

Smarter energy for all

Smart meters are a key enabler of a new decentralised and digital energy landscape in Britain. Our smart meter portfolio is expected to prevent emissions of over 9 million tons of CO₂e during its lifespan. We are moving towards a more sustainable energy landscape...

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Financial

Revenue	(£m)
2019	£208.8
2020	£248.1
2021	£268.8

Operating profit	(£m)
2019	£26.7
2020	£54.0
2021	£54.0

Capital expenditure	(£m)
2019	£274.1
2020	£171.8
2021	£231.7

Underlying EBITDA	(£m)
2019	£174.0
2020	£187.9
2021	£203.4

Profit/(loss) before tax	(£m)
2019	£(82.2)
2020	£(17.2)
2021	£44.1

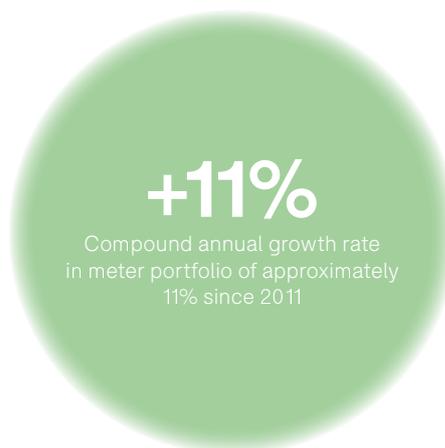
Funds From Operations ("FFO")	(£m)
2019	£135.9
2020	£155.6
2021	£187.8

Operational

Revenue-generating smart meter portfolio	(millions of meters)
2019	5.2
2020	6.0
2021	7.1

Annual growth rate in meter portfolio	(millions of meters)
2012	3.9
2013	4.2
2014	4.6
2015	5.3
2016	6.3
2017	6.8
2018	7.2
2019	8.5
2020	9.1
2021	9.8

■ Smart meters ■ Traditional meters



Calisen Group (Holdings) Limited (the “Company”, together with its subsidiaries the “Group” or “Calisen”) is a leading owner and manager of essential energy infrastructure assets. Our purpose is to accelerate the use of smarter energy.

Calisen is a leading Meter Asset Provider (“MAP”) in Great Britain, with c. 7.1 million revenue-generating smart meters and approximately 8.4 million smart meters in its expected smart meter installation pipeline as at 31 December 2021. The pipeline of meters is split between the “Large Energy Retailers” (formerly known as the “Big 6”) and the “Challenger Energy Retailers” (formerly known as “independent” energy retailers).

Our brands



Calvin Capital owns and manages metering assets.



Lowri Beck installs metering equipment and provides meter reading and associated services.



PlugMeIn

Plug Me In installs Electric Vehicle (“EV”) charging equipment nationwide.

Our operating segments

MAP Services – Operating under the Calvin Capital brand, the MAP Services segment owns and manages metering assets.

Installation Services – Operating under the Lowri Beck and Plug Me In brands, the Installation Services segment primarily covers the installation of smart domestic meters in the UK for energy suppliers and EV chargers via a highly skilled, multi-accredited engineering workforce.

Data Services – Operating under the Lowri Beck brand, Data Services primarily operates the meter reading for traditional domestic meters.



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

7.1m

revenue-generating smart meters

£25.4

average annual revenue per smart meter

87%

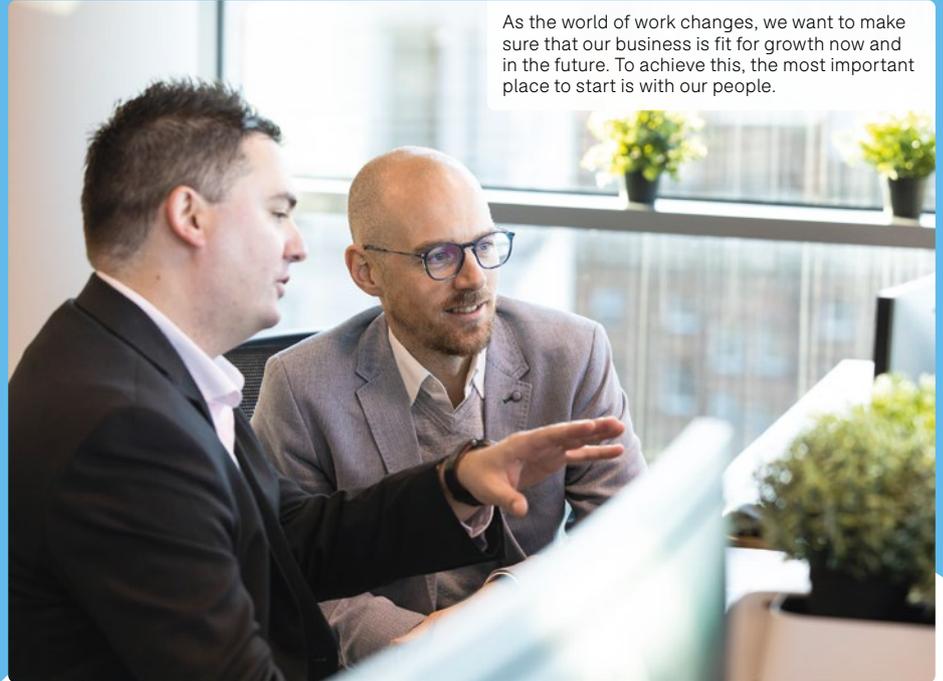
of smart meters contractually protected against early removal¹

£201

average capital expenditure per smart meter installed

8.4m

expected smart meter pipeline yet to be installed



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

Focused on Environmental, Social and Governance matters (“ESG”)

Calisen’s business is aligned with the targets of the UN Sustainable Development Goal 7 which aims to ensure access to affordable, reliable, sustainable and modern energy.

In particular, Calisen’s smart meter business supports the United Nations’ targets relating to modern energy services and doubling the global improvement in energy efficiency by 2030.

Calisen is also committed to reducing its own emissions and has undertaken a number of new sustainable projects to deliver on this commitment. As part of this, Calisen is setting out emissions reduction targets for all three scopes consistent with the UK’s Streamlined Energy and Carbon Reporting (“SECR”) requirements and the goals of the Paris Agreement, which can be seen on page 43.

The energy market faced a difficult year with sharply increasing energy prices and increasing uncertainty for both industry participants and the end consumer. As a business we are committed to doing our part to deliver a sustainable energy future and supporting our customers through this market turbulence. Calisen’s core businesses are well positioned to build on this, contributing to carbon reduction by providing energy consumers with greater understanding of their consumption and enabling the completion of a smart grid incorporating a greater mix of renewables.

 For more information, please see page 39

+14%

carbon intensity (kgCO₂e)

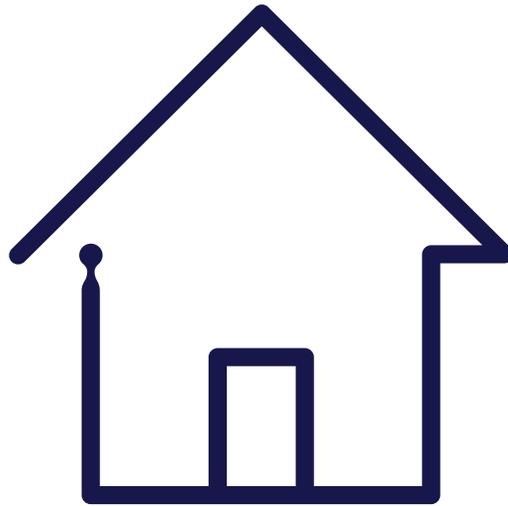
1.1 kg CO₂e

increase in carbon emissions per employee (2020: 2.4 kgCO₂e reduction)

65%

response rate to our 2021 Group-wide employee survey

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



Growing importance of digital information...

38%

of domestic meters were smart meters in smart mode in Q3 2021

10.6m

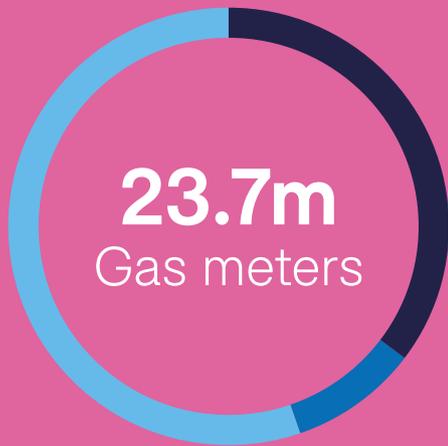
smart gas meters installed and operated across Britain

14.2m

smart electricity meters installed and operated across Britain



- Smart (smart mode) 11.7m
- Smart (trad mode) 2.5m
- Non-smart meters 14.5m



- Smart (smart mode) 8.4m
- Smart (trad mode) 2.2m
- Non-smart meters 13.1m

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

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

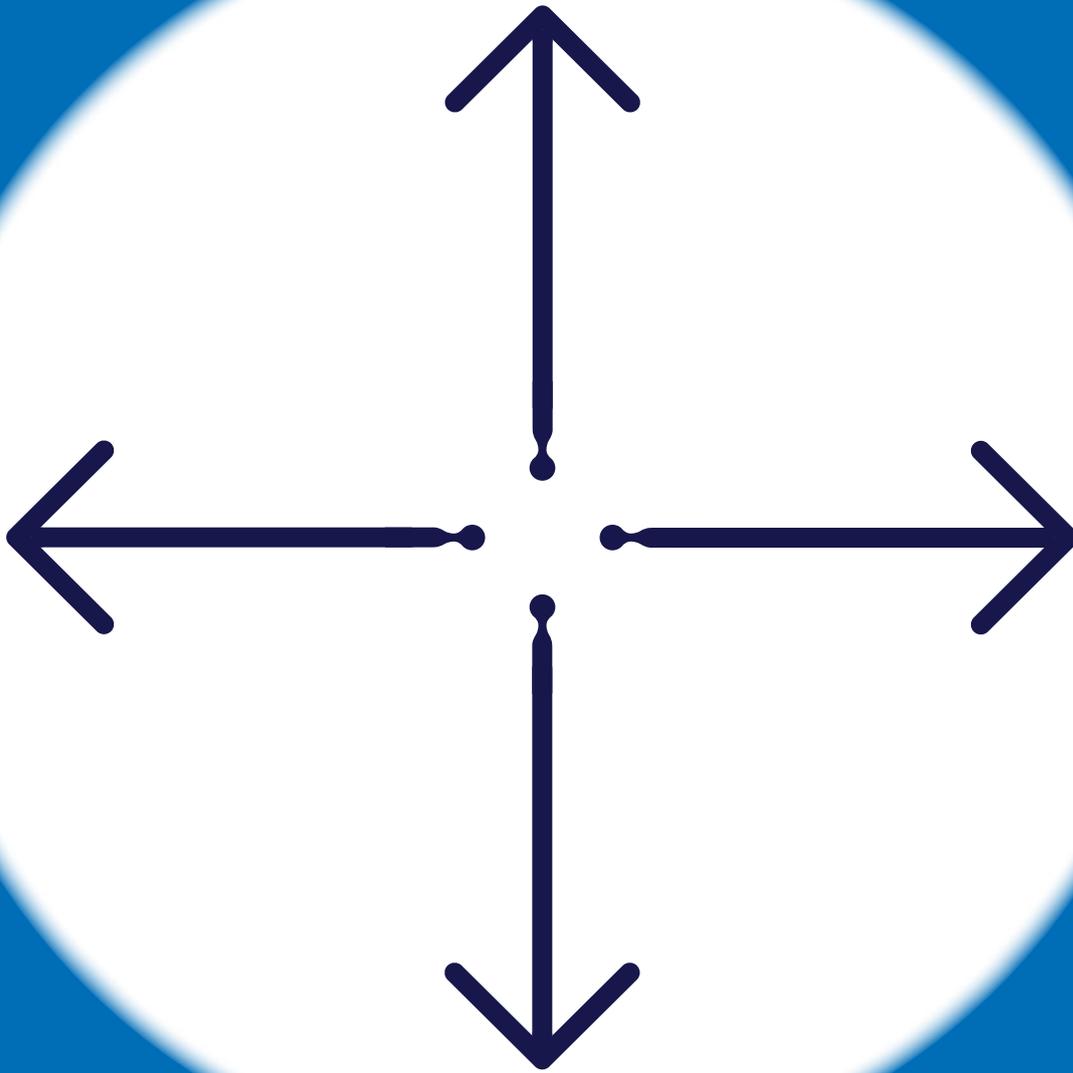
- Energy used by households in most circumstances currently costs the same at all times of the day, and so there is no motivation for consumers to balance consumption across the day. A more digital energy system should allow consumers to target energy use in the lower-demand and less costly time of the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

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

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



By allowing consumers to see their energy usage in near real time, smart meters with in-home displays can prompt changes in consumption patterns. Smart prepayment meters allow consumers to top up their meters from the comfort of their own homes.



Reflecting the shifting energy mix...



Home battery storage is one potential route to better utilise domestic electricity generation such as roof-based solar panels.

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

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



**Moving to a more
renewable future...**



Renewable energy is comprising an increasing portion of the UK's energy production, driven in part by offshore wind power.

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 achieve net zero greenhouse gas emissions by 2050. This follows the previous target of at least an 80 per cent reduction in carbon emissions versus 1990 levels.

1.7

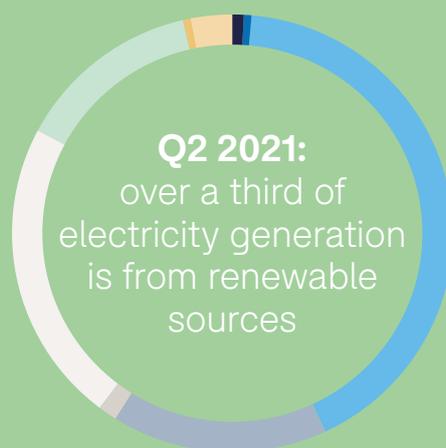
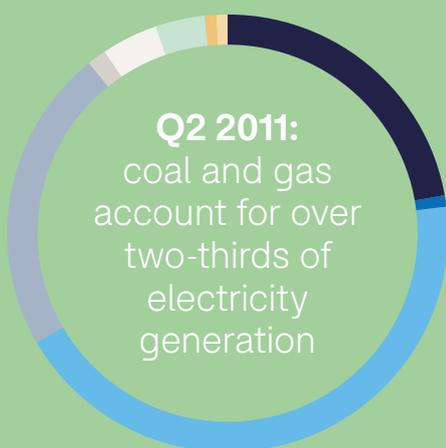
average in-person traditional meter readings annually which can be avoided by fitting smart meters

3.0%

average energy saving per smart electricity meter

2.2%

average energy saving per smart gas meter



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

Delivering a sustainable energy future



“With so much momentum behind the business, we believe the opportunities open to Calisen are significantly greater than they were even a few years ago”

Bert Pijls
Chair



One thing that has always impressed me about Calisen is its position right at the heart of the UK energy ecosystem, and the ability it has to effect change as part of its mission to accelerate the use of smarter energy. This position is becoming all the more critical as the need to decarbonise the economy rightfully takes its place as a key area of focus for the UK Government and the people of the United Kingdom. Nowhere has this renewed focus been more apparent than the 26th United Nations Climate Change Conference of the Parties (“COP26”), where a majority of countries have committed to accelerate action towards the goals of the Paris Agreement. The urgency of these goals will require the resources and skills of private enterprise to achieve, and as a major infrastructure company with a wide range of customers across the energy retail market, Calisen has an important role to play in enabling their delivery.

These ambitions come at a time of uncertainty in global energy markets, in particular the significant impact of rising gas costs and the associated changes to the energy price cap as these costs are passed on to customers. Finding a way of navigating this price volatility without creating unwelcome hardship for vulnerable households creates a significant challenge for energy retailers. Our business, being the provision of smart meters, helps to reduce energy consumption and supports our customers. We provide the access to the capital and engineering services that our customers need, as well as the managed services to make our customers' operations more efficient. We also provide additional stability in the delivery of the Smart Meter Implementation Programme (“SMIP”) given our independence from the energy retailers, as our MAP operations can focus on the delivery of the smart meter rollout, while the energy retailers focus on their core competency of serving their customers.

This independence is a key strength of our business model, allowing customer diversification, which helps to mitigate the risk of supplier insolvencies. As has been demonstrated several times during the course of 2021, when an energy retailer enters insolvency, it is subject to either the Supplier of Last Resort (“SOLR”) regime or a special administration process, by which its customers are allocated to other energy retailers.

Because the number of smart meters requiring installation does not change, Calisen's wide customer base can gain meters via the SOLR or special administration process as well as lose them, with the end result that Calisen expects that its stated pipeline of contracted meters remains stable over time. This allows us to continue installing meters in pursuit of the goal of a smart meter in every British home.

“Ultimately, for the UK to successfully transition its energy supply to renewable sources, wide adoption of smart meters is a necessity.”

While energy retailers are making good progress in delivering the SMIP, with support from Calisen, I am conscious that the burden of delivery is only growing more difficult as, generally, the simplest meter installations have been completed. It is my belief that a stronger regulatory mandate from the UK Government is required to make sure the rollout is delivered on time and to budget, and there is potential for the rollout to be significantly delayed in the absence of further Government action. Ultimately, for the UK to successfully transition its energy supply to renewable sources, wide adoption of smart meters is a necessity.

With the UK public strongly in favour of a sustainable future and asking what they can do to help following the agreements from COP26, I would reiterate that one of the easiest things they can do is to get a smart meter installed. This has a number of benefits, including empowering consumers to make energy savings and lower their energy bills, aiding the National Grid in delivering a lower carbon energy mix, and helping accelerate the adoption of other technologies that will save further carbon. With customers facing rising energy prices, this makes a lot of sense for everyone.

However, smart metering is not the only way Calisen is paving the way towards a more sustainable energy future. We have also made significant headway in supporting the adoption of electric vehicles (“EVs”), with EV chargers acting as one of the first steps to EV adoption. I was pleased to note that according to the Society of Motor Manufacturers and Traders for the month of December 2021, the market share of petrol and diesel vehicles as measured by total sales had fallen below 50 per cent, following a dramatic uptick in the sales of EVs. For the full year, the market share

of diesel and petrol vehicles had fallen to c. 55 per cent, down from 71 per cent a year prior. This clearly shows that there is public demand for EVs, and I can only believe that the trend will grow stronger over time.

With the future of mobility arriving sooner than many expected, the need for the supporting infrastructure is growing increasingly critical. During 2021, Calisen launched the Plug Me In business, which provides a one-stop-shop offering to both businesses and homeowners. By providing an end-to-end solution covering project scoping, installation, financing and maintenance, Plug Me In provides an elegant service that reduces the complexity of commissioning an EV charger. We are very excited to bring this new business to the British public, and believe it brings us significantly closer to our goal of delivering a more sustainable energy segment.



>50%

Share of non-petrol and non-diesel vehicles as percentage of total UK car sales in December 2021



None of this growth would be possible without the unwavering support we receive from our shareholders. This year saw a significant change in the ownership of the Group, when a recommended cash offer for the entire issued and to be issued share capital of Calisen plc (now Calisen Group (Holdings) Limited, the Company) was announced by Coyote Bidco Limited (now called Calisen Limited). Calisen Limited is indirectly owned by a consortium comprising Blackrock, Goldman Sachs Asset Management and Mubadala (details of Calisen's shareholders are set out on page 104).

The offer valued Calisen at 261p in cash for each Calisen share, which was an 8.7 per cent premium to the IPO price of 240p in February 2020. By way of comparison, the Total Shareholder Return of the FTSE 250 was 0.1 per cent over the same period, implying an outperformance for the Company of 8.6 per cent.

The acquisition of the Company was approved by shareholders of the listed shares at a Court-convened meeting which was held on 11 February 2021, and shares were delisted on 15 March 2021. I would like to welcome our new shareholders on board and we look forward to working closely with them. At the same time I would like to extend my sincere appreciation to our shareholders who held shares during our time as a publicly listed company.

“The offer valued Calisen at 261p in cash for each Calisen share... an outperformance for Calisen of 8.6 per cent”

With so much momentum behind the business, we believe the opportunities open to Calisen are significantly greater than they were even a few years ago. Our services are in high demand with our customers, political support is building behind a push for a sustainable energy future, and the business and its employees continue to deliver exemplary results. I would like to thank the Board and all our employees for their ongoing outstanding service, which has been instrumental in delivering the results we have.

I very much look forward to the continued success of the Group and making the most of the opportunities available to us.

Bert Pijls
Chair

Stability through turbulence



“...we remain committed to delivering the future of the UK energy markets and have worked closely with our customers to meet their needs and help them through this year's market turbulence”

Sean Latus
Chief Executive Officer



2021 has proven to be a challenging year for the energy market. Energy retailers have faced dramatic rises in wholesale energy costs, and consumers have dealt with the dual challenges of increased energy bills and the uncertainty of a number of market participants entering insolvency. For Calisen as a business, these energy retailer insolvencies have presented significant headwinds, but we remain committed to delivering the future of the UK energy markets and have worked closely with our customers to meet their needs and help them through this year's market turbulence. Our customers appreciate the quality of service they receive from the Group and the way in which we partner with them to help them meet their obligations under the SMIP.

What these difficult market conditions have highlighted for us is the importance of delivering smarter energy for all. With rising energy demands and increased focus on the impact on the environment of fossil fuel-based energy production, our smart metering portfolio is playing an increasingly important role in the UK energy landscape. Smart metering is a key tool to increase consumer understanding of their energy consumption to manage better when and how much energy they use. Not only is this beneficial for customers, it is beneficial for energy retailers and enables smarter grid management.

“Our customers appreciate the quality of service they receive from the Group and the way in which we partner with them”

Calisen is a highly resilient business. While there are short term impacts on metering installations from supplier insolvencies, our long term expectations for metering volume remains stable given our wide diversification of customers between the Large Energy Retailers and Challenger Energy Retailers. The SOLR process has kept business interruption of supplier insolvencies to a minimum, both for the energy consumer and other industry participants, and allows for continuity of supply. We have also continued to make good progress in securing increased protection for our meters following customer switching and provide certainty of pricing to our customer base.

Our customer focus has served us well through this period of disruption. We work closely with the energy retailers to deliver on their obligations, and customers have expressed their appreciation of our proactive approach of sharing the burden of tough times with them. As we participate in delivering this large-scale infrastructure project, health and safety remains a key focus for the Company, particularly given the ongoing COVID-19 situation. In 2021 our efforts have paid off as all safety KPIs are showing a 50 per cent year-on-year reduction. No activity can be totally without risk, but we strive to ensure that our operations are carried out in ways that remove unnecessary risk, and we manage any residual risk to prevent injury or harm.

This improvement is matched in operational matters by the stable growth of our smart meter portfolio. Our base of revenue-generating smart meters increased by 18.3 per cent or 1.1 million meters, despite the ongoing twin impacts of COVID-19 and supplier insolvencies, to reach 7.1 million meters at the fiscal year end. Revenue increased by 8.3 per cent to £268.8 million with FFO, our preferred measure of cash flow, increasing by 20.7 per cent to £187.8 million. Our latest management expectations for our smart meter pipeline are for 15.5 million meters by the end of the current rollout. Further, we believe our long-term customer relationships provide us with a route to a competitive position in the MAP market in Great Britain.

To support this ongoing business outperformance, Calisen has implemented a new executive committee structure around the key reporting responsibilities of Commercial and Operations, where previously the business reporting lines were arranged under the brands of Calvin Capital and Lowri Beck. The key driver of this was our intent to better serve our customers and work as one Calisen team across the Group.

The Commercial function will lead on new business development and commercial opportunities such as growing the meter asset business, delivering on new non-metering opportunities in the UK, looking for international opportunities and launching our new managed services offering to customers. The Commercial team will also look at the evolving requirements for our capital and funding structure for the organisation.



“Smart metering remains a key tool to increase consumers’ understanding of their energy consumption. This is good for customers, good for energy retailers and good for grid management.”

The Operations function will lead on ensuring that when commercial opportunities have been secured, our contracts are delivered with the right operational excellence and safety standards, building the right business capability to deliver against our contracts and ensuring that we do this safely and efficiently. In addition, the Operations function will work together with Commercial to look at ways for the business to expand its operational capability to support asset ownership as part of delivering the wider strategy.

During the year, this new approach has borne fruit as our business units went from strength to strength. In the MAP business unit, we extended several major contracts with existing customers, which increased certainty of execution of our meter pipeline. Despite several of our MAP customers entering insolvency with the associated loss of metering volumes, we were pleased to note that several of our customers were successful in winning customers from insolvency proceedings, with the net result that our pipeline remains unchanged at 15.5 million meters.

Installation Services and Data Services also had a successful year as business slowly returned to a normalised level following COVID-19. The Installation Services division won new contracts to replace those lost through retail insolvencies during the year, with our Data Services division also picking up new contract wins.

“Calisen has implemented a new executive committee structure around the key reporting responsibilities of Commercial and Operations”

“Calisen is well placed to play a key role in the future”

Building on these successes, Calisen launched a number of new business lines during 2021. In April, we launched our managed services offering, which is intended to create value for our customers by increasing their access to data and smart meter commissioning. We also launched the Plug Me In business, which provides electric vehicle charging services to consumers. The business provides a streamlined offering, from an initial site survey through managing infrastructure upgrades to the final physical installation. Reactions to this new offering have been uniformly positive, and we are looking forward to enabling more people across the UK to access these technologies and aid the transition to a more sustainable future. The business unit installed more than 200 chargers during this year, which is an impressive start for its first year of operations.

As I take up the mantle as CEO, delivery on Calisen’s promise to deliver on ESG will be a key focus for myself and the business.

- **Environment:** Environmental matters are at the heart of who we are as Calisen. This year we have set out our objectives to endeavour to achieve net zero emissions by 2030, significantly ahead of the UK’s emissions targets to be net zero by 2050. As part of this, we have started to transition our van fleet to EV and switched all energy supply of company offices to green tariffs.
- **Social:** We undertake significant social outreach via our work with Manchester Youth Zone. As an example of this, in October, a number of our employees participated in volunteering and fundraising as part of a “Calisen takeover day” at which a number of cooking sessions, sports and art and crafts activities were held.
- **Governance:** On the governance front, we welcome our new shareholders at Calisen Limited, who acquired Calisen during 2021. These shareholders have stated their full support for Calisen’s strategy and are believers in the Company given its strong track record and central position in the UK energy industry, and we are very pleased to be working alongside them.

