Calor Gas Limited

Annual report and financial statements
Registered number 00303703
For the year ended 31 December 2019

Contents

Strategic report

Principal activities

The Company is part of the worldwide SHV Group and the principal activities continue to be the processing, marketing and distribution of liquefied petroleum gases (LPG) in the United Kingdom.

Business review, future developments and key performance indicators

The Company is Great Britain's leading supplier of LPG. It distributes a fully comprehensive range of LPG products which are used across a wide range of applications. Bulk LPG is supplied to commercial, industrial, agricultural and domestic customers with tank storage. Onward retail sale is delivered in cylinders of various sizes through direct sales outlets and a network of LPG retailers which cover the whole of Great Britain. The LPG market is regulated by statutory bodies to ensure customers can rely on a safe and secure supply of gas. Increased energy efficiency in both domestic and commercial applications means that the market remains very competitive.

Seasonal extremes in weather continue to provide operational challenges to the business and the additional one off volumes resulting from the "Beast from the East" in 2018 did not reoccur in 2019. That said, the financial performance of the business improved through strong margin development and restructuring of activities in order to improve operational efficiencies. The company continued to invest and started a large scale investment in its strategic storage facility at Canvey Island to ensure security of supply for the future.

The Company's strategy is underpinned by focusing on a number of key performance measures; safety and compliance remains the key focus as well as providing industry leading service measured through customer satisfaction. Operating profit increased to £79.3m despite lower turnover driven by volume. This was principally as a result of strong margin management, cost control and the fair value adjustment of the various derivatives held at the period end.

Subsequent to the period the COVID-19 crisis has had a severe impact on the UK economy. Whilst the restriction in economic activities has had an inevitable impact on sales and profitability, the business has continued to fully operate as an essential supplier of energy and is performing strongly with its diverse customer base and use of the product including essential supplies of gas to domestic customers. The directors consider that the Company remains in a strong position to ensure the continued delivery of quality services to its customers, right across its business operations. The Company expects results to continue to perform at a satisfactory level despite the current climate and recognises this will continue to be impacted by weather conditions on its more mature markets and the successful management of fluctuations in the price of propane and butane gas.

Principal risks and uncertainties

The directors believe the key risks to the Company's business are outlined below under financial risk management. Other risks in the current economic climate stem from the COVID-19 crisis and the end of the Brexit transition period. This includes a general exchange rate devaluation and the potential for imported inflation, a reduction in central borrowing rates indicating the concerns facing the size of the UK economy, stock market volatility and a potential reduction in discretionary spend by individuals and businesses.

In the current climate the directors consider that the Company is in a strong position due to the comprehensive range of uses for LPG and the diverse customer base. The Company is not dependent on a small number of customers so any risk relating to a potential reduction of sales to specific market segments is sufficiently spread. The Company's products are not luxury products and a low percentage of sales could be classified as discretionary.

The Company is not overly reliant on external borrowing and the climate could also bring opportunities as well as risks. A low number of house sales and purchases may result in a more stable domestic customer base. Changes in the job market could impact, either positively or negatively, the ease of recruiting and retaining quality employees.

The directors continue to discuss and monitor the potential impacts associated with Brexit and COVID-19 alongside customers, suppliers and the SHV Group. The severe initial impace of COVID-19 has been appropriately managed. The Directors do not currently anticipate any significant issues that are not currently being managed and on this basis the directors are of the view that there will be no further significant adverse effect on the Company's current business.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Financial risk management

The Company is exposed to a variety of risks the most significant of which are operational risk, commodity price risk, foreign currency risk, credit risk, liquidity risk, interest rate risk and weather risk. The board seeks to limit the adverse effects on the financial performance of the Company by reviewing and agreeing policies for managing each of these risks and these are summarised below:

Operational risk

Operational risks are all those risks which are not financial and which are caused by failed systems, human behaviour or external events. Operational risks are assessed by the method of 'risk self-assessment', which is based on the principle that management at all levels are responsible for managing their 'own' operational risks. In addition Health and Safety risks are covered by a company Safety Management System.

Commodity price risk

The Company's operating performance is affected by price fluctuations in LPG, various derivatives are used to limit the effect of price volatility.

