Registered number: 10504732

CALVIN CAPITAL GROUP HOLDINGS LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

COMPANY INFORMATION

Directors	H L Pijls O I Shamovsky T C Davies S A Blackburn (appointed 1 May 2018) G M Donoghue (appointed 1 May 2018) S Latus (appointed 1 May 2018) T R Gibbs (appointed 1 May 2018, resigned 1 October 2018) J T Macdonald (appointed 1 May 2018)
Registered number	10504732
Registered office	5th Floor 1 Marsden Street Manchester M2 1HW
Independent auditors	KPMG LLP Chartered Accountants and Statutory Auditors One St Peter's Square Manchester M2 3AE
Bankers	SMBC 99 Queen Victoria Street London EC4V 4EH

CALVIN CAPITAL GROUP HOLDINGS LIMITED

CONTENTS

DIRECTOR'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

The director's present their statement for the period.

2018 has been another successful year for Calvin, during which we have made good progress against the three pillars of our growth strategy:

1. To continue to grow our UK metering business
2. To expand our metering business and expertise overseas
3. To manage and fund other digital energy assets such as batteries and electric vehicle (EV) charging infrastructure

UK metering

Calvin's core business is the funding of electricity and gas meters as well as the funding of their installation on behalf of domestic energy retailers in Great Britain (GB) and in 2018 this business has continued to prosper.

We have seen a steady increase in the number of meters installed throughout the year and as a result our meter portfolio has grown to over 7.2 million meters. We are also very pleased to have signed new installation contracts for an anticipated total of c2.2 million meters, which brought our total contracted but still to be installed meter numbers up to a forecast of 5.4 million.

UK consumers continue to have more choice in energy supplier's and we believe that this trend will continue. As a result, it is likely that a sizeable part of our meter portfolio will churn to energy retailers. During 2018 we signed a number of contracts with those churn energy retailers. This provides downside protection for our meter base.

Given the robustness of Calvin's systems we have been able to very precisely track and manage churn and thus very accurately bill for our entire meter portfolio, leading to a total revenue for 2018 of £162m, an increase of 14.9% over 2017.

International Expansion

Smart meters are not a GB phenomenon, they are being rolled out in many countries across the globe. We believe that this creates an opportunity for Calvin to take its business model and expertise overseas.

Other Digital Energy Assets

Smart meters are not an end, they are a means to an end and that end is a fully digital energy market with a significant push towards the electrification of heating and mobility as well as distributed generation, in order to reduce our carbon footprint and improve air quality.

To achieve this, over time other assets such as batteries and EV chargers will have to be connected to the smart meter. The level of investment required in these assets is a very large multiple of the investment being made in smart meters in the UK today. Many of these assets will face the same challenges vis-à-vis consumer churn as meters and thus Calvin's business model could be a very relevant funding solution to unlock a mass-market roll-out of these assets.

Calvin will explore with its customers how it can work with them to help develop a funding proposition in these areas.

DIRECTOR'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

In closing

2018 has been a successful year and Calvin is well positioned for the future. Significant smart meter growth has already been contracted and exciting opportunities for growth exist overseas and in new digital energy asset classes in the medium-term. This has only have been achieved with the active support of all our stakeholders.

We wish to thank our clients for their continued custom. The GB market is competitive, and we are grateful that they have entrusted Calvin with their meter roll-out. Secondly, we wish to thank you, our Shareholders, as well as our Chairman for unwavering support for Calvin. Finally, we wish to thank our employees for their continued hard work, dedication and passion for Calvin.

Name S Latus
Director

Date 12-9-19

Ownership

The company's immediate parent undertaking is CCH1 Limited, which is incorporated in England and Wales. The immediate parent company of CCH1 Limited is Evergreen Energy Limited, which is incorporated in Jersey. The ultimate controlling party is KKR II Infrastructure Limited, which control, manages and is the General Partner of the Global Infrastructure Fund of the investment business KKR & Co L.P (KKR). KKR is quoted on the New York Stock Exchange.

Business review

The company's "Meter Fit" subsidiaries, as listed in Note 12, are Calvin's main trading businesses and primarily provide Meter Asset Provider ("MAP") services to GB energy suppliers for the procurement and installation of domestic gas and electricity meters into their customers' homes. As at 31 December 2018 Calvin was operating and managing twelve (2017: thirteen) live MAP contracts with twelve (2017: ten) in the UK and none (2017: three) in Australia.

Calvin classifies its activities into two main sequences. Firstly, helping customers procure meters and to organise and pay for those meters during an "installation phase". During this phase Calvin uses its expertise and access to competitive funding to help deliver an increasing portfolio of new meters into consumers premises. Calvin's customers, the energy suppliers, run competitive tender processes to select their preferred contractual partners for these services in which Calvin has been actively competing since its inception in 2002. As at 31 December 2018, Calvin had five (2017: six) contracts in the installation phase with forecast meter requirements of approximately 6.5 million (2017: 5.4 million) meters to be deployed over the next few years. Calvin also had two (2017: seven) active bids with both (2017: three) of these at preferred bidder status.

Post the installation phase, Calvin's contracts move into a "steady-state" whereby its portfolio of installed meters have charges collected from the installing suppliers or an inheriting supplier to the extent the original consumer has switched or churned. Calvin also manages the process of warranty claims to the extent of meter manufacturing defects and disposal or recycling of older meters. As at 31 December 2018 Calvin had seven (2017: seven) active contracts in this phase along with 7.2 million (2017: 6.8m) installed assets.

Financial overview and Key Performance Indicators ("KPI's")

The financial statements for the financial year ended 31 December 2018 provided twelve months of trading. The comparative information to 31 December 2017 provided reflects a thirteen-month accounting period from November 2016; however, trading only commenced following the acquisition of Calvin on 31 January 2017 and therefore the results of Calvin only reflect an eleven-month trading period to 31 December 2017. During the year Calvin successfully generated turnover of £162.1 million (2017: £141.1m), earnings before interest, tax, depreciation and amortisation("EBITDA") of £148.7m (2017: £128.8m) and a loss before taxation of £22.0m (2017: £20.5m). Investment into its meter portfolio continued with £170.5m (2017: £135.8m) being invested during the eleven-month period.

	2018	2017	2017*
Turnover (£m)	162.1	141.1	153.9
EBITDA (£m)	148.7	128.8	140.5
EBITDA margin (%)	91.7%	91.3%	91.3%
Capital expenditure (£m)	170.5	135.8	148.0
Meter portfolio (number in millions)	7.2	6.82	6.82

*this reflects an annualised view of the trading results for illustrative purposes only.

Calvin funds its investments through a combination of shareholder equity, shareholder loans and senior debt finance provided by a portfolio of banks and other lenders. As at 31 December the consolidated financing of the Group was:

	2018 £m	2017 £m
Shareholder equity and loans*	745.8	745.8
Senior debt	726.8	656.5
Total	1,472.6	1,402.3

*We note this figure relates to the investments within the parent company balance sheet.

As at 31 December 2018, Calvin had access to unutilised shareholder and senior debt commitments totalling £917.3m (2017: £766.4m) to cover contractual commitments going forward.

