>

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 £'000	2018 £'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)
Interest payable on shareholder loans	(53,191)	(50,587)
Unwinding of discount on lease liabilities	(219)	(72)
<b>Total finance cost</b>	<b>(108,922)</b>	<b>(91,184)</b>

### 13. Other operating expenses

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

### 14. Taxation

	Year ended 31 December	
	2019 £'000	2018 £'000
<b>Current tax</b>		
Current tax on Profit/(loss) for the year	(2,101)	(2,466)
Adjustment in respect of prior periods	49	(120)
<b>Total current tax charge</b>	<b>(2,052)</b>	<b>(2,586)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	7,528	6,565
Tax rate changes	36	(707)
Adjustment in respect of prior periods	(3,411)	(18)
<b>Total deferred tax credit</b>	<b>4,153</b>	<b>5,840</b>
<b>Tax credit on profit on ordinary activities</b>	<b>2,101</b>	<b>3,254</b>

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 £'000	2018 £'000
Accounting loss before tax	(82,230)	(65,775)
At the UK's standard rate of corporation tax of 19%	15,618	12,497
<b>Effects of:</b>		
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	-
<b>Total tax credit/(charge)</b>	<b>2,101</b>	<b>3,254</b>

#### Factors that may affect future tax charges

The standard rate of UK corporation tax on ordinary activities was 19% in the year ended 31 December 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 £'000	2018 £'000
<b>Opening deferred tax liability</b>	(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	–
<b>Closing deferred tax liability</b>	<b>(86,466)</b>	<b>(90,181)</b>

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 £'000	2018 £'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 £'000	2018 £'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
<b>Deferred tax liability</b>	<b>(86,466)</b>	<b>(90,181)</b>

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 £'000	2018 £'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)	–
Deferred tax on IFRS 16 lease adjustments	5	14
<b>Deferred tax credit</b>	<b>4,153</b>	<b>5,840</b>

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 vendor 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:

## 16. Business Combinations (continued)

	Fair value recognised at acquisition £'000	Measurement period adjustments £'000	Fair value recognised after measurement period adjustments £'000
<b>Assets</b>			
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
Trade and other receivables	13,411	396	13,807
Deferred tax asset	15	–	15
	39,008	(77)	38,931
<b>Liabilities</b>			
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
<b>Purchase consideration</b>			
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
<b>Total consideration</b>	<b>11,050</b>	<b>720</b>	<b>11,770</b>
	Fair value recognised at acquisition £'000	Measurement period adjustments £'000	Fair value recognised after measurement period adjustments £'000
<b>Analysis of cash flows on acquisition</b>			
Cash consideration relating to business combination	(6,150)	–	(6,150)
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
<b>Net cash flow on acquisition</b>	<b>(6,472)</b>	<b>–</b>	<b>(6,472)</b>

## 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
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
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

## 17. Group information (continued)

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 £'000	Brand £'000	Customer contracts £'000	Software £'000	Costs to obtain contracts with customers £'000	Development costs £'000	Total £'000
<b>Cost or valuation</b>							
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 £'000	Brand £'000	Customer contracts £'000	Software £'000	Costs to obtain contracts with customers £'000	Development costs £'000	Total £'000
<b>Accumulated amortisation</b>							
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
<b>Net book value</b>							
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 £'000	Other fixed assets £'000	Total £'000
<b>Cost or valuation</b>			
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
<b>Accumulated depreciation</b>			
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
<b>Net book value</b>			
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 £'000	Right-of-use asset vehicles £'000	Total £'000
<b>Cost</b>			
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
<b>Accumulated depreciation</b>			
At 1 January 2018	88	–	88
Depreciation	96	–	96
At 31 December 2018	184	–	184
Depreciation	357	294	651
At 31 December 2019	541	294	835
<b>Net book value</b>			
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 £'000	2018 £'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
<b>Maturity analysis – contractual undiscounted cash flows</b>	
Less than 1 year	1,607
Between 1 and 5 years	3,103
More than 5 years	1,660
<b>Total undiscounted lease liabilities at 31 December 2019</b>	<b>6,370</b>
<b>Lease liabilities included in the statement of financial position at 31 December 2019</b>	<b>5,042</b>