Foreign currency risk

Where LPG suppliers require settlement in foreign currency, forward foreign exchange contracts are used to mitigate exchange rate risks.

Pension risk

FRS102 requires the liabilities under the defined benefit pension scheme to be discounted using the interest rate on high quality long term corporate bonds. The net valuation of the pension scheme is therefore intrinsically linked to movements in bond yields and other general economic factors.

Credit risk

The Company has implemented policies that require appropriate credit checks and reviews on potential and existing customers. Collection procedures for overdue balances are reviewed annually. Certain customers are covered by debt insurance. In light of the current economic climate, directors have performed a detailed review of the bad debt provisioning methods and feel that the resulting provisions in place at the year-end are appropriate.

Liquidity risk

The Company finances its operations through a mixture of cash flow from operating activities and bank and other borrowings. Cash forecasts identifying the liquidity requirements of the Company are produced frequently. These are reviewed regularly by the Board to ensure that sufficient financial headroom exists for at least a twelve month period at any point in time.

Interest rate risk

The Company's financing is internal to the fellow UK group companies; therefore any financial risks are mitigated by internal policies and controls.

Weather risk

Sales volumes are influenced by temperature and other weather factors. However, currently, the costs of managing exposure to weather risk appear excessive in relation to the potential benefits. The Company continually seeks to mitigate this risk by developing its non-weather dependant business.

By order of the board

R Marshall-Rowan

R Marshall-Rowan
Company Secretary

Athena House
Athena Drive
Tachbrook Park
Warwick
CV34 6RL

15 September 2020

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2019.

Results and dividends

The Company's profit after tax for the year ended 31 December 2019 is £60.4 million (year *ended 31 December 2018: £1.8 million*).

The Company paid dividends of £0.97 per share on 30 May 2019, amounting to £29.2m *(2018: £1.66 per share, amounting to £49.5m)*.

Future developments

Future developments are discussed in the Strategic report.

Research and development

The Company continues to research new markets for the use of LPG, to maintain effective safety measures and develop equipment for LPG and allied products.

Directors

The directors who served during the year ended 31 December 2019 and to the date of signing of these financial statements were as follows:

G Goddard	(resigned 31 January 2019)
A Thompson	(resigned 31 March 2020)
M Hickin	
J Wood	
P Instrell	
N Fortune	(appointed 3 December 2019)
S Macdonald	(appointed 1 May 2020)

The directors benefit from qualifying third party indemnity provisions in place during the year ended 31 December 2019 and at the date of this report.

Stakeholder engagement

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider would most likely be in the best interests of the Company taking into account the requirements of all stakeholders. We aim to build positive relationships with stakeholders who share our values to help deliver long-term sustainable success.

The Board have the full support of the shareholder in developing the Company for the benefit of all stakeholders. Engagement with other stakeholders is illustrated below.

Customers

At the core of the Company's strategy is the intent to "provide all of our customers with an industry leading experience". Customer service is a key differentiator and was the driver behind the implementation of the Salesforce CRM system during the year. The independent customer review tool Trustpilot is being used as an external measure of the Company's success whilst highlighting areas for improvement. It is monitored closely and is used to celebrate and reinforce positive behaviours but also provides independent, real time feedback from customers.

Our people

Through employee forums, newsletters, company intranet, national conferences and the Company Council the directors engage with our people on a wide range of matters. The aim is to ensure that their views are taken into account when decisions are made that are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole.

Directors' report *(continued)*

Stakeholder engagement *(continued)*

The company is committed to the principle of equal opportunity in employment. Our employment policies for recruitment, selection, training, development and promotion are designed to ensure that no job applicant or employee receives less favourable treatment on the grounds of race, colour, nationality, ethnic or national origin, religion, political beliefs, disability, sex or marital status. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

An Employee Assistance Programme is in place and is designed to provide a safe and confidential environment for employees to seek help, advice or support in relation to any personal issues they have. In addition, employees have access to a confidential reporting system, 'Speak Up', to enable them to raise any concerns regarding business practices. This reflects the importance placed on the well-being of all of our stakeholders.

All new employees join a broad induction programme and have on-going access to both in-house and external training resources via a dedicated HR training and development team. A number of talent management programmes are in place across the Company and within the parent group, supporting all colleagues to reach their full potential.