Financial performance and key performance indicators

The directors monitor progress by reference to key performance indicators, inclusive of the following:

Indicator	2018	2017	2017*	Method of calculation
Turnover (£m's)	162.1	141.1	153.9	Turnover as disclosed in statutory accounts
EBITDA (£m's)	148.7	128.8	140.5	Turnover less operating costs with depreciation and loss on disposal of fixed assets added back (classified within cost of sales). See breakdown below.
Net debt (£m's)	655.8	575.5	575.5	Gross debt less cash
Leverage ratio	4.41	4.47	4.10	Net debt divided by EBITDA

*this reflects an annualised view of the trading results for illustrative purposes only.

With revenues exceeding £162m (2017: £141m), the underlying trading performance of the Group is positive. Given the number of live contracts, including those still within the installation phase, Calvin believes it is well placed to continue growing its portfolio for the future. As at 31 December 2018, the Group had contracts in place to install an anticipated of a further 6.5 million (2017: 5.4m) meters.

Operating costs were £13.4m (2017: £11.9m). These costs reflect the continued investment into both the team and the business and as such forms a key part of Calvin's strategy to continue to provide excellent customer service, generate new business opportunities to maintain growth and to increase shareholder returns. As at 31 December 2018, Calvin employed 44 (2017: 34) full-time employees.

Its overall EBITDA for the year was £148.7m (2017: £128.8m). Depreciation and loss on the disposal of fixed assets amounted to £82.9m (2017: £70.9m). This is driven, in part, by the removal and shortened useful economic lives of its traditional meter portfolio under the Government's Smart Meter Implementation Programme (SMIP). During 2016, the subsidiary companies reduced the useful economic lives of the traditional meter portfolio to coincide with the SMIP.

Amortisation of the intangibles and goodwill totalled £47.5m (2017: £43.6m). Finance costs were £40.7m (2017: £35.5m) for the year. This included costs related to the refinancing of the acquisition finance facility previously held by the company. The net loss before tax for the period was £21.95m (2017: £20.5m). The calculation of the EBITDA is summarised below.

EBITDA (£m)	2018	2017	2017*	
Operating profit	18.2	14.7	16.0	Note 3
Amortisation	47.5	43.6	47.6	Note 10
Depreciation	76.9	63.3	69.0	Note 11
Loss on disposal of fixed assets	6.1	7.2	7.9	Note 3
	148.7	128.8	140.5	

Net debt

The group defines net debt as total bank borrowings, excluding debt-issue costs, less cash and cash equivalents. The net debt position for the group is set-out below.

Net debt £m	2018	2017	
Cash and cash equivalents	70.9	81.2	Note 14
Bank borrows	(726.7)	(656.7)	Note 17
	(655.8)	(575.5)	

The net debt has increased during the period in line with expectations and the continued investment into the contracts installing meters. All facilities are held within subsidiary undertakings and are primarily composed of senior debt and equity bridge loan facilities, a full breakdown is detailed within note 17.

The primary banking covenants within the group are cash based, with the Debt Service Cover Ratio (DSCR) and Loan Life Cover Ratio (LLCR) being the key measures. DSCR is defined as the cash available for debt service divided by the principal and interest costs due under the facility. The LLCR is the present value of the DSCR. The directors are pleased to report that the group continue to operate with headroom above the prescribed lock-up and default positions.

Capital expenditure

£170.5 million (2017: £135.8m) was invested during the period, of this £169.1 million (2017: £131.7m) and £1.4m (2017: £4.1m) related to customer equipment in the UK and Australia respectively.

Portfolio

As at 31 December 2018, the Calvin portfolio comprised of twelve (2017: thirteen), live contracts in the GB and Australia, with five (2017: six) of these currently within the installation period.

Calvin is currently managing an installed meter portfolio of 7.22 million (2017: 6.82m) which has been summarised below and subsequently broken down by customer and meter type.

Customers	No. of Installed meters (m) - 2018	No. of Installed meters (m) - 2017
Big 6	6.13	6.04
Others	1.09	0.77
Australia	-	0.01
Total	7.22	6.82
Traditional	3.40	3.88
Smart	3.82	2.94
Total	7.22	6.82

The Big 6 is composed of; British Gas, Npower, SSE, Eon, EDF and Scottish Power. Others is composed of all other UK energy suppliers not previously defined. Australia is composed of Calvin's metering asset portfolio in that territory.

Markets

The UK Government's energy policy has, over recent years been driven with a focus on the energy "trilemma" covering security of supply, cost, and decarbonisation. Currently the energy sector is in the midst of an evolutionary transformation as the historic model of a centralised generation system gives way to a new and more dynamic market. From the rise of renewables and small-scale generation, to the digital revolution and the ongoing smart meter programme, the UK energy policy is evolving rapidly and challenging historic assumptions.

Smart Metering

Calvin's primary market is the GB domestic metering market where the mandated rollout of smart metering continues to present significant growth opportunities.

As mentioned above the Government believes that smart meters have a very important role to play in achieving its energy objectives and as such, it mandated a nationwide roll-out. Modifications to the Energy Suppliers' licence conditions, which came into force in December 2012 and modified in May 2013, require that suppliers must use all reasonable endeavours to offer consumers smart meters by December 2020.

This is a large and complex programme of work led by the Department of Business, Energy and Industrial Strategy ("BEIS") called the Smart Meter Implementation Programme (SMIP). It involves all the key players from across the energy and metering industry, including energy suppliers, meter service providers, communication service providers, investors and manufacturers.

BEIS's current estimate for the overall cost of the roll-out, as set out in the January 2014 Impact Assessment, is £10.9 billion and will create monetary benefits of £17.1bn for both the consumer and UK energy suppliers. These benefits will be achieved through a reduction in energy consumption, customer inquiries and site visits as well as an increase in carbon reduction benefits.

Future developments

There are three key areas in the outlook for Calvin, further growth in UK residential metering market share, international expansion and investment into new asset types. There are strong economic, regulatory, social and environmental factors driving significant investment into all of these areas. Calvin will continue to invest in its strategy in a disciplined manner using detailed investment appraisal processes and robust diligence procedures to assess risks. As such it is confident that its approach will continue to develop an extensive pipeline of quality investment opportunities.

Business strategy and model

Calvin's strategy is to develop a successful, sustainable business for its customers, people, shareholders and stakeholders and become the "go to" brand for existing and adjoining sectors. Its three key strategic priorities are to broaden its customer base, achieve selective international expansion and invest into adjacent markets and emerging asset types. Calvin is driven to achieve this through:

- developing deep and effective strategic partnerships with its existing and new customers through the development of flexible innovative funding solutions;
- creating a competitive advantage through our people and systems;
- maintaining excellent relationships with existing and future Lenders to ensure a continuous flow of funds;
- continuing to grow market share in the GB metering market and to support energy suppliers of all sizes, as they work to the BEIS deadline of 2020 for smart meter implementation;
- continue to investigate international opportunities and developing strategic relationships in territories whose markets are actively investing in smart energy technologies; and
- investigate and invest in opportunities in new energy markets to diversify the portfolio of investments and generate long-term sustainable returns for our stakeholders

As one of the pioneers of providing MAP services, Calvin has since its inception in 2002 had a long history of successfully funding and implementing MAP projects and as a result of which has raised in excess of £2.0bn of competitively priced senior debt from a number of UK lenders. Calvin has been successful in raising these funds in support of its customers' contracts as a result of investing time with a range of financial institutions who have therefore learned to trust Calvin. Calvin has seen considerable appetite from lenders to continue supporting the business and has subsequently received repeat business from a number of both customers and lenders.