## 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 £'000	2018 £'000
Calvin Capital	78,238	78,238
Lowri Beck	1,154	–
<b>Total goodwill</b>	<b>79,392</b>	<b>78,238</b>

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 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 £'000	2018 £'000
<b>Derivatives not designated as hedging instruments</b>		
Interest rate swap	963	4,633
Interest rate cap	99	1,337
<b>Total financial assets at fair value through the profit or loss</b>	<b>1,062</b>	<b>5,970</b>
<b>Financial assets at amortised cost</b>		
Trade receivables (note 25)	33,850	19,030
Total financial assets	34,912	25,000
<b>Total current</b>	<b>33,850</b>	<b>19,030</b>
<b>Total non-current</b>	<b>1,062</b>	<b>5,970</b>

Derivatives not designated as hedging instruments reflect the positive change in fair value of those interest rate swaps and caps that are not designated in hedge relationships, but are, nevertheless, intended to reduce interest rate risk on debt instruments. Movements in the fair value are recorded in the Consolidated income statement.

### 23.2 Interest bearing loans and borrowings

	At 31 December	
	2019 £'000	2018 £'000
<b>Current interest-bearing loans and borrowings</b>		
Senior debt facilities	94,016	89,507
Liability to factoring company	5,156	–
Lease liabilities	1,264	–
Equity bridge loan	(607)	(1,562)
<b>Total current interest-bearing loans and borrowings</b>	<b>99,829</b>	<b>87,945</b>
<b>Non-current interest-bearing loans and borrowings</b>		
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	223,708	200,994
<b>Total non-current interest-bearing loans and borrowings</b>	<b>1,444,320</b>	<b>1,266,905</b>
<b>Total interest-bearing loans and borrowings</b>	<b>1,544,149</b>	<b>1,354,850</b>

#### 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.

## 23. Financial instruments (continued)

### 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:

	<b>31 December 2019</b>
	<b>£'000</b>
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) – Calisen Group Limited (formerly Calvin Capital Group Holdings Limited), Meter Fit (North East) Limited, Meter Fit (North West) Limited, Meter Fit 2 Limited, Meter Fit 3 Limited and Meter Fit 4 Limited 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 £'000	2018 £'000
<b>Derivatives not designated as hedging instruments</b>		
Interest rate swaps	32,368	22,577
<b>Total financial liabilities at fair value through profit and loss</b>	<b>32,368</b>	<b>22,577</b>
<b>Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings</b>		
Trade payables	17,828	14,923
Deferred consideration	720	–
<b>Total other financial liabilities</b>	<b>50,916</b>	<b>37,500</b>
<b>Total current</b>	<b>18,548</b>	<b>14,923</b>
<b>Total non-current</b>	<b>32,368</b>	<b>22,577</b>

Derivatives not designated as hedging instruments reflect the negative change in fair value of those interest rate swaps and caps that are not designated in hedge relationships, but are, nevertheless, intended to reduce interest rate risk for debt instruments. Movements in the fair value are recorded in the Consolidated income statement.

### 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 £'000	2018 £'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 £'000	2018 £'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.

## 23. Financial instruments (continued)

### 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 £820.4 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 £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'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. Financial instruments (continued)

## 23.6 Changes in liabilities arising from financing activities

	At 1 January 2019 £'000	Cash flows £'000	Acquisition £'000	New leases £'000	Changes in fair value £'000	Other £'000	At 31 December 2019 £'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
<b>Total</b>	<b>1,372,380</b>	<b>111,875</b>	<b>18,290</b>	<b>1,657</b>	<b>14,699</b>	<b>61,596</b>	<b>1,580,497</b>

	At 1 January 2018 £'000	Cash flows £'000	Acquisition £'000	New leases £'000	Changes in fair value £'000	Other £'000	At 31 December 2018 £'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
<b>Total</b>	<b>1,292,823</b>	<b>72,934</b>	<b>–</b>	<b>–</b>	<b>(19,035)</b>	<b>25,658</b>	<b>1,372,380</b>

The 'Other' column includes the effect of reclassification of the non-current portion of interest-bearing loans and borrowings, the effect of accrued but not yet paid interest on interest-bearing loans and borrowings and accrued interest on lease liabilities. The Group classifies interest paid as cash flows from operating activities.