Suppliers

All supplier-related activity is managed in line with the group Procurement policy. This ensures that supply risk is managed appropriately in relation to customer outcomes, data security, corporate responsibility, and financial, operational, contractual and brand damage caused by inadequate oversight or supplier failure.

Communities

Engagement with local communities is important to our regional presence. Our local branches support local community events and our sustainability focus harnesses our passion towards the creation of a better planet. The Company continues to encourage all employees to support local community initiatives and provides time away from work for this. The Company fully supports and funds financial awards made to local community initiatives under the national Rural Community Fund banner.

Government and regulators

The Board is fully supported by the parent group in its commitment to maintaining the highest standards of ethics and compliance. Regular, compulsory training and testing of compliance requirements is embedded within the culture, championed by an internal Compliance team.

By its nature LPG requires robust controls in its storage, transportation and use. The Company works hard within the industry to ensure that all required Codes of Practice are in place and adhered to. This fully aligns with the Company strategy, placing the safety of all stakeholders at its core and targeting zero injuries.

Health and safety

The Company has in place a Health and Safety Policy under which procedures have been developed to identify potential hazards from any substances, products, processes and methods of working, to advise employees and contractors of any hazards and to ensure safe systems of work are adopted to minimise the risk of injury.

The Company's Environmental Management System has been developed in line with ISO 14001 and part of its operation enables us to monitor energy consumption, fuel use and waste disposal and take action to reduce environmental impacts. Employees are trained to exercise personal responsibility in preventing harm to the environment.

The Company also has a wider strategy based around sustainability which has been briefed across the Company. This includes a carbon reduction target and a working group has been established to deliver and report on this on an annual basis.

Directors' report *(continued)*

Going concern

The financial statements have been prepared on a going concern basis The Directors believe that the going concern basis for the preparation of these accounts is appropriate as the Directors have prepared detailed financial forecasts, taking into account reasonable, possible downside scenarios and with due consideration to the impact of the COVID-19 pandemic. These forecasts show that the Company has sufficient financial resources so as to enable the Company to continue to operate for at least twelve months following the signing date of these accounts. As such, the Directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

J Wood

J Wood
Director

Athena House
Athena Drive
Tachbrook Park
Warwick
CV34 6RL

15 September 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CALOR GAS LIMITED

Opinion

We have audited the financial statements of Calor Gas Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- 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
- 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 company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that 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 its 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 company's business model and analysed how those risks might affect the 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 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.

Independent Auditor's Report to the members of Calor Gas Limited *(continued)*

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 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.

Xavier Timmermans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

15 September 2020

Profit and loss account and other comprehensive income

for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Turnover	2	**456.7**	470.4
Cost of sales		**(250.9)**	(337.1)
Gross profit		**205.8**	133.3
Distribution costs		**(86.9)**	(86.3)
Administrative expenses		**(39.6)**	(37.8)
Operating profit		**79.3**	9.2
Profit on sale of fixed assets		**-**	-
Income from fixed asset investments	6	**1.4**	1.0
Profit on ordinary activities before interest and taxation		**80.7**	10.2
Interest receivable and similar income	7	**0.3**	0.4
Other financial charges	8	**(2.6)**	(2.5)
Interest payable and similar charges	8	**(4.9)**	(4.7)
Profit on ordinary activities before taxation	3	**73.5**	3.4
Taxation	9	**(13.1)**	(1.6)
Profit on ordinary activities for the financial year		**60.4**	1.8
Other comprehensive income			
Remeasurement of the net defined benefit liability		**(3.3)**	14.5
Movement on deferred tax relating to current year actuarial gain		**0.6**	(2.7)
Other comprehensive income for the year, net of income tax		**(2.7)**	11.8
Total comprehensive income for the year		**57.7**	13.6

The notes on pages 12 to 38 form an integral part of the financial statements.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial periods stated above and their historical cost equivalents.