In addition to the above success and in response to increasing levels of market uncertainty regarding the smart meter programme, Calvin has recently adapted its funding model so that it is able to offer its customers the ability to better manage their smart rollout related risks through having access to a more flexible funding solution. Calvin has also arranged committed group funding facilities such that it is able to offer assurance to its customers, both large and small, on the availability of finance and costs. Given Calvin's long history in the metering market and deep lender relationships it is now able to extend these group facilities incrementally to accommodate new and existing customers should their needs change.

At the time of contract signature, Calvin as the MAP will:

- Ensure the appropriate funds have been raised
- Procure the required metering assets thereby saving customers the working capital costs associated with funding the assets
- Manage delivery of assets to the required locations
- Monitor delivery of the installations through the contract with customer's metering business;
- Pay for the installations which is undertaken by the metering business (or its agent or other sub-contracting arrangements); and
- Recover its investment by levying a daily charge for use of the meter over its economic life.
- If the consumer churns (switches to another energy supplier) Calvin will track the asset and subsequently charge the incoming energy supplier from the point of churn.
- Manage the asset through its lifecycle including warranty, returns, recycling and disposal.

Integrity and people

As a growing business we strive to make commitments to ensure the organisation continuously operates in an ethical, diverse and fair manner and that we are compliant with all relevant laws and regulations.

Calvin is an equal opportunities employer and endeavours to always treat its employees fairly, equally and without discrimination regardless of their age, colour, creed, disability, full or part-time status, gender, marital status, national or ethnic origin, race, religion or sexual orientation.

It is also Calvin's policy to carry out business fairly, honestly and openly both at home, and abroad. As such we have a zero-tolerance approach towards bribery and corruption in any part of our operation. Calvin's Anti-Bribery Policy sets out a clear statement ensuring compliance with anti-bribery laws, rules and regulations in those countries where the Group Companies may carry out their business or in relation to which their business may be connected. The Policy also looks to ensure that the relevant information and guidance is provided to its employees along with a rigorous and effective framework for dealing with any suspected instances of bribery or corruption.

In addition to this Calvin is committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Our Responsible Procurement Policy reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains as required under the Modern Slavery Act 2015.

People

At Calvin, we are passionate about how we treat our people and recognise that the success of the business has not been down to any one individual but has actually been the collective work of every member of the team since its inception in 2002.

As such, Calvin takes the welfare of its employees very seriously and through the offering of attractive benefits, skills development and career progression opportunities endeavours to offer everyone a rewarding working environment.

The group is committed to ensuring that it provides equal opportunities for all employees. All employment related decisions are based on individual's performance.

Gender breakdown

The following table analyses the diversity within Calvin as at 31 December 2018:

	2018 Female	2018 Male	2018 Total	2017 Female	2017 Male	2017 Total
Director	2	5	7	1	3	4
Senior Manager	1	5	6	1	7	8
Employee	18	15	33	12	11	23
	21	25	46	14	21	35

Sustainability

Calvin prides itself as a responsible company creating value for its shareholders, its customers and its community.

Quality and safety

During this period Calvin successfully completed ISO 9001:2015 'Quality Management' and ISO/IEC 27001:2013 'IT Security Risk Management' audits for 2018 and has been recommended for continued certification with no outstanding non-conformances. This fundamentally demonstrates that Calvin has excellent structures in place that will facilitate the continued growth of the business.

Calvin maintains comprehensive policies and procedures regarding health, safety and quality, which are reviewed on a regular basis. All policies are in accordance with best practices, which is of paramount importance to the management of risks, both internally to our people and externally to our customers and stakeholders. In addition to this Calvin also has a dedicated team who are responsible for proactively monitoring both compliance with regulations and performance against best practices as well as driving further improvements in Calvin's business practices.

Environmental Impacts

As an organisation we understand the need to manage our environmental impacts and by working with our customers and suppliers we ensure our end-to-end processes are fit for purpose, managed and understood. Any identified opportunities for improvement are reviewed and implemented, providing benefits to our customers and our business.

The Company's objectives are to:

- Avoid damage to the environment, so far as reasonably practicable.
- Establish safeguards against all identifiable material environmental risks.
- Continuously improve environmental management skills of personnel
- Commitment to continual improvement.
- Commitment to the prevention of pollution.
- Commitment to comply with relevant environmental legislation.

These objectives support economic and environmental sustainability and assist the reduction of our own and our customers' carbon footprints. These objectives are achieved by the following:

Operations

- Recycling assets for reuse, to avoid end-of-life waste disposal.
- Where relevant, utilising as far as reasonably practicable, fuel efficient and low emission vehicles for our operations that are maintained to manufacturer's standards.
- Utilising processes and procedures that minimise adverse effects on the environment and our neighbours.

Purchasing and contractors

- Ensuring that our contractors have all relevant environmental consents and are periodically audited against these for compliance.
- Where practicable and appropriate, utilising local suppliers to minimise environmental impact from delivery vehicles for goods purchased.

Raising awareness

- Training our workforce to understand the environmental and quality aspects of their work.
- Informing customers and the community of the environmental benefits of our services.

Implementation

- Ensuring that where our contractors' environmental management systems are accredited to ISO 9001:2015 and ISO 14001:2015 standards, they are audited by a recognised external accreditation body.
- All employees are reminded that they are expected to comply with relevant safety and pollution prevention regulations and procedures at all times, and to take necessary precautions to protect the environment.

Communities and Governments

As an organisation, we strive to be a corporate citizen that is fundamental in building and funding the digital energy revolution. However, Calvin recognises that this cannot be achieved in isolation and that its success is heavily connected to its relationship between itself and the community within which it operates and serves. As such, Calvin is actively engaged with the local business community, like minded organisations, local authorities and industry regulators to work together to create and share value and in turn fulfil their social contract.

Board of Directors

The Directors, who held office during the year, and since the end of the year, were as follows:

Tara C Davies
Oleg I Shamovsky
Henricus L Pijls
Sean Latus
Sarah A Blackburn
George M Donoghue
James T Macdonald

Tara C Davies – Head of European Infrastructure for KKR

Tara joined KKR (London) in 2016 and is a member, and head, of the European Infrastructure team. Tara has spent over 20 years in the global infrastructure industry working in both Sydney and London. Prior to joining KKR, she was a senior managing director and head of mergers and acquisitions for Macquarie Group's infrastructure advisory arm in London (having also spent a number of years in the infrastructure funds division). Ms. Davies commenced her career at Price Waterhouse and is a qualified Chartered Accountant. She holds a Bachelor of Commerce degree from the University of Sydney.

Oleg I Shamovsky – Director of Private Equity for KKR

Oleg Shamovsky joined KKR (London) in 2013 and is a member of the Energy & Infrastructure team. Oleg was an investment banker with Morgan Stanley, where he advised technology companies and venture capital firms on numerous transactions in the renewable energy and technology sectors. Prior to Morgan Stanley, Oleg worked in the firmwide risk department at Goldman Sachs in New York. He holds a degree in Electrical Engineering and Computer Science from the Massachusetts Institute of Technology (MIT).