As this is my first update as CEO, I would like to take the opportunity to personally thank Bert Pijls, our outgoing CEO for his leadership and guidance through the years. Having had the opportunity to work closely with Bert as a member of his team, I have learned a lot from him and I know that as a business, we will continue to have his support and guidance as he steps into the role of Chair for the Group.

I would also like to thank our customers for their continued support, as well as my colleagues for their continued hard work, dedication and passion in delivering for our customers. While the waters in which we operate are choppy, I am very excited about delivering on Calisen’s long-term strategic aim to deliver a sustainable energy landscape. The business continues to build its portfolio of smart meters, having installed more than one million smart meters during the year, which empowers consumers, increases awareness of energy consumption and aids in the reduction of carbon emissions and bills. As the country looks to transition to new technologies, Calisen is well placed to play a key role in the future, and I am pleased to support the business as it grows.

Sean Latus
Chief Executive Officer

Market share of energy retailers over time

Calisen's primary market is meter provision. 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.

Role and benefits of smart meters

Smart meters provide the opportunity for two-way communication between energy retailers and the meter itself. The introduction of smart meters into the British energy system is a step change in the way energy is provided to consumers, allowing customers to measure and effectively monitor their energy consumption. As Britain moves to a more decentralised energy system, smart meters are believed to be a key enabler of change as they allow for consumption measurements in near real time, permitting variable pricing mechanisms in order to manage demand, primarily in the electricity segment.

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

Society: load shifting and associated improvements in 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 in the mix due to the aforementioned load shifting;

Consumers: increased billing accuracy through rapid data collection and transfer, with the potential for lower energy bills from improved grid management, a cheaper and simpler switching process, and improved pricing transparency to allow more informed decisions on switching to be made;

Vulnerable and/or elderly consumers can top up prepayment smart meters without leaving the house during periods of adverse weather or if shielding from COVID-19; and

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

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

Meter Asset Providers

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

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

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

MAP segment participants

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

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

Smart Meter Implementation Programme (“SMIP”)

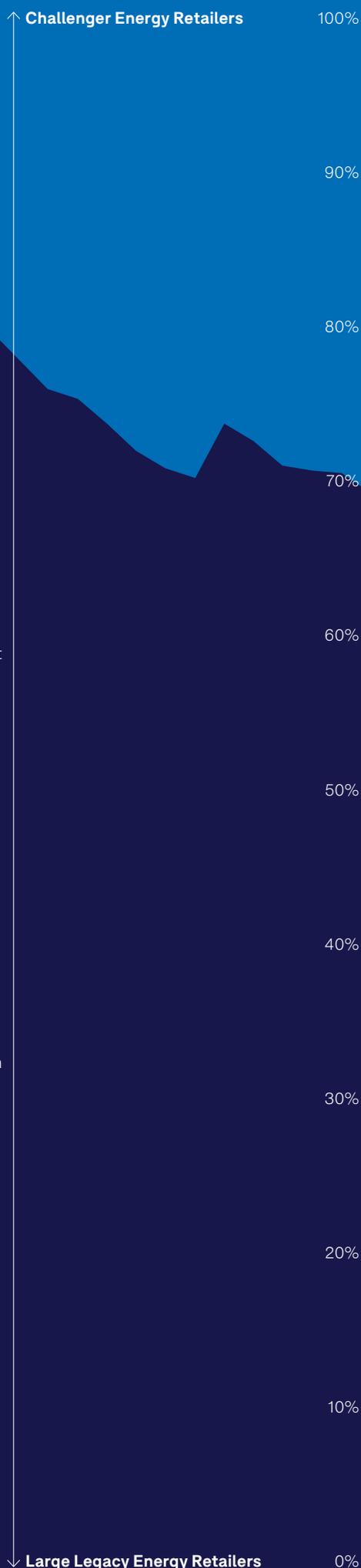
Government policy requires energy retailers to offer to install gas and electricity smart meters in domestic and smaller non-domestic properties in Britain. The aim was to complete installation by December 2020.

The SMIP targeted the replacement of approximately 52 million traditional meters across domestic and small non-domestic premises. During 2018, the UK Government extended the duration of its powers to 2023 through the Smart Meter Act 2018, in order to ensure oversight of the completion of the roll-out and help consumers get the most from their smart meters. In September 2019, the UK Government released a consultation document, outlining its intention for a new regulatory regime for the period from 2021 to 2024. On 18 June 2020, BEIS published its response to this consultation with the introduction of a new regulatory framework for energy retailers beyond 2020, when the current “All Reasonable Steps” supplier installation obligation comes to an end.

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

The BEIS response postponed the end of the current obligation by six months to the end of June 2021, postponed the start of the new four-year regulatory framework and postponed the ultimate completion of the consultation itself. This means that the deadline for the completion of the SMIP, which had been expected to be the end of December 2024, is now the end of June 2025. As part of this review, all energy retailers are set annual installation targets on a trajectory towards market-wide roll-out, subject to an annual tolerance level. The annual targets proposals from BEIS support the continued smart meter roll-out and look to provide a path to 100 per cent smart meter coverage in Britain.

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



Energy retail segment dynamics

Full competition within Britain’s gas and electricity retail segments was introduced in 1996 and 1999 respectively, with consumers free to switch energy retailers as they chose.

As a result, such switching has been a long-term component of the British energy retail segment, with approximately 20 per cent of consumers switching energy retailers per year based on data from BEIS.

Historically the Large Energy Retailers dominated the British energy retail segments with a near-100 per cent market share, with switching occurring between these six energy retailers. In recent years, Challenger Energy Retailers have been gaining consumers in the domestic energy segments, with their aggregate share increasing from near zero in 2005 to approximately 30 per cent in Q2 2021 (source: BEIS).

However, this dynamic has gone into reverse during 2021, with significant increases in wholesale energy prices driving a number of insolvencies across the energy supply industry. While the fallout from the swings in energy pricing remains uncertain, in the short term the Large Energy Retailers are playing an increasingly important role in the domestic energy segment.

Electric Vehicle Charger segment dynamics

There is a regulatory driver for the growth in EVs, with the Government planning a ban on the sale of new petrol and diesel cars by 2030. Since 2015, the number of rapid charging devices has grown by c.350%.

Calisen’s Plug Me In business unit is involved in the installation of EV chargers. Typically EV chargers are installed when the vehicle is purchased, either directly from the dealer or from a third party infrastructure installation business like Plug Me In. Some energy suppliers are also providing installation services for EV chargers.

Our strategy consists of three elements:

Deliver contracted growth in the British MAP segment



Strategic focus

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

What we achieved

In 2021 we added 1.1 million revenue generating smart meters to the portfolio. This increase in our revenue-generating smart meter portfolio was in line with the 0.8 million installed during 2020 and represents the ongoing disruptions of COVID-19 as well as the impact of supplier insolvencies during the year.

Opportunities

Calisen expects that challenges in the energy market will continue in the first half of 2022, but there remains an opportunity to return to near pre-COVID-19 installation rates and accelerate the growth of the revenue-generating smart meter portfolio. The business has a wide diversity of customers and retains the ability to work closely with them to deliver on their business objectives.

Risks

A key risk in 2022 is the potential for further energy supplier insolvencies and ongoing disruption in the UK energy markets.

 For more information about risks, please see pages 44 to 48

KPIs

See chart A opposite

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



Strategic focus

With respect to Large Energy Retailers, our strategy is to focus on leveraging our existing relationships and track record of delivery to win future contracts and contract extensions to support customer growth. Given recent developments in the energy markets, these relationships remain highly important to Calisen and are core to our mission.

Calisen also seeks to increase its base of revenue-generating meters by winning more MAP contracts and contract extensions with other energy retailers, who can benefit from Calisen's support.

What we achieved

Our smart meter pipeline has remained stable, with the expected end-of-rollout smart meter portfolio (the sum of our revenue-generating smart meters and our expected smart meter pipeline) growing from 13.2 million meters at the end of 2020 to 15.5 million meters at the end of 2021.

Despite challenges faced by several of our contracted customers, Calisen successfully negotiated a long-dated contract extension to provide increased certainty of execution over the pipeline delivery.

Opportunities

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

Risks

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

 For more information about risks, please see pages 44 to 48

KPIs

See chart B opposite

Expand into adjacent areas and international markets



Strategic focus

Our strategy is to focus on:

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

What we achieved

A number of new projects were launched, foremost among which was the Plug Me In business to deliver EV charger installations to homes and businesses. Expansion into EVs represents a high-growth opportunity for the Company and can both support existing customers as well as new routes to market.

Opportunities

In the near term, EV charging infrastructure remains a great opportunity given the momentum behind its implementation in the UK. We also believe domestic batteries, heat pumps and water metering are of potential interest.

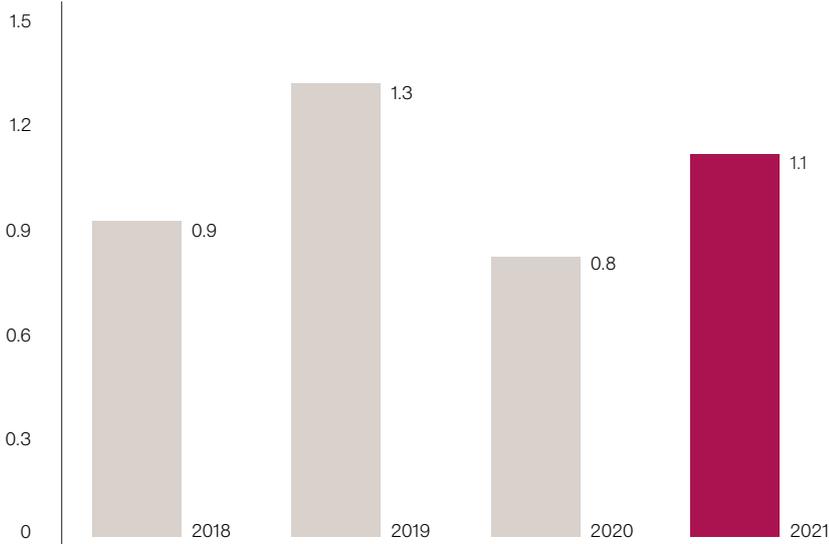
Internationally, we will continue to monitor developments in other markets.

Risks

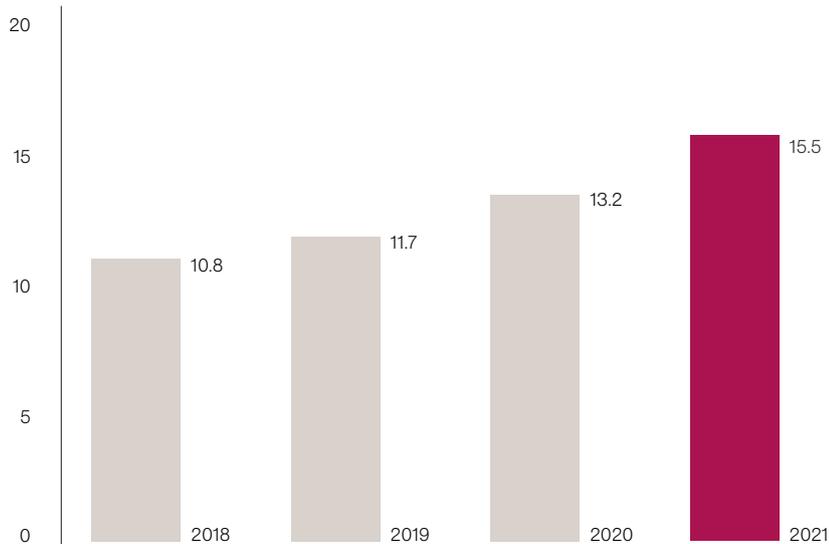
The key risk for adjacencies is the current lack of clarity over whether a commercially acceptable balance of risk and reward can be achieved.

 For more information about risks, please see pages 44 to 48

A. Increase in revenue-generating smart meters (millions)



B. Expected end-of-rollout smart meter portfolio (millions)



1. Alternative performance Measures ("APMs") are defined on page 101. Reconciliations of APMs to IFRS measures and an explanation of their relevance are included within the Group Finance Director's review in the Strategic Report.

Strategy in action

Launch of Plug Me In...

The increasing number of EVs – both cars and vans – on Britain’s roads naturally drives a requirement for an increasing number of EV charging points in both domestic and business settings.

To address this growing market segment and deliver its potential to assist in decarbonising the UK, Calisen established a new business division within Lowri Beck in summer 2020 to focus on the installation of EV charging equipment across Great Britain. When market reception proved strong, the Plug Me In brand* was launched in July 2021.

Plug Me In makes a customer’s installation journey as simple as possible by doing much of the hard work, right from the start. The business collects all the information on their behalf, then confirms what they need based on their individual circumstances. The aim is to get the installation completed as quickly as possible once everything has been approved, helping customers choose charging products that fit their needs and take them where they want to go.

The business aims to offer dedicated, bespoke on-site survey service within a few days of enquiry across a wide range of delivered services, including one-off installation services and customer site surveys, to assess installation viability.

Installations are device agnostic across multiple manufacturers to ensure the customer receives a tailored solution for them, with the ability to install both 7kW and 22kW AC chargers.

Growth has been strong as a result of what we believe is a unique offering, being the only business in the country that is able to offer and deliver such a service at scale and to this mix of customers. As of December 2021, Plug me In has delivered c. 200 installations and over 160 site surveys.

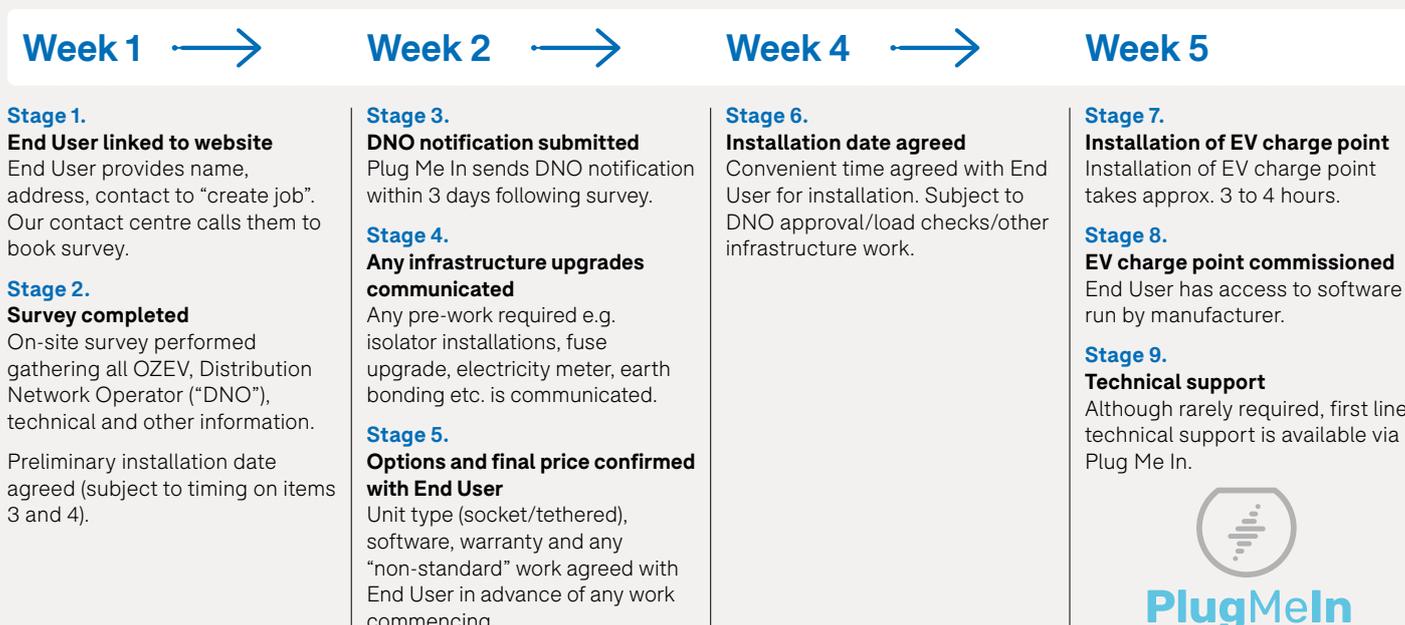
Key achievements since founding:

- Reached national coverage, with trained engineers across Great Britain including Scotland and Wales. Plug Me In has inducted and trained all its engineers in-house, and is continuing to recruit to meet ongoing demand.
- Received OZEV approval, which means Plug Me In is authorised to safely install EV chargers and enables customers and their employees to access the Electric Vehicle Homecharge Scheme.

- The business is authorised by City & Guilds to provide the highest level of on-site training to installers for their Level 3 award in domestic EV charging equipment installation.
- Became a member of NICEIC, which means the business is externally assessed and audited. This ensures the highest levels of technical safety standards and that the business has up-to-date knowledge of the latest industry regulations.
- Quality, environmental, information security, business continuity and health and safety management systems have all been certified by Certified Quality Systems.
- Developed and launched new brand and B2C website, completely from scratch.
- Built a strong relationship with its underlying charge point manufacturers.

 Read more at www.plugmein-ev.co.uk
*Plug Me In is the trading name of Lowri Beck Services Limited.

Generic customer journey



Strategy in action

Launch of Managed Services...

Calisen has launched its Managed Services Programme, which has already been signed up by a number of energy suppliers and enhances our existing service offering in order to support our customers in managing their smart metering programme as efficiently and effectively as possible.

Managed Services utilises Calisen's experience and knowledge to assist in smart meters being successfully commissioned to operate in smart mode. This is done by sharing data and knowledge, and by providing access to our nationwide field force. Our expertise and industry relationships mean we can de-risk the management of energy suppliers' smart metering portfolios.

Current offerings include:

- The Firmware Image Service – accessing and maintaining smart metering firmware data can be a major challenge for energy retailers. This service enables the viewing and secure download of firmware images and release paths from meter manufacturers free of charge.
- Smart Commissioning & Gas Pairing Service – a common industry issue is that some smart meters are not properly commissioned after installation. This service involves sending a field support operative to customers' home to commission the meter. This service is an efficient way to understand the communication status of a meter and to have an experienced meter operative to follow instructions in order to get the meter operating in smart mode.



Read more at
<https://www.calvincapital.com/media/Calisen%20Managed%20Services%20Prospectus.pdf>

Stable growth in financials



“Revenue increased year-on-year, growing by 8.3 per cent... reflecting a mix of growth in the MAP Services operating segment and increased activity in Installation Services”

Phillip McLelland
Group Finance Director

Summary

The major change to the Group structure in 2021 was the acquisition of the Group by a Consortium consisting of Blackrock, Goldman Sachs Asset Management and Mubadala. The acquisition was implemented using £475 million of new debt, including a Term Facility of £425 million, and a Revolving Facility of £50 million which was repaid during the course of the financial year. However, the new facilities are held by Calisen Limited, the parent company of the Group, and as such are not consolidated into the financial results of the Group.

On an operating basis, the Group delivered 8.2 per cent growth in Underlying EBITDA in 2021. Given the dual ongoing disruptions on financial results of the COVID-19 pandemic and the unprecedented number of energy retailer insolvencies through the course of 2021, this is a strong outturn for the business and highlights the resilience of Calisen's operating model. The main driver of EBITDA growth is growth in the revenue-generating smart meter portfolio.

Underlying performance

The main non-trading item for the year comprised costs associated with the Acquisition.

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

Income Statement

(£ in millions)	Year ended December 2021			Year ended December 2020		
	Trading	Non-trading	Statutory	Trading	Non-trading	Statutory
Revenue	268.8	–	268.8	246.1	2.0	248.1
Cost of sales	(143.8)	15.9	(127.9)	(144.2)	30.6	(113.6)
Gross profit	125.0	15.9	140.9	101.9	32.6	134.5
Administrative expenses	(30.5)	–	(30.5)	(27.7)	–	(27.7)
Other expenses	–	(12.0)	(12.0)	–	(8.3)	(8.3)
Amortisation of intangible assets*	(44.4)	–	(44.4)	(44.5)	–	(44.5)
Operating profit	50.1	3.9	54.0	29.7	24.3	54.0
Finance expense	(24.6)	–	(24.6)	(81.9)	(23.1)	(105.0)
Finance income	14.6	–	14.6	33.8	–	33.8
Profit/(loss) before tax	40.1	3.9	44.0	18.4	1.2	(17.2)

* Amortisation of customer contracts and brands (included within amortisation of intangible assets) had previously been stated as a non-trading item however given that the charge is fairly static, the distinction does not add benefit for comparability and therefore for the years ended 31 December 2020 and 31 December 2021 it has been presented as a trading item.

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

(£ in millions)	Year ended 31 December 2021	Year ended 31 December 2020	% Change from December 2020
Revenue	268.8	248.1	8.3%
Cost of sales	(127.9)	(113.6)	(12.6%)
Gross profit	140.9	134.5	4.8%
Administrative expenses	(30.5)	(27.7)	(10.1%)
Other expenses	(12.0)	(8.3)	(44.6%)
Amortisation of intangible assets	(44.4)	(44.5)	0.2%
Operating profit	54.0	54.0	0.0%
Finance expense	(24.6)	(105.0)	76.6%
Finance income	14.6	33.8	(56.8%)
Profit/(loss) before tax	44.0	(17.2)	NM
Taxation	(40.2)	(9.8)	(310.2%)
Profit/(loss) for the year	3.8	(27.0)	NM

Revenue

(£ in millions)	Year ended 31 December 2021	Year ended 31 December 2020	% Change from December 2020
MAP Services:	223.7	207.8	7.7%
Smart	165.3	141.8	16.6%
Traditional	58.4	66.0	(11.5%)
Data Services	20.2	21.5	(6.0%)
Installation Services	25.6	18.1	41.4%
Other income	4.3	4.0	7.5%
Inter-segment revenue	(5.0)	(3.3)	(51.5%)
Total Revenue	268.8	248.1	8.3%
Revenue generating meters at period end (m)	9.8	9.1	7.7%
Smart	7.1	6.0	18.3%
Traditional	2.7	3.1	(12.9%)
Average revenue per meter (ARPM) – Smart	25.4	25.2	0.8%
Average revenue per meter – Traditional	20.4	20.5	(0.5%)

Revenue increased year-on-year, growing by 8.3 per cent from £248.1 million in 2020 to £268.8 million in 2021, reflecting a mix of growth in the MAP Services operating segment and increased activity in Installation Services following resumption of activities in 2021.

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

Calisen's revenue-generating smart meter portfolio grew from 6.0 million meters to 7.1 million meters, a net increase of 1.1 million meters or 18.3 per cent which led to a corresponding increase in revenue. The traditional meter portfolio reduced by 0.4 million meters to 2.7 million meters. Combined, this resulted in a total portfolio of 9.8 million meters at year end.

ARPM increased from £23.5 per annum in 2020, to £23.9 in 2021 comprising:

- an increase in smart meter ARPM from £25.2 in 2020 to £25.4 in 2021; and
- a decrease in traditional meter ARPM from £20.5 in 2020 to £20.4 in 2021.

Within the smart ARPM, the majority of the uplift was due to contract renegotiations completed in 2021. This trend is expected to reverse in 2022 as the mix of meters installed changes in favour of meters on longer duration contracts. Longer duration contracts reduce ARPM as payments are spread over a longer period of time, but also increase the number of periods over which Calisen will receive payments, preserving value for the business.

MAP Services contributes the largest share of Calisen revenues and within its operating segment, revenue increased 7.7 per cent to £223.7 million. Growth in this segment was driven by the revenue-generating smart meter portfolio more than offsetting the expected decrease in the traditional meter portfolio as traditional meters were replaced by smart meters. During the year ended 31 December 2020, contract modifications as a result of an increase in installation costs resulted in £2.0m of non-recurring income in relation to previous years; due to the one-off nature this was treated as a non-trading item. The contract modifications that took place in the year ended 31 December 2021 did not relate to previous years and therefore has not been considered a non-trading item.

Data Services revenue was £20.2 million in 2021, lower than the £21.5 million achieved in 2020 which is primarily due to a declining share of traditional meters in Great Britain.

Installation Services revenue was £25.6 million in 2021, up 41.4 per cent on the £18.1 million outturn in 2020, which reflects a shift towards a normalised level of activity following the COVID-19 lockdowns in 2020.

Cost of sales

(£ in millions)	Year ended 31 December 2021	Year ended 31 December 2020	% Change from December 2020
Depreciation of property, plant and equipment (meters)	(87.4)	(77.5)	(12.8%)
Compensation income	15.9	13.4	18.7%
Net book value of disposals of property, plant and equipment (meters)	(19.6)	(15.5)	(26.5%)
Employee benefits expense and other direct costs	(36.8)	(34.0)	(8.2%)
Cost of sales	(127.9)	(113.6)	(12.6%)

Cost of sales across the Group increased by 12.6 per cent from £113.6 million in 2020 to £127.9 million in 2021, mainly driven by rising depreciation on the growing meter portfolio.

During the year ended 31 December 2020, the Group changed the useful economic life of traditional meters from being depreciated on a straight-line basis to 31 December 2021 to being depreciated on a straight-line basis to 30 June 2025. The change in timeline was prompted by BEIS publishing its response to a consultation on smart meter policy framework post-2020 and this extended the existing regulatory framework for the SMIP by six months to 30 June 2021 and implemented a new four-year regulatory framework ending on 30 June 2025. This remeasurement had the effect of reducing the depreciation charge in the year ended 31 December 2020 by £17.2 million and was therefore recorded as a non-trading item. The Group reviewed the policy in the year ended 31 December 2021 and determined it to still be a reliable estimate and therefore no changes were made and there is a £nil equivalent in the non-trading Income Statement.

Compensation income relates to the effective sale of metering equipment when removed which offsets the write-off of the underlying asset. It is calculated to make up for the loss of MPC revenue in net present value terms according to the relevant MAP contract. Compensation income therefore results in a reduction in cost of sales. Compensation income is considered a non-trading item because as the rollout continues this is expected to decline due to the reducing portfolio of traditional meters; presentation as a non-trading item allows for enhanced comparability of the trading Income Statement.

It increased by 18.7 per cent from £13.4 million in 2020 to £15.9 million in 2021. While the overall ageing of the traditional meter fleet had a negative impact on compensation, the resumption of smart meter installations for the full year 2021 meant more traditional meters were removed in the year, with higher associated compensation.