## 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 £'000	2018 £'000
Interest bearing loans and borrowings	1,544,149	1,354,850
Trade creditors	17,828	14,923
Cash	(50,315)	(71,597)
	<b>1,511,662</b>	<b>1,298,176</b>
Share capital and share premium	19,024	19,024
<b>Total capital plus net debt</b>	<b>1,530,686</b>	<b>1,317,200</b>
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 £'000	2018 £'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
	<b>42,691</b>	<b>25,902</b>

The carrying value of the Group's trade and other receivables approximates to their fair value.

The Group's credit risk is primarily attributable to trade receivables. The amounts presented in the consolidated statement of financial position are net of any loss allowance. The total loss provisions 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 £'000	Expected loss rate 2019 %	31 December 2018 £'000	Expected loss rate 2018 %
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)	
<b>Net carrying amount</b>	<b>33,850</b>		<b>19,030</b>	

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 £'000	2018 £'000
Finished goods	1,296	-
	<b>1,296</b>	<b>-</b>

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	
	2019 £'000	2018 £'000
Cash at bank and in hand	50,315	71,597
	<b>50,315</b>	<b>71,597</b>

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

## 28. Trade and other payables

	At 31 December	
	2019 £'000	2018 £'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
	<b>49,172</b>	<b>25,625</b>

## 29. Provisions

	Dilapidations	Total
	£'000	£'000
As at 1 January 2019	-	-
Acquired through business combination	436	436
Arising during the year	-	-
<b>As at 31 December 2019</b>	<b>436</b>	<b>436</b>

## 30. Issued capital and reserves

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

## 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)

Consolidated net assets of the Group as at 31 December 2019	Adjustments				Adjustment for shareholder loan recapitalisation	Pro forma
	Adjustment for issue of ordinary shares	Adjustments in respect of IPO related costs	Adjustment for debt restructuring			
Note 1 £'000	Note 2 £'000	Note 3 £'000	Note 4 £'000	Note 5 £'000	Note 6 £'000	
<b>Non-current assets</b>						
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
<b>Current assets</b>						
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
<b>Total assets</b>	<b>1,509,789</b>	<b>300,000</b>	<b>(10,370)</b>	<b>(228,204)</b>	<b>–</b>	<b>1,571,215</b>
<b>Current liabilities</b>						
Trade creditors	(17,828)	–	–	–	–	(17,828)
Other creditors	(31,344)	–	–	–	–	(31,344)
Interest bearing loans and borrowings	(99,829)	–	–	–	–	(99,829)
	(149,001)	–	–	–	–	(149,001)
<b>Non-current liabilities</b>						
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)
<b>Total liabilities</b>	<b>(1,712,635)</b>	<b>–</b>	<b>–</b>	<b>226,426</b>	<b>705,490</b>	<b>(780,719)</b>
<b>Net (liabilities)/assets</b>	<b>(202,846)</b>	<b>300,000</b>	<b>(10,370)</b>	<b>(1,778)</b>	<b>705,490</b>	<b>790,496</b>
<b>Equity</b>						
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
<b>Total equity</b>	<b>(202,846)</b>	<b>300,000</b>	<b>(10,370)</b>	<b>(1,778)</b>	<b>705,490</b>	<b>790,496</b>

#### Notes

- The net liabilities of Calisen Group Holdings Limited as at 31 December 2019 have been extracted from the Audited Statement of Financial Position.
- The adjustment reflects the cash proceeds from the issue of ordinary shares in Calisen plc.
- 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.
- 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.
- The adjustment 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.
- 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
<b>Assets</b>			
Non-current assets			
Investments in subsidiaries	3	601,629	601,629
		<b>601,629</b>	<b>601,629</b>
Current assets			
Trade and other receivables		2	–
Cash and cash equivalents	4	809	649
		<b>811</b>	<b>649</b>
<b>Total assets</b>		<b>602,440</b>	<b>602,278</b>
<b>Liabilities</b>			
Current liabilities			
Trade creditors	5	–	2
Other creditors	5	252	131
		<b>252</b>	<b>133</b>
Non-current liabilities			
Interest bearing loans and borrowings	6	705,490	652,135
		<b>705,490</b>	<b>652,135</b>
<b>Total liabilities</b>		<b>705,742</b>	<b>652,268</b>
<b>Equity</b>			
Called up share capital	7	1,036	1,036
Share premium account		17,987	17,987
Retained deficit		(122,325)	(69,013)
<b>Total equity</b>		<b>(103,302)</b>	<b>(49,990)</b>
<b>Total equity and liabilities</b>		<b>602,440</b>	<b>602,278</b>