Henricus L Pijls ("Bert") – Chief Executive Officer

Bert joined Calvin in September 2017 and is the Chief Executive Officer of the Group. Prior to joining Calvin Bert spent most of his career in Financial Services where his roles included Country Manager for the Czech Republic at Citibank, CEO at Egg Banking Plc and finally CEO at Hellenic Bank Plc. In addition to his Financial Services experience, Bert has spent some time in Energy where he successfully brought change into the sector during his time as MD Customer Service and Commercial for 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, USA.

Sean Latus – Chief Financial Officer

Sean is responsible for managing the funding aspects of the business including shareholder capital and senior debt borrowing, investor relations and lender syndicate liaison. He has over 17 years experience raising project finance and equity funding and has worked across multiple infrastructure sectors both in the UK and overseas. Sean's previous roles include Head of Investments at Costain Group plc, Senior Director at RBS Project and Infrastructure Finance, and Investment Director at John Laing plc.

Sarah A Blackburn – General Counsel

Sarah is Calvin Capital's General Counsel. Prior to joining Calvin Sarah worked for over 10 years as a senior associate in the banking and finance department at Addleshaw Goddard LLP. Sarah has extensive projects and finance experience across a wide variety of markets including project finance, acquisition finance and leveraged finance. Sarah has also spent time in-house on secondment working for Barclays Capital and RBS.

George M Donoghue – Chief Commercial Officer

George is responsible for leading Calvin's Commercial strategy on International and UK growth, regulatory engagement and IT Infrastructure. Joining Calvin in October 2017, George has over 20 years' experience in the energy and metering sector and has a strong passion for innovation and technology. George is leading the team to build our Energy Storage and EV Charging funding solutions. His previous roles include Head of Assets and Infrastructure at Npower, Head of Asset Strategy at British Gas and a Board Director of the Alternate HAN Company.

James T Macdonald ("Jim") – Chairman

Graduating from Edinburgh University with a BSc in Mathematics Jim began his career with Standard Life and after a short sojourn into the world of brewing with Allied Lyons he settled into the Motor Industry with roles at Ford and Renault before his first Managing Director role with Rover Group. He transferred to BMW and held several CEO roles within the Group, before leaving the industry and heading to the Financial Services Industry. He took the position of CEO at Wesleyan Assurance in Birmingham, before settling into roles at RBS in Edinburgh. Initially as MD of Own Branded Businesses including Lombard Bank and Direct Line Financial Services. He was then transferred to the recently formed joint venture between RBS and Tesco and held the CEO position at Tesco Personal Finance for 5 years. In search of a new challenge Jim moved to become the Commercial Director at EON where he was responsible for the Retail Business in the UK for 5 years and then finally moved to Calvin Capital Group, where after 5 years as CEO he moved into the Chairman role in January 2018.

Principal risks and uncertainties

The group uses various financial instruments – these include cash and various items, such as trade debtors, trade creditors, bank and shareholder loans that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below. The directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The group seeks to manage financial risks by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short and long term flexibility is achieved by shareholder loans and availability of bank funding.

Credit risk

The group's principal financial assets are cash and trade debtors. The principal credit risk arises therefore from the group's trade debtors.

In order to manage credit risk, directors ensure debt ageing is reviewed regularly, in conjunction with collection history and monitored accordingly.

Interest rate risk

The group finances its operations through a mixture of earnings, bank borrowing and shareholder loans. The group's exposure to interest rate fluctuations on its borrowing is managed by the use of both floating facilities and financial derivatives.

This report was approved by the board and signed on its behalf.

S Latus
Director

Date: 12-9-19

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

The principal activity and results have been disclosed within the Strategic Report on pages 3 to 12 of the financial statements.

Dividends

Dividends of £25m (2017: £Nil) were paid during the year, being £14.53 (2017: £Nil) per share.

Directors

The directors who held office during the year were:

H L Pijls
O I Shamovsky
T C Davies
S A Blackburn (appointed 1 May 2018)
G M Donoghue (appointed 1 May 2018)
S Latus (appointed 1 May 2018)
T R Gibbs (appointed 1 May 2018, resigned 1 October 2018)
J T Macdonald (appointed 1 May 2018)

Post balance sheet events

On 16 April 2019, Calvin Capital UK Holdings Limited, a subsidiary undertaking, subject to the satisfactory completion of the conditions precedent, agreed to acquire 100% of the ordinary share capital of BV Holdings Limited and its subsidiaries.

On 18 April 2019, Meter Fit 20 Limited, a subsidiary undertaking, entered into MAP Services Agreements to fund the installation of SMETS 2 meters for Tonik Energy Limited and Hudson Energy Supply UK Limited.

Future developments

The group continues to monitor the developments in the roll out of smart meters and have noted the change in the proposed timetable to roll out smart meters. The end of the Foundation phase will occur during 2019, to be followed by a mass roll out programme from that date with a target completion date of 2020.

Brexit

The directors have considered the possible impact of Brexit and are satisfied that there are no material uncertainties based on the current legislative position.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditors

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

S Latus
Director

Date: 12-9-19

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CALVIN CAPITAL GROUP HOLDINGS LIMITED

Our opinion is unmodified

We have audited the financial statements of Calvin Capital Group Holdings Limited ("the company") for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the 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 2018 and of the group's loss for the year then ended;
- the group and parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Other matter

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 15, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or 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

Stuart Burdass (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One St Peter's Square
Manchester
M2 3AE
Date: 12 September 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ending 31 December 2018 £000	*13 month period ending 31 December 2017 £000*
Turnover	2	**162,146**	*141,068*
Cost of sales		**(82,947)**	*(70,874)*
Gross profit		**79,199**	*70,194*
Administrative expenses		**(13,469)**	*(11,935)*
Amortisation of intangibles		**(47,521)**	*(43,561)*
Operating profit	3	**18,209**	*14,698*
Profit on sale of subsidiary undertaking		**365**	-
Profit on ordinary activities before interest		**18,574**	*14,698*
Interest receivable and similar income	7	**181**	*31*
Interest payable and expenses	8	**(40,706)**	*(35,264)*
Loss before taxation		**(21,951)**	*(20,535)*
Tax on loss	9	**3,240**	*2,750*
Loss for the financial year		**(18,711)**	*(17,785)*
Total comprehensive income for the year		**(18,711)**	*(17,785)*

The notes on pages 25 to 48 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note		2018 £000		*2017 £000*
Fixed assets					
Intangible assets	10		**614,435**		*661,956*
Tangible assets	11		**649,055**		*596,109*
			1,263,490		*1,258,065*
Current assets					
Debtors: amounts falling due within one year	13	**40,000**		*31,697*	
Cash at bank and in hand	14	**70,948**		*81,263*	
		110,948		*112,960*	
Creditors: amounts falling due within one year	15	**(112,708)**		*(75,209)*	
Net current (liabilities)/assets			**(1,760)**		*37,751*
Total assets less current liabilities			**1,261,730**		*1,295,816*
Creditors: amounts falling due after more than one year	16		**(631,377)**		*(615,916)*
Provisions for liabilities					
Deferred taxation	18	**(90,220)**		*(96,056)*	
			(90,220)		*(96,056)*
Net assets			**540,133**		*583,844*
Capital and reserves					
Called up share capital			**1,721**		*1,721*
Share premium account			**199,908**		*199,908*
Profit and loss account			**338,504**		*382,215*
			540,133		*583,844*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

S Latus
Director
Date: 12-9-19

The notes on pages 25 to 48 form part of these financial statements.