Underlying EBITDA

(£ in millions)	As at 31 December 2021	As at 31 December 2020	% Change from December 2020
Profit/(loss) for the period	3.8	(27.0)	NM
Taxation	40.2	9.8	310.2
Net finance expenses	10.0	71.2	(86.0%)
Written off net book value of disconnected meters	19.6	15.5	26.5%
Foreign exchange	0.3	(0.4)	NM
Amortisation of intangible assets	44.4	44.5	(0.2%)
Depreciation of property, plant and equipment	89.0	79.4	12.1%
Other expenses	12.0	8.3	44.6%
Adjusted EBITDA	219.3	201.3	8.9%
Deduct:			
Compensation income	(15.9)	(13.4)	18.7%
Underlying EBITDA	203.4	187.9	8.2%
Underlying EBITDA margin	75.7%	75.7%	0.0%

Underlying EBITDA is composed of Adjusted EBITDA less compensation income. Compensation income is mainly relevant during the SMIP while traditional meters are being replaced with smart meters, but it is not expected to be a significant long term item. Given the limited timeframe of the SMIP as currently described in legislation, compensation income may not be significant in the future. We therefore view Underlying EBITDA as the main driver of our business profitability, although we provide both metrics.

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

Underlying EBITDA increased by 8.2 per cent from £187.9 million to £203.4 million. The 8.3 per cent increase in Group revenue, driven by growth in the revenue-generating smart meter portfolio from 6.0 million to 7.1 million meters, was amplified by increased profitability in the Installation Services business unit, reflecting stronger operating performance and a resumption of full activity following the COVID-19 restrictions in 2020.

Adjusted EBITDA increased by 8.9 per cent from £201.3 million to £219.3 million. Adjusted EBITDA increased by more than Underlying EBITDA due to the increase in compensation income compared to the prior year.

Included within Underlying and Adjusted EBITDA in the year ended 31 December 2021 is £nil million of non-recurring income relating to contract modifications (2020: £2.0 million).

Administrative and other expenses

(£ in millions)	Year ended 31 December 2021	Year ended 31 December 2020	% Change from December 2020
Administrative expenses	(30.5)	(27.7)	(10.1%)
Other expenses	(12.0)	(8.3)	(44.6%)

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

Administrative expenses increased by 10.1 per cent from £27.7 million in 2020 to £30.5 million in 2021, predominantly reflecting increased costs in MAP Services.

Other expenses increased by 44.6 per cent to £12.0 million (2020: £8.3 million). These costs, which were recognised as non-trading items in the calculation of APMS, related to Calisen's acquisition by the Consortium.



Group operating profit

(£ in millions)	Year ended 31 December 2021	Year ended 31 December 2020	% Change from December 2020
Operating profit	54.0	54.0	(0.0%)

Operating profit represents revenue, less cost of sales, administrative expenses, other expenses and amortisation of intangible assets. In 2021, it amounted to £54.0 million, flat compared to 2020.

Interest expense

(£ in millions)	Year ended 31 December 2021	Year ended 31 December 2020	% Change from December 2020
Finance expense	(24.6)	(105.0)	76.6%
Finance income	14.6	33.8	(56.8%)

The conversion of shareholder loans into equity, the repayment of the Equity Bridge Loans (“EBLs”) and cancellation of letters of credit from the IPO were a major contributor to lower interest costs in 2021, comprising a 86.0 per cent reduction in net finance expense from £71.2 million in 2020 to £10.0 million in 2021.

Total finance expense decreased by 76.6% from £105.0 million in 2020 to £24.6 million in 2021. The complete removal of interest payable on shareholder loans from £5.9 million in 2020 to £nil million in 2021 combined with the full reduction in letter of credit fees and other charges from £2.5 million in 2020 to £nil million in 2021 contributed, as well as £53.5 million of derivative breakage fees in 2020 not recurring in 2021. The full year impact of a major refinancing, undertaken in July 2020, contributed to interest payable on bank loans decreasing by 11.2 per cent from £17.8 million in 2020 to £15.8 million.

Total finance income in 2021 of £14.6 million was driven by movements in the fair value on derivative financial instruments (2020: £33.8 million).

In the year ended 31 December 2020, the cost of EBLs and hedging of £0.7 million, shareholder loan interest charges of £5.9 million and debt issuance costs associated with the £1.1 billion refinancing of £16.5 million were recognised as non-trading items in the calculation of APMs due to their one-off nature. There were no one-off non-trading items for the year ended 31 December 2021.

Profit before tax

(£ in millions)	Year ended 31 December 2021	Year ended 31 December 2020	% Change from December 2020
Profit/(loss) before tax	44.0	(17.2)	NM

Profit before tax increased from a loss before tax of £17.2 million in 2020 to £44.0 million in 2021 due to reduced net finance expense offsetting flat operating profit.

Taxation

(£ in millions)	Year ended 31 December 2021	Year ended 31 December 2020	% Change from December 2020
Taxation	(40.2)	(9.8)	NM

In 2021, the Group recognised a corporation tax credit of £40.2 million, compared to a corporation tax charge of £9.8 million in 2020 driven by the cancellation of the 19% tax rate from 1 April 2021 and remeasurement of deferred tax balances at 25%.

Funds From Operations

(£ in millions)	Year ended 31 December 2021	Year ended 31 December 2020	% Change from December 2020
Underlying EBITDA	203.4	187.9	8.2%
Change in adjusted working capital	0.7	(5.4)	(113.0%)
Interest/derivatives	(18.5)	(22.5)	(17.8%)
Taxation paid	2.2	(4.4)	NM
FFO	187.8	155.6	20.7%
Cash conversion (FFO/Underlying EBITDA) (%)	92.3%	82.8%	9.5%
Underlying EBITDA interest cover	11.0 x	8.4 x	2.6 x

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

FFO is defined as Underlying EBITDA less relevant finance costs, taxation and adjusted net working capital items. Relevant finance costs exclude fair-value movement on derivatives (as this is a non-cash item) and interest rate swap break costs. For prior periods, these exclude shareholder loan interest and charges relating to letter of credit facilities (on the basis that they no longer form part of Calisen's capital structure). Adjusted net working capital items include change in trade and other receivables and contract assets, change in inventories and change in trade and other payables, but exclude any movements in payables where the creditor relates to capital expenditure, accrued other expenses and any items to the extent they relate to non-operating items such as compensation debtors or capital expenditure prepayments or creditors, including related VAT balances. FFO also does not include compensation income. Capital expenditure creditors are excluded to the extent that they represent new meter installation costs.

FFO increased by 20.7 per cent from £155.6 million in 2020 to £187.8 million in 2021, principally driven by increased Underlying EBITDA combined with a reduction in the cost of interest and derivatives along with a reduced movement in working capital. The calculation of the change in adjusted working capital and interest/derivatives is set out as follows:

Change in net working capital

(£ in millions)	Year ended 31 December 2021	Year ended 31 December 2020	% Change from December 2020
Trade receivables	31.1	31.9	2.5%
Accrued income	16.8	17.2	(2.3%)
Prepayments	4.9	10.0	(51.0%)
Other receivables	2.6	1.2	116.7%
Inventory	0.7	0.9	(22.2%)
Contract assets	4.7	4.9	(4.1%)
VAT receivable/(payable)	(2.0)	(1.5)	(33.3%)
Trade creditors	(29.1)	(19.1)	(52.4%)
Other creditors	(26.8)	(24.0)	(11.7%)
Net working capital	2.9	21.5	86.5%
Adjustments for non-operating items:			
VAT receivable/(payable)	2.0	1.5	33.3%
Compensation related receivables	(3.4)	(3.8)	(10.5%)
Capital expenditure prepayment	(4.9)	(10.0)	(51.0%)
Capital expenditure related creditors	44.5	31.2	42.6%
Exceptional items accrued	-	1.4	NM
Adjusted net working capital	41.1	41.8	(1.7%)
Changes in adjusted net working capital	0.7	(5.4)	(113.0%)

Capital expenditure

Capital expenditure for the Group increased by 34.9 per cent from £171.8 million in 2020 to £231.7 million in 2021, primarily due to the return to activity of the installation engineers following suspension of meter installations between March and July 2020 as a result of the COVID-19 pandemic. However, activity was still subdued compared to 2019 due to the ongoing effects of the pandemic.

Calisen incurred average capital expenditure per smart meter in 2021 of £201 as a result of agreeing increased installation costs with a number of energy retailer customers.

Summary consolidated balance sheet

(£ in millions)	As at 31 December 2021	As at 31 December 2020	% Change from December 2020
Assets			
Non-current assets			
Intangible assets	491.4	535.5	(8.2%)
Other non-current assets	1,041.8	902.6	15.4%
Current assets	180.8	190.4	(5.0%)
Total assets	1,714.0	1,628.5	5.3%
Liabilities and equity			
Current liabilities	(161.3)	(162.2)	0.6%
Non-current liabilities	(724.4)	(590.2)	(22.7%)
Deferred tax liability	(138.8)	(99.7)	(39.2%)
Total liabilities	(1,024.5)	(852.1)	(20.2%)
Total equity	689.5	776.4	(11.2%)
Total equity and liabilities	1,714.0	1,628.5	5.3%

The Group's balance sheet was materially similar in structure to the latter portion of 2020, following the restructuring of its liabilities and equity as a result of the IPO which saw all shareholder loans converted into equity as well as additional equity raised from the issuance of new shares and the repayment of EBLs.

The Group's total assets grew by 5.3 per cent from £1,628.5 million at 31 December 2020 to £1,714.0 million at 31 December 2021. Within that total, the net book value of customer contracts decreased by 9.4 per cent from £439.6 million in 2020 to £398.4 million in 2021, as a result of continued amortisation which amounted to a charge of £41.2 million in 2021 (2020: £41.2 million).

Other non-current assets increased by 15.4 per cent from £902.6 million at the end of 2020 to £1,041.8 million, driven primarily by the smart meter roll-out. Current assets decreased by 5.0 per cent from £190.4 million at 31 December 2020 to £180.8 million at 31 December 2021, largely due to lower trade receivables.

The net book value of "green" assets (i.e. smart metering equipment) amounted to £986.2 million (2020: 846.2 million) or 96.6 per cent (2020: 94.2 per cent) of the net book value of property, plant and equipment.

Total liabilities increased by 20.2 per cent from £852.1 million at 31 December 2020 to £1,024.5 million at 31 December 2021. Within that total, current liabilities decreased by 0.6 per cent from £162.2 million at 31 December 2020 to £161.3 million at 31 December 2021. Non-current liabilities increased by 22.7 per cent from £590.2 million at 31 December 2020 to £724.4 million at 31 December 2021 due to spending on capital expenditures linked to the smart metering roll-out.

Total equity reduced by 11.2 per cent from £776.4 million at 31 December 2020 to £689.5 million at 31 December 2021 driven by payment of £91.8 million dividends to the Group's immediate parent.

Net debt

(£ in millions)	Year ended 31 December 2021	Year ended 31 December 2020	% Change from December 2020
Senior debt	(836.0)	(717.2)	(16.6%)
Total debt	(836.0)	(717.2)	(16.6%)
Cash	116.4	114.6	1.6%
Net debt	(719.6)	(602.6)	(19.4%)
Adjusted net debt	(719.6)	(602.6)	(19.4%)

Net debt is an APM which is used to show the indebtedness of the Group net of cash balances. The quantum of the Group's borrowings increased during 2021 following ongoing capital expenditures on the smart metering rollout. Total debt increased by 16.6 per cent from £717.2 million at 31 December 2020 to £836.0 million at 31 December 2021.

Net debt as at 31 December 2021 was £719.6 million, comprising £836.0 million of senior debt facilities (excluding debt issue costs) less £116.4 million of cash. This represented a net debt to Adjusted EBITDA ratio at 31 December 2021 of 3.3x which was an increase of 0.3x from the ratio at 31 December 2020 of 3.0x.

The Group does not have any covenants at Group level. At the subsidiary level, the Group is operating well above the cover ratio covenants in its debt facilities.

Credit risk

The Group's credit risk primarily arises from credit exposures to energy retailers in respect of outstanding trade receivables. The Group trades with a number of companies, which are generally Large Energy Retailers, Other Energy Retailers, or financial institutions. The Group has identified a concentration of risk in relation to revenue and trade receivables from Large Energy Retailers as the majority of revenue (approximately 69%) is generated from this group and predominantly from two of the Large Energy Retailers. However, the Group assesses the associated credit risk as low despite its customers operating in one industry as these customers have historically recorded minimal failure rates meaning that the risks associated with trade receivables are relatively low.

Business unit overview

(£ in millions)	Calvin Capital Year ended 31 December 2021	Lowri Beck Year ended 31 December 2021	Consolidation Year ended 31 December 2021	Total Year ended 31 December 2021
Revenue	222.0	51.8	(5.0)	268.8
Cost of sales, depreciation and fixed asset disposal	(90.6)	(42.3)	5.0	(127.9)
Gross profit / (loss)	131.4	9.5	-	140.9
Administrative expenses	(23.2)	(7.5)	0.2	(30.5)
Other expenses	(12.0)	-	-	(12.0)
Amortisation	(43.1)	(1.3)	-	(44.4)
Total administrative expenses	(78.3)	(8.8)	0.2	(86.9)
Operating profit / (loss)	53.1	0.7	0.2	54.0
Interest expense	(23.8)	(0.8)	-	(24.6)
Interest income	14.6	-	-	14.6
Profit before tax	43.9	(0.1)	0.2	44.0
Adjusted EBITDA	215.3	2.8	1.2	219.3
Compensation income	(15.9)	-	-	(15.9)
Underlying EBITDA	199.4	2.8	1.2	203.4

MAP Services:

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

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

As at 31 December 2021, the MAP business unit's revenue-generating meter portfolio consisted of approximately 7.1 million smart meters and 2.7 million traditional meters. Based on management estimates, as at 31 December 2021, the MAP business unit had an expected smart meter installation pipeline of approximately 8.4 million smart meters expected to be added to the portfolio by the end of the SMIP.

Installation Services:

Installation Services covers the installation of meters and EV charging points by technically qualified engineers. The Installation Services business unit installed approximately 190,000 smart meters in 2021 and launched its new brand Plug Me In covering the installation of EV charging points.

Data Services:

Data Services 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. The business unit carried out approximately 3.7 million billable jobs in 2021.

Changes in 2021:

During the year, Calisen has implemented a new executive committee structure around the key reporting responsibilities of Commercial and Operations, where previously the business reporting lines were arranged under the brands of Calvin Capital and Lowri Beck. The key driver of this was our intent to better serve our customers and work as one Calisen team across the Group.

The Commercial function will lead on new business development and commercial opportunities such as growing the meter asset business, delivering on new non metering opportunities in the UK, looking for international opportunities and the managed services offering to customers.

The Operations function will lead on ensuring that when commercial opportunities have been secured, our contracts are delivered with the right operational excellence and safety standards, building the right business capability to deliver against our contracts and ensuring that we do this safely and efficiently.

Our track record

Reconciliations of these measures to IFRS measures are included within the relevant section of the Group Finance Director's review in this Strategic Report.

	Year ended 31 December:					
Our Track Record	2016	2017	2018	2019	2020	2021
Growth in smart meter portfolio	1.2	0.9	0.9	1.3	0.8	1.1
Revenue generating meters at period end (m)	6.3	6.8	7.2	8.5	9.1	9.8
Smart	2.0	2.9	3.8	5.2	6.0	7.1
Traditional	4.3	3.9	3.4	3.4	3.1	2.7
Estimated smart meter pipeline (m)			7.0	6.5	7.2	8.4
Expected end-of-rollout smart meters total			10.8	11.7	13.2	15.5
Average revenue per smart meter*	25.8	26.3	24.9	26.3	25.2	25.4
Average revenue per traditional meter*	20.6	20.3	20.3	20.5	20.5	20.4
Average revenue per total meter*	21.9	22.6	22.5	23.8	23.5	23.9
Operating profit (£m)	43.4	2.1	25.4	26.7	54.0	54.0
Operating margin (%)	33%	1%	16%	13%	22%	20%
Adjusted EBITDA (£m)**	141.5	164.1	171.5	189.3	201.3	219.3
Underlying EBITDA (£m)**	126.6	142.4	148.9	174.0	187.9	203.4
Underlying EBITDA margin %	95.3%	92.9%	91.9%	83.3%	75.7%	75.7%
Funds From Operations (FFO) (£m)**	102.0	111.5	117.2	135.9	155.6	187.8
Cash conversion (FFO/Underlying EBITDA) (%)**	80.6%	78.3%	78.7%	78.1%	82.8%	92.3%
Profit / (Loss) before tax (£m)	(34.8)	(71.7)	(65.8)	(82.2)	(17.2)	44.0
Capex (£m)	225.6	149.5	170.5	274.1	171.8	231.7
Capex per meter (£)	152	158	167	165	191	201
Net debt (£m)**	552.8	1,157.9	1,238.3	1,387.6	602.6	719.6
Adjusted net debt**	401.2	574.8	655.2	804.4	602.6	719.6
Underlying EBITDA interest cover**	5.4	5.2	5.4	6.7	8.4	11.0
Leverage** (Adjusted net debt/Adjusted EBITDA) (x)	2.8 x	3.5 x	3.8 x	4.3 x	3.0 x	3.3 x
FTE (annual average)***	33	34	38	575	1,448	1,228
FTE at year end***	35	36	43	1,504	1,309	1,116

* Recalculated from 2019 onwards using a rolling average of the previous 12 months average revenue per meter. Previously, calculated using total meter revenue divided by a simple average of the opening and closing meter balances for the period.

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

*** 2019 restated to exclude agency and contractors.

The financial information comprises:

- The consolidated statement of profit and loss of Calisen Holdco Limited (formerly Calvin Capital Holdco Limited) and its subsidiaries (the "CHL Group") for the year ended 31 December 2016 and the 31-day period ended 31 January 2017;
- The consolidated results of CGH2 Dormant Company Limited (formerly Calisen Group (Holdings 2) Limited) and its subsidiaries for the 13-month period ended 31 December 2017, and the years ended 31 December 2018 and 31 December 2019;
- The consolidated results of Calisen plc for 2020; and
- The consolidated results of Calisen Group (Holdings) Limited for 2021.

IFRS transition

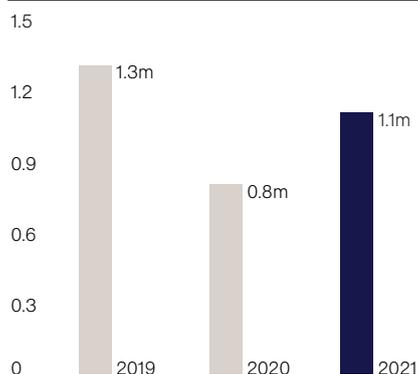
The Group's date of transition to International Financial Reporting Standards ("IFRS") measures was 1 January 2016.

Unaudited 2017 information

CGH2 Dormant Company Limited (formerly Calisen Group (Holdings 2) Limited) acquired Calisen Holdco Limited (formerly Calvin Capital Holdco Limited) and its subsidiaries on 31 January 2017, prior to which Calisen Holdco Limited (formerly Calvin Capital Holdco Limited) had no trading activity. The unaudited information for the period ended 31 December 2017 represents the addition of the 31 days of financial information of the CHL Group for the period ended 31 January 2017 to the 13 months of financial information of the CGH Group, which includes the trading results of the CGH Group from 1 February 2017 which had no trading operations for the two months prior to this date.

Key performance indicators

Increase in revenue-generating meters



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

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

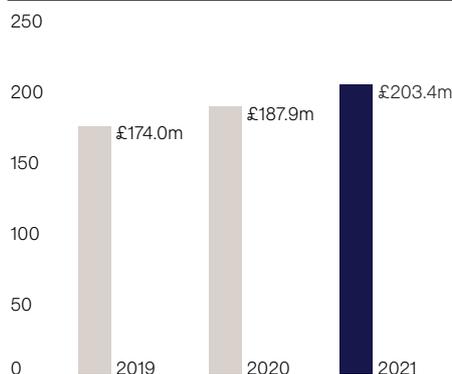
Link to strategy



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

Target
No target was set for this metric

Underlying EBITDA



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

Definition
See page 101 for a detailed definition

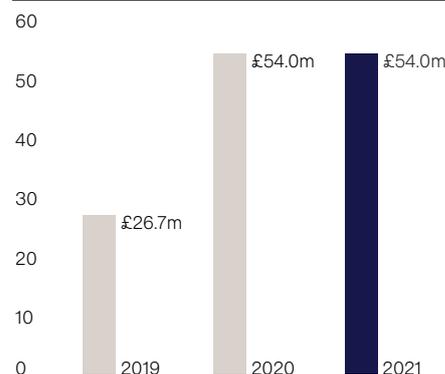
Link to strategy



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

Target
£201.8m
compared to £203.4m reported

Operating profit



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

Definition
Operating profit/(loss) for the year

Link to strategy



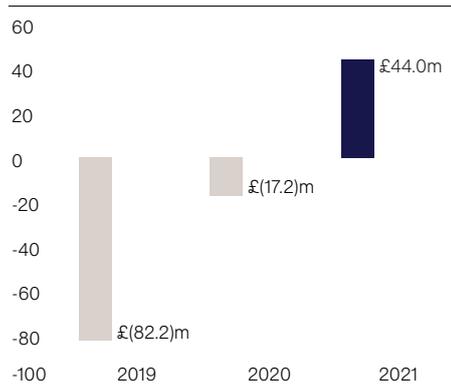
Links to the first and second elements of our strategy, to deliver contracted growth in the British MAP segment and continue the build-out of the smart meter pipeline

Target
No target was set for this metric

Key

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

Profit/(loss) before tax



Description

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

Definition

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

Link to strategy

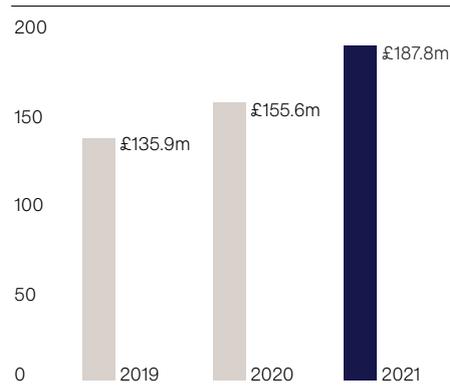


Links to the first and second elements of our strategy, to deliver contracted growth in the British MAP segment and continue the build-out of the smart meter pipeline

Target

No target was set for this metric

FFO



Description

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

Definition

See page 101 for a detailed definition

Link to strategy



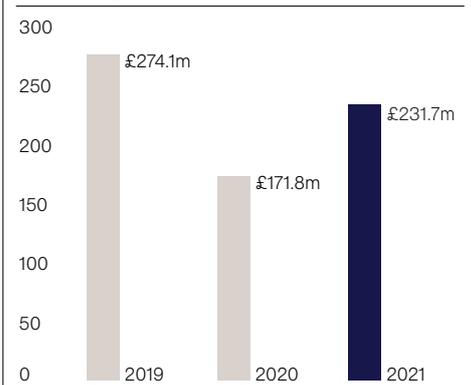
Links to all elements of our strategy as we reinvest cash generated in further growth

Target

£173.2m

compared to £187.8m reported

Capital expenditure deployed



Description

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

Definition

Purchase of property, plant and equipment per the consolidated statement of cash flows

Link to strategy



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

Target

£327.4m

compared to £230.3m reported

In addition to the KPIs set out above, we also track additional non-financial metrics. The operational KPIs set out on page 1 track the size of the smart meter portfolio over time, which shows progress in converting our contracted pipeline into revenue-generating assets, as well as the split between different categories of customer which shows how the more balanced split in the smart meter pipeline should see the split of revenue-generating meters become more balanced between the main customer categories in the future. Additional data relating to environmental matters can be found on pages 38 to 43 and data relating to employees can be found on page 37.

Engagement with our stakeholders

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

Shareholders

We understand the need to communicate effectively with our shareholders.

What matters to them

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

How we engage at Board level

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

The Board receives regular reports from the Chair and CEO.

How we engage across the Group

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

Outcomes of engagement

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

Link to our business model

Deliver shareholder returns through dividends.

Link to our principal risks

Strategy execution and development.

Employees

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

What matters to them

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

How we engage at Board level

The Board meets with employees via the workforce engagement forum and informally during site visits.

The Chief of Staff provides updates on HR matters to the Board and to the Remuneration Committee.

How we engage across the Group

We have a Group-wide Workforce Engagement Forum.

We have an annual Group-wide Employee Survey and a six monthly pulse employee survey.

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

We encourage employee volunteering days.

Outcomes of engagement

Our employees have continued to support the Manchester Youth Zone through volunteering activities and fundraising.

Link to our business model

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

Link to our principal risks

Attracting talent and retention of key staff with organisational knowledge.

Customers

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

What matters to them

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

How we engage at Board level

The Board is regularly updated on relationships with customers.

How we engage across the Group

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

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

Outcomes of engagement

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

Link to our business model

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

Link to our principal risks

Market and counterparty risk.

Suppliers and contractors

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

What matters to them

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

How we engage at Board level

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

How we engage across the Group

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

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

Outcomes of engagement

We have been able to meet our customers' requirements for smart meters despite logistical difficulties in global supply chains during the year.

[Link to our business model](#)

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

[Link to our principal risks](#)

Supply chain and counterparties.

Regulators and Government

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

What matters to them

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

How we engage at Board level

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

How we engage across the Group

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

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

Outcomes of engagement

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

[Link to our business model](#)

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

[Link to our principal risks](#)

Government policy.

Community and the environment

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

What matters to them

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

How we engage at Board level

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

How we engage across the Group

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

Our businesses and employees support a variety of charities.

We have communicated our sustainability targets to employees.

Outcomes of engagement

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

[Link to our business model](#)

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

[Link to our principal risks](#)

Emerging global issues and environmental and sustainability risks.