## 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 £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
<b>At 1 January 2018</b>	<b>1,036</b>	<b>17,987</b>	<b>(43,423)</b>	<b>(24,400)</b>
Loss for the period and total comprehensive loss	–	–	(25,590)	(25,590)
<b>At 31 December 2018</b>	<b>1,036</b>	<b>17,987</b>	<b>(69,013)</b>	<b>(49,990)</b>
Loss for the period and total comprehensive loss	–	–	(53,312)	(53,312)
<b>At 31 December 2019</b>	<b>1,036</b>	<b>17,987</b>	<b>(122,325)</b>	<b>(103,302)</b>

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

# Notes to the Company Financial Statements

## 1. Basis of preparation

Calisen Group Holdings Limited (formerly CCH1 Limited) (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
<b>Cost</b>	
At 31 December 2018 and 31 December 2019	601,629
<b>Net book value</b>	
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 £'000	2018 £'000
Cash and cash equivalents	809	649
	<b>809</b>	<b>649</b>

**5. Trade and other payables**

	At 31 December	
	2019 £'000	2018 £'000
Trade payables	–	2
Other payables	252	131
	<b>252</b>	<b>133</b>

**6. Interest bearing loans and borrowings**

	At 31 December	
	2019 £'000	2018 £'000
<b>Non-current interest-bearing loans and borrowings</b>		
Shareholder loan	705,490	652,135
<b>Total non-current interest-bearing loans and borrowings</b>	705,490	652,135
<b>Total interest-bearing loans and borrowings</b>	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
<b>Allotted, called up and fully paid</b>		
1,036,412 ordinary shares of £1 each	1,036	1,036
	<b>1,036</b>	<b>1,036</b>

## 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, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The consolidated financial statements for the Company 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 the Company by Evergreen Energy Limited were transferred to Calisen plc. KKR Infrastructure II Limited remains the ultimate controlling entity 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, 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 the Company 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 the Company undertook a capital reduction reducing share premium by £968,287,000 with a corresponding increase to distributable reserves.

# Other Information

# Other Information

---

147	Alternative performance measures
148	Definitions and abbreviations
152	Shareholder information

## Alternative Performance Measures

These Annual Report and Accounts include financial measures that are not defined or recognised under IFRS or UK GAAP, all of which Calisen considers to be alternative performance measures (“APMs”). These are reconciled to the statutory results in the Business Review section of the Strategic Report.

The APMs are used by the Board and management to analyse business and financial performance, track the Group’s progress and help develop long-term strategic plans. The APMs provide additional information to investors and other external stakeholders to enhance their understanding of Calisen’s results of operations as supplemental measures of performance and liquidity.

Descriptions of APMs used in these Annual Report and Accounts, including their basis of calculation, are set out below.