CALVIN CAPITAL GROUP HOLDINGS LIMITED
REGISTERED NUMBER:10504732

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note		2018 £000		*2017 £000*
Fixed assets					
Investments	12		**745,765**		*745,765*
			745,765		*745,765*
Current assets					
Debtors: amounts falling due within one year	13	**3,088**		*77*	
Cash at bank and in hand	14	**3,701**		*4,622*	
		6,789		*4,699*	
Creditors: amounts falling due within one year	15	**(3,565)**		*(1,074)*	
Net current assets			**3,224**		*3,625*
Total assets less current liabilities			**748,989**		*749,390*
Creditors: amounts falling due after more than one year	16		**(34,848)**		*(144,007)*
Net assets			**714,141**		*605,383*
Capital and reserves					
Called up share capital			**1,721**		*1,721*
Share premium account			**199,908**		*199,908*
Profit and loss account			**512,512**		*403,754*
			714,141		*605,383*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

S Latus
Director

Date: 12-9-19

The notes on pages 25 to 48 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 30 November 2016	1,721	-	-	1,721
Comprehensive income for the period				
Loss for the period	-	-	(17,785)	(17,785)
Total comprehensive income for the period	-	-	(17,785)	(17,785)
Shares issued during the period	-	599,908	-	599,908
Capital reduction	-	(400,000)	-	(400,000)
Capital reduction	-	-	400,000	400,000
At 1 January 2018	1,721	199,908	382,215	583,844
Comprehensive income for the year				
Loss for the year	-	-	(18,711)	(18,711)
Total comprehensive income for the year	-	-	(18,711)	(18,711)
Dividends paid (£14.53 per share)	-	-	(25,000)	(25,000)
At 31 December 2018	1,721	199,908	338,504	540,133

The notes on pages 25 to 48 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 30 November 2016	1,721	-	-	1,721
Comprehensive income for the period				
Profit for the period	-	-	3,754	3,754
Total comprehensive income for the period	-	-	3,754	3,754
Contributions by and distributions to owners				
Shares issued during the period	-	599,908	-	599,908
Capital reduction	-	(400,000)	-	(400,000)
Capital reduction	-	-	400,000	400,000
At 1 January 2018	1,721	199,908	403,754	605,383
Comprehensive income for the period				
Profit for the year	-	-	133,758	133,758
Total comprehensive income for the year	-	-	133,758	133,758
Contributions by and distributions to owners				
Dividends paid (£14.53 per share)	-	-	(25,000)	(25,000)
At 31 December 2018	1,721	199,908	512,512	714,141

The notes on pages 25 to 48 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 £000	*13 month period ended 31 December 2017 £000*
Cash flows from operating activities			
Loss for the financial year		**(18,711)**	*(17,785)*
Adjustments for:			
Depreciation and amortisation	10,11	**124,371**	*106,890*
Loss on disposal of tangible assets	3	**6,096**	*7,175*
Interest payable and similar expenses	8	**40,706**	*35,264*
Interest receivable and similar income	7	**(181)**	*(31)*
Taxation charge	9	**(3,240)**	*(2,750)*
(Increase)/decrease in debtors	13	**(8,303)**	*390*
Increase/(decrease) in creditors	15	**8,310**	*(22,393)*
Corporation tax received/(paid)		**2,659**	*(1,519)*
Gain on sale of subsidiary		**(365)**	-
Movement in provisions		**(5,836)**	-
Net cash generated from operating activities		**145,506**	*105,241*
Cash flows from investing activities			
Acquisition of tangible fixed assets	11	**(170,458)**	*(135,771)*
Proceeds from the sale of tangible fixed assets		**29,827**	*21,333*
Interest received	7	**181**	*72*
Sale/(acquisition) of a subsidiary undertaking		**5,104**	*(515,243)*
Net cash from investing activities		**(135,346)**	*(629,609)*
Cash flows from financing activities			
Proceeds from the issue of share capital		**-**	*601,629*
Proceeds from borrowings		**73,019**	*37,926*
Interest paid		**(68,494)**	*(33,924)*
Dividends paid		**(25,000)**	-
Net cash (used in)/from financing activities		**(20,475)**	*605,631*
Net (decrease)/increase in cash and cash equivalents		**(10,315)**	*81,263*
Cash and cash equivalents at beginning of year		**81,263**	-
Cash and cash equivalents at the end of year	14	**70,948**	*81,263*

1. Accounting policies

1.1 Company information

Calvin Capital Group Holdings Limited (the "company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 10504732 and the registered address is 5th Floor, 1 Marsden Street, Manchester, England, M2 1HW.

1.2 Basis of preparation of financial statements

These group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The functional and presentation currency of these financial statements is pounds sterling because that is the currency of the primary economic environment in which the group operates. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- Intra-group transactions entered into by the parent company has not been included a second time.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 25).

1.3 Going concern

The company is the intermediate parent company of the CCH1 Limited Group ('the group').

As discussed in the Strategic Report, the group's revenues are generated through the group's "Meter Fit" subsidiaries whose operations are primarily related to the procurement and installation of traditional and smart gas and electricity meters under agreement with customers. The Meter Fit companies are the main trading businesses within the group.

The group has prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the group will have sufficient funds, through access to resources derived from its long term contractual revenue streams, funding from its existing facilities and cash resources, to meet its liabilities as they fall due for that period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis..

1. Accounting policies (continued)

1.4 Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2018. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the Consolidated Statement of Comprehensive Income from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own Statement of Comprehensive Income.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.5 Foreign currency

Transactions in foreign currencies are translated to the group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date 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 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 at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the group's presentational currency, (Sterling), at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.6 Financial instruments

The group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

Financial instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or

1. Accounting policies (continued)

1.6 Financial instruments (continued)

other consideration, expected to be paid or received.

Financial instruments constitute a financing transaction are measured, initially and subsequently, at the present value of the future payment discounted at a market rate of interest for a similar debt instrument.

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The group holds derivative financial instruments which have the effect of fixing the interest rate payable on bank borrowings. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

1.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.8 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.

1.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1. Accounting policies (continued)

1.10 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. '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.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the estimated useful lives of each part of an item of tangible fixed assets.

The estimated useful lives are as follows:

Computer hardware	- 3 years
Financial model	- 20 years
Credit meters	- straight line to 2021
Prepayment meters	- the period which is shorter of 10 years and 2021
Smart meters	- 15 years
Fixtures and fittings	- 33% straight line
Office equipment	- 33% straight line

Credit meters, prepayment meters and smart meters are disclosed within 'equipment'.

Computer hardware and the financial model are disclosed within 'other fixed assets'.

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

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

1.11 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

1. Accounting policies (continued)

1.12 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination from which it arose. Management consider there to be one cash generating unit in the group.

Other intangible assets

Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

The estimated useful lives are as follows:

Customer contracts	-	15	years
Brand	-	10	years

These useful economic lives are in line with the purchase price allocation exercise undertaken during the prior period.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 15 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.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.13 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a separate entity and will have 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 Statement of Comprehensive Income in the periods during which services are rendered by employees. The assets of the plan are held separately from the group in independently administrated funds.