Our s.172 approach

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

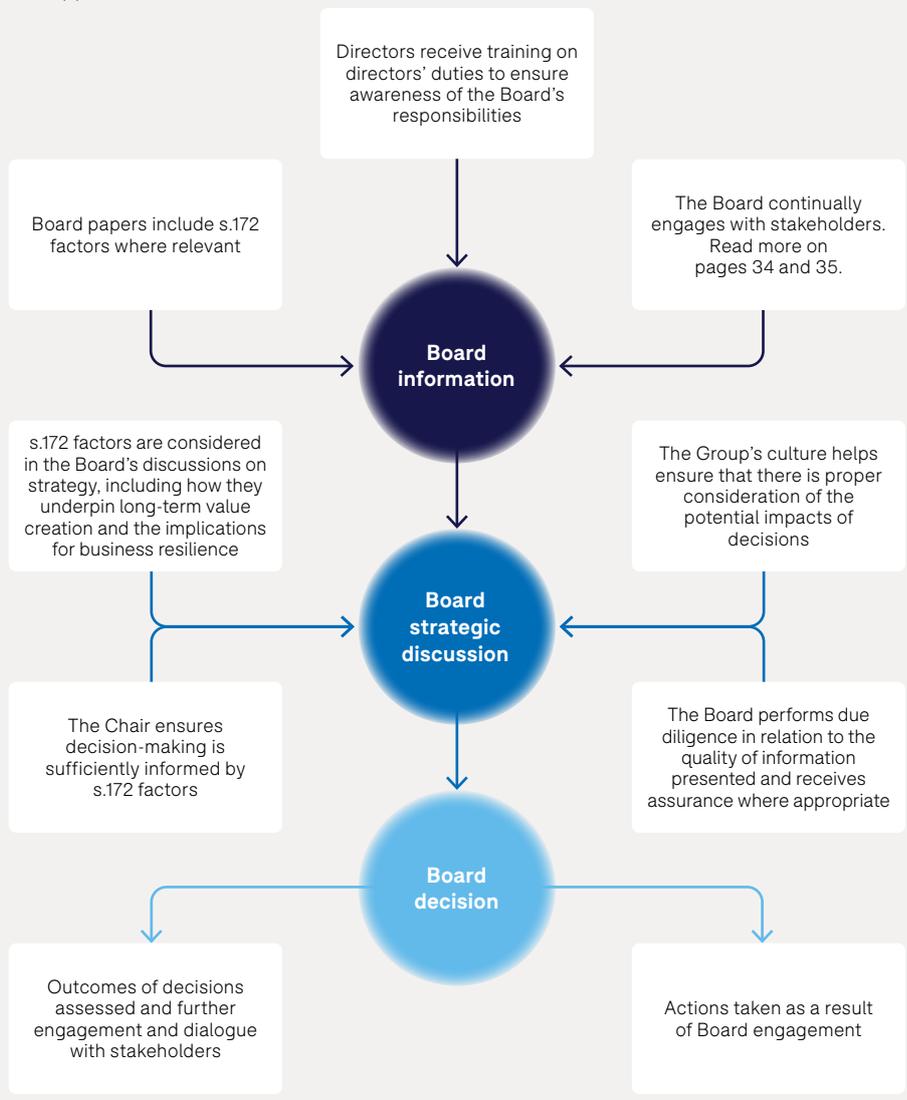
- The likely consequences of any decision in the long term.
- The interests of the company’s employees.
- The need to foster the company’s business relationships with suppliers, customers and others.
- The impact of the company’s operations on the community and the environment.
- The desirability of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

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

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

Stakeholder engagement is central to the formulation and execution of our strategy and is critical to achieving long-term sustainable success. The needs of our different stakeholders as well as the consequences of any decision in the long term are well considered by the Board. It is not always possible to provide positive outcomes for all stakeholders and the Board sometimes has to make decisions based on the competing priorities of stakeholders. Our stakeholder engagement processes enable the Board to understand what matters to stakeholders and carefully consider all relevant factors and select the course of action that best leads to high standards of business conduct and the success of Calisen in the long term.

Our approach to s.172 is set out below.



Workforce engagement

Engaging with our employees to support them and to help grow the business is an important part of our organisation's culture.

The Group's purpose is to accelerate the use of smarter energy. Our employees are key to delivering our business strategy. We have continued to support our employees through the changing working environment due to the impact of COVID-19.

The Workforce Engagement Forum (the "Forum") was established in 2020 with a clear terms of reference which set out the basis upon which the Forum operates. The Forum meets quarterly and membership is drawn from a variety of areas across the Calisen Group business. Topics on which the Forum sought members' opinions during the year included strategy, culture and engagement, diversity and inclusion, career mapping, code of conduct, sustainability and the trial of the hybrid working policy.

Due to the change of ownership of the business during the year, the designated Employee Liaison Non-Executive Director resigned from the Board in March 2021.

As a private company there is no longer a requirement for there to be a designated person carrying out this role. Instead, shareholder representatives attended one of the Forum meetings and also meet informally with smaller groups of employees when they are at the Company's offices.

During the year we began a trial of a new hybrid working policy, enabling employees to split their working week between home and office working. The effectiveness of this way of working has been discussed with the Forum, and their feedback, and the results of the trial will be considered by management before a final decision is taken on whether this will become a permanent way of working for the business.

We continue to hold regular communications through face-to-face and virtual meetings,

emails and updates on our intranet sites. During the year we launched Calisen Impact as our internal sustainability brand and provide regular updates to employees on the Group's sustainability initiatives.

We do all we can to help our people feel safe and secure to speak up and we have in place a confidential third party Group-wide whistleblowing hotline for employees to use to report any concerns.

Diversity in all its aspects continues to be a focus for the business, and the recently formed Diversity and Inclusion Steering Committee meets regularly to help the business deliver improvements in this important area. The gender breakdown of the Group is set out in the table at the end of this section.

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

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

We do not tolerate any form of slavery, servitude or forced compulsory labour or human trafficking in our supply chain or in any part of our business. Our Modern Slavery Statement is available on our website.

This statement sets out the approach taken towards identifying and preventing modern slavery and human trafficking in our business and supply chains. We have in place appropriate training programmes to provide staff with the knowledge on how to identify exploitation and modern slavery, and the process for reporting suspected cases.

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

	Male No.	Male %	Female No.	Female %	Total No.	Total %
Board of Directors	3	75	1	25	4	0.33
Executive Committee (excluding CEO)	1	100	–	–	1	0.08
Direct reports to Executive Committee	13	59	9	41	22	1.81
Rest of workforce	951	80	238	20	1,189	97.78
Total	968	80	248	20	1,216	100.00

Non-financial information statement

The sections of the Strategic report entitled 'Our business at a glance' (page 2), 'Our stakeholders and s.172', 'Workforce engagement', 'Our ESG strategy' (pages 34 to 40), 'Risk management' (pages 44 to 48), the non-financial KPIs on page 1 and the Corporate Governance Report (pages 50 to 53) constitute the Non-Financial Information Statement as required by the Companies Act 2006.

Our ESG strategy

Calisen Impact

Sustainability and the requirement to acknowledge and take appropriate action to embed the core ESG principles of Environmental, Social and Governance into the fabric of our organisation has provided the bedrock for Calisen to develop a robust Sustainability Strategy and the subsequent launch of “Calisen Impact” in March 2021.

Calisen Impact delivers a single purpose: ‘To accelerate the use of smarter energy’. Calisen Impact is chaired by the CEO, Sean Latus. Sean is passionate in his commitment to leading the business to achieve the organisation’s sustainability ambitions of:

- Calisen will endeavour to achieve net zero carbon emissions by 2030.
- Help our communities be net zero by 2050 through the implementation of smart meters and providing infrastructure assets into the energy sector.
- Foster an engaged and diverse workforce that reflects the communities that we serve.
- Support economic development in the communities in which we operate (e.g. job opportunities, skills training and development, education/community/charity support).

The purpose of Calisen Impact is to provide a clear sustainability framework that holds

the business to account by demonstrating our commitment to environmental, social and governance performance through a clear programme of activity. Calisen Impact operates with clear policies and practices to identify, address and manage all aspects of ESG efficiently throughout all business activity and is designed to extend further to our supply chain. Calisen Impact is not only a brand that employees become familiar with, in addition, it underpins the principles required to create a more inclusive and sustainable future that supports our communities, our customers and each other.

Throughout 2021, Calisen Impact has focused on our aspiration to become more sustainable as an organisation. We have agreed a challenging Sustainability Strategy that underpins our ambition to endeavour to become net zero carbon in our day-to-day business by 2030. The appointment, in November 2021, of a Chief of Staff is designed to advance our commitment to a robust and action-orientated ESG agenda.

In launching Calisen Impact we used the opportunity to assess our Company and identify ways to strengthen our culture to embed equity, diversity and inclusion to be integral to what we do and how we do it. We continue to strengthen a positive and inclusive culture with the ability to listen to one another and implement change to ensure that Calisen is a great place to work. Through our Company employee opinion survey and workforce engagement forums, we aim to ensure that all employees have a voice and the opportunity to influence key strategies, share ideas and suggestions.

An important foundation of Calisen Impact depends on our people driving the sustainability agenda by becoming involved in the efforts to achieve a more sustainable organisation. To provide a clear route for employees to share ideas Calisen launched: ‘Get InTouch’ a communication route. Get In Touch provides a direct line to the Sustainability Steering Committee with employees encouraged to share any sustainability ideas, activities and process improvements.

Environment

Energy

Calisen Impact is about taking action, and is committed to climate change mitigation, including actions to limit global warming and its related effects. As part of our continuous efforts to lower emissions over the long term, Calisen has reformed the electricity in our buildings. In 2020 Calisen implemented the transition of all Lowri Beck and Calvin Capital sites to renewable energy tariffs, 2021 saw the full transition of power which now comes from renewable energy sources such as wind or hydropower. The use of simple control devices like occupancy sensors are instrumental in limiting the amount of energy used.

Telematics

Calisen is continuing the roll out of upgraded on-board diagnostic technology – telematics across all of the Lowri Beck fleet. Telematics are used to track and monitor travel speeds and GPS location, and in addition are used to track driving habits, speeding, harsh braking, and sudden acceleration, behaviours that are known to increase fuel consumption and resulting carbon emissions. Calisen utilises the information to help reduce fuel consumption and the environmental footprint of the fleet.



One of the Renault Zoe's being used in our EV trial.

Recycling

Calisen Impact led a project in 2021 to assess the organisation's recycling opportunities. As part of the review we identified a 'meter graveyard' collecting in a Lowri Beck warehousing facility in Greater Manchester. The meter graveyard consisted of over 28,000 end-of-life meters that had been retired for a number of reasons. The primary importance of the project was to ensure that the meters were responsibly recycled. Therefore, over a period of 3 days, 80 pallets containing over 28,000 meters were transported to Dragon Recycling in South Wales. Dragon Recycling specialises in responsible recycling to fully minimise the impact of recycling on the environment. The Calisen Impact team utilised the recycling project to align the recycling process for all end-of-life meters and regulators at Lowri Beck with the Calvin Capital recycling process.

Electric Vehicle trial

Calisen recognises that to truly impact carbon emissions we will need to focus on the organisation's fleet. With the ban on sales of new petrol and diesel cars coming into force in 2030, and hybrid cars by 2035, over the last 24 months Calisen has reviewed the current Lowri Beck fleet's carbon emissions and are currently trialling the organisation's first electric cars. The trial of Renault Zoes will feed into a structured EV adoption strategy aligned to the Company's ambition to endeavour to achieve net zero carbon emissions by 2030.

Social

Calisen Impact has a clear focus on enhanced wellbeing. A key objective for this aim includes working to improve our employees' physical and mental health and wellbeing, creating a positive environment around mental health through supportive action, and by tackling stigmas, and supporting health and wellbeing in local communities.

Mental health and wellbeing

The mental health and the wellbeing of our employees and their families is important for Calisen. In April 2021 Calisen Impact launched the organisation's Wellbeing Hub as an integral part of the Company intranet. The Wellbeing Hub provides a one-stop-shop for employees to access support and provides direct access to our employee assistance programme ("EAP") to support health and wellbeing. It is accessible 24 hours a day, every day and offers support on specific health concerns, illness, bereavement, divorce, financial concerns and other significant life events. The Wellbeing Hub provides access to Calisen Mental Health First Aiders, who are trained in providing immediate support to employees and signposting further mental health support services. In addition, the Wellbeing Hub provides a calendar of events relating to health and wellbeing, nutrition and volunteering opportunities.

Calisen's SECR for 2021

	2021 Global (all UK)	2020 Global (all UK)	2019 Global (all UK)
Energy consumption used: (kWh)			
Electricity	418,024	515,411	623,615
Gas	220,216	290,020	341,893
Transport fuel	13,245,159	10,789,405	16,588,333
Other energy sources	-	-	-
Emissions (tCO₂e)			
Scope 1			
Emissions from combustion of gas tCO ₂ e	40.33	53.33	62.86
Emissions from combustion of fuel for transport purposes tCO ₂ e	1,287.03	1,141.55	1,774.55
Emissions from other activities which the company own or control including operation of facilities	-	2.71	49.90
Scope 2			
Emissions from purchased electricity – location based, tCO ₂ e	88.76	120.16	159.40
Scope 3			
Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel tCO ₂ e	2,000.10	1,523.44	2,426.04
Emissions from upstream transport and distribution losses and excavation and transport of fuels – location based tCO ₂ e	839.69	675.15	1,046.67
Total emissions for mandatory reporting – location based, tCO ₂ e	4,255.91	3,516.35	5,519.41
Intensity (kgCO₂e)			
Revenue £m	268.8	248.1	208.8
Intensity ratio: tCO ₂ e from Scope 1, 2 and 3 (fuel for business travel only)/£m location based	15.83	14.17	26.43
Average number of full time employees (FTE)	1,228	1,448	1,504
Intensity ratio: tCO ₂ e from Scope 1, 2 and 3 (fuel for business travel only)/FTE location based	3.5	2.4	3.7
Methodology	Greenhouse Gas Protocol Corporate Greenhouse Gas Accounting and Reporting Standard.		
External verification	Green Element Limited and Compare Your Footprint Limited external verification process.		

Our ESG Approach

Charity partnerships

Throughout 2021 we continued to grow our partnership with Manchester Youth Zone ("MYZ"). MYZ supports young people between the ages of 8 and 19, extended to an age limit of 25 for young people with additional needs, primarily drawing from the UK's highest area of child deprivation. Throughout 2021 we have continued to support MYZ with funding to enable specific events:

MYZ Inclusion Day:

Calisen funded the event and supported the facilitation with volunteers from the business who utilised their Company Charity Day to support youth workers, with over 80 children benefiting from attending.

MYZ Take Over Day

A team of 8 volunteers attended MYZ to deliver a day of fun activities split across morning and afternoon sessions for local children aged 8 to 11 years old.

Christmas Hamper Appeal

In December 2020 Calisen provided four Christmas hampers to vulnerable families who otherwise would struggle to celebrate Christmas. The hampers included everything from food to decorations. Christmas 2021 saw an increase to six hampers, with each department delivering one hamper each. For 2022, Calisen has committed to further increasing this to ten hampers. A team of volunteers will deliver the hampers to families in December.

WYZ

Throughout 2022 Calisen broadened its charity partnership strategy to include Wigan Youth Zone ("WYZ"). While WYZ is linked in purpose to MYZ, each charity is a stand-alone charity. Lowri Beck is a founding patron of WYZ, and during 2022 has re-established a partnership, with Lowri Beck supporting WYZ's Christmas fundraising activities.

Further to the growing partnerships with both MYZ and WYZ, Calisen has undertaken additional community outreach programmes.

Ryder Brow Community Allotment

Ryder Brow Community Allotment is a self-funded charity and relies solely on donations to provide a safe place to go for both the elderly and local children. The project focuses primarily on education and teaches members about the benefits of growing food and about the eco system. Calisen provided a donation to purchase much needed equipment and in addition a team of volunteers attended the allotment to build, paint and repair the garden after the impact of Covid-19.

Diversity and inclusion

Calisen has a strong diversity, equity and inclusion ("DE&I") focus, with DE&I included in our strategic planning. In order to ensure the actions we undertake to deliver our gender, racial and equality ambitions, it is important that we have a clear and factual representation of the breadth of diversity across our current workforce. Therefore, we are currently evaluating our diversity data collection which will, in turn, allow Calisen to analyse and more importantly understand the diversity of our workforce, and implement targeted and focused initiatives to ultimately achieve our inclusion and diversity goals.

Calisen has placed a clear focus on equality and inclusion throughout 2022 with the formation of a Diversity & Inclusion Steering Committee ("DISC") chaired by the Chief of Staff, Jo Leech. The committee is focused on identifying our DE&I ambition and goals for gender and racial diversity.

Aligned with establishing our DE&I ambition, Calisen is also reviewing our current practices to ensure a culture of inclusivity commencing with our recruitment practices. The review of our current practices will minimise barriers and ensure Calisen is inclusive and welcoming to everyone with the right skill set, regardless of difference. Calisen is committed to increasing diversity across the organisation and with a high priority on gender balance and an emphasis on our engineering population. Women make up just 21 per cent of the UK's STEM workforce, and only 11 per cent of the engineering workforce, ensuring that our recruitment practices are free from gender stereotyping alongside inclusive attraction strategies.

Governance

Our governance structure is embedded within the framework of Calisen Impact, consisting of the Calisen Sustainability Steering Committee ("SSC") responsible for driving the sustainability agenda. The SSC is chaired by the CEO and includes committee members at executive level with accountability to deliver the ESG strategy. In addition, the Calisen Sustainability Reporting Committee 'Green Bean' chaired by the Group Finance Director, Phillip McLelland, alongside Green Element, an Environmental Management Consultancy, both monitors and reports monthly performance against our strategy and net zero ambition and aims.

Calisen has developed a comprehensive and broad-reaching Code of Conduct to support the achievement of the Company's purpose to accelerate the use of smarter energy, helping our customers and communities as a whole to manage energy better.

The Code of Conduct provides a statement of the fundamental principles and key policies and procedures that govern the conduct and applies to all the Company's directors, officers, employees, and agents such as workers, consultants, and contractors (collectively 'Employees'), which address all facets of sustainability.

The Code of Conduct sets out Calisen's commitment to long-term sustainability strategies and is the framework for putting the Calisen core purpose into practice. The Code of Conduct is the foremost operating document in terms of sustainability and establishes, together with the Calisen Sustainability Policy, the basis of the Group's sustainability agenda. The Code of Conduct, which is agreed by the Board of Calisen Limited, details the guidelines for business ethics including responsibility to our environment and stakeholders, responsible procurement, modern slavery, child labour, competition and fair dealing, and responsibility to employees.

Task Force on Climate-related Financial Disclosures (“TCFD”)

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

Calisen’s purpose is to accelerate the use of smarter energy. This has informed its strategy of focusing on small-scale high-volume energy infrastructure and the development of its smart meter business.

Calisen’s business is aligned with the targets of the UN Sustainable Development Goal 7 which aims to ensure access to affordable, reliable, sustainable, and modern energy. In particular, Calisen’s smart meter business supports the UN’s targets relating to modern energy services and doubling the global improvement in energy efficiency by 2030. Where relevant, our operating companies are committed to operating in accordance with ISO 14001: 2015 requirements.



Governance of climate-related risks and opportunities

Calisen has put the following governance structures and reporting mechanisms in place to ensure the Group meets its sustainability responsibility and ambitions.

The Board

The Board is responsible for ensuring that the Group meets its obligations and addresses the risks and opportunities created by climate change and by the transition to a low carbon economy. The Board reviews our ESG performance on a quarterly basis.

For 2022 the costs and resources required to help us to meet our climate risk and sustainability ambitions will be built into our budget and planning process.

The Sustainability Steering Committee (“SSC”)

The SSC coordinates our sustainability activities and is chaired by the Group Chief Executive Officer, with members drawn from finance, risk, sustainability and the company secretariat, and support from external specialists as required. The SSC’s purpose is to assist the Board with the development, delivery and reporting of the Group’s Sustainability Strategy and targets, the oversight of social and environmental risks, and its compliance with both mandatory and appropriate climate-related voluntary disclosures, including but not limited to TCFD and SECR reporting. The SSC meets every month and oversees and directs the work of its three sub-committees, each of which supports the business in achieving its sustainability ambitions by focusing on separate facets of sustainability improvement and reporting within the Group.

The TCFD working group

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

The Risk Committee

This committee assists the Board in the oversight of the Group’s risk management system. The committee assesses the overall risk appetite, tolerance and strategy of all current, new and emerging risks including climate-related risks. The committee advise s the Board on the risk aspects of proposed changes to strategy and strategic transactions, focusing in particular on implications for the risk appetite, tolerance and strategy of the Company.

The committee meets at least six times a year, or more frequently as circumstances dictate.

Management, employees and third parties

This year the Group launched its Code of Conduct which sets out how we will operate, and the behaviours we expect of our people and those with whom we do business. The Code of Conduct includes policies and procedures to eliminate as far as possible the risks from illegal or unethical business practices, and covers such topics as bribery, corruption, competition law, and slavery.

Responsible procurement

Ensuring that we identify how the products that we manage are manufactured, the materials they consist of, how they are disposed of and recycled is key to living by and achieving our purpose. As such, the cooperation of our suppliers throughout the whole supply chain is essential so that working in partnership, we can reduce the negative impact on our environment.

SDGs

We have reviewed our sustainability ambitions against the 17 UN Sustainable Development Goals and have identified those which are most relevant to our business.



Strategy

We have considered how climate-related issues may affect the Group, its strategy and financial planning across the business and describe below those risks and opportunities that may be potentially significant to the Group:

1. Supply chain

Transition risks:

- Supply chain partners not addressing their own climate-related risks and transitioning to a low to no carbon infrastructure, and being unable to supply the goods and services upon which Calisen depends.

Transition opportunities:

- To save resources and business costs within the supply chain through collaboration with suppliers and stakeholders across the value chain in mutually beneficial decarbonisation strategies and increasing resilience in the supply chain, wherein insurance strategies are embedded into the business models of all players, e.g. hauliers collaborate with Calisen to co-fund EV charging stations or lobby for these.

2. Customers

Transition risks:

- That customers do not transition to a low to no carbon infrastructure and that customers do not understand the consequences of not transitioning.
- That the National Grid is not decarbonised sufficiently to provide renewable energy to customers.

Transition opportunities:

- To work with customers to educate and inform them about climate risks, thereby providing a valuable climate risk service that will enable the business to support their customers to transition.

3. Adaption and mitigation activities

Transition risks:

- Not decarbonising our fleet or not doing so quickly enough to take advantage of government grants and EV charging partnerships etc.

Physical risks:

- That the roadmap to adaptation does not include all the eventualities of climate change impacts on the physical aspects of the business, such as power lines, transport routes and supply chain vulnerabilities, not being addressed.
- That smart meters will not operate correctly in high temperatures.
- That the installation of smart meters will not be possible in flooded areas or in times of heat stress.

4. Investment in research and development

Transition risks:

- Not investing in research and development for climate change-adapted products, manufacturing processes etc.

Transition opportunities:

- To invest in resilient products that can resist impacts of extreme temperatures but can also potentially aid customers to manage energy supply in extreme temperatures or flood conditions etc.
- To create a meter that can measure self-generated renewable energy and allow its export to the grid or storage / use in the customer's battery as well as measuring use of grid energy imported.

5. Our operations

Transition risks:

- Not decarbonising the fleet in time and there being a shortage of EV batteries or other parts and not being able to purchase EVs or take advantage of government grants to aid transition to EVs. Risk of not decarbonising our premises' energy supplies, and spiralling energy costs of fossil fuels e.g. gas for heating.

Physical risks:

- Impact of extreme weather on ability of workforce to install and read meters.
- Supply chain not delivering meters.
- Energy supply interruptions.
- Transport fuel interruptions or shortages.
- Employees being unable to install meters due to illness caused by heat stress or due to flooding in their homes and inability to travel through flood plains. etc.

Transition opportunities:

- The most significant climate-related opportunity is the reduction of carbon emissions that can be made through electrification of the fleet. Details of our EV trial are on page 39.

Physical opportunities:

- To render the business model more resilient to climate risks and other related business risks through scenario analysis of 2 degrees, 1.5 degrees and 3 degrees of global heating above pre-industrial levels.

Risk management

The processes used by the organisation to identify, assess, and manage climate-related risks.

We have a clear framework for the management of risk within the Group.

We record and report on our Scope 1, 2 and part of our Scope 3 greenhouse gas emissions ("GHG"). Work on developing our Scope 3 GHG emissions is ongoing. Our GHG emissions are included in the table on page 39 of the report.

Targets

Our ambitions and targets on sustainability are listed below, and we make sure that all our targets cascade from our ambitions such that we achieve our strategy, and that sustainability is at the heart of our strategy.

Our sustainability targets and ambitions

	Environment	Communities	People	Communities
Our ambitions	Calisen will endeavour to achieve net zero emissions by 2030.	Help our communities be net zero by 2050 through the implementation of smart meters and providing infrastructure assets into the energy sector.	Foster an engaged and diverse workforce that reflects the communities that we serve.	Support economic development in the communities in which we operate (e.g. job opportunities, skills training and development, education/community/charity support).
Our targets	We will track the greenhouse emissions created by our operations, the energy we buy, and our supply chain (Scope 1, 2 and 3 emissions) so we can assess our progress.	We will track installations of smart meters and EV charging points installed against our targets, as we assess how Calisen makes the UK energy system more sustainable.	We will track the make-up of our workforce – including the split by gender and the number of diverse colleagues as well as statistics on absences, turnover and promotions to assess whether our teams are diverse, inclusive and engaged.	We will report our charitable donations, our community projects and the time our people spend volunteering to assess our community contribution.
Our progress in 2021	<ul style="list-style-type: none"> Accredited by Ecovadis. Pilot of hybrid vehicles for our fleet. Begin to transition the fleet to newer diesel engines. Pilot of EV vans. 	<ul style="list-style-type: none"> Launch of Plug Me In to install electric vehicle charging points. 	<ul style="list-style-type: none"> Launch of ED&I Committee. Trial of flexible working policy. Launch of Calisen Impact. Employee survey on sustainability. 	<ul style="list-style-type: none"> Support of Manchester Youth Zone. Researched potential strategic partners to work with to help achieve our sustainability ambitions.
Actions planned for 2022	<ul style="list-style-type: none"> To target the replacement of 5% of the vehicle fleet with electric vehicles. 	<ul style="list-style-type: none"> To develop the Plug Me In service. 	<ul style="list-style-type: none"> To build integrity and accuracy of reporting. To set targets for female and diverse employees. 	<ul style="list-style-type: none"> To develop of strategic partnerships. To record and report social and charitable enterprise.
Risk	<ul style="list-style-type: none"> Linked to Principle Risk – Environmental and Sustainability 	<ul style="list-style-type: none"> Linked to Principle Risk – Strategy Execution and Development 	<ul style="list-style-type: none"> Linked to Principle Risk – Attracting and Retaining Talent 	<ul style="list-style-type: none"> Linked to Principle Risk – Environmental and Sustainability
UN SDGs				

Our approach to risk

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

Overview

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

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

Risk Management Framework

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

The Group has implemented a three lines of defence approach with the first and second lines resourced internally and an external audit firm providing the third line. The risk management structure and responsibilities are set out in more detail opposite.

During 2021 the Group began the implementation of a risk management system utilising an integrated online platform, moving to a more automated risk management approach.