Balance sheet

at 31 December 2019

	Note	31 December 2019 £m	Restated 31 December 2018 £m
Fixed assets			
Intangible assets	*11*	**3.4**	4.5
Tangible assets	*12*	**278.1**	256.8
Investments	*13*	**15.5**	15.5
		297.0	276.8
Current assets			
Stocks	*14*	**15.2**	24.8
Debtors	*15*	**105.5**	107.9
Cash at bank and in hand		**5.6**	-
		126.3	132.7
Creditors: amounts falling due within one year	*16*	**(90.0)**	(98.2)
Net current assets		**36.3**	34.5
Total assets less current liabilities		**333.3**	311.3
Creditors: amounts falling due after more than one year	*17*	**(157.0)**	(158.5)
Provisions for liabilities	*20*	**(0.8)**	(0.6)
Pension liability	*26*	**(69.8)**	(75.0)
		(70.6)	(75.6)
Net assets		**105.7**	77.2
Capital and reserves			
Called up share capital	*21*	**30.1**	30.1
Revaluation reserve		**0.1**	0.1
Profit and loss account		**75.5**	47.0
Shareholders' funds		**105.7**	77.2

The notes on pages 12 to 38 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 15 September 2020 and were signed on its behalf by:

J Wood
Director

Company registered number: 00303703

Statement of changes in equity

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£m	£m	£m	£m
Balance at 01 January 2018	30.1	0.1	82.9	113.1
Total comprehensive income for the year				
Profit	-	-	1.8	1.8
Other comprehensive income	-	-	11.8	11.8
Total comprehensive income for the year	-	-	13.6	13.6
Transactions with owners, recorded directly in equity:				
Dividends being total contribution by and distribution to owners	-	-	(49.5)	(49.5)
Balance at 31 December 2018	**30.1**	**0.1**	**47.0**	**77.2**
Balance at 1 January 2019	30.1	0.1	47.0	77.2
Total comprehensive income for the year				
Profit	-	-	60.4	60.4
Other comprehensive income	-	-	(2.7)	(2.7)
Total comprehensive income for the year	30.1	0.1	57.7	87.9
Transactions with owners, recorded directly in equity:				
Dividends being total contribution by and distribution to owners	-	-	(29.2)	(29.2)
Balance at 31 December 2019	**30.1**	**0.1**	**75.5**	**105.7**

Notes

(forming part of the financial statements)

1 Accounting policies

The Company is part of the worldwide SHV Group and the principal activities continue to be the processing, marketing and distribution of liquefied petroleum gases (LPG) in the United Kingdom.

Calor Gas Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The financial statements contain information about Calor Gas Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, SHV Holdings N.V., a company incorporated in The Netherlands.

These 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"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000,000.

The Company's ultimate parent undertaking, SHV Holdings N.V includes the Company in its consolidated financial statements. The consolidated financial statements of SHV Holdings N.V are prepared in accordance with International Financial Reporting Standards as adopted by the EU, in combination with Dutch accounting standards, and are available to the public and may be obtained from Company Secretary, SHV Holdings N.V., Rijnkade 1, 3511 LC, Utrecht, The Netherlands. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

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

The 2018 results have been restated to reclassify certain amounts between prepayments and derivatives. More details are provided in note 22. The restatement has no impact on the net assets of the Company.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit or loss, tangible fixed assets and intangible assets measured in accordance with the revaluation model and investments in associates and joint ventures measured at fair value.

1.2 Going concern

The financial statements have been prepared on a going concern basis. The Directors believe that the going concern basis for the preparation of these accounts is appropriate as the Directors have prepared detailed financial forecasts, taking into account reasonable, possible downside scenarios and with due consideration to the impact of the Covid-19 pandemic. These forecasts show that the Company has sufficient financial resources so as to enable the Company to continue to operate for at least twelve months following the signing date of these accounts. As such, the Directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's 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 profit and loss account.

1.4 Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the company. Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

1.5 Other financial instruments

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

The Company enters in to forward contracts to limit the Company's exposure to fluctuations in gas price volatility or to enable fixed price back to back deals for significant customers. Derivative instruments are used exclusively for hedging purposes.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.13 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- freehold property 50 years
- long lease property 50 years
- short lease property 25 years
- plant, machinery and vehicles 4-50 years
- cylinders and tanks 7-20 years

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.

1.7 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 company.

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

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); 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.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Company elected not to restate business combinations that took place prior to 29 December 2013. In respect of acquisitions prior to 29 December 2013, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 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 or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

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 10 years.