1. Accounting policies (continued)

1.14 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.15 Revenue

Revenue represents the rental income for meters and maintenance income receivable in the ordinary course of business. The rentals are recognised net, excluding value added tax.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

1.16 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the Consolidated Statement of Comprehensive Income over the term of the lease as an integral part of the total lease expense.

Finance (income)/expenses

Interest income and interest payable are recognised in the Consolidated Statement of Comprehensive Income as they accrue, using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt, using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the period which they are incurred.

1. Accounting policies (continued)

1.17 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or Other Comprehensive Income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

1.19 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Please refer to accounting policy 1.12 for further details surrounding impairment.

2. Turnover

	2018 £000	*2017 £000*
Rendering of services	**162,146**	*141,068*

	2018 £000	*2017 £000*
By geographical market:		
United Kingdom	**161,613**	*140,637*
Australia	**533**	*431*
	162,146	*141,068*

3. Operating profit

The operating profit is stated after charging:

	2018 £000	*2017 £000*
Depreciation of tangible fixed assets (note 11)	**76,850**	*63,343*
Loss on disposal of tangible fixed assets	**6,096**	*7,175*
Other operating lease rentals	**159**	*159*

4. Auditors' remuneration

	2018 £000	*2017 £000*
Audit of the group financial statements	**130**	*154*
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	**-**	*15*
Other services relating to taxation	**49**	*120*
Services relating to corporate finance transactions	**-**	*1,163*
Other services not covered above	**15**	*16*
	64	*1,314*

5. Staff numbers and costs

The aggregate payroll costs of the staff were as follows:

	Group 2018 £000	*Group 2017 £000*	**Company 2018 £000**	*Company 2017 £000*
Wages and salaries	**4,894**	*4,794*	-	-
Social security costs	**668**	*754*	-	-
Contributions to defined contribution plans	**503**	*354*	-	-
	6,065	*5,902*	-	-

The average number of persons employed by the group (including directors) during the period, was as follows:

	2018 No.	*2017 No.*
Management and administration	**38**	*35*

6. Directors' remuneration

	2018 £000	*2017 £000*
Directors' remuneration	**1,776**	*2,122*
Contributions to money purchase pension plans	**114**	*62*

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £701,129 (2017: £616,110). There were company pension contributions of £49,000 (2017: £Nil) made to a money purchase scheme on their behalf.

During the year 4 directors accrued retirement benefits under money purchase schemes (*2017: 4*)

Further information with regards to the directors has been discussed within the related parties note to the accounts at note 23.

7. Other interest receivable and similar income

	2018 £000	*2017 £000*
Bank interest receivable	**181**	*31*

8. Interest payable and similar expenses

	2018 **£000**	*2017* *£000*
Senior debt commitment fees	**3,845**	*2,876*
Agency and technical advisor fees	**798**	*495*
Profit on derivative financial instruments	**(8,186)**	*(1,577)*
Amortisation of debt issue costs	**11,777**	*4,433*
Letter of credit fees and other charges	**8,601**	*6,601*
Derivative financial instrument interest payable	**6,637**	*8,131*
Interest payable on senior debt	**17,234**	*14,305*
	40,706	*35,264*

9. Taxation

	2018 **£000**	*2017* *£000*
Corporation tax		
Current tax on profits for the year	**2,596**	*2,256*
	2,596	*2,256*
Foreign tax		
Foreign tax on income for the year	**-**	*(134)*
	-	*(134)*
Total current tax	**2,596**	*2,122*
Deferred tax		
Origination and reversal of timing differences	**(5,836)**	*(4,872)*
Total deferred tax	**(5,836)**	*(4,872)*
Taxation on loss on ordinary activities	**(3,240)**	*(2,750)*

9. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year is lower than *(2017: lower than)* the standard rate of corporation tax in the UK of 19% *(2017: 19.25%)*. The differences are explained below:

	2018 £000	*2017 £000*
Loss on ordinary activities before tax	**(21,951)**	*(20,535)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	**(4,171)**	*(3,982)*
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	-	*8,406*
Non deductible expenses	**818**	*1,138*
Capital allowances for year/period in excess of depreciation	-	*2*
Reduction in tax rate on deferred tax balances	**(150)**	*(311)*
Adjustment in respect of prior periods	**751**	-
Effect of tax rate in foreign jurisdictions	-	*11*
Current period losses for which no deferred tax asset was recognised	-	*(7,411)*
Other adjustment, relief and transfers	**(488)**	*(603)*
Total tax charge for the year/period	**(3,240)**	*(2,750)*

Factors that may affect future tax charges

From 1 April 2015 the main rate of corporation tax was reduced to 20%. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. Any deferred tax at 31 December 2018 has been calculated at 17% being the rate substantively enacted at the balance sheet date.

10. Intangible assets and goodwill

Group

	Brands £000	Customer contracts £000	Goodwill £000	Total £000
Cost				
At 1 January 2018	**14,600**	**586,023**	**104,894**	**705,517**
At 31 December 2018	**14,600**	**586,023**	**104,894**	**705,517**
Amortisation				
At 1 January 2018	**1,338**	**35,813**	**6,410**	**43,561**
Charge for the year	**1,460**	**39,068**	**6,993**	**47,521**
At 31 December 2018	**2,798**	**74,881**	**13,403**	**91,082**
Net book value				
At 31 December 2018	**11,802**	**511,142**	**91,491**	**614,435**
At 31 December 2017	*13,262*	*550,210*	*98,484*	*661,956*

11. Tangible fixed assets

Group

	Equipment £000	Other fixed assets £000	Total £000
Cost or valuation			
At 1 January 2018	865,998	2,791	868,789
Additions	170,458	-	170,458
Disposals	(76,621)	-	(76,621)
At 31 December 2018	959,835	2,791	962,626
Depreciation			
At 1 January 2018	270,405	2,275	272,680
Charge for the year	76,554	296	76,850
Disposals	(35,959)	-	(35,959)
At 31 December 2018	311,000	2,571	313,571
Net book value			
At 31 December 2018	648,835	220	649,055
At 31 December 2017	*595,593*	*516*	*596,109*

12. Fixed asset investments

Parent company only

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2018	**745,765**
At 31 December 2018	**745,765**
Net book value	
At 31 December 2018	**745,765**
At 31 December 2017	*745,765*

12. Fixed asset investments (continued)

The company owns 100% of the companies detailed below:

Calvin Capital Holdco Limited
Calvin Capital Group Limited
Calvin Capital UK Holdings Limited
Calvin Capital UK Limited
Calvin Capital Limited

The subsidiary undertakings operate in their country of incorporation (England and Wales) and are involved in the installation and servicing of domestic sized gas and electricity meters, except for Calvin Asset Management Limited which is the management company for the group. All UK entities have the same registered office address of 5th Floor, 1 Marsden Street, Manchester, United Kingdom, M2 1HW.