Risk appetite

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

Our risk management structure is illustrated below:

Board of Directors

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



Calisen Limited Audit and Risk Committee

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



Executive Committee and Management Risk Committee "1st line"

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

Risk Management Teams "2nd line"

- Update the Business Unit Risk Register and provide assistance for the functional risk register review on a quarterly basis.
- Update Calisen risk register on a quarterly basis and prepare summary.
- Responsible for annual reviews of risk management documents.
- Responsible for risk training programme and risk systems.
- Review the mitigating actions of the business and the effectiveness of these.

Internal Audit "3rd line"

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

Principal risks and uncertainties

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

Assessment of risk is a constantly evolving process as risks change and the business develops. Therefore, the Board has put in place systems, which form an essential process in the Group's risk management framework, for the ongoing identification, evaluation and management of the principal risks faced by the Company. During the year the Board has carried out a robust assessment of principal and emerging risks.

1. Health and safety 

Key risk description

Calisen, and in particular Lowri Beck, is required to manage a range of potential health and safety hazards in the course of its operations.

While Lowri Beck strives to maintain a strong health and safety record and is committed to high standards, there is always the potential for safety-related issues to arise in an operational business. Incidents that result in death, significant injury or property damage that are attributable to a failure to manage these hazards effectively may be subject to legal action that could result in fines or other penalties and resultant reputational damage.

Risk mitigation in action

- High standards of technical training and audit.
- Regular training of staff aimed at accident reduction.
- Experienced and well-qualified safety and technical personnel.
- Effective investigation of incidents and implementation of learning points.
- Maintenance of the ISO 45001 Health and Safety Management Standard at Lowri Beck.

2. Strategy execution and development 

Key risk description

Calisen's strategy comprises three elements: 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.

Risk mitigation in action

- Calisen has an experienced Executive Committee that has previously delivered successful strategies.
- The Group has a history of delivering predictable growth and allocated time is set out in the governance calendar in order to consider strategy for the Group.
- The new Executive Committee structure aligns with the three different arms of the strategy to allow for growth and development .
- Plug Me In, the EV installation arm of Lowri Beck, began trading in 2021. The introduction of this new service provides a base for the expansion in to the EV market.

Key

-  Risk increasing
-  Risk decreasing
-  No risk movement
-  New risk
-  Strategic
-  Finance
-  Operational

3. Government policy



Key risk description

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.

There is a risk that energy networks and related industries in Britain, including the MAP segment, may be more onerously regulated by a future Government, and MAPs may become directly regulated.

Risk mitigation in action

- Calisen plays an active part in industry events and closely monitors policy development.
- Calisen employs a Regulation Manager who reviews all relevant consultations and provides a monthly report to the business. The Regulation Manager also gathers feedback on consultations and Calisen responds to any consultations that may have an impact on the business.
- Calvin Capital is a member of the Community of Meter Asset Providers to help ensure that the voice and concerns of MAPs are raised in the industry, with regulators and with the UK Government.
- Lowri Beck is also a member of the Association of Meter Operators and the Smart Meter Operations Group, which both provide an opportunity to voice industry concerns from a MOP/MAM perspective.
- Calisen meets with BEIS directly on a regular basis, again to discuss issues and concerns relating to the industry.
- Calisen is working with the industry to ensure a fit-for-purpose triage process is introduced for the SMETS2 meter sets to ensure the assets that come off the wall can be reused and rental continues.

4. Market and counterparty risk



Key risk description

Calisen is exposed to market risks. The UK energy market is undergoing significant change due to the increase in the global energy prices and this has resulted and is evidenced by, the rise of the energy price cap.

Calisen is exposed to counterparty default risks and has a concentration exposure to certain energy retailers. In 2021 the industry had a large number of failed energy retailers (including three with which Calisen held meter installation contracts) and Calisen's revenue in respect of Meter Provision Charges prior to the supplier of last resort ("SOLR") and special administration event is exposed as an unsecured creditor in these circumstances.

Where a consumer changes energy retailer and the new energy retailer is not one with which Calisen has a consumer switching contract for that vintage of meter, Calisen faces the risk of loss of revenue.

Due to the nature of the smart meter roll-out, it is difficult to predict with precision how many revenue-generating meters Calisen will have as a result of its MAP contracts or how much actual revenue Calisen will recognise from its contracted installation MAP pipeline.

Risk mitigation in action

- Due to the structure of its contracts with energy retailers, Calvin Capital has revenue that is reasonably predictable. The contractual nature of Calvin Capital's business produces high-quality, long-term cash flow and allows Calvin Capital to enjoy significant downside protection.
- Calisen has no consumer credit exposure, and its energy retailer customers tend to have high credit quality.
- Counterparty risk is further limited as a result of regulation such as the SOLR regulatory framework which can be invoked by Ofgem when an energy retailer is in financial difficulty or goes out of business.
- Calisen has developed systems and processes in order to minimise revenue loss when a consumer changes energy retailer. These include Calisen's accurate meter tracking systems and processes, billing relationships with nearly every energy retailer and an increasing number of contracts with energy retailers which provide for rental of meters following a consumer switching energy retailer.
- Where suppliers with whom we have meter installation contracts have gone into SOLR, Calisen is working with manufacturers and other energy suppliers to redeploy/return stock that is no longer required.

5. Supply chain and counterparties



Key risk description

Calisen depends on a limited number of manufacturers and installers. Their failure to deliver products and services on a timely basis, or to otherwise perform their contractual obligations, which could be impacted by external events beyond their control for example: a pandemic or force majeure event could increase Calisen's costs, impact revenue and harm its reputation.

With the nature of the smart meter technology the metering equipment needs to be upgraded to ensure it is the most recent firmware. If this is not done or it is done incorrectly, this could lead to the meter being removed.

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.

Due to COVID-19 the number of physical on-site audits has been limited and these have been replaced by virtual audits; however, this does mean that the Audit Team are not able to witness the full extent of the facilities.

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.

Risk mitigation in action

- Calisen has developed strong long-term relationships with a number of manufacturers, and Calisen's position as a major purchaser of meters helps to ensure that manufacturers generally make product deliveries and provide new supplies on time, in necessary quantities and to the right quality to satisfy the requirements of Calisen's energy retailer customers.
- Calisen conducts financial and other due diligence on meter manufacturers and obtains parent company guarantees where required.
- Calisen has a strong focus on detailed manufacturer quality assurance that helps inform its meter selection decision-making. Calvin Capital conducts extensive testing of meters with the support of its technical due diligence providers, and as a result Calisen's revenue-generating smart meters have historically suffered low fault rates.
- Calvin Capital is working with the industry to understand the version of firmware for all of their assets and, in turn is working with the manufacturers and energy suppliers to ensure the right firmware and upgrade path is available.

6. Business interruption and information security



Key risk description

Calisen's operations rely on IT systems and networks, which may be affected by malfunctions, cyber attacks, interruptions or security breaches, and any failure of the physical infrastructure or the IT systems and networks could lead to significant costs and disruptions that could reduce revenue, harm the Group's reputation and have a material adverse effect on financial results.

Risk mitigation in action

- Calisen and its subsidiary companies have disaster recovery and business continuity plans in place and these are reviewed regularly and audited.
- Cyber security penetration testing is carried out by external advisers in respect of certain systems on an annual basis and regular employee security awareness sessions are undertaken.
- Lowri Beck and Calvin Capital also have ISO 27001 certification with security and data controls in place.

7. Financial and funding



Key risk description

Calisen faces credit and market risks arising from interest rates and from related hedging activities, and its financial results may be affected by fluctuations in interest rates.

Calisen may need additional capital in the future which may not be available on terms favourable to it or at all.

During 2021, the level of leverage and debt in the immediate parent company has increased materially increasing the risk profile due to the change in ownership as a result this risk has increased.

Risk mitigation in action

- Calisen's contracts include maximum capital expenditure commitments which are regularly reviewed by the Executive Committee and the Board.
- Calisen has committed bank facilities and a business with highly predictable cash flow.
- No meter funding facility renewals fall due before December 2023.
- The Group enters into interest rate swaps, whereby it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts, with the objective of fixing the majority of its interest costs.
- Regular monitoring of cash flow, debt balances, leverage hedging and covenant calculations are reported to the highest level of the organisation.

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



Key risk description

Calisen may encounter difficulties in attracting or retaining key executives, officers, managers and technical personnel.

In recent months, the attraction of new employee has been exacerbated by external events, for example a global pandemic.

Risk mitigation in action

- The business seeks to mitigate the risk of not retaining its talent by deploying strong recruitment and retention processes supported by effective HR procedures.
- Remuneration packages are benchmarked against the industry to ensure the business attracts the right calibre of applicant.
- Development of talent management and succession plans.
- Flexible hybrid working arrangements have been put in place.
- Access to an employee assistance programme ("EAP") for all employees to assist with any health or wellbeing concerns.

Key

⬆️ Risk decreasing

⬆️ Risk decreasing

⊖ No risk movement

⊖ No risk movement

● Strategic

● Finance

● Operational

9. Loss of accreditations



Key risk description

Loss of required registrations and accreditations would mean that Lowri Beck would no longer be able to operate and that Calvin would be in breach of contractual requirements.

Risk mitigation in action

- Retention of required accreditations is one of the top priorities for the Calisen Group. The Group has an experienced team that understands the accreditation requirements and standards. The group ensures that there are sufficient resources and time allocated to ensure compliance with accreditations and the renewal of accreditations.
- The Group has a history of successfully renewing the accreditations. Its accreditations were renewed successfully in 2021.

10. Environmental and sustainability



Key risk description

The risk that the Group's actions or inactions do not comply with the Group's environment and sustainability policy and targets.

Furthermore, there is also a potential risk that the environmental impacts the Group has as a whole; for example, an increase in carbon emissions, could impact the execution of the strategy, as well as causing reputational damage and negative effect on the climate change pledge.

In addition, there is also a potential risk that our international supply chain could be impacted by force majeure weather events caused by climate change.

Risk mitigation in action

- A Sustainability Steering Committee is in place to monitor progress.
- An environmental report is generated on a monthly basis to track decisions that have been made as well as progress against ambitions and targets. This report is also published as part of the annual report.
- Regular reporting to the Board on progress.
- Detailed policy and process in place which are reviewed and audited.

11. Reputation



Key risk description

The risk that the Group's actions or inactions impact the perception of the Group.

Risk mitigation in action

- Regular compliance training covering Anti-Bribery and Corruption, Competition Law, Information Security, Modern Slavery and Responsible Procurement.
- Anti-Fraud and Responsible Procurement audited by internal auditors.
- Regular Board meetings.
- Documented Communication Plan.

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

Sean Latus

Chief Executive Officer

7 March 2022

Key

⬆ Risk increasing

↔ No risk movement

⬇ Risk decreasing

Ⓝ New risk

● Strategic

● Finance

● Operational

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Corporate governance report

As required by The Companies (Miscellaneous Reporting) Regulations 2019, for the period from 1 January to 15 March 2021 the Company applied the UK Corporate Governance Code 2018 (the “Code”) and was fully compliant with that Code throughout that period.

From 16 March 2021 to 31 December 2021 the Company applied the Wates Corporate Governance Principles for Large Private Companies (“Wates Principles”) published in December 2019.

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

This report explains how the Company has applied the Wates Principles during the period 16 March 2021 to 31 December 2021.

Wates Principle 1 Purpose and leadership

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

The Company’s purpose is to accelerate the use of smarter energy.

The Board develops its strategy to achieve that purpose through regular reviews with the Executive Committee and the senior leadership team as well as with its shareholders. Details of our strategy are set out on page 18, and how we engage with our shareholders is described in our s.172 statement on pages 34 and 35.

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

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

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

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

Workforce engagement

The Company has in place a Workforce Engagement Forum (the “Forum”) and the CEO provides regular updates to the Board on the feedback from the Forum including the comments from the workforce representatives at the Forum on the culture within the Group.

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

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

Whistleblowing hotline

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

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

Employee retention

The Board receives regular updates on employee matters.

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

Health and safety

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

Compliance

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

These processes and checks are underpinned by a robust internal audit function, and an independent whistleblowing process monitored by the Board as described above. During the year an external compliance review of these policies was conducted. As a result of this review minor improvements were made to the policies.

Board of Directors

Bert Pijls
Sean Latus
Phillip McLelland
Sarah Blackburn

Executive Committee

Sean Latus
Phillip McLelland
Sarah Blackburn
Dave Taylor



Sean Latus
Chief Executive Officer

Date of joining the Group: October 2014

Sean became Group CEO in July 2021 having held a number of senior roles in the business since joining in October 2014. Initially as Chief Investment Officer, he helped transition the business from an owner of traditional meters to being a broader provider of energy infrastructure services to the retail market. Sean held the CFO position in February 2018 until he became Group CEO. He has over 25 years' experience working in the infrastructure industry and has worked across multiple sectors both in the UK and overseas. Sean's previous roles include Head of Investments at Costain plc, Senior Director at RBS Project and Infrastructure Finance, and Investment Director at John Laing.



Sarah Blackburn
Chief Commercial Officer
and General Counsel

Date of joining the Group: April 2014

Sarah was appointed as Chief Commercial Officer and General Counsel from 1 July 2021. Prior to that Sarah was part of the senior management team as General Counsel and Company Secretary. Sarah is responsible for leading the commercial, transactions and legal teams within the Group. She is a qualified lawyer with over 20 years of experience in a broad range of commercial transactions, infrastructure, M&A and finance.



Henricus Lambertus (Bert) Pijls
Chair

Date of joining the Group: September 2017

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



Phillip McLelland
Group Finance Director

Date of joining the Group: July 2019

Phillip McLelland joined Calisen in 2019 in the role of Group Finance Director. Prior to that, he had over 25 years' experience in senior finance roles. Immediately before moving to Calisen, Phillip was Director of Finance at the British Business Bank, having previously been Finance Director at Provident Financial and UK Asset Resolution. In addition to his financial services experience Phillip has also undertaken advisory roles with KPMG and PwC.

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



Dave Taylor
Chief Operating Officer and
Chief Executive Officer, Lowri Beck

Date of joining the Group: January 2020

Dave was appointed as Chief Operating Officer and CEO at Lowri Beck from 1 July 2021. Prior to that Dave was Chief Executive Officer at Lowri Beck. 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.

Wates Principle 2 Board composition

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

The Board consists of a Chair, a CEO and two executive directors. A summary of the roles of the Chair and CEO is set out to the right. The size of the Board is considered appropriate for the effective operation of the Group due to the skills, knowledge and experience of the directors. The Board is supported by an Executive Committee, who in turn are supported by the senior leadership team. The biographies of the Board and Executive Committee are set out on page 51. Regular performance reviews are conducted.

Wates Principle 3 Director responsibilities

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.

The role of the Board

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

The Board is also responsible for providing guidance and oversight to the business. It has overall authority for the management and conduct of the business including oversight of the Group's financial performance and monitoring the governance, risk and control framework. Details of the risk management structure that the Board has put in place are set out in the Risk section of the report on page 44. In addition the internal audit function conducts regular reviews, to an agreed annual plan, of the controls, processes and systems in place. The Directors are in regular communication with the shareholders both informally and via the Calisen Limited board.

 Board biographies are set out on page 51.

A range of matters have been delegated to the Executive Committee, which is responsible for the day-to-day operation of the Group. Biographical details of the Executive Committee are set out on page 51.

Stakeholder engagement

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

The Group's key stakeholders and their differing perspectives are taken into account as part of the Board's discussions. You can read more in our s.172(1) statement on page 36.

How the Board supports strategy

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

 During 2021 a number of sessions were held to review and assess strategy. Details of the Company's strategy are set out on page 18.

Division of responsibilities

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

Chair

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

Chief Executive Officer

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

Wates Principle 4 Opportunity and risk

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

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

We have also made significant headway in supporting the adoption of EVs through the launch of our Plug Me In business, which provides an end-to-end solution to both businesses and homeowners covering project scoping, installation, financing and maintenance.

 How the Board manages risk is set out in the risk section on pages 44 to 48.

Wates Principle 5 Remuneration

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

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

The Committee's role is to:

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

Wates Principle 6 Stakeholder relationships and Engagement

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

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

 Stakeholder engagement is set out on pages 34 to 35.

Directors' Report

The Directors of Calisen Group (Holdings) Limited present their report for the year ended 31 December 2021.

The shares of the Company (previously known as Calisen plc) were admitted to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. Following the Acquisition by the Consortium the Company's shares were de-listed on 15 March 2021.

The Company is the holding company of the Calisen group of companies. The main trading companies are Calvin Capital Limited, Lowri Beck Services Limited and their subsidiaries. These and all other subsidiaries of the Group are listed in Note 33 of the financial statements.

Results and dividends

The profit for the year attributable to the equity holders of the parent company amounts to £3.8 million.

During the year the Company paid dividends amounting to £91.8 million. No dividend was paid in respect of the year ended 31 December 2020.

Directors

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

H L (Bert) Pijls

S Latus

P McLelland (appointed 24 January 2022)

S A Blackburn (appointed 24 January 2022)

Directors' indemnities and Directors' and Officers' liability insurance

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

The Company has chosen in accordance with section 414C (11) of the Companies Act 2006 to provide disclosures and information in the Strategic Report in relation to a number of matters which would otherwise be required to be included in this Directors' Report.

These matters are referred to in the table to the left. The table also refers to certain other disclosures elsewhere in this Annual Report, which are incorporated into this Directors' Report by reference.

Research and development

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

Significant agreements – change of control

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

Share capital

The Company's total issued share capital, as at 31 December 2021, consisted of 549,019,293 ordinary shares, each with a nominal value of 1p. Further details of the issued share capital of the Company can be found in Note 29 of the financial statements. The rights and obligations attaching to ordinary shares in the Company are set out in the Company's Articles of Association ("Articles"). Copies of the Articles can be obtained from Companies House or by writing to the Company Secretary at the Company's registered office.

Restrictions on the transfer of shares

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

Restrictions on voting rights

Details of the deadlines for exercising voting rights are set out in the Articles. The Directors are not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

Articles of Association

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

Powers of the Board

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

Accountability and audit

The going concern statement and the Responsibility statement of the Directors in respect of the Annual Report and Financial Statements are shown on pages 64 and 55 to 56 respectively.

People

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

We are an equal opportunities employer. It is our policy to develop and apply, throughout the Group, procedures and practices which are designed to ensure that equal opportunities are provided to all of our employees or those who seek employment with the Group irrespective of their age, colour, disability, ethnic origin, gender, marital status, nationality, parental status, race, religion, belief or sexual orientation.

All employees, whether part-time, full-time or temporary, are treated fairly and equally. Selection for employment, promotion, training or other matters affecting their employment is on the basis of aptitude and ability.

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

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

Health and safety at work

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

Political donations

The Group made no political donations and incurred no political expenditure during the year (2020: £Nil).

Disclosure of all relevant information to the Auditor

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

Statement of Directors' Responsibilities in respect of the Annual Report and Accounts, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and Accounts, the Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare both the Group and the parent company financial statements in accordance with UK-adopted international accounting standards and applicable law.

Topic	Section of report	Page
Important events since the financial year end	Strategic Report	N/A
Likely future developments	Strategic Report	3, 11, 15
Greenhouse gas emissions, energy consumption and energy efficiency action	Strategic Report	39
Financial instruments	Note 2.13 of the financial statements	71
Employee engagement	Strategic Report	34 to 37
Relationships with customers, suppliers and others	Strategic Report (section 172(1) statement)	34 to 36
Modern Slavery Statement	Strategic Report	37
Risk management	Strategic Report	45 to 48
Going concern	Note 1 of the financial statements	65
Corporate Governance Statement	Corporate Governance Report	50 to 53
Directors	Corporate Governance Report	51

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the Group's profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006.

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Each of the Directors in office as at the date of this report, whose names and functions are listed on page 51, confirm that to the best of their knowledge:

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

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

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

Jayne Powell

Company Secretary

For and on behalf of the Company

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

7 March 2022

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

Opinion

We have audited the financial statements of Calisen Group (Holdings) Limited ("the Company") for the year ended 31 December 2021 which comprise the consolidated income statement and statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statements of changes in equity and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates such as acquisition accounting; and
- the risk that Meter and Hub Rental Revenue is not accurately recorded.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted between unusual or unexpected account combinations, including revenue, fixed assets and cash.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

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

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

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

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation.

We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 55 and 56, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

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

Chartered Accountants

1 St Peter's Square
Manchester
M2 3AE
8 March 2022

Financial Statements

Consolidated Income Statement and Statement of Comprehensive Income

	Notes	Year ended 31 December	
		2021 £m	2020 £m
Revenue	5	268.8	248.1
Cost of sales	7	(127.9)	(113.6)
Gross profit		140.9	134.5
Administrative expenses	8	(30.5)	(27.7)
Other expenses	13	(12.0)	(8.3)
Amortisation of intangible assets	18	(44.4)	(44.5)
Group operating profit		54.0	54.0
Finance expense	12	(24.6)	(105.0)
Finance income	12	14.6	33.8
Profit/(loss) before tax		44.0	(17.2)
Taxation expense	15	(40.2)	(9.8)
Profit/(loss) for the year		3.8	(27.0)
Profit/(loss) and total comprehensive profit/(loss) attributable to equity holders of the parent		3.8	(27.0)

All activities of the Group are from continuing operations for the years ended 31 December 2021 and 31 December 2020.

Financial Statements

Consolidated Statement of Financial Position

	Notes	As at 31 December	
		2021 £m	2020 £m
Assets			
Non-current assets			
Intangible assets	18	491.4	535.5
Property, plant and equipment	19	1,021.0	897.9
Deferred tax asset	16	4.0	1.4
Derivative financial instruments	22	16.8	3.3
		1,533.2	1,438.1
Current assets			
Trade and other receivables	24	59.0	70.0
Contract assets	6	4.7	4.9
Inventory	25	0.7	0.9
Cash and cash equivalents	26	116.4	114.6
		180.8	190.4
Total assets		1,714.0	1,628.5
Liabilities			
Current liabilities			
Trade creditors	27	29.1	19.1
Other creditors	27	28.9	26.4
Interest-bearing loans and borrowings	22	103.3	116.7
		161.3	162.2
Non-current liabilities			
Interest-bearing loans and borrowings	22	723.4	587.1
Provisions	28	0.6	1.5
Derivative financial instruments	22	0.4	1.6
Deferred tax liability	16	138.8	99.7
		863.2	689.9
Total liabilities		1,024.5	852.1
Equity			
Called up share capital	29	5.5	5.5
Share premium account		-	-
Share-based payment reserve	30	-	0.4
Merger reserve		(63.3)	(63.3)
Retained earnings		747.3	833.8
Total equity		689.5	776.4
Total equity and liabilities		1,714.0	1,628.5

The Financial Statements on pages 60 to 99 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Phillip McLelland
Group Finance Director
7 March 2022

Financial Statements

Consolidated Statement of Changes in Equity

	Called up share capital £m	Share premium account £m	Share-based payment reserve £m	Retained earnings/ (deficit) £m	Merger reserve £m	Total equity £m
Attributable to equity holders of the parent:						
At 1 January 2020	0.2	82.1	–	(221.8)	(63.3)	(202.8)
Loss for the year and total comprehensive loss	–	–	–	(27.0)	–	(27.0)
Shares issued	1.3	293.2	–	–	–	294.5
Debt for equity swap (note 1)	4.0	707.3	–	–	–	711.3
Equity settled share awards	–	–	0.4	–	–	0.4
Capital reduction (note 1)	–	(1,082.6)	–	1,082.6	–	–
At 31 December 2020	5.5	–	0.4	833.8	(63.3)	776.4
Profit for the year and total comprehensive profit	–	–	–	3.8	–	3.8
Equity settled share awards	–	–	1.1	–	–	1.1
Recycling of share-based payment reserve	–	–	(1.5)	1.5	–	–
Dividends paid (note 32)	–	–	–	(91.8)	–	(91.8)
At 31 December 2021	5.5	–	–	747.3	(63.3)	689.5

Financial Statements

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December	
		2021 £m	2020 £m
Cash flows from operating activities			
Profit/(loss) before tax		44.0	(17.2)
Adjustments to reconcile loss before tax to net cash flows:			
Amortisation of intangible assets	18	44.4	44.5
Depreciation of property, plant and equipment	19	89.0	79.4
Finance income	12	(14.6)	(33.8)
Finance expense	12	24.6	105.0
Share-based payment expense	30	1.1	0.4
Loss on disposal of property, plant and equipment*	7	3.7	2.1
Interest received	12	-	0.1
Interest paid	12	(20.5)	(91.8)
Tax received/(paid)	15	2.2	(4.4)
Transaction costs on sale of group**	13	11.2	-
Working capital adjustments:			
Decrease/ (increase) in trade and other receivables and contract assets	6, 24	5.1	(12.9)
Decrease in inventory	25	0.2	0.4
(Decrease)/increase in trade payables, other payables and provisions	27, 28	12.4	(4.3)
Net cash flows from operating activities		202.8	67.5
Cash flows from/(used in) investing activities			
Compensation income***	7	15.9	13.4
Transaction costs on sale of group	13	(11.2)	-
Purchase of subsidiary undertaking		-	(0.7)
Purchase of property, plant and equipment	19	(231.7)	(171.8)
Purchase of intangible assets	18	(0.3)	-
Net cash flows used in investing activities		(227.3)	(159.1)
Cash flows from/(used in) financing activities			
Lease payments	20	(0.8)	(1.1)
Dividends paid	32	(91.8)	-
Proceeds from the issue of share capital	29	-	294.5
Proceeds from borrowings	22	381.9	668.7
Repayment of borrowings	22	(263.0)	(806.2)
Net cash flows from financing activities		26.3	155.9
Net movement in cash and cash equivalents		1.8	64.3
Cash at beginning of period		114.6	50.3
Cash at end of period		116.4	114.6

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

* 'Loss on disposal of property, plant and equipment' is presented separately in note 7 as 'Compensation income' (previously described as 'Proceeds from sale of property, plant and equipment' and 'Net book value of disposals of property, plant and equipment (meters)').

** 'Transaction costs on sale of group' reflect the acquisition related expenses set out in note 13. This has been repositioned to investing activities to be more reflective of the transaction.

*** Description updated from 'Proceeds from sale of property, plant and equipment' in 2020 Calisen Group (Holdings) Limited accounts to be more reflective of the transaction.

1. Basis of preparation

These Group financial statements were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards in accordance with UK-adopted international accounting standards ("UK-adopted IFRS"). The policies set out below have been applied consistently throughout the years ended 31 December 2021 and 2020.

(a) Going concern

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 a profit after taxation of £3.8m (2020: loss after taxation of £27.0m) and net cash flows from operating activities for the year ended 31 December 2021 of £202.8m (2020: £67.5m).