<b>Adjusted EBITDA</b>	Profit/(loss) for the period adjusted for taxation, finance income/(expenses), depreciation, amortisation, profit/(loss) on disposal of non-current assets, foreign exchange and significant costs that are one-off in nature;
<b>Underlying EBITDA</b>	Adjusted EBITDA less compensation income. Compensation income is received from relevant contractual arrangements where meters are prematurely removed, and, as a consequence, reflects income that would have otherwise been earned in future periods. Given the limited timeframe of the SMIP as currently described in legislation, the Directors deem compensation income to be a line item that may not consistently be significant in the future. Because compensation income has arisen as a result of the removal of traditional meters in order to replace them with smart meters, it is expected that compensation income will decrease over time as the number of traditional meters decreases;
<b>Underlying EBITDA Margin</b>	Underlying EBITDA as a percentage of revenue;
<b>FFO</b>	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 letters of credit facilities (on the basis that they were repaid on Admission and do not form part of Calisen’s capital structure subsequent to Admission) 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 were repaid on Admission, any movements in payables where the creditor relates to capital expenditure, which have agreed funding arrangements in place to cover the Group’s contractual commitments, and any items to the extent they relate to non-trading items such as compensation debtors or capital expenditure creditors, including related VAT balances. Being derived from underlying EBITDA, FFO also does not include compensation income. Capital expenditure creditors are excluded on the basis that they are fully funded;
<b>Cash conversion</b>	FFO as a percentage of Underlying EBITDA;
<b>Net debt</b>	The sum of senior debt and equity bridge loans, less cash. Therefore, Net Debt includes bank borrowings and equity bridge loans, net of cash and excludes trade payables and debt issue costs; and
<b>Adjusted net debt</b>	Net debt less shareholder loans.

## Definitions and abbreviations

The following definitions and abbreviations apply throughout this report unless the context otherwise requires:

<b>Admission</b>	means the admission of the shares of Calisen plc to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange which became effective on 12 February 2020;
<b>AGM</b>	means Annual General Meeting;
<b>Annual Report on Remuneration</b>	means the report prepared in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 (as amended);
<b>APMs (or "Alternative Performance Measures")</b>	means alternative performance measures, being a financial measure not defined or recognised under IFRS;
<b>ARPM</b>	means average revenue per meter;
<b>Audit and Risk Committee</b>	means the audit and risk committee of the Board;
<b>Auditor</b>	means KPMG LLP;
<b>BEIS</b>	means the Department for Business, Energy and Industrial Strategy;
<b>Big 6 Energy Retailers (or "Big 6")</b>	means British Gas, EDF, E.ON, npower, Scottish Power and SSE, or any of their respective affiliates, parents or subsidiaries, as applicable, that collectively refer to the largest energy retailers in Britain;
<b>Board</b>	means the board of directors of the Company (being Calisen plc or Calisen Group Holdings Limited as the context requires) from time to time;
<b>Brexit</b>	means the UK's exit from the EU;
<b>British Gas</b>	means British Gas Trading Limited, or the group consisting of British Gas Trading Limited and its affiliates, parents or subsidiaries, as applicable;
<b>CAGR</b>	means Compound Annual Growth Rate;
<b>Calisen</b>	means Calisen plc and its subsidiaries;
<b>Calvin Capital</b>	means Calvin Capital Limited and its subsidiaries;
<b>CEO</b>	means chief executive officer;
<b>CFO</b>	means chief financial officer;
<b>CGH Group</b>	means Calisen Group Holdings Limited (formerly CCH1 Limited) and its subsidiaries;
<b>CGU</b>	means cash-generating unit;
<b>Chair</b>	means the chair of the Company;
<b>CHL Group</b>	means Calisen Holdco Limited (formerly Calvin Capital Holdco Limited) and its subsidiaries;
<b>CODM</b>	means Chief Operating Decision Maker;
<b>Companies Act 2006 (or "the Act")</b>	means the Companies Act 2006 of England and Wales, as amended from time to time;
<b>Company</b>	means Calisen plc (other than in the Directors' Report and the Financial Statement sections) and Calisen Group Holdings Limited in the Directors' Report, the Financial Statement sections and where the context so requires;
<b>Corporate Governance Code (or the "Code")</b>	means the UK Corporate Governance Code published in July 2018 by the Financial Reporting Council, as amended from time to time;
<b>Directors</b>	means the directors of the Company and "Director" means any one of them;
<b>Disclosure Guidance And Transparency Rules</b>	means the disclosure guidance and transparency rules made by the FCA under Part VI of FSMA (as set out in the FCA Handbook), as, from time to time, amended;
<b>Dragon</b>	means Dragon Recycling Solutions;