Meter Serve (North East) Limited (who own Meter Fit (North East) Limited)
Meter Serve (North West) Limited (who own Meter Fit (North West) Limited)
Meter Serve 2 Limited (who own Meter Fit 2 Limited)
Meter Serve 3 Limited (who own Meter Fit 3 Limited)
Meter Serve 4 Limited (who own Meter Fit 4 Limited)
Meter Serve 5 Limited (who own Meter Fit 5 Limited)
Meter Serve 10 Limited (who own Meter Fit 10 Limited)
Meter Serve 20 Limited (who own Meter Fit 20 Limited)
Meter Fit Assets Limited
Calvin Asset Management Limited
Calvin Metering Limited
Calvin Capital Australia Holdings Limited (who own Calvin Capital Australia Pty Limited)
Meter Serve (Holdco) Limited

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

Calvin Capital Australia Pty Limited (who own Calvin MS Australia 1 Pty Limited)
Calvin MS Australia 1 Pty Limited

13. Debtors

	Group 2018 £000	*Group 2017 £000*	**Company 2018 £000**	*Company 2017 £000*
Trade debtors	**19,030**	*17,235*	**63**	-
Other debtors	**3,862**	*334*	**23**	*15*
Prepayments and accrued income	**14,096**	*14,096*	**-**	*62*
Finance receivables	**3,012**	*32*	**3,002**	-
	40,000	*31,697*	**3,088**	*77*

14. Cash and cash equivalents

	Group 2018 £000	*Group 2017 £000*	**Company 2018 £000**	*Company 2017 £000*
Cash at bank and in hand	**70,948**	*81,263*	**3,701**	*4,622*

15. Creditors: Amounts falling due within one year

	Group 2018 £000	*Group 2017 £000*	**Company 2018 £000**	*Company 2017 £000*
Bank loans (note 17)	**87,946**	*49,422*	**-**	*(1,641)*
Trade creditors	**14,922**	*2,880*	**563**	*-*
Other taxation and social security	**-**	*4,119*	**-**	*-*
Other creditors	**8,993**	*9,187*	**2,098**	*407*
Finance creditors	**847**	*9,601*	**904**	*2,308*
	112,708	*75,209*	**3,565**	*1,074*

16. Creditors: Amounts falling due after more than one year

	Group 2018 £000	*Group 2017 £000*	**Company 2018 £000**	*Company 2017 £000*
Bank loans (note 17)	**614,770**	*580,275*	**34,848**	*145,024*
Derivative financial instruments (note 21)	**16,607**	*35,641*	**-**	*(1,017)*
	631,377	*615,916*	**34,848**	*144,007*

17. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the group's and parent company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Amounts falling due within one year				
Bank loans	**87,946**	*49,422*	-	*(1,641)*
	87,946	*49,422*	-	*(1,641)*
Amounts falling due 1-2 years				
Bank loans	**85,688**	*49,327*	-	-
	85,688	*49,327*	-	-
Amounts falling due 2-5 years				
Bank loans	**346,283**	*358,004*	**34,848**	*145,024*
	346,283	*358,004*	**34,848**	*145,024*
Amounts falling due after more than 5 years				
Bank loans	**182,799**	*172,944*	-	-
	182,799	*172,944*	-	-
	702,716	*629,697*	**34,848**	*143,383*

During the period a refinancing was undertaken. Bank borrowings were repaid early as a result of this within Calvin Capital Group Holdings Limited, Meter Fit (North East) Limited, Meter Fit (North West) Limited, Meter Fit 2 Limited, Meter Fit 3 Limited and Meter Fit 4 Limited.

A summary of the interest-bearing loans and borrowings as at 31 December 2018 with their key terms and repayment schedule is below:

17. Interest-bearing loans and borrowings (continued)

	Total facility £000	Repayment basis, year of repayment £000	Balance owed at 31 December 2018 £000	Balance owed at 31 December 2017 £000	Debt issue costs offset at 31 December 2018 £000	Debt issue costs offset at 31 December 2017 £000
Calvin Capital Group Holdings Limited	150,000	Semi-annual, January 2024	-	150,000	-	6,617
Meter Fit (North East) Limited	116,825	Semi-annual, December 2023	-	9,417	-	54
Meter Fit (North West) Limited	134,075	Semi-annual, May 2023	-	15,339	-	84
Meter Fit 2 Limited	35,309	Semi-annual, December 2019	-	2,735	-	58
Meter Fit 3 Limited	111,200	Semi-annual, December 2020	-	34,047	-	589
Meter Fit 4 Limited	180,000	Quarterly, March 2024	-	116,494	-	2,323
Meter Fit 5 Limited - equity bridge loan	182,500	Single March 2021	182,500	182,500	2,344	2,599
Meter Fit 5 Limited - senior term loan facility	730,000	Quarterly, June 2021	115,230	59,480	9,377	10,395
Meter Fit 10 Limited	81,000	Quarterly, March 2026	55,482	63,806	1,118	1,453
Meter Fit 20 Limited - equity bridge loan	80,000	Quarterly, December 2031	19,998	4,542	722	2,861
Meter Fit 20 Limited - senior term loan facility	322,000	Quarterly, December 2031	79,458	18,168	6,000	-
Meter Serve (Holdco) Limited	280,000	Semi-annual, June 2024	274,088	-	4,480	-
	2,402,909		726,756	656,528	24,041	27,033

All bank loans are secured by fixed and floating charges on the assets of the company where the borrowing is held.

Issues costs across the Group of £24,041,000 (2017: £27,033,000) have been offset against the bank loans and are amortised over the duration of the facilities.

A number of group entities have entered into interest rate swaps. These are set out at note 21.

18. Deferred taxation

Group

	2018 £000	*2017* *£000*
At beginning of year	(96,056)	*-*
Credited to profit or loss	5,836	*4,872*
Arising on business combinations and acquired	-	*(101,197)*
Other deferred tax movements	-	*269*
At end of year	(90,220)	*(96,056)*

Deferred tax assets and liabilities are attributable to the following:

	Group 2018 £000	*Group* *2017* *£000*
Accelerated capital allowances	(23,097)	*(18,294)*
Arising on business combinations (includes amortisation movement)	(86,622)	*(94,700)*
Short term timing differences	2,869	*6,255*
Tax losses carried forward	16,630	*10,683*
	(90,220)	*(96,056)*

In addition to the deferred tax asset above, the group has additional unrecognised gross tax losses of £2,815,000 (2017: £6,620,000).

19. Employee benefits

Defined contribution plans

The group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current period was £617,000 (2017: £465,000).

20. Capital and reserves

Shares classified as equity:

	2018 £000	*2017 £000*
Alloted, called up and fully paid		
1,720,687 ordinary shares of £1 each	**1,721**	*1,721*

21. Financial instruments

21 (a) Carrying amount of financial instruments

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Financial assets				
Financial assets measured at amortised cost	**89,978**	*98,498*	**3,764**	*4,622*
Financial assets measured at cost less impairment	-	-	**745,765**	*745,765*
Derivative financial instruments measured at fair value through profit or loss	**6,459**	*2,239*	-	-
	96,437	*100,737*	**749,529**	*750,387*
Financial liabilities				
Derivative financial instruments measured at fair value through profit or loss	**(16,607)**	*(35,641)*	-	*1,017*
Financial liabilities measured at amortised cost	**(717,638)**	*(632,577)*	**(34,848)**	*(143,383)*
	(734,245)	*(668,218)*	**(34,848)**	*(142,366)*

Financial assets include cash at bank, trade debtors and investments in subsidiary undertakings. Financial assets measured as cost less impairment includes fixed asset investments. Financial liabilities include trade creditors, bank loans and amounts owed to group undertakings.