The company 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.

Customer lists

Customer lists are stated at cost less any accumulated amortisation and accumulated impairment losses.

Customer lists are amortised on a straight line basis over there useful life. Customer lists have no residual value. The finite useful life of a customer list is estimated to be 10 years.

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

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.10 Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Impairment excluding stocks, and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs, the company tests the impairment of goodwill by determining the recoverable amount of the entity in its entirety, including the integrated acquired operations.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Employee benefits (continued)

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Defined benefit plans typically define an amount of pension benefit that an employee will receive on retirement, usually dependant on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income.

Group Plans

The Company's employees are members of a group wide defined benefit pension plan. The net defined benefit cost of the plan is charged to participating entities based on the entities share of the scheme assets and liabilities. The contributions payable by the participating entities are determined using the same basis.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.12 Provisions

A provision is recognised in the balance sheet when the Company 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.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.13 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account 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 profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Expenses (continued)

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account 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 year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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 and joint ventures 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.

1.15 Turnover

The Company's business comprises predominantly of the sale and distribution of liquefied petroleum gas and related activities within the United Kingdom. Turnover represents goods and services supplied to third parties, excluding value added tax and sales taxes for the year. Sale and distribution of liquefied petroleum gas is recognised when substantially all the risks and rewards of ownership have passed to the customer. Deferred cylinder income is credited to revenue over fifteen years. Tank hire income is recognised on a monthly basis when the service of using the tank has been undertaken by the customer.

2 Turnover

The Company's business comprises solely of the sale and distribution of liquefied petroleum gas and related activities within the United Kingdom. Turnover represents goods and services supplied to third parties, excluding value added tax and sales taxes for the year. Revenue is recognised when substantially all the risks and rewards of ownership have passed to the customer on delivery of the goods.

Notes *(continued)*

3 Expenses and auditor's remuneration

Included in profit are the following:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
(Profit)/loss on sale of fixed assets	**(2.3)**	-
Amortisation of goodwill and other intangible assets	**1.1**	1.1
Depreciation of tangible fixed assets:		
Owned assets	**28.4**	26.7
Leased assets	**1.5**	1.6
Rent received less outgoings on land and buildings	**-**	0.5
Operating lease charges:		
Plant and machinery	**0.8**	0.9
Other	**7.9**	6.5

Included within hire costs for plant and machinery and other assets are short term rentals for which there are no corresponding future commitments.

Auditor's remuneration:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Audit of these financial statements	**0.2**	0.2
Amounts receivable by the company's auditor and its associates in respect of:		
Other assurance services	**-**	-

Other assurance services for the year ended 31 December 2019 amounted to £4,530 *(2018: £4,356)*.

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended 31 December 2019	Year ended 31 December 2018
Production	**175**	173
Selling and distribution	**1,202**	1,229
Administration and management	**178**	164
	1,555	1,566

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Wages and salaries	**53.2**	52.7
Social security costs	**5.5**	5.3
Contributions to defined contribution plans	**2.0**	2.7
Other pension costs (note 26)	**1.7**	2.4
	62.4	63.1

5 Directors' remuneration

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Directors' remuneration (excluding pension contributions)	**1.4**	1.3
Highest paid director		
Aggregate remuneration (excluding pension contributions)	**0.5**	0.4

There are no longer any director members of the Calor Group Retirement Benefits Plan, a defined benefit scheme *(2018: nil)*. The total pension contributions paid on behalf of the directors was £108k *(2018: £103k)*, all of which was paid to the defined contribution scheme *(2018: £103k)*. The total pension contributions paid on behalf of the highest paid director was £33k *(2018:£32k)*.

Calor Gas Limited bore the total costs of the remuneration and made contributions to a defined contribution pension scheme for A Thompson, M Hickin, J Wood, G Goddard, P Instrell and N Fortune *(2018: five)*.