In March 2021, the Company was acquired by Calisen Limited and delisted from the London Stock Exchange, reregistering as a private limited company. Following this transaction, the Group's revolving credit facility ("RCF") amounting to £240m became unavailable, all other facilities remained available to the Group.

The Group still has access to a separate RCF of £400.0m which was taken out in July 2020. In December 2021, the Group completed a refinancing, replacing £150m of this partially drawn RCF with an amortising term loan facility for the same amount. The RCF remains available and this resulted in an increase in headroom of £150m for the Group.

The Group has prepared cash flow forecasts to 31 December 2024 which include taking account of reasonably possible downsides and business continuity stress tests. These result in reduced levels of revenues within both business units and lower levels of meter installations. These forecasts show that the Group will have sufficient funds, through access to cash derived from its long-term contractual revenue streams and funding from its existing facilities to meet liabilities as they fall due. At 31 December 2021, this includes cash of £116.4m and undrawn funds of £427.5m (which is available and ring-fenced for contracted capital expenditure commitments). There are no forecast breaches, under any scenario, of banking covenants at any point during the three year forecast period.

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

(b) Basis of measurement

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

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

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

1. Basis of preparation continued

(c) Adoption of new standards

The following standards, interpretations and amendments, issued by the International Accounting Standards Board ("IASB") effective for the year ended 31 December 2021 and 31 December 2020, are relevant to the Group but have had no material impact on the Group's Financial Statements:

IFRS 3 (amendment)	Definition of a Business	effective date of 1 January 2020
IAS 1 and IAS 8 (amendment)	Definition of Material	effective date of 1 January 2020
CF	Conceptual Framework for Financial Reporting	effective date of 1 January 2020
IFRS 9 (amendment)	Interest Rate Benchmark Reform: Phase 2	effective date of 1 January 2021

The following standards while not new or amended in the year ended 31 December 2021 were adopted in the year ended 31 December 2020 as they have now become relevant to the Group and have a material impact to the Group's Financial Statements:

IFRS 2 Share-based Payments

The Group adopted IFRS 2 during 2020 following the issue of equity settled share award schemes to certain employees, details of which are set out in note 30. The fair value of the equity settled share awards is measured at the date of grant and expensed on a straight-line basis over the vesting period based on how many awards are expected to vest. The Group uses simulation models to estimate the fair value of the schemes based on the various measures of performance. Following the acquisition of the company all share awards vested in full and therefore the final IFRS 2 charge was recorded in relation to these share awards in the year ended 31 December 2021. No further shares awards schemes have been set-up.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

During the previous period, certain employees at Lowri Beck were placed on furlough under the Coronavirus Job Retention Scheme. Furlough income of £7.7m in relation to a maximum of 1,420 employees has been recognised in the year ended 31 December 2020 and as such the Group adopted IAS 20 in accounting for this Government assistance. The grant was recognised as income and matched with associated payroll costs over the same period. No claims under this scheme have been made during the year ended 31 December 2021.

Underwriting commissions

In accordance with IFRS 9, underwriting costs, incurred during the year ended 31 December 2020, and relating directly to the new issuance of shares as part of the Company's IPO were deducted against share premium on the basis that they are directly incremental costs that would not have been incurred had the Group not raised equity during the period. During the year to 31 December 2021 £Nil (2020: £6m) of underwriting costs were deducted from share premium.

(d) Standard issued but not yet effective

IFRS 17	Insurance Contracts	effective date of 1 January 2023
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No material impact is expected on the adoption of this standard.

There are no other relevant standards, which are expected to have a material impact on the Group, that have been issued by the IASB and endorsed by the EU but are not yet effective.

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

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

(f) Basis of consolidation

The Consolidated Financial Statements consolidate the Group and all its subsidiary undertakings for the years ended 31 December 2021 and 2020.

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

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

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

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

2. Significant accounting policies

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

2.1 Business combinations

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

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

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

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

2.2 Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3 Revenue from contracts with customers

All revenues are recognised exclusive of value added tax.

(i) MAP services

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

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

(ii) Installation Services (formerly presented as Technical services)

Installation Services were described as Technical Services in the accounts for the year ended 31 December 2020. Revenues from installation services represent fees earned from energy retailers for installation of meters by the Lowri Beck operating segment.

Provision of installation services is considered a separate performance obligation. Revenue is recognised at a point in time on completion of the services.

2. Significant accounting policies continued

2.3 Revenue from contracts with customers continued

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

Data Services were described as Non-Technical Services in the accounts for the year ended 31 December 2020.

These services represent meter reading and data management services provided to energy retailers by the Lowri Beck operating segment. Revenue is recognised at a point in time on completion of the services.

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

Other income

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

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

Significant judgements

(iv) Classification of meter income

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

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

(v) Contract with the customer and contract term

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

(vi) Performance obligations

Over the course of a contract for MAP services, the Group performs a series of activities that are substantially the same in terms of the nature of the Group's undertaking to the customer i.e. the procurement and management of a portfolio of meters. In addition, the benefits are simultaneously received and consumed by the customer. Therefore, the services are accounted for as a single performance obligation.

(vii) Costs to obtain a contract

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

2.4 Contract assets

Amounts are billed monthly in arrears based on services provided resulting in unbilled receivables (contract assets) being recognised in the consolidated statement of financial position.

2.5 Compensation income

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

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

2.6 Taxation

Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establish provisions where appropriate.

Deferred tax

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

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

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

2. Significant accounting policies continued

2.6 Taxation continued

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

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

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

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

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

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

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

2.7 Foreign currencies

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at the date of the consolidated statement of financial position are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling as at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Consolidated Income Statement.

The assets and liabilities of foreign operations arising on consolidation are translated to the Group's presentational currency, pound sterling, at foreign exchange rates ruling as at the date of the consolidated statement of financial position. The revenue and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling as at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

2.8 Dividends

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

2.9 Intangible assets

Goodwill

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

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

Brands and customer contracts

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

Other intangible assets

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

2. Significant accounting policies continued

2.9 Intangible assets continued

Research and development costs

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

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

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

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

Amortisation

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

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

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

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

Impairment

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

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

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

2.10 Property, plant and equipment

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

Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation begins from the date an asset is ready for intended use. The cost of these items is depreciated using the straight-line method over the following remaining estimated useful lives:

Computer hardware	3 years
Credit meters	Shorter of asset life or 30 June 2025
Prepayment meters	Shorter of asset life or 30 June 2025
Smart meters	15 years
Fixtures and fittings	3 years
Office equipment	3 years
Motor vehicles	3–4 years
Leasehold improvements	8–10 years

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

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

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

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern according to which the Company expects to consume an asset's future economic benefits. A change in the useful expected life of traditional meters was deemed necessary in the year ended 31 December 2020, see note 4 for further details. This policy is still deemed to be appropriate for the year ended 31 December 2021 and therefore no changes were made.

2. Significant accounting policies continued

2.10 Property, plant and equipment continued

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

2.11 Leases

Group as a lessee

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

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

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

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

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

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

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

After commencement, the lease liability is measured by:

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

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

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

2.12 Inventory

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

2.13 Financial instruments

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

(i) Financial assets

Initial recognition and measurement

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

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

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

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

2. Significant accounting policies continued

2.13 Financial instruments continued

Subsequent measurement

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

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

Financial assets at amortised cost (trade and other receivables)

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

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

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

Financial assets at fair value through profit or loss

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

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

Derecognition

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

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

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

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

Impairment of financial assets

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

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

(ii) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

2. Significant accounting policies continued

2.13 Financial instruments continued

Financial liabilities at fair value through profit or loss

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

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

Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. None are designated as effective hedging instruments for the years ended 31 December 2021 or 2020.

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

Loans and borrowings

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

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

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

Derecognition

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

(iii) Offsetting of financial instruments

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

(iv) Derivative financial instruments and hedging activities

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

2.14 Share capital

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

2.15 Cash and cash equivalents

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

2.16 Pensions

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

2.17 Provisions

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

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

2. Significant accounting policies continued

2.18 Related parties

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

2.19 Interest income and expense

Interest income and interest payable are recognised in the Consolidated Income Statement as they accrue, using the effective interest method. Senior debt commitment fees are expensed in the period incurred and paid. At 31 December 2021, the Group has instruments exposed to both LIBOR and SONIA interest rates as set out in note 22.5; as of 1 April 2022 the instruments exposed to LIBOR floating rates will transfer to SONIA floating rates.

2.19 Other operating expenses

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

3. Significant accounting judgements

Critical accounting judgements in applying the Group accounting policies

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

4. Significant accounting estimates

Estimation uncertainty in applying the Group accounting policies

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

Financial instruments

All derivatives are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Adjustments are also made when valuing financial liabilities measured at fair value to reflect the Company's own credit risk. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data. At 31 December 2021, the Group had derivative assets of £16.8m (31 December 2020: £3.3m) and derivative liabilities of £0.4m (31 December 2020: £1.6m).

Goodwill impairment

Management reviews the valuation of goodwill for impairment annually or if events and changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is determined based on value in use as fair value less costs to sell is not easily validated as there is no active market in these assets. See further details in note 21. At 31 December 2021, the Group had goodwill of £79.4m (31 December 2020: £79.4m).

Useful economic lives of tangible assets

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

During the year ended 31 December 2020, the Group performed a detailed review of the estimated UELs of its smart and traditional meter portfolio. The UEL of 15 years for a smart meter was deemed to still be a reliable estimate and no change was made to this estimate. Traditional meters had been depreciated over the shorter of 10 years or to the end of 2021. In June 2020, BEIS announced its intention to extend the smart meter implementation programme to the end of June 2025. The Group has installation contracts in place to support this timeline. Given these factors, the Group determined that the UEL of the traditional meters should be extended to the shorter of their asset life or 30 June 2025. This change in policy had the effect of reducing the depreciation charge by £17.2m to £15.9m in the year ended 31 December 2020. The Group reviewed the policy in the year ended 31 December 2021 and determined the UEL to still be a reliable estimate and therefore no changes were made in the year ended 31 December 2021.

The Group had plant, property and equipment with a net book value of £1,021.0m at 31 December 2021 (31 December 2020: £897.9m). See note 19 for the carrying amount of plant, property and equipment, and note 2.10 for the accounting policy for fixed assets including the UELs for each class of assets.

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Notes to the Consolidated Financial Statements continued

5. Segmental reporting

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

- Calvin Capital, which procures, owns and manages meter assets on behalf of its customers, who make MPC payments on a long-term contracted basis; and
- Lowri Beck, which provides meter installation, reading and maintenance services. In addition, it owns and manages a small portfolio of traditional meters on behalf of its customers.

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

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

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

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

	Calvin Capital £m	Lowri Beck £m	Consolidation £m	Total £m
Year ended 31 December 2021				
Segment revenue				
MAP services:				
Traditional meter revenue	52.6	5.8	–	58.4
Smart meter revenue	165.3	–	–	165.3
Data services*	–	20.2	–	20.2
Installation services*	–	25.6	(5.0)	20.6
Other income	4.1	0.2	–	4.3
Total revenue from external customers	222.0	51.8	(5.0)	268.8
Cost of sales:				
Direct costs	–	(41.8)	5.0	(36.8)
Depreciation of metering equipment held within property, plant and equipment	(86.9)	(0.5)	–	(87.4)
Compensation income	15.9	–	–	15.9
Net book value of disposals of property, plant and equipment (meters)	(19.6)	–	–	(19.6)
Segment gross profit	131.4	9.5	–	140.9
Admin expenses:				
Depreciation of non-metering equipment held within property, plant and equipment	(0.3)	(0.3)	(1.0)	(1.6)
Net foreign exchange loss	(0.3)	–	–	(0.3)
Overheads	(22.6)	(7.2)	1.2	(28.6)
Other expenses	(12.0)	–	–	(12.0)
Amortisation of intangible assets	(43.1)	(1.3)	–	(44.4)
Segment operating profit/(loss)	53.1	0.7	0.2	54.0
Finance expense	(23.8)	(0.8)	–	(24.6)
Finance income	14.6	–	–	14.6
Profit(loss) before tax	43.9	(0.1)	0.2	44.0
Tax expense	(40.2)	–	–	(40.2)
Loss for the year	3.7	(0.1)	0.2	3.8
Capital expenditure	230.3	1.4	–	231.7

Consolidation adjustments relate to the elimination of revenue for installation services provided by Lowri Beck to Calvin Capital and IFRS conversion amounts.

Capital expenditure consists of additions of property, plant and equipment and other fixed assets.

* For the year-ended 31 December 2020, Data services and Installation services were previously described as Non-technical services and Technical services respectively.

5. Segmental reporting continued

	Calvin Capital £m	Lowri Beck £m	Consolidation £m	Total £m
Year ended 31 December 2020				
Segment revenue				
MAP Services				
Traditional meter revenue	59.9	6.1	–	66.0
Smart meter revenue	141.8	–	–	141.8
Data services*	–	21.5	–	21.5
Installation services*	–	18.1	(3.3)	14.8
Other income	3.7	0.3	–	4.0
Total revenue from external customers	205.4	46.0	(3.3)	248.1
Cost of sales:				
Direct costs	–	(37.3)	3.3	(34.0)
Depreciation of metering equipment held within property, plant and equipment	(77.0)	(0.5)	–	(77.5)
Compensation income*	13.3	0.1	–	13.4
Net book value of disposals of property, plant, and equipment (meters)*	(15.5)	–	–	(15.5)
Segment gross profit/(loss)	126.2	8.3	–	134.5
Admin expenses:				
Depreciation of non-metering equipment held within property, plant and equipment	(0.3)	(0.3)	(1.3)	(1.9)
Net foreign exchange gain	0.4	–	–	0.4
Overheads	(19.9)	(7.9)	1.6	(26.2)
Other expenses	(6.6)	(1.7)	–	(8.3)
Amortisation of intangible assets	(43.1)	(1.4)	–	(44.5)
Segment operating profit/(loss)	56.7	(3.0)	0.3	54.0
Finance expense	(103.2)	(1.5)	(0.3)	(105.0)
Finance income	33.8	–	–	33.8
Loss before tax	(12.7)	(4.5)	–	(17.2)
Tax credit	(9.8)	–	–	(9.8)
Loss for the period	(22.5)	(4.5)	–	(27.0)
Capital expenditure	171.4	0.4	–	171.8

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	
	2021 £m	2020 £m
Geographical markets		
UK	1,529.5	1,438.1
Total	1,529.5	1,438.1

* Compensation income and net book value of disposals of property, plant and equipment (meters) were previously stated net as '(Loss)/gain on disposal of fixed assets' in 2020 Calisen Group (Holdings) Limited accounts.

6. Revenue from contracts with customers

Disaggregated revenue information

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

	Year ended 31 December	
	2021 £m	2020 £m
Revenue from contracts with customers		
MAP services	223.7	207.8
Data services*	20.2	21.5
Installation services*	20.6	14.8
Other income	4.3	4.0
Total revenue	268.8	248.1
Geographical markets		
UK	268.8	248.1
Total revenue	268.8	248.1
Timing of revenue recognition		
Transferred over time	228.0	211.8
Transferred at a point in time	40.8	36.3
Total revenue	268.8	248.1
Green revenue		
MAP services (smart meter)	165.3	141.8
Installation services*	20.6	14.8
Total green revenue	185.9	156.6
Contract assets	4.7	4.9
Accrued income	16.8	17.2
Trade receivables (note 24)	31.1	31.9
Costs to obtain contracts with customers	1.8	2.0

* Data services and Installation services were previously described as Non-technical services and Technical services respectively.

During the years ended 31 December 2020 and 31 December 2021, the Group entered into contract modifications with a number of customers. The contract modifications that took place in the year ended 31 December 2021, did not affect income generated in previous financial years. In the year ended 31 December 2020, the contract modifications resulted in additional income that related to previous years of £2.0m.

The Group bills monthly in arrears based on the services provided. As such, for the year ended 31 December 2021, £4.7m (year ended 31 December 2020: £4.9m) of contract assets and £16.8m (year ended 31 December 2020: £17.2) of accrued income were recognised in the consolidated statement of financial position.

Costs incurred to obtain a contract represent sales commissions payable to employees. These costs are included within intangible assets and amortised over 15 years. During the year ended 31 December 2021, £0.2m of amortisation was recorded in administrative expenses (year ended 31 December 2020: £0.2m).

Trade receivables are non-interest-bearing and are generally on terms of 30 to 45 days. In the year ended 31 December 2021, £7.2m (year ended 31 December 2020: £2.2m) was recognised as a provision for Expected Credit Losses ("ECL") on trade receivables. A provision against of £0.4m (2020: £0.7m) was recognised for ECLs on accrued income.

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

7. Cost of sales

	Year ended 31 December	
	2021 £m	2020 £m
Depreciation of property, plant and equipment (meters)	(87.4)	(77.5)
Compensation income*	15.9	13.4
Net book value of disposals of property, plant and equipment (meters)*	(19.6)	(15.5)
Employee benefits expense and other direct costs	(36.8)	(34.0)
Total cost of sales	(127.9)	(113.6)

* Compensation income and net book value of disposals of property, plant and equipment (meters) were previously stated net as '(Loss)/gain on disposal of fixed assets' in 2020 Calisen Group (Holdings) Limited accounts.

8. Administrative expenses

Included in administrative expenses are the following:

	Year ended 31 December	
	2021 £m	2020 £m
Depreciation of property, plant and equipment	(1.6)	(1.9)
Net foreign exchange (loss)/ gain	(0.3)	0.4
Short-term lease expense	-	(0.1)
Auditor's remuneration (note 9)	(0.5)	(0.8)
Employee benefits expense (note 10)	(9.7)	(12.6)
Other administrative overheads	(18.4)	(12.7)
Total administrative expenses	(30.5)	(27.7)

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

9. Auditor's remuneration

	Year ended 31 December	
	2021 £m	2020 £m
Audit and audit-related services		
Audit of the Group and Company financial statements	(0.3)	(0.3)
Audit of the financial statements of subsidiaries of the Company	(0.1)	(0.1)
Audit-related assurance services (Interim Review)	-	(0.1)
	(0.4)	(0.5)
Amounts payable to the Group Auditor and its associates in respect of:		
Other services relating to taxation	(0.1)	-
Services relating to the IPO	-	(0.3)
	(0.5)	(0.8)

Services relating to the IPO incurred during the year-ended 31 December 2020 and other services relating to taxation are included within other operating expenses (note 13) in the Consolidated Income Statement.

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Notes to the Consolidated Financial Statements continued

10. Employee benefits expense

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

	Year ended 31 December	
	2021 £m	2020 £m
Included in cost of sales		
Wages and salaries	(29.6)	(33.4)
Social security costs	(2.6)	(2.9)
Defined contribution costs	(0.6)	(0.7)
Furlough income received under the Coronavirus Job Retention Scheme	–	7.7
Included in administrative expenses		
Wages and salaries	(7.7)	(10.5)
Social security costs	(0.7)	(0.8)
Defined contribution costs	(0.8)	(0.9)
Share-based payment charge	(0.5)	(0.4)
Total employee benefits expense	(42.5)	(41.9)

The IFRS 2 expense in the year ended 31 December 2021 was £1.1m (2020: £0.4m) in relation to a PSP, of which £0.5m was recognised in administrative expenses (2020: £0.4m) and £0.6m in other operating expenses (2020: £Nil). The £0.5m charge recognised in administrative expenses is the charge relating to the year ended 31 December 2021; £0.6m was recognised in other operating expenses as this represents the charge for future years which was accelerated following closure of the PSP as part of the Acquisition. Further details of the PSP can be found in note 30.

The average monthly number of FTE and the number of FTE as at December during the years set out below were as follows:

	2021		2020	
	Average	At 31 December	Average	At 31 December
Management and administration	395	369	516	419
Operational staff	833	747	932	890
	1,228	1,116	1,448	1,309

11. Compensation of key management personnel

The following amounts were recognised as an expense during the reporting period relating to compensation of key management personnel being the Executive Committee of the Group.

	Year ended 31 December	
	2021 £m	2020 £m
Salaries and short-term benefits	(4.1)	(4.4)
Defined contribution costs	(0.2)	(0.2)
Social security costs of PSP settlement	(0.3)	–
Share-based payment charge	(0.5)	(0.2)
	(5.1)	(4.8)

The IFRS 2 expense in the year ended 31 December 2021 was £0.5m (2020: £0.2m) in relation to a PSP, further details of which can be found in note 30. In addition to the above, whilst not a cost to the Company, the Directors received compensation of £1.9m in relation to settlement of share awards held under the PSP.

The highest paid Director received total compensation of £1.3m for the year ended 31 December 2021 (2020: £1.0m) inclusive of settlement of PSP share awards.

The defined contribution costs of £0.2m (2020: 0.2m) were in relation to 8 key management personnel (2020: 8).

For the period February 2020 to March 2021, the way the business was strategically managed developed reflected the listed nature of the business. Since the Acquisition of the company in March 2021 the number of key management personnel has reduced to reflect the non-listed nature of the business.

12. Finance income/(expense)

	Year ended 31 December	
	2021 £m	2020 £m
Senior debt commitment fees	(2.4)	(4.4)
Agency and technical adviser fees	(0.1)	(0.3)
Derivative breakage fees	-	(53.5)
Amortisation of debt issue costs	(6.0)	(20.3)
Letter of credit fees and other charges	-	(2.5)
Interest payable on bank loans	(15.8)	(17.8)
Interest payable on shareholder loans	-	(5.9)
Unwinding of discount on lease liabilities	(0.3)	(0.3)
Total finance expense	(24.6)	(105.0)
Bank interest receivable	-	0.1
Fair value gain on derivative financial instruments	14.6	33.7
Total finance income	14.6	33.8
Net finance expense	(10.0)	(71.2)

13. Other operating expenses

	Year ended 31 December	
	2021 £m	2020 £m
IPO-related costs	-	(5.2)
Acquisition-related expenses	(11.2)	(1.4)
Restructuring costs	(0.8)	(1.7)
Other operating expenses	(12.0)	(8.3)

IPO-related costs were incurred as part of the Admission to the London Stock Exchange in February 2020. The Acquisition-related expenses have been incurred in connection with the offer for the Group announced on 11 December 2020 and completed during March 2021. The restructuring costs incurred during the year-ended 31 December 2021 relate to a change in structure following the delisting from the London Stock Exchange, during 2020 the costs relate to the restructuring programme at Lowri Beck.

14. Earnings per share

	Year ended 31 December	
	2021	2020
Profit/(loss) attributable to equity shareholders of the Company (£m)	3.8	(27.0)
Basic earnings per share (pence)	Nil	(5.5)
Diluted earnings per share (pence)	Nil	(5.5)

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to shareholders for the period by the weighted average number of shares in issue for that period. During March 2021 the Company was sold and delisted from the London Stock Exchange and re-registered as a private limited company. For the year-ended 31 December 2021 EPS is no longer an appropriate measure and therefore has not been calculated.

During the year ended 31 December 2020, the Group awarded conditional share awards to directors and certain employees through a PSP, see note 30 for further details. The awards vested in full during 2021 following the change in ownership.

	Year ended 31 December	
	2021 m	2020 m
Weighted average number of shares (basic)	Nil	493.4
Weighted average number of shares (diluted)	Nil	494.8

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15. Taxation

	Year ended 31 December	
	2021 £m	2020 £m
Current tax		
Current tax on profit/loss for the year	(1.1)	(1.6)
Group relief payable	(3.0)	–
Adjustment in respect of prior periods	0.4	3.7
Total current tax (charge)/credit	(3.7)	2.1
Deferred tax		
Origination and reversal of timing differences	(6.1)	1.4
Tax rate changes	(31.0)	(9.7)
Adjustment in respect of prior periods	0.6	(3.6)
Total deferred tax (charge)	(36.5)	(11.9)
Tax (charge) on loss on ordinary activities	(40.2)	(9.8)

There was an overall tax charge in the year ended 31 December 2021 driven by the cancellation of the 19% tax rate from 1 April 2020 leading to a remeasurement of deferred tax balances at 25%. Following the Acquisition of the Company in March 2021, Calisen Limited is now the immediate parent company in the UK, the payment for group relief is payable to Calisen Limited in recognition of the losses surrendered to the consolidation headed by the Company.

The adjustments in respect of prior periods relate to refunds due from HMRC following resubmission of a number of subsidiaries' tax returns from earlier years. The refunds in 2020 were derived from the loss reliefs not previously utilised.

Reconciliation of tax charge for the year

A reconciliation between tax expense and the product of accounting profit multiplied by the standard rate of corporation tax in the UK of 19% as set out below:

	Year ended 31 December	
	2021 £m	2020 £m
Accounting profit/(loss) before tax	44.0	(17.2)
At the UK's standard rate of corporation tax of 19%	(8.4)	3.3
Effects of:		
Adjustments in respect of prior periods	1.0	0.1
Non-deductible expenses	(1.6)	(3.7)
Income not subject to taxation	–	0.3
Other adjustments, reliefs and transfers	(1.3)	(3.1)
Change in tax rate on deferred tax balances	(31.0)	(9.4)
Recognition of previously unrecognised deferred tax assets	1.2	2.9
Other	(0.1)	(0.2)
Total tax (charge)/credit	(40.2)	(9.8)

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 2021 (31 December 2020: 19%). In April 2021, the UK Government announced its intention to increase the corporation tax rate from 19% to 25%, effective from 1 June 2021, and therefore deferred taxation balances have been measured at 25% as this is the rate at which the balances will unwind.

16. Deferred tax

	At 31 December	
	2021 £m	2020 £m
Opening deferred tax liability	(98.3)	(86.5)
Change in provision through Consolidated Income Statement resulting from an increase in tax losses available, change in tax rate and reduction in timing differences arising on intangible fixed assets	(36.5)	(11.9)
Change in provision through other comprehensive income in respect of IFRS 2 Share-based Payments	–	0.1
Closing deferred tax liability	(134.8)	(98.3)

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

	At 31 December	
	2021 £m	2020 £m
Interest restriction carried forward	22.2	22.2

The Group's liability for deferred taxation consists of the tax effect of temporary differences in respect of:

	At 31 December	
	2021 £m	2020 £m
Excess of taxation allowances over depreciation on property, plant and equipment	(76.7)	(46.0)
Tax losses available	47.8	33.5
Short-term timing differences	(4.1)	(0.5)
Deferred tax arising on intangible fixed assets	(101.2)	(84.7)
Other taxable temporary differences	(0.7)	(0.7)
Deferred tax on IFRS 16 lease adjustments and IFRS 2 Share-based Payments	0.1	0.1
Deferred tax liability	(134.8)	(98.3)

The net deferred tax liability of £134.8m is recognised as a £4.0m deferred tax asset and a £138.8m deferred tax liability on the consolidated statement of financial position. The recognition of deferred tax assets arising on tax losses in entities which have suffered a loss in either the current or preceding year is supported by the existing taxable temporary differences which in turn support that sufficient future taxable profits will be available to utilise such assets.