21 (b) Financial instruments measured at fair value

The fair value of interest rate swaps is based on monthly valuation reports received from the bank. These are based on the terms and maturity of each contract and use market interest rates for a similar instrument at the measurement date.

During the period a refinancing was undertaken. As a result a number of interest rate swaps were settled early.

21. Financial instruments (continued)

A summary financial instruments is as follows:

Entity	Instrument type £000	Valuation @ 31/12/18 asset / (liability) £000	Valuation @ 31/12/17 asset / (liability) £000	Interest incurred 31/12/18 £000	Interest incurred 31/12/17 £000
Calvin Capital Group Holdings Limited	Swaps and cap	-	1,019	-	-
Meter Fit (North East) Limited	Swap	-	(783)	247	1,003
Meter Fit (North West) Limited	Swap	-	(2,142)	610	1,493
Meter Fit 2 Limited	Swap	-	(74)	37	181
Meter Fit 3 Limited	Swap	-	(752)	255	802
Meter Fit 4 Limited	Swap	-	(5,323)	1,532	2,759
Meter Fit 5 Limited	Swap	(23,066)	(28,460)	3,695	2,161
Meter Fit 5 Limited	Swaption	489	405	-	-
Meter Fit 10 Limited	Swap	127	(346)	255	467
Meter Serve (Holdco) Limited	Swap	1,006	-	-	-
Meter Fit 20 Limited	Cap	4,837	815	-	-
Total		(16,607)	(35,641)	6,631	8,866

The valuations of all interest rate swaps and caps are based on a model which compares the discounted contractual fixed rate payments with variable rate flows where the variable rates are determined by the market yield curves. The interest rate swaps and caps have been adjusted for own credit risk where the directors have concluded that this would have a material impact.

Meter Fit 5 Limited

Meter Fit 5 Limited has entered into two interest rate swap facilities; the first to hedge against the equity bridge loan facility and a second to hedge against the senior term loan facility. The swap agreement to hedge against the equity bridge loan facility attracts a fixed rate of interest of 1.364% per annum in respect of amounts drawn under the facilities. The interest rate swap settles on a monthly basis. The floating rate on the interest rate swap is based on floating LIBOR. The company will settle the difference between the fixed and floating interest on a net basis. The swap expires on 31 March 2021 and is based on a notional amount of £182,500,000 (2017: £182,500,000).

The swap agreement to hedge against the senior term loan facility attracts a fixed rate of interest of 2.086% per annum in respect of amounts drawn under the facilities. The interest rate swap settles on a monthly basis. The floating rate on the interest rate swap is based on floating LIBOR. The company will settle the difference between the fixed and floating interest on a net basis. The swap expires on 30 September 2029 and is based on a notional amount of £240,714,000 (2017: £84,576,000).

21. Financial instruments (continued)

Meter Fit 10 Limited

The company has entered into an interest rate swap agreement whereby it pays a fixed rate of interest of 1.131% per annum in respect of amounts drawn under the facilities. The interest rate swap settles on a six monthly basis. The floating rate on the interest rate swap is based on floating LIBOR. The company will settle the difference between the fixed and floating interest on a net basis. The swap expires on 30 June 2026. The notional amount of the swap is £51,357,000.

Meter Serve (Holdco) Limited

The company has entered into an interest rate swap agreement whereby it pays a fixed rate of interest of 1.458% and 3.21% per annum in respect of amounts drawn under the facilities. The interest rate swap settles on a six monthly basis. The floating rate on the interest rate swap is based on floating LIBOR. The company will settle the difference between the fixed and floating interest on a net basis. The swap expires on 31 December 2022. Cash flows on both the loan and the interest rate swaps are half yearly. The notional amount of the swap is £117,000,000.

Meter Fit 20 Limited

The company entered into an interest rate cap whereby the floating rate is capped at 2% per annum in respect of amounts drawn under the facilities. The floating rate on the loan is based on the floating LIBOR.

22. Operating leases

	Group 2018 £000	*Group 2017 £000*
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	**169**	*85*
Between one and five years	**678**	*678*
More than five years	**339**	*509*
	1,186	*1,272*

23. Related parties

Group

Identity of related parties with which the Group has transacted

Following the acquisition of the group on 31 January 2017, KKR became a related party by definition as it is deemed to have control and significant influence over the group. The transactions with this related party are as described below. We note that the transactions below have been transacted with both KKR Capital Markets Limited and Kohlberg Kravis Roberts & Co. of whom both are classed as "KKR".

Included within administrative expenses is £617,000 (2017: £609,000) for shareholder advisory services and reimbursable expenses. Of this, £Nil (2017: £171,000) is included within creditors due within one year as these have not yet been paid.

£Nil (2017: £17,009,000) has been capitalised within intangibles in relation to acquisition related expenses paid to KKR.

Transactions with key management personnel

There is not considered to be any key management personnel other than the statutory directors whose remuneration during the normal course of business has been disclosed within note 6 to the financial statements.

There were no other transactions with directors during the period.

Company

Of the above, all transactions with both KKR and Key Management Personnel were transacted with the parent company.

All other transactions above occurred with other subsidiaries within the group.

24. Ultimate parent company and parent company of larger group

At the year ended, the company was controlled by CCH1 Limited. The immediate parent company of CCH1 Limited is Evergreen Energy Limited, a company registered in Jersey. The registered office address of Evergreen Energy Limited is 4th Floor, St. Paul's Gate, 22-24 New Street, St. Helier, Jersey. The ultimate controlling party is KKR Infrastructure II Limited, which controls and manages, and is the General Partner of the Global Infrastructure Fund of the investment business KKR & Co L.P., which is quoted on the New York Stock Exchange. The registered office address of KKR Infrastructure II Limited is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

This set of financial statements is the smallest group in the UK, of which the company is a member, and for which consolidated accounts are drawn up. The largest group in the UK of which the company is a member is CCH1 Limited. The consolidated financial statements of the CCH1 Limited group may be obtained from CCH1 Limited, 5th Floor, 1 Marsden Street, Manchester, M2 1HW. The largest group outside of the UK drawing up consolidated financial statements, which includes the company, is that headed by Evergreen Holdco Sarl, which is incorporated in Luxembourg. The registered office of this company is, 63, rue de Rollingergrund, L-2440 Luxembourg.

25. Accounting estimates and judgements

Critical accounting judgements in applying the company's accounting policies

Preparation of the financial statements requires management to make significant judgements and estimates. Certain critical accounting judgements in applying the company's accounting policies are described below.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 8 for the carrying amount of the property plant and equipment, and the accounting policy for fixed assets for the useful economic lives for each class of assets.

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. Valuation techniques are also involved to establish the effectiveness of the hedging relationship. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

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

Following the acquisition during the prior period, management undertook a purchase price allocation exercise to identify the separable identifiable intangibles.

26. Post balance sheet events

On 16 April 2019, Calvin Capital UK Holdings Limited, a subsidiary undertaking, subject to the satisfactory completion of the conditions precedent, agreed to acquire 100% of the ordinary share capital of BV Holdings Limited and its subsidiaries.

On 18 April 2019, Meter Fit 20 Limited, a subsidiary undertaking, entered into MAP Services Agreements to fund the installation of SMETS 2 meters for Tonik Energy Limited and Hudson Energy Supply UK Limited.