Notes *(continued)*

6 Income from fixed asset investments

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Income from other fixed asset investments (excluding associates)	**1.4**	1.0

7 Interest receivable and similar income

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Bank interest	**0.1**	-
On secured loan to an intermediary parent company	**0.2**	0.4
	0.3	0.4

8 Interest payable and similar charges

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
On secured loan from a subsidiary undertaking	**3.2**	3.5
Payable to subsidiary undertaking	**0.4**	0.4
Payable to the immediate parent company	**1.3**	0.8
	4.9	4.7

Other financial charges amounting to £2.6 million *(2018: £2.5 million)* relates to pension interest charges under Financial Reporting Standard 102 (note 26).

Notes *(continued)*

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	Year ended 31 December 2019 £m	**£m**	Year ended 31 December 2018 £m	£m
Current tax				
Current tax on income for the period	**6.9**		8.0	
Adjustments in respect of prior periods	**(0.1)**		0.1	
Total current tax		**6.8**		8.1
Deferred tax (see note 19)				
Origination and reversal of timing differences				
Current year	**6.4**		(6.4)	
Prior year	**(0.1)**		(0.1)	
Total deferred tax		**6.3**		(6.5)
Total tax		**13.1**		1.6

	Current tax £m	**Year ended 31 December 2019 Deferred tax £m**	**Total tax £m**	Current tax £m	Year ended 31 December 2018 Deferred tax £m	Total tax £m
Recognised in Profit and loss account	**6.8**	**6.3**	**13.1**	8.1	(6.5)	1.6
Recognised in other comprehensive income	**-**	**(0.6)**	**(0.6)**	-	(2.5)	(2.5)
Total tax	**6.8**	**5.7**	**12.5**	8.1	(9.0)	(0.9)

Notes *(continued)*

9 Taxation *(continued)*

Reconciliation of effective tax rate

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Profit for the year	**60.4**	**1.8**
Total tax expense	**13.1**	**1.6**
Profit excluding taxation	**73.5**	**3.4**
Tax using the UK corporation tax rate of 19% *(2018: 19%)*	**14.0**	**0.6**
Difference in tax rate on deferred tax balances	**(0.7)**	**0.8**
Other Non-deductible expenses	**0.3**	**0.4**
Tax exempt revenues	**(0.3)**	**(0.2)**
Under/(over) provided in prior years	**(0.2)**	**-**
Total tax expense included in profit or loss	**13.1**	**1.6**

The corporation tax payable for the year by the Company has been reduced by £0.8 million and £0.0 million (2018: £1.9 million and £0.1 million) because of the group relief surrendered by fellow group undertakings SHV Energy Holdings UK Limited and SHV Investments Limited respectively, for which payment will be made during 2020.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £0.4m and the pension deficit would have decreased by £1.7m.

10 Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:	**Year ended 31 December 2019 £m**	Year ended 31 December 2018 £m
Final dividend for the year ended 31 December 2019 of £0.97 *(2018: £1.66)* per ordinary share	**29.2**	49.5
	29.2	49.5

Notes *(continued)*

11 Intangible assets and goodwill

	Goodwill £000	Customer lists £000	Total £000
Cost			
At beginning and end of year	8.1	3.2	11.3
Additions	-	-	-
Disposals	(0.7)	-	(0.7)
At end of year	7.4	3.2	10.6
Amortisation and impairment			
At beginning of year	(5.9)	(0.9)	(6.8)
Charge for the year	(0.8)	(0.3)	(1.1)
Disposals	0.7	-	0.7
At end of year	(6.0)	(1.2)	(7.2)
Net book value			
At 31 December 2019	**1.4**	**2.0**	**3.4**
At 31 December 2018	2.2	2.3	4.5

During the year there were no purchases made of dealers and competitors, resulting in an addition to customer lists of £nil *(2018: £1.0 million customer list).*

£0.7 million *(2018: £0.6 million)* of the total goodwill cost relates to acquisitions that have now been fully amortised, it has therefore been written off and shown as a disposal.