The deferred tax included in the Consolidated Income Statement is as follows:

	Year ended 31 December	
	2021 £m	2020 £m
Accelerated capital allowances	(30.7)	(15.2)
Tax losses	14.3	11.7
Short-term timing differences	(3.6)	(5.9)
Deferred tax arising on intangible fixed assets	(16.5)	(2.7)
Other taxable temporary differences	–	0.2
Deferred tax (charge)	(36.5)	(11.9)

The standard rate of UK corporation tax on ordinary activities was 19% in the year ended 31 December 2021 and 19% in the year ended 31 December 2020.

17. Fair value measurement

The Group measures its derivative financial instruments at fair value. Fair values are determined using observable inputs (Level 2, as defined by IFRS 13 Fair Value Measurement) as follows:

Interest rate swaps

The fair value of interest rate swaps is estimated by discounting estimated future cash flows related to swap agreements. Additional inputs to the present value calculation include the contract terms, as well as market parameters such as interest rates and volatility. As these inputs are based on observable data and standard valuation techniques, the interest rate swaps are categorised as Level 2 in the fair value hierarchy.

Interest rate caps

The fair value of interest rate caps is estimated by discounting estimated future cash flows based on the terms and maturity of each contract. Additional inputs to the present value calculation include the contract terms, as well as market parameters such as interest rates and volatility. As these inputs are based on observable data and standard valuation techniques, the interest rate caps are categorised as Level 2 in the fair value hierarchy.

All derivative fair values are verified by comparison to valuations provided by the derivative counterparty banks.

The Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) as at the end of each reporting period. During the year ended 31 December 2021 there were no transfers into or out of Level 2 fair value measurements (year ended 31 December 2020: none).

18. Intangible assets

Cost or valuation	Goodwill £m	Brand £m	Customer contracts £m	Software £m	Costs to obtain contracts with customers £m	Development costs £m	Total £m
At 1 January 2020	79.4	15.9	595.6	0.4	2.8	6.4	700.5
Additions	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
At 31 December 2020	79.4	15.9	595.6	0.4	2.8	6.4	700.5
Additions	–	–	–	–	–	0.3	0.3
Disposals	–	–	–	–	–	–	–
At 31 December 2021	79.4	15.9	595.6	0.4	2.8	6.7	700.8

Accumulated amortisation	Goodwill £m	Brand £m	Customer contracts £m	Software £m	Costs to obtain contracts with customers £m	Development costs £m	Total £m
At 1 January 2020	–	4.3	114.8	0.2	0.6	0.6	120.5
Amortisation	–	1.6	41.2	0.1	0.2	1.4	44.5
At 31 December 2020	–	5.9	156.0	0.3	0.8	2.0	165.0
Amortisation	–	1.6	41.2	–	0.2	1.4	44.4
At 31 December 2021	–	7.5	197.2	0.3	1.0	3.4	209.4

Net book value	Goodwill £m	Brand £m	Customer contracts £m	Software £m	Costs to obtain contracts with customers £m	Development costs £m	Total £m
At 31 December 2020	79.4	10.0	439.6	0.1	2.0	4.4	535.5
At 31 December 2021	79.4	8.4	398.4	0.1	1.8	3.3	491.4

19. Property, plant and equipment

	Equipment £m	Other fixed assets £m	Total £m
Cost or valuation			
At 1 January 2020	939.3	7.0	946.3
Additions	170.7	1.1	171.8
Disposals	(41.4)	(0.1)	(41.5)
At 31 December 2020	1,068.6	8.0	1,076.6
Additions	230.3	1.4	231.7
Disposals	(48.8)	(1.1)	(49.9)
At 31 December 2021	1,250.1	8.3	1,258.4
Accumulated depreciation			
At 1 January 2020	123.9	1.4	125.3
Depreciation	77.5	1.9	79.4
Disposals	(25.9)	(0.1)	(26.0)
At 31 December 2020	175.5	3.2	178.7
Depreciation	87.4	1.6	89.0
Disposals	(29.2)	(1.1)	(30.3)
At 31 December 2021	233.7	3.7	237.4
Net book value			
At 31 December 2020	893.1	4.8	897.9
At 31 December 2021	1,016.4	4.6	1,021.0

Within other fixed assets are right-of-use assets with a carrying amount of £3.3m as at 31 December 2021 (2020: £3.3m). Details of the right-of-use assets are provided in note 20.

Gains and losses on disposal of equipment are recognised in cost of sales; presented as the net book value of disposals of property, plant and equipment (meters) and compensation income.

20. 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 £m	Right-of-use asset vehicles £m	Total £m
Cost			
At 1 January 2020	4.2	1.2	5.4
Additions	–	0.1	0.1
Disposals	(0.1)	–	(0.1)
At 31 December 2020	4.1	1.3	5.4
Additions	–	0.9	0.9
Disposals	–	(1.1)	(1.1)
At 31 December 2021	4.1	1.1	5.2
Accumulated depreciation			
At 1 January 2020	0.5	0.3	0.8
Depreciation	0.7	0.7	1.4
Disposals	(0.1)	–	(0.1)
At 31 December 2020	1.1	1.0	2.1
Depreciation	0.6	0.3	0.9
Disposals	–	(1.1)	(1.1)
At 31 December 2021	1.7	0.2	1.9
Net book value			
At 31 December 2020	3.0	0.3	3.3
At 31 December 2021	2.4	0.9	3.3

20. Leases continued

Right-of-use assets continued

Right-of-use assets relate to nine leases for office and industrial space in addition to approximately 120 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. There is four years remaining before the break clause can be exercised and the Board does not currently anticipate exercising these break clauses.

Lease-related income and expenses

	Year ended 31 December	
	2021 £m	2020 £m
Interest expense on lease liabilities	(0.3)	(0.3)

The total cash outflow for the Group's lease arrangements in the year ended 31 December 2021 was £0.8m (year ended 31 December 2020: £1.1m). Amounts relating to lease liabilities whereby the Group is a lessee are disclosed below:

	At 31 December	
	2021 £m	2020 £m
Maturity analysis – contractual undiscounted cash flows		
Less than 1 year	1.1	1.1
Between 1 and 5 years	2.5	2.5
More than 5 years	1.2	1.2
Total undiscounted lease liabilities	4.8	4.8
Lease liabilities included in the statement of financial position	3.8	3.9

21. Goodwill

The goodwill acquired in business combinations is allocated, at acquisition, to a CGU. Management consider the business to consist of two CGUs; Calvin Capital and Lowri Beck and goodwill is monitored at this level.

Carrying amount of goodwill allocated to each CGU:

	At 31 December	
	2021 £m	2020 £m
Calvin Capital	78.2	78.2
Lowri Beck	1.2	1.2
Total goodwill	79.4	79.4

The recoverable amount of goodwill has been determined based on its value in use.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Goodwill is tested for impairment by comparing the carrying amount of the CGU, including goodwill, with the recoverable amount. The recoverable amount is determined based on value in use calculations which require assumptions. The calculations use cash flow projections based on financial projections covering a five-year period. These projections take into account historical performance and knowledge of the current market, together with the Group's views on future achievable growth and the impact of committed cash flows. We note that the future achievable growth will be primarily achieved through the existing contracted pipeline for future installations. Cash flows beyond this period are extrapolated using the estimated growth rates stated below.

The annual impairment test is performed at each 31 December. No evidence of impairment was found at either 31 December 2021 or 2020. In addition, the Company was purchased during the year for an acquisition price of 261 pence per share which valued the issued share capital of Calisen at approximately £1,434.0m providing the Group with additional comfort that no impairment is required. The key assumptions used in the value in use calculations were as follows:

- **Perpetual growth rate** – Cash flows were extrapolated in perpetuity using a growth rate of 2% from 31 December 2021 (2020: 2%) for both the Calvin Capital and Lowri Beck CGU. This measure is appropriate for both CGUs as it is not considered to be higher than the average long-term industry growth rate.
- **Discount rate** – The discount rate was based on the weighted average cost of capital ("WACC") which would be anticipated for a market participant investing in the Group. This rate reflected the time value of money, the Group's risk profile and the impact of the current economic climate. The pre-tax discount rates used as at 31 December 2021 and 31 December 2020 for Calvin Capital were 7.01% and 8.33% respectively. This reduction in discount rate during the year reflects the change in assumptions following the purchase of the company during the year. The pre-tax discount rates used for the Lowri Beck CGU were 10.87% and 8.23% as at 31 December 2021 and 31 December 2020 respectively. The increase in discount rate this year reflects the increased risk that Lowri Beck faces within the current market.

The Group concluded that there were no reasonably possible changes in any key assumptions that would cause the carrying amounts of goodwill to exceed the value in use for either CGU as at 31 December 2021.

21. Goodwill continued

Calvin Capital CGU

The headroom, based on the assumptions above, was £1,264.1m as at 31 December 2021 (31 December 2020: £417.6m). A sensitivity analysis was performed assuming a 0.5% reduction in the long-term growth rate and a 0.5% increase in the discount rate in order to assess the impact of reasonable possible changes to the assumptions used in the impairment review. The Group considers the 0.5% to be the maximum reasonable change in these rates. A 0.5% reduction in the long-term growth rate would result in headroom of £971.7m as at 31 December 2021 (31 December 2020: £257.3m) and a 0.5% increase in the discount rate would result in headroom of £936.5m as at 31 December 2021 (31 December 2020: £232.7m).

Lowri Beck CGU

The headroom, based on the assumptions above, was £16.7m as at 31 December 2021 (31 December 2020: £19.6m). A sensitivity analysis was performed assuming a 0.5% reduction in the long-term growth rate and a 0.5% increase in the discount rate in order to assess the impact of reasonable possible changes to the assumptions used in the impairment review. A 0.5% reduction in the long-term growth rate would result in headroom of £15.1m as at 31 December 2021 (31 December 2020: £16.3m) and a 0.5% increase in the discount rate would result in headroom of £10.6m as at 31 December 2021 (31 December 2020: £16.1m).

22. Financial instruments

The Group's principal financial assets include trade receivables, and cash deposits that derive directly from its operations. The Group also enters into derivative transactions. The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

22.1 Financial assets

	At 31 December	
	2021 £m	2020 £m
Derivatives not designated as hedging instruments		
Interest rate swap	16.8	3.3
Interest rate cap	-	-
Total financial assets at fair value through profit or loss	16.8	3.3
Financial assets at amortised cost		
Trade receivables (note 24)	31.1	31.9
Total financial assets	47.9	35.2
Total current	31.1	31.9
Total non-current	16.8	3.3

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

22.2 Interest-bearing loans and borrowings

	At 31 December	
	2021 £m	2020 £m
Current interest-bearing loans and borrowings		
Senior debt facilities	102.4	115.8
Lease liabilities	0.9	0.9
Total current interest-bearing loans and borrowings	103.3	116.7
Non-current interest-bearing loans and borrowings		
Lease liabilities	2.9	3.0
Senior debt facilities	720.5	584.1
Total non-current interest-bearing loans and borrowings	723.4	587.1
Total interest-bearing loans and borrowings	826.7	703.8

22. Financial instruments continued

22.2 Interest-bearing loans and borrowings continued

Senior debt facilities

In February 2020, the Group agreed a RCF amounting to £240.0m. During the year ended 31 December 2020, the Group drew down funds of £48.0m and subsequently repaid this resulting in no outstanding balance at the year end. The facility was not utilised during 2021 and was cancelled following the acquisition of the Company in March 2021.

In July 2020, as part of a new financing arrangement, the Group undertook a separate RCF of £400.0m; £68m of this facility was drawn at 31 December 2020. During December 2021, the Group completed a refinancing, replacing £150.0m of this RCF with an amortising senior debt facility of £150.0m. The RCF facility remains available and, following the refinance, headroom increased by £150.0m.

Senior debt facilities totalling £822.9m were outstanding under the new and existing facilities as at 31 December 2021 (31 December 2020: £699.8m) and are repayable on an agreed or forecast repayment profile of quarterly instalments which commenced on 30 June 2017, with full repayment to be made by 30 September 2034 for all interest-bearing loans and borrowings. Issue costs totalling £13.1m at 31 December 2021 (2020: £17.4m) have been offset against amounts drawn down and amortised over the duration of the facilities.

Interest on fixed rate loans of £290.0m and £40.0m of the amount outstanding at 31 December 2021 (2020: £290.0m and £40.0m) are charged at rates of 2.635% and 2.706% respectively per annum. Interest charges on the remaining amounts drawn are based on floating LIBOR rates. Group has entered into interest rate derivatives as set out in note 22.5.

22.3 Other financial liabilities

	At 31 December	
	2021 £m	2020 £m
Derivatives not designated as hedging instruments		
Interest rate swaps	0.4	1.6
Total financial liabilities at fair value through profit and loss	0.4	1.6
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		
Trade payables	29.1	19.1
Total other financial liabilities	29.5	20.7
Total current	29.1	19.1
Total non-current	0.4	1.6

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

22.4 Fair value of non-derivative financial assets and financial liabilities

The fair value of trade receivables, trade payables and cash at bank and in hand approximates to the carrying amount because of the short maturity in respect of these financial instruments.

The fair value of bank loans approximates to the carrying amount as interest rates are based on LIBOR and so are regularly reset to current market rates.

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

	At 31 December			
	2021		2020	
	Fair value (£m)	Carrying value (£m)	Fair value (£m)	Carrying value (£m)
£40m loan	40.7	40.0	42.1	40.0
£290m fixed rate institutional loan	283.6	290.0	301.1	290.0

Repayments of principal amounts against the senior debt facility of £40m commence in December 2023 with the balance to be fully repaid by June 2024.

Repayments of principal amounts against the senior debt facility of £290m commence in June 2025 with the balance to be fully repaid by December 2034.

22. Financial instruments continued

22.5 Financial instruments risk management objectives and policies

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks in line with the Group's policies. Senior management identify, evaluate and, where appropriate, hedge financial risk. All derivative activities for risk management purposes are carried out by specialist teams who have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and derivative financial instruments. The sensitivity analyses in the following sections relate to the positions as at 31 December 2021 and 2020.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and levels of derivatives are all constant.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group has bank loans (senior debt facilities and equity bridge loans) with floating interest rates linked to LIBOR and SONIA, thereby exposing the Group to fluctuations in LIBOR or SONIA and the consequential impact on interest cost.

As at 31 December 2021, interest on these loans was charged at LIBOR plus a margin in the range of 1.2% to 1.6% (31 December 2020: 1.2% to 2.3%) or SONIA plus a margin of 1.2%. As set out in note 22.2, the Group undertook a new debt facility loan in December 2021 of £150.0m which is subject to SONIA interest rates. All other loans are subject to LIBOR interest rates as at 31 December 2021 however these loans have been contractually agreed to transfer to SONIA effective of 1 April 2022.

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 2021, the derivative instruments in place were sufficient to fix the interest rate on 74% of the senior debt facilities (2020: 81%). During the year ended 31 December 2021, swaptions became active; these instruments were sufficient to fix the interest rate on 11% of the senior debt facilities. As at 31 December 2021, the swap arrangements fixed interest rates in the range of 0.1% to 1.1% (31 December 2020: 0.1% to 1.1%).

In addition, the Group has entered into interest rate caps whereby floating rates are capped at a fixed percentage in the range of 0.9% to 2%. As at 31 December 2021, 70% (31 December 2020: 83%) of the Group's borrowings were subject to this cap.

(b) Interest rate sensitivity

The following table demonstrates the sensitivity to a change in interest rates on the Group's floating rate bank debt. The Group's profit/(loss) before tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease in basis points	Effect on profit/(loss) before tax £m
Year ended 31 December 2021	100	5.1
Year ended 31 December 2020	100	3.9

Management believes that a movement in interest rates of 100bps gives a reasonable measure of the Group's sensitivity to interest rate risk. The table above demonstrates the sensitivity to a possible change in interest rates, with all other variables held constant, on the Group's profit/(loss) before tax.

(c) Price risk

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

(d) Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange is insignificant as primarily all of the Group's operating activities are denominated in pound sterling.

Credit risk

The Group's credit risk primarily arises from credit exposures to energy retailers (the Group's customers) in respect of outstanding trade receivables. The Group trades with a number of companies, which are generally large utility companies or financial institutions. The Group is also exposed to credit risk on cash deposits and derivative financial instruments held with financial institutions.

Credit risk is managed on a Group basis. For banks and financial institutions, the Group's policy is to deposit cash with investment grade financial institutions. With regard to customers, the Group assesses the credit quality of the customer, considering its financial position, past experience and other factors. The Group does not expect, in the normal course of events, that receivables due from customers are at significant risk. The Group's maximum exposure to credit risk equates to the carrying value of cash and cash equivalents, trade and other receivables and derivative financial assets. The Group's maximum exposure to credit risk from its customers is the carrying value of trade receivables as disclosed within trade and other receivables in note 24. The Group regularly monitors and updates its cash flow forecasts to ensure it has sufficient and appropriate funds to meet its ongoing operational requirements.

The Group has identified a concentration of risk in relation to revenue and trade receivables as the majority of revenue (approximately 69%) is generated from the Large Energy Retailers. However, the Group assesses the associated credit risk as low despite its customers operating in one industry as these customers have historically minimal failure rates meaning that the risks associated with trade receivables are relatively low. The remaining balance has a more diversified customer base.

22. Financial instruments continued

22.5 Financial instruments risk management objectives and policies continued

Impairment of trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring forward-looking ECLs which uses a lifetime expected loss provision for all trade receivables. To measure the ECL, trade receivables are grouped based on shared credit risk characteristics and the number of days past due.

The Group has established a provision matrix based on the payment profiles of sales over a period of 12 months before each balance sheet date and the corresponding historical credit losses experienced within these periods. Historical loss rates are adjusted to reflect current and forward-looking information that might affect the ability of customers to settle the receivables, including macroeconomic factors as relevant. In calculating the provision on trade receivables as at 31 December 2021, an adjustment was made to increase the historical loss rates on invoiced and accrued receivables not yet due in recognition of the volatility of the economic environment during the year ended 31 December 2021 caused by significant increases in wholesale energy prices that resulted in many customers entering administration or ceasing to trade.

On that basis, the provision as at 31 December 2021 was determined as £7.6m (31 December 2020: £2.9m) as follows:

	Loss provision – receivables £m
As at 1 January 2020	1.3
Increase in loss provision recognised in profit or loss during the year	1.9
Receivables written off during the year as uncollectable	(0.3)
As at 31 December 2020	2.9
Increase in loss provision recognised in profit or loss during the year	6.7
Receivables written off during the year as uncollectable	(2.0)
As at 31 December 2021	7.6

In assessing impairment of contract assets the Group also applies the IFRS 9 simplified approach to measuring forward-looking ECLs which uses a lifetime expected loss allowance. The total provision of £7.6m (2020: £2.9m) therefore includes £7.2m (2020: £2.2m) in relation to trade receivables and £0.4 (2020: £0.7m) in relation to accrued income. The ECL for contract assets was not material at 31 December 2021 or 31 December 2020.

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 £427.5m undrawn portion of the Group's committed banking facilities. As at 31 December 2021, 88% (31 December 2020: 83%) of the Group's principal borrowing facilities were due to mature in more than one year. Based on the Group's latest forecasts the Group has sufficient funding in place to meet its future obligations.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the consolidated statement of financial position date to the contractual maturity date (with the exception of lease liabilities, disclosure for which is included in note 20). The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
As at 31 December 2021				
Bank borrowings	102.4	237.9	293.7	188.9
Trade and other payables	29.1	–	–	–
Derivatives	0.4	–	–	(16.8)
As at 31 December 2020				
Bank borrowings	115.8	155.7	181.7	246.6
Trade and other payables	19.1	–	–	–
Derivatives	(3.3)	–	1.6	–

22. Financial instruments continued

22.6 Changes in liabilities arising from financing activities

	At 1 January 2021 £m	Cash flows £m	Changes in fair value £m	Other £m	At 31 December 2021 £m
Current interest-bearing loans and borrowings	115.8	(263.0)	–	249.6	102.4
Non-current interest-bearing loans and borrowings	584.1	381.9	–	(245.5)	720.5
Derivative financial instruments	(1.7)	–	18.1	–	16.4
Obligations under leases	3.9	(1.2)	–	1.1	3.8
Total	702.1	117.7	18.1	5.2	843.1

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

During the year ended 31 December 2021, the Group repaid borrowings of £263.0m, of which £150.0m related to the replacement of utilised RCF borrowings. The Group received proceeds from borrowings of £381.9m, of which £150.0m related to a new amortising senior debt facility that was used to repay £150.0m of RCF borrowings.

	At 1 January 2020 £m	Cash flows £m	Recapitalisation of shareholder loans £m	Changes in fair value £m	Other £m	At 31 December 2020 £m
Current interest-bearing loans and borrowings	99.9	(806.2)	(711.3)	–	1,533.4	115.8
Non-current interest-bearing loans and borrowings	1,444.3	668.7	–	–	(1,528.9)	584.1
Derivative financial instruments	31.3	(52.7)	–	19.7	–	(1.7)
Obligations under leases	5.0	(1.5)	–	–	0.4	3.9
Total	1,580.5	(191.7)	(711.3)	19.7	4.9	702.1

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

During the year ended 31 December 2020, the Group repaid borrowings of £806.2m; £664.9m of which related to the closure of facilities including the senior term loan, equity bridge loan, liability to factoring company and senior debt facilities as part of the refinancing set out in note 22.2. The Group received proceeds from borrowings of £668.7m of which £611.2m related to new facilities and £57.5m of which related to existing facilities. At 31 December 2019, the Group had £705.5m shareholder loans which were included in non-current interest-bearing loans and borrowings. In February 2020, the Group recapitalised shareholder loans of £711.3m, see note 22.2 for further detail. This was a non-cash transaction which has been captured in the “Other” column to reflect the transfer from non-current to current.

Financial Statements

Notes to the Consolidated Financial Statements continued

23. Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the Group. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio. The gearing ratio is calculated as interest-bearing loans and borrowings and trade creditors less cash and cash equivalents divided by total capital plus net debt. Additionally, the Group utilises another gearing or leverage ratio (Adjusted net debt to Adjusted EBITDA) as an APM, further details of which can be found in the Group Finance Director's review.

	At 31 December	
	2021 £m	2020 £m
Interest-bearing loans and borrowings	826.7	703.8
Trade creditors	29.1	19.1
Cash	(116.4)	(114.6)
	739.4	608.3
Share capital and share premium	5.5	5.5
Total capital plus net debt	744.9	613.8
Gearing ratio	99.3%	99.1%

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

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

24. Trade and other receivables

	At 31 December	
	2021 £m	2020 £m
Trade receivables	31.1	31.9
Other receivables	2.6	1.2
Accrued income	16.8	17.2
VAT recoverable	–	–
Prepayments	4.9	10.0
Tax receivable	3.6	9.7
	59.0	70.0

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

The Group's credit risk is primarily attributable to trade receivables. The amounts presented in the consolidated statement of financial position are net of any loss provision. The total loss provision for trade and other receivables as at 31 December 2021 was £7.6m (2020: £2.9m) of which £7.2m (2020: £2.2m) was recognised in relation to trade receivables and £0.4m (2020: £0.7m) in relation to accrued income. See note 22 for further details. The ageing profile of trade receivables past their due date is shown below:

	31 December 2021 £m	Expected loss rate 2021 £m	31 December 2020 £m	Expected loss rate 2020 £m
Not yet due	22.3	1.63%	29.4	2.61%
0-30 days	10.6	15.71%	2.6	17.38%
31-60 days	1.1	92.42%	0.6	8.23%
61-90 days	2.2	96.69%	0.4	95.62%
Over 90 days	2.1	94.51%	1.1	68.91%
Gross carrying amount	38.3		34.1	
Loss provision	(7.2)		(2.2)	
Net carrying amount	31.1		31.9	

Trade receivables are non-interest-bearing and are generally on 30-45 day payment terms. Trade receivables due from related parties as at 31 December 2021 amounted to £Nil (31 December 2020: £Nil). Receivables are all denominated in pound sterling.

25. Inventories

	At 31 December	
	2021 £m	2020 £m
Finished goods	0.7	0.9
	0.7	0.9

During the year ended 31 December 2021, £0.2m (31 December 2020: £0.4m) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

26. Cash and cash equivalents

	At 31 December	
	2021 £m	2020 £m
Cash at bank and in hand	116.4	114.6
	116.4	114.6

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

27. Trade and other payables

	At 31 December	
	2021 £m	2020 £m
Trade creditors	29.1	19.1
Other creditors	10.0	9.6
VAT payable	2.0	1.5
Other creditors relating to capital expenditure	16.8	13.0
Other creditors relating to other operating expenses	-	1.4
Finance creditors	0.1	0.9
	58.0	45.5

For the year ended 31 December 2020, other creditors relating to other operating expenses relate to the Acquisition announced in December 2020.

28. Provisions

	Dilapidations £m	Total £m
As at 1 January 2020	0.4	0.4
Arising during the year	1.1	1.1
As at 31 December 2020	1.5	1.5
Released during the year	(0.9)	(0.9)
As at 31 December 2021	0.6	0.6

29. Issued capital and reserves

	At 31 December	
	2021	2020
Authorised shares		
Ordinary shares	549,019,293	547,980,973
Nominal value of each share (pence)	1	1
Nominal value of shares (£m)	5.5	5.5
Ordinary shares issued and fully paid		
At start of year	547,980,973	22,000,000
Shares issued	1,038,320	130,168,749
Debt for equity swap	-	395,812,224
At end of year	549,019,293	547,980,973

The Group completed a capital reorganisation during 2020 which resulted in a debt for equity swap and an IPO. During the year ended 31 December 2021, 1,038,320 ordinary shares were issued at a nominal value of 1 pence per share with £Nil premium.

30. Share-based payments

The Group adopted IFRS 2 in the year ended 31 December 2020 by granting conditional share awards through a PSP. The Calisen plc EBT, whose trustee was Ocorian Limited, was established to satisfy awards made under the share plans. In March 2021, the acquisition of the Group by Calisen Limited led to the accelerated vesting of the share awards and subsequent closure of the share plans.