<b>EBL</b>	means equity bridge loans;
<b>EBITDA</b>	means Earnings Before Interest, Taxes, Depreciation and Amortisation;
<b>ECLs</b>	means expected credit losses;
<b>E.ON</b>	means E.ON UK plc, or the group consisting of E.ON UK plc and its affiliates, parents or subsidiaries, as applicable;
<b>EDF</b>	means EDF Energy Customers plc, or the group consisting of EDF Energy Customers plc and its affiliates, parents or subsidiaries, as applicable;
<b>EIR</b>	means effective interest rate;
<b>Executive Directors</b>	means the executive Directors, being the CEO and the CFO, and “Executive Director” means any one of them;
<b>ERs</b>	means the elected employee representatives at Lowri Beck;
<b>ESOS</b>	means Energy Savings Opportunity Scheme;
<b>EU</b>	means the European Union;
<b>EV</b>	means electric vehicle;
<b>FCA</b>	means the Financial Conduct Authority of the UK;
<b>FFO</b>	means Funds from Operations;
<b>FRC</b>	means the Financial Reporting Council;
<b>FSMA</b>	means the Financial Services and Markets Act 2000 of England and Wales, as amended;
<b>FTE</b>	means full-time equivalent;
<b>FTSE</b>	means financial times and stock exchange;
<b>FY 2020</b>	means the period ending 31 December 2020;
<b>Group</b>	means the Company and its subsidiaries (as that term is defined in section 1159 of the Companies Act 2006);
<b>HSE</b>	means Health and Safety Executive;
<b>IASB</b>	means International Accounting Standards Board;
<b>IFRIC</b>	means International Financial Reporting Interpretations Committee as adopted in the EU;
<b>IFRS</b>	means International Financial Reporting Standards;
<b>Independent Energy Retailers (or “Independents”)</b>	means smaller energy retailers in Britain that are not Big 6 Energy Retailers;
<b>Infracapital</b>	means the European infrastructure division of M&G Investment Management Limited and M&G Alternatives Investment Management Limited and/or one or more of its affiliates (as the context requires);
<b>Independent Non-Executive Directors</b>	means the independent Non-Executive Directors of Calisen, and “Independent Non-Executive Director” means any one of them;
<b>IPO</b>	means Calisen’s initial public offering;
<b>ISAs (UK)</b>	means International Standards on Auditing (UK);
<b>KKR</b>	means Kohlberg Kravis Roberts & Co. L.P. and/or one or more of its affiliates, including funds advised by Kohlberg Kravis Roberts & Co. L.P., as the context may require;
<b>KPI</b>	means key performance indicator;
<b>KPMG</b>	means KPMG LLP;

## Definitions and abbreviations (continued)

<b>LIBOR</b>	means London Interbank Offered Rate;
<b>Listing Rules</b>	means the listing rules made by the FCA under Part VI of FSMA (as set out in the FCA Handbook), as, from time to time, amended;
<b>London Stock Exchange (or "LSE")</b>	means the London Stock Exchange plc;
<b>Lowri Beck</b>	means Lowri Beck Holdings Limited, or the group consisting of Lowri Beck Holdings Limited and its affiliates, parents or subsidiaries, as applicable;
<b>LTIP</b>	means long-term incentive plan;
<b>Major Shareholder</b>	means KKR Evergreen Aggregator L.P.;
<b>MAM</b>	means meter asset management or meter asset manager (as the context requires);
<b>MAMCOP</b>	means Meter Asset Managers Code of Practice;
<b>MAP</b>	means meter asset provision or meter asset provider (as the context requires);
<b>MD</b>	means Managing Director;
<b>MEP</b>	means the Management Equity Plan;
<b>MOCOPA</b>	means Meter Operations Code of Practice Agreement;
<b>MOP</b>	means meter operator provision or meter operator provider (as the context requires);
<b>MPC</b>	means meter provision charge;
<b>Nomination Committee</b>	means the nomination committee of the Board;
<b>Non-Executive Directors (or "NEDs")</b>	means the non-executive Directors of the Company and "Non-Executive Director" means any one of them;
<b>npower</b>	means any or all of Npower Limited, Npower Gas Limited, Npower Direct Limited, Npower Northern Supply Limited, Npower Northern Limited, Npower Yorkshire Limited and Npower Yorkshire Supply Limited, or any subset thereof, or the group consisting of any or all of such entities and their mutual or respective affiliates, parents or subsidiaries as applicable;
<b>OCI</b>	means other comprehensive income;
<b>Ofgem</b>	means Office of Gas and Electricity Markets, the regulator for gas and electricity markets in Britain;
<b>Official List</b>	means the official list maintained by the FCA;
<b>PSP (or "Performance Share Plan")</b>	means the Calisen plc Performance Share Plan;
<b>RCF</b>	means the revolving credit facility agreement of £240 million entered into on 12 February 2020 between, among others, Calisen, the financial institutions named therein as arrangers, and lenders, HSBC Bank Plc as facility agent and HSBC Corporate Trustee Company (UK) Limited as security agent;
<b>Registrar</b>	means Equiniti Limited;
<b>Relationship Agreement</b>	means the relationship agreement entered into between the Company and the Major Shareholder dated 7 February 2020;
<b>Remuneration Committee</b>	means the remuneration committee of the Board;
<b>Remuneration Policy</b>	means the Directors' remuneration policy adopted by the Company;
<b>RIDDOR</b>	means Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
<b>SAYE</b>	means Save As You Earn;
<b>Scottish Power</b>	means Scottish Power Limited, or the group consisting of Scottish Power Limited and its affiliates, parents or subsidiaries;