The table below summarises the amounts recognised in the income statement during the year:

	At 31 December	
	2021 £m	2020 £m
2020 Restricted share awards	0.9	0.1
2020 Performance share awards	0.2	0.3
	1.1	0.4

Of the £1.1m charge, £0.5m was recognised in administrative expenses in line with the year ended 31 December 2020; this represented the charge initially planned for 2021 at the date of grant. The remaining £0.6m related to the charge for the years ended 31 December 2022 and 2023 however was accelerated to the income statement because of the sale of the Company, as such this has been recognised in other operating expenses. Given the closure of the scheme the cumulative charge for the years ended 31 December 2020 and 31 December 2021 of £1.5m has been transferred to retained earnings resulting in a share-based payment reserve of £Nil as at 31 December 2021 (2020: £0.4m).

The details for each scheme are as follows:

2020 Restricted share awards

On 25 June 2020, the Group granted conditional awards over 113,417 shares, with 50% of shares due to vest on 25 June 2022 and 50% due to vest on 25 June 2023. Vesting of the awards was contingent on the continued employment of the individuals. 5,833 shares were forfeited in the year ended 31 December 2020. Following the sale of the Company during 2021 the remaining awards vested in full.

2020 Performance share awards

On 25 June 2020, the Group granted conditional awards over 1,290,011 shares due to vest on 25 June 2023. Half of the awards were subject to an FFO performance target and half of the awards were subject to a TSR performance target; the two tranches of shares were therefore considered separately when calculating the fair value of the options.

Vesting of the awards was also contingent on the continued employment of the individuals to the vesting date with the exception of awards issued to the Executive Directors which had a two-year holding period.

TSR Measure

The percentage of the 645,006 awards that vested based on the TSR was as follows:

Relative TSR versus the FTSE 250 Index (excluding Investment Trusts)	Percentage of TSR tranche that vest
Below median	0%
Median	25%
Between median and upper quartile	Straight-line basis from 25% to 100%
Upper quartile and above	100%

30. Share-based payments continued

The fair value of the share awards subject to TSR performance was estimated at the grant date using a Monte Carlo simulation. The following table shows the assumptions used within the Monte Carlo simulation at the date of grant:

Risk-free rate	-0.1%
Expected volatility	41.2%
Expected dividend yield	0.0%
Expected life	3 years
Weighted average fair value	£1.13

The Remuneration Committee evaluated the performance of the TSR prior to the sale of the Company and determined that 94.3% of the awards would vest resulting in a £0.5m charge to the income statement.

FFO Measure

The percentage of 645,006 awards that vested based on the FFO was as follows:

Compound annual growth in FFO over the performance period	Percentage of FFO tranche that vest
Less than 5%	0%
5%	25%
Between 5% and 8.7%	Straight-line basis from 25% to 100%
8.7% and above	100%

The fair value of the awards at grant was £1.86 with a downward adjustment to reflect the post vesting holding period for the Executive Directors resulting in a weighted average fair value of £1.74.

The Remuneration Committee evaluated the performance of the FFO prior to the sale of the Company and determined that 50.0% of the awards would vest resulting in a £0.4m charge to the income statement.

31. Related party disclosures

Group

Identity of related parties with which the Group has transacted:

Prior to the Acquisition of the Company in March 2021, KKR was a related party as it was deemed to have control and significant influence over the Group. The transactions below have been transacted with both KKR Capital Markets Limited and Kohlberg Kravis Roberts & Co. L.P. collectively classed as "KKR".

Included within long-term interest-bearing loans and borrowings as at 31 December 2021 is an amount of £Nil (31 December 2020: £Nil) in relation to loan note interest payable on the loan notes issued to Evergreen Holdco S.a.r.l., a group undertaking and part of the KKR Group. These loan notes carried a fixed rate of interest of 8.123%. The loan note value (principal and interest) as at 31 December 2021 of £Nil (31 December 2020: £Nil) was included within interest-bearing loans and borrowings due in over one year within the statement of financial position. The loans were repayable on 30 January 2027; however following the Group restructure at the time of the IPO in 2020, the loan note value (principal and interest) of £711.3m at 6 February 2020 was capitalised. During 2020 £6.0m of underwriting expenses were offset against share premium, of which £1.3m related to underwriting fees paid to KKR. No transactions occurred during the year-ended 31 December 2021.

Included within administrative expenses for the year ended 31 December 2021 is £Nil (year ended 31 December 2020: £0.1m) of shareholder advisory services and reimbursable expenses. No amounts were outstanding at either 31 December 2021 or 2020.

Included within other expenses for the year ended 31 December 2021 is £Nil for fees owed to KKR (31 December 2020: £2.7m); this includes £Nil (2020: £0.6m) in relation to services and reimbursable expenses incurred for the IPO and £Nil (2020: £2.1m) for termination of the managed service agreement that occurred on the IPO.

Transactions with key management personnel

Key management personnel reflect the Executive Committee, whose remuneration during the normal course of business has been disclosed within note 11 to the Consolidated Financial Statements.

On 12 November 2021, loans of £0.7m and £0.4m were provided to S Latus and S Blackburn. The loans attract an interest rate of 2.0% and £0.0m was charged by the Company during the year. This amount remains outstanding at 31 December 2021.

32. Dividends

During the year ended 31 December 2021, the Company paid dividends amounting to £91.8m (2020: £Nil). This equates to 16.8 pence (2020: £Nil) per ordinary share issued.

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Notes to the Consolidated Financial Statements continued

33. Group information

The Consolidated Financial Statements incorporate the consolidation of the subsidiaries below:

The following entities incorporated in the UK have the same registered office address of 5th Floor, 1 Marsden Street, Manchester, M2 1HW.

Company	Proportion of shares and voting rights	Country of incorporation	Principal activities
CG Dormant Company Limited	100%	UK	Holding Company
CG2 Dormant Company Limited	100%	UK	Holding Company
CCGH2 Dormant Company Limited	100%	UK	Holding Company
CH Dormant Company Limited	100%	UK	Holding Company
Calisen Holdco 2 Limited	100%	UK	Holding Company
Calisen Holdco 3 Limited	100%	UK	Holding Company
Calvin Capital UK Limited	100%	UK	Holding Company
Calvin Capital Limited	100%	UK	Holding Company
Meter Serve (Holdco) Limited	100%	UK	Holding Company
Meter Serve (North West) Limited	100%	UK	Holding Company
Meter Fit (North West) Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve (North East) Limited	100%	UK	Holding Company
Meter Fit (North East) Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve 2 Limited	100%	UK	Holding Company
Meter Fit 2 Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve 3 Limited	100%	UK	Holding Company
Meter Fit 3 Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve 4 Limited	100%	UK	Holding Company
Meter Fit 4 Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve (Holdco 2) Limited	100%	UK	Holding Company
Meter Serve 5 Limited	100%	UK	Holding Company
Meter Fit 5 Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve 10 Limited	100%	UK	Holding Company
Meter Fit 10 Limited	100%	UK	Procurement of gas and electricity meters
Meter Serve 20 Limited	100%	UK	Holding Company
Meter Fit 20 Limited	100%	UK	Procurement of gas and electricity meters
Meter Fit Assets Limited	100%	UK	Procurement of gas and electricity meters
Plug Me In Limited	100%	UK	Installation of electric vehicle charging points
Charge Fit Limited	100%	UK	Procurement of electric vehicle charging points
Calvin Managed Services Limited	100%	UK	Services relating to the metering sector
Calvin Metering Limited	100%	UK	Agent
Calvin Asset Management Limited	100%	UK	Group management Company
Calvin Capital Australia Holdings Limited	100%	UK	Holding Company

The following entities are registered in the UK and have the same registered office address of Building B, Swan Meadow Road, Wigan, WN3 5BB.

Lowri Beck Holdings Limited	100%	UK	Holding Company
Lowri Beck Systems Limited	100%	UK	Computer systems development
Lowri Beck Services Limited	100%	UK	Nationwide metering and data collection services
LB Dormant Company 1 Limited	100%	UK	Dormant
LB Dormant Company 2 Limited	100%	UK	Dormant
LB Dormant Company 3 Limited	100%	UK	Dormant
LB Dormant Company 4 Limited	100%	UK	Dormant

The following entities are registered in Australia. All Australian registered entities have the same registered office address of Level 16, 80 Collins Street, Melbourne, VIC 3000.

Calvin Capital Australia Pty Limited	100%	Australia	Holding Company
Calvin MS Australia 1 Pty Limited	100%	Australia	Holding Company

34. Ultimate controlling party

At 31 December 2020, the immediate parent company and ultimate controlling party of Calisen Group (Holdings) Limited (formerly Calisen plc) was KKR Infrastructure II Limited. The registered office address of this company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The smallest and largest group in which the results of the company for the period to 31 December 2020 are consolidated is that headed by Calisen Group (Holdings) Limited. The consolidated financial statements of this group are available to the public and may be obtained from 5th Floor, 1 Marsden Street, Manchester, M2 1HW.

In March 2021, Calisen Group (Holdings) Limited was acquired by Calisen Limited, a newly incorporated company, formed on behalf of, and which is indirectly owned by, a consortium consisting of (i) GEPIF (an energy and infrastructure fund managed by BlackRock Alternatives Management LLC, which is an indirect wholly-owned subsidiary of BlackRock, Inc.), together with its co-investor Ninteenth (an indirectly wholly-owned subsidiary of Mubadala); and (ii) Goldman Sachs Asset Management. Calisen Limited is ultimately indirectly owned by GEPIF, Mubadala and Goldman Sachs Asset Management in the following proportions: (a) GEPIF owns 46.84 per cent.; (b) Mubadala owns 16.98 per cent.; and (c) Goldman Sachs Asset Management owns 36.18 per cent. The ultimate controlling party of Calisen Limited is GEPIF III Coyote Topco 1 Limited, the address of which is 44 Esplanade, St Helier, Jersey, JE4 9WG.

This set of financial statements is the smallest group in which the results of the company for the period to 31 December 2021 are consolidated and the largest group is that headed by Calisen Limited; the consolidated financial statements of both groups are available to the public and may be obtained from 5th Floor, 1 Marsden Street, Manchester, M2 1HW.

Financial Statements

Company Statement of Financial Position

	Notes	As at 31 December	
		2021 £m	2020 £m
Assets			
Non-current assets			
Investments in subsidiaries	3	1,053.2	1,051.2
Current assets			
Trade and other receivables	4	2.0	2.9
Cash and cash equivalents	5	22.4	22.9
		24.4	25.8
Total assets		1,077.6	1,077.0
Liabilities			
Current liabilities			
Trade creditors	6	0.6	0.1
Other creditors	6	49.9	3.9
		50.5	4.0
Total liabilities		50.5	4.0
Equity			
Called up share capital	7	5.5	5.5
Share-based payment reserve		–	0.4
Retained earnings		1,021.6	1,067.1
Total equity		1,027.1	1,073.0
Total equity and liabilities		1,077.6	1,077.0

Phillip McLelland
Group Finance Director
7 March 2022

Company Statement of Changes in Equity

	Called up share capital £m	Share premium account £m	Share-based Payment reserve £m	Retained earnings £m	Total equity £m
At 1 January 2021	5.5	–	0.4	1,067.1	1,073.0
Equity settled share awards	–	–	0.7	–	0.7
Recycle of share-based payment reserve	–	–	(1.1)	1.1	–
Profit for the period and total comprehensive profit	–	–	–	45.2	45.2
Dividends paid	–	–	–	(91.8)	(91.8)
At 31 December 2021	5.5	–	–	1,021.6	1,027.1

Calisen Group (Holdings) Limited (formerly Calisen plc) Company number: 12383518

1. Basis of preparation

The Company's registered office is at 5th Floor, 1 Marsden Street, Manchester, England, M2 1HW. These separate financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary and in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The disclosure exemptions adopted by the Company in preparation of these financial statements in accordance with FRS 101 are as follows:

- a cash flow statement and related notes;
- certain disclosures in relation to capital management;
- disclosures in relation to the compensation of key management personnel;
- disclosures in respect of transactions with wholly owned subsidiaries;
- the effects of new but not yet effective IFRSs; and
- reconciliation of share capital in the period.

In addition to the FRS 101 exemptions above, the Company is exempt under section 408 of the Companies Act 2006 from the requirement to present an income statement or a statement of comprehensive income.

As the consolidated financial statements of Calisen Group (Holdings) Limited include the equivalent disclosures, the Company has also taken advantage of the following exemptions under FRS 101:

- disclosures in relation to IFRS 2 Share-based Payments; and
- disclosures required by IAS 36 Impairment of Assets in respect of impairments of the investments held by the Company.

The financial statements have been prepared on a going concern basis under the historical cost convention except as disclosed in the accounting policies. The Company's accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Disclosure of auditor remuneration for non-audit fees is not given in these individual financial statements as the Group accounts are required to comply with regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 and present the information on a consolidated basis.

(a) Going concern

Based on the current projections and facilities in place, the Directors consider it appropriate to continue to prepare the Financial Statements on a going concern basis.

(b) Basis of measurement

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

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

The preparation of Financial Statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies. The historical financial information is prepared on the historical and amortised cost basis.

2. Significant accounting policies

(a) Investment in subsidiaries

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.

Financial Statements

Notes to the Company Financial Statements continued

2. Significant accounting policies continued

(b) Financial liabilities continued

Derecognition

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

(c) Cash and cash equivalents

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

(d) Share capital

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

3. Investments

	Investments in subsidiary companies £m
Cost	
At 1 December 2021	1,051.2
Additions	2.0
At 31 December 2021	1,053.2
Net book value	
At 31 December 2021	1,053.2

The Company owns 100% of the share capital of the companies listed in note 33 of the Consolidated Financial Statements. During the year ended 31 December 2021, the Company increased its investments in subsidiaries CGH2 Dormant Company Limited, Calvin Asset Management Limited and Lowri Beck Services Limited by £1.5m, £0.3m and £0.2m respectively.

4. Trade and other receivables

	As at 31 December	
	2021 £m	2020 £m
Trade and other receivables	2.0	0.6
Debt issue costs	-	2.3
	2.0	2.9

5. Cash and cash equivalents

	As at 31 December	
	2021 £m	2020 £m
Cash and cash equivalents	22.4	22.9
	22.4	22.9

6. Trade and other payables

	As at 31 December	
	2021 £m	2020 £m
Trade payables	0.6	0.1
Other payables	3.4	3.5
Amounts owed to group undertakings	46.5	–
Finance creditors	–	0.4
	50.5	4.0

7. Issued capital and reserves

	As at 31 December	
	2021 £m	2020 £m
Allotted, called up and fully paid		
549,019,023 (2020: 547,980,973) ordinary shares of 1 pence each	5.5	5.5

During the year ended 31 December 2021, 1,038,320 ordinary shares were issued at a nominal value of 1 pence per share with £Nil premium.

8. Commitments and contingencies

There were no commitments or contingencies as at 31 December 2021 or 31 December 2020.

9. Controlling party

At 31 December 2020, the immediate parent company and ultimate controlling party of Calisen Group (Holdings) Limited (formerly Calisen plc) was KKR Infrastructure II Limited. The registered office address of this company is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The smallest and largest group in which the results of the company for the period to 31 December 2020 are consolidated is that headed by Calisen Group (Holdings) Limited. The consolidated financial statements of this group are available to the public and may be obtained from 5th Floor, 1 Marsden Street, Manchester, M2 1HW.

In March 2021, Calisen Group (Holdings) Limited was acquired by Calisen Limited, a newly incorporated company, formed on behalf of, and which is indirectly owned by, a consortium consisting of (i) GEPIF (an energy and infrastructure fund managed by BlackRock Alternatives Management LLC, which is an indirect wholly-owned subsidiary of BlackRock, Inc.), together with its co-investor Ninteenth (an indirectly wholly-owned subsidiary of Mubadala); and (ii) Goldman Sachs Asset Management. Calisen Limited is ultimately indirectly owned by GEPIF, Mubadala and Goldman Sachs Asset Management in the following proportions: (a) GEPIF owns 46.84 per cent.; (b) Mubadala owns 16.98 per cent.; and (c) Goldman Sachs Asset Management owns 36.18 per cent. The ultimate controlling party of Calisen Limited is GEPIF III Coyote Topco 1 Limited, the address of which is 44 Esplanade, St Helier, Jersey, JE4 9WG. The smallest group in which the results of the company for the period to 31 December 2021 are consolidated is that headed by Calisen Group (Holdings) Limited and the largest group is that headed by Calisen Limited; the consolidated financial statements of both groups are available to the public and may be obtained from 5th Floor, 1 Marsden Street, Manchester, M2 1HW.

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Alternative performance measures

These full-year results include financial measures that are not defined or recognised under IFRS or UK GAAP, all of which Calisen considers to be alternative performance measures (APMs). These are reconciled to the statutory results in the Financial Review section.

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

Descriptions of APMs used in these accounts, including their basis of calculation, are set out below:

Adjusted EBITDA	Profit/(loss) for the period adjusted for taxation, finance income/(expenses), depreciation, amortisation, profit/(loss) on disposal of non-current assets and other expenses. See page 25 for reconciliation of Adjusted EBITDA to statutory loss for the period;
Adjusted net debt	Net debt less shareholder loans. See page 29 for calculation;
Cash conversion	FFO as a percentage of Underlying EBITDA. See page 27 for calculation;
FFO	FFO is defined as Underlying EBITDA less relevant finance costs, taxation and adjusted net working capital items. Relevant finance costs exclude fair-value movement on derivatives (as this is a non-cash item), shareholder loan interest and charges relating to letter of credit facilities (on the basis that they no longer form part of Calisen's capital structure) and interest rate swap break costs. Adjusted net working capital items include change in trade and other receivables and contract assets, change in inventories and change in trade and other payables, but exclude any movements in payables where the creditor relates to capital expenditure, accrued other expenses and any items to the extent they relate to non-trading items such as compensation debtors or capital expenditure prepayments or creditors, including related VAT balances. FFO also does not include compensation income. Capital expenditure creditors are excluded to the extent that they represent new meter installation costs. See page 27 for calculation;
Net debt	The sum of senior debt and equity bridge loans, less cash. Therefore, net debt includes bank borrowings and equity bridge loans, net of cash and excludes trade payables and debt issue costs. See page 29 for calculation;

Underlying EBITDA	Adjusted EBITDA less compensation income. Compensation income is received from relevant contractual arrangements where meters are prematurely removed, and, as a consequence, reflects income that would have otherwise been earned in future periods. Given the limited timeframe of the SMIP as currently described in legislation, the Directors deem compensation income to be a line item that may not consistently be significant in the future. Because compensation income arises as a result of the removal of traditional meters in order to replace them with smart meters, it is expected that compensation income will decrease over time as the number of traditional meters decreases. See page 25 for reconciliation of Underlying EBITDA to statutory loss for the period;
Underlying EBITDA Interest Cover	Underlying EBITDA divided by net interest expense. See page 27 for calculation; and
Underlying EBITDA Margin	Underlying EBITDA as a percentage of revenue. See page 25 for calculation.



Definitions and abbreviations

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

A

Acquisition	the recommended cash offer by Coyote Bidco Limited (now called Calisen Limited) to acquire the entire issued and to be issued share capital of Calisen plc effected by means of a court-sanction scheme of arrangement under Part 26 of the Companies Act 2006;
--------------------	---

APMs (or “Alternative Performance Measures”)	alternative performance measures, being a financial measure not defined or recognised under IFRS;
---	---

ARPM	average revenue per meter;
-------------	----------------------------

Articles	Calisen’s Articles of Association;
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Auditor	KPMG LLP;
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B

BEIS	the Department for Business, Energy and Industrial Strategy;
-------------	--

Board	the Board of Directors of the Company from time to time;
--------------	--

Brexit	the UK’s exit from the EU;
---------------	----------------------------

C

Calisen	Calisen Group (Holdings) Limited (formerly Calisen plc);
----------------	--

Calvin Capital	Calvin Capital Limited and its subsidiaries;
-----------------------	--

Capital expenditure	purchase of property, plant and equipment per the Consolidated Statement of Cash Flows;
----------------------------	---

CEO	Chief Executive Officer;
------------	--------------------------

CGH Group	CGH2 Dormant Company Limited (formerly Calisen Group (Holdings 2) Limited) and its subsidiaries;
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CGHL	Calisen Group (Holdings) Limited;
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Challenger Energy Retailers	energy retailers with a market share of less than 5 per cent in either the gas or electricity sector;
------------------------------------	---

CHL Group	Calisen Holdco Limited (formerly Calvin Capital Holdco Limited) and its subsidiaries;
------------------	---

CGU	cash-generating unit;
------------	-----------------------

Code	the UK Corporate Governance Code published in July 2018 by the Financial Reporting Council, as amended from time to time;
-------------	---

Company	Calisen Group (Holdings) Limited (formerly Calisen plc);
----------------	--

Companies Act 2006 (or “the Act”)	the Companies Act 2006 of England and Wales, as amended from time to time;
--	--

Coronavirus Job Retention Scheme	the wage support measure implemented by the UK Government during the COVID-19 pandemic;
---	---

Court	the High Court of Justice of England and Wales;
--------------	---

Coyote Bidco	Coyote Bidco Limited, now called Calisen Limited;
---------------------	---

D

Directors	the Directors of the Company and “Director” means any one of them;
------------------	--

Direct costs	purchases and employee-related costs directly incurred in relation to the delivery of Data and Technical Services within the Lowri Beck segment;
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DNO	Distribution Network Operator;
------------	--------------------------------

DTR	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;
------------	--

E

EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation;
---------------	---

ECLs	expected credit losses;
-------------	-------------------------

EBLs	equity bridge loans;
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EIR	effective interest rate;
------------	--------------------------

ESG	environmental, social and governance;
------------	---------------------------------------

EU	the European Union;
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EVs	electric vehicles and “EV” means any of them;
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Exceptional Items	exceptional items have the same meaning as Other operating expenses, as detailed in Note 2.19;
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Executive Committee	the CEO and his direct reports;
----------------------------	---------------------------------

F

FCA	the Financial Conduct Authority of the UK;
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FFO	Funds From Operations;
------------	------------------------

FRG	Financial Reporting Council;
------------	------------------------------

FRS	Financial Reporting Standard applicable in the UK and Republic of Ireland;
------------	--

FRS 101	Financial Reporting Standard 101 Reduced Disclosure Framework;
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FTE	full-time employees;
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G

Green Element	Green Element Limited;
Greenhouse Gas Protocol Corporate Accounting and Reporting Standard	the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard published by the World Business Council for Sustainable Development and the World Resources Institute, as amended from time to time;
Green Revenue	revenue from carbon-reducing activities such as installation of smart meters and MPCs from smart meters;
Group	the Company and its subsidiaries (as that term is defined in section 1159 of the Companies Act 2006);

H

Health and Safety Executive	the UK's regulator for workplace health and safety;
------------------------------------	---

I

IAS	International Accounting Standards;
IASB	International Accounting Standards Board;
IFRS	International Financial Reporting Standards;
IPO	Calisen plc's initial public offering in February 2020;
ISAs (UK)	International Standards on Auditing (UK);

K

KKR	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;
KPI	key performance indicator;
KPMG	KPMG LLP;

L

Large Energy Retailers	energy retailers with a market share of at least 5 per cent in either the gas or electricity sector since privatisation;
LIBOR	London Interbank Offered Rate;
London Stock Exchange	the London Stock Exchange plc;
Lowri Beck	Lowri Beck Holdings Limited, or the group consisting of Lowri Beck Holdings Limited and its affiliates, parents or subsidiaries, as applicable;

M

MAM	meter asset management or meter asset manager (as the context requires);
MAMCOP	Meter Asset Managers Code of Practice;
MAP	Meter Asset Provision or Meter Asset Provider (as the context requires);
Mental Health First Aiders	the Company's employees trained to be mental health first aiders;
MOCOPA	Meter Operations Code of Practice Agreement;
MOP	meter operator provision or meter operator provider (as the context requires);
MPC	Meter Provision Charge;

N

NICEIC	National Inspection Council for Electrical Installation Contracting;
Non-operating items	for the purposes of calculating FFO, non-operating items constitute compensation income and compensation debtors or capital expenditure prepayments or creditors, and their consequential VAT balances;
Non-trading items	costs or income that are one-off in nature and non-recurring

O

OCI	other comprehensive income;
Ofgem	Office of Gas and Electricity Markets, the regulator for gas and electricity markets in Great Britain;
Official List	the official list maintained by the FCA;
Other Large Energy Retailers	energy retailers with a market share of at least 5 per cent in either the gas or electricity sector, having increased their market share from below 5 per cent at the time of privatisation;
OZEV	the Office for Zero Emission Vehicles (formerly the Office for Low Emission Vehicles or OLEV);

P

Paris Agreement	the legally binding international treaty on climate change which was adopted by 196 parties at COP 21 in Paris on 12 December 2015 and entered into force on 4 November 2016;
PSP (or "Performance Share Plan")	the Calisen plc Performance Share Plan;

R	
RCF	the revolving credit facility agreement of £240 million entered into on 12 February 2020 between, among others, Calisen, the financial institutions named therein as arrangers, and lenders, HSBC Bank Plc as facility agent and HSBC Corporate Trustee Company (UK) Limited as security agent;
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations;
S	
SMETS2	the second generation of Smart Metering Equipment Technical Specification;
SMIP	Smart Meter Implementation Programme;
SPPI	solely payments of principal and interest;
SSC	the Company's Sustainability Steering Committee chaired by Calisen's CEO;
SECR	Streamlined Energy and Carbon Reporting as set out in Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018;
SOLR	supplier of last resort;
SONIA	Sterling Overnight Interbank Average Rate;
T	
Trade and Cooperation Agreement	the agreement signed on 30 December 2020 between the EU and the UK that governs the relationship between the EU and the UK after Brexit;
TSR	Total Shareholder Return;
TCFD	Task Force on Climate-related Financed Disclosures;
U	
UEL	useful economic lives;
UK GAAP	Generally Accepted Accounting Practice in the UK;
UN Sustainable Development Goal 7	One of the United Nations' 17 Sustainable Development Goals. Goal 7 is to ensure access to affordable, reliable, sustainable and modern energy for all; and
W	
WACC	weighted average cost of capital.

Other Information

Calisen's shareholders

Calisen Limited is indirectly owned by a consortium comprising of GEPIF (an energy and infrastructure fund managed by BlackRock Alternatives Management LLC, which is an indirect wholly-owned subsidiary of BlackRock, Inc.), together with its co-investor Ninteenth (an indirectly wholly-owned subsidiary of Mubadala which is in turn a global investment company wholly-owned by the Government of Abu Dhabi); and Goldman Sachs Asset Management (a fund managed by Goldman Sachs to make direct investments in infrastructure and infrastructure-related assets and companies).



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