<b>Senior Independent Non-Executive Director (or “Senior Independent Director”)</b>	means the senior Independent Non-Executive Director of the Company;
<b>SMETS2</b>	means the second generation of Smart Metering Equipment Technical Specification;
<b>SMIP</b>	means Smart Meter Implementation Programme;
<b>SPC/SPV</b>	means project-based special purpose company or vehicle;
<b>SPPI</b>	means solely payments of principal and interest;
<b>SSE</b>	means Southern Electric Gas Limited and SSE Energy Supply Limited, or the group consisting of Southern Electric Gas Limited and SSE Energy Supply Limited and its mutual or respective affiliates, parents or subsidiaries;
<b>TSR</b>	means Total Shareholder Return;
<b>UK GAAP</b>	means Generally Accepted Accounting Practice in the UK;
<b>United Kingdom or UK</b>	means the United Kingdom of Great Britain and Northern Ireland;
<b>VAT</b>	means value added tax; and
<b>WACC</b>	means weighted average cost of capital.

### Shareholder information

#### Registrar

All administrative enquiries relating to shareholdings and requests to receive corporate documents by email should, in the first instance, be directed to Equiniti Limited.

#### Enquiries

All administrative enquiries relating to shareholdings and requests to receive corporate documents by email should, in the first instance, be directed to:

Equiniti Limited,  
Aspect House,  
Spencer Road,  
Lancing,  
West Sussex,  
BN99 6DA.

Telephone 0371 384 2030 (+44 (0) 121 415 7047 from outside the UK). Lines are open 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales). Alternatively you can log onto [www.help.shareview.co.uk](http://www.help.shareview.co.uk). From here you will be able to email your query securely.

Shareholders who receive duplicate sets of company mailings because they have multiple accounts should write to the registrar to have the accounts amalgamated.

By logging on to [www.shareview.co.uk](http://www.shareview.co.uk) and creating a shareview portfolio, you can benefit from a number of online services as follows:

- View share price and current value of shareholding;
- View shareholding details;
- View share transaction history;
- View details of dividends paid;
- Apply/change dividend mandate instruction;
- Apply/change dividend reinvestment plan mandate; and
- Change registered postal address.

You will need your shareholder reference number.

#### Share dealing services

Calisen has established a telephone and online share dealing service for UK shareholders. To use this service shareholders should contact Equiniti by telephone on 0345 603 7037. Lines are open 8am to 4.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales) or visit [www.shareview.co.uk](http://www.shareview.co.uk).



Issued by Calisen plc

Registered Office:  
5th Floor, 1 Marsden Street,  
Manchester M2 1HW

Registered in England and  
Wales no. 12383518



---

**Calisen**

5th Floor, 1 Marsden Street,  
Manchester, M2 1HW UK

[calisen.com](http://calisen.com)

---

Published in April 2020

To receive a copy,  
please contact:

[ir@calisen.com](mailto:ir@calisen.com)