Notes *(continued)*

12 Tangible fixed assets

	Freehold property £m	Long lease property £m	Short lease property £m	Plant, machinery and vehicles £m	Cylinders and tanks £m	Total £m
Cost						
At beginning of year	52.3	11.8	3.9	183.0	477.2	728.2
Additions	2.8	0.1	-	20.8	29.1	52.8
Disposals	(0.1)	-	-	(3.2)	(5.4)	(8.7)
At end of year	55.0	11.9	3.9	200.6	500.9	772.3
Depreciation and impairment						
At beginning of year	9.0	7.9	2.1	117.0	335.4	471.4
Depreciation charge for the year	0.4	0.3	0.3	11.4	17.5	29.9
Disposals	-	-	-	(3.2)	(3.9)	(7.1)
At end of year	9.4	8.2	2.4	125.2	349.0	494.2
Net book value						
At 31 December 2019	**45.6**	**3.7**	**1.5**	**75.4**	**151.9**	**278.1**
At 31 December 2018	43.3	3.9	1.8	66.0	141.8	256.8

Plant, machinery and vehicles includes £12.9 million *(2018: £10.3 million)* net book value of fixtures, fittings and equipment.

The net book value of tangible fixed assets includes an amount of £41.6 million *(2018: £43.4 million)* in respect of assets held under finance leases. This comprises of freehold property £32.6million *(2018: £32.8 million)*, plant, machinery and vehicles £0.7 million *(2018: £1.0 million)* and tanks £8.2 million *(2018: £9.6 million)*.

The cost of freehold property and plant and machinery include £0.1 million *(2018: £0.1 million)* and £4.3 million *(2018: £4.3 million)* of capitalised interest respectively. Freehold and leasehold properties were revalued on 31 December 1986 on the basis of depreciated replacement cost by Fuller Peiser.

Freehold property includes land at cost of £34.6 million *(2018: £34.0 million)* which is not depreciated. Fully depreciated fixed assets which originally cost £317.8 million *(2018: £297.9 million)* significantly comprises plant, machinery and vehicles £70.3 million *(2018: £67.2 million)* and cylinders and tanks £235.1 million *(2018: £221.6 million)*.

Under the historical cost convention the above amounts in respect of properties would be as follows:

	Freehold property £m	Long lease property £m	Short lease property £m
Cost	52.0	9.2	4.2
Accumulated depreciation	(7.2)	(5.4)	(2.7)
Net book value at 31 December 2019	**44.8**	**3.8**	**1.5**
Net book value at 31 December 2018	43.3	3.9	1.8

Notes *(continued)*

13 Fixed asset investments

	Subsidiary undertakings £m	Other investments £m	Total £m
Cost			
At beginning and end of year	22.7	0.5	23.2
Provisions and impairment			
At beginning and end of year	7.2	0.5	7.7
Net book value			
At 31 December 2019 and 31 December 2018	**15.5**	**-**	**15.5**

In the opinion of the directors, the value of the Company's investments in its subsidiary and joint venture undertakings is not less than the amount at which they are included in the balance sheet.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The Company has the following investments in subsidiaries, joint ventures and partnerships

UK undertakings (unlisted)	Country of incorporation	Principal activity	Registered office address	Class of shares held	Ownership 31 December 2019 %	Ownership 30 December 2018 %
Budget Gas Limited	England and Wales	Supply of LPG	Athena House, Athena Drive, Tachbrook Park, Warwick, Warwickshire, CV34 6RL	Ordinary	100	100
Homeheat Gas Company Limited	England and Wales	Dormant	Athena House, Athena Drive, Tachbrook Park, Warwick, Warwickshire, CV34 6RL	Ordinary	100	100
Chive Limited	England and Wales	Intermediate holding company	Athena House, Athena Drive, Tachbrook Park, Warwick, Warwickshire, CV34 6RL	Ordinary	100	100
Chive Fuels Limited	England and Wales	Supply of LPG	Athena House, Athena Drive, Tachbrook Park, Warwick, Warwickshire, CV34 6RL	Ordinary	100	100
Discount Gas Supplies Limited	England and Wales	Dormant	Athena House, Athena Drive, Tachbrook Park, Warwick, Warwickshire, CV34 6RL	Ordinary	100	100

Notes *(continued)*

13 Fixed asset investments *(continued)*

UK undertakings (unlisted)	**Country of incorporation**	**Principal activity**	**Registered office address**	**Class of shares held**	**Ownership 31 December 2019 %**	**Ownership 31 December 2018 %**
Liquefied Petroleum National Gas Limited	England and Wales	Non-trading	Athena House, Athena Drive, Tachbrook Park, Warwick, Warwickshire, CV34 6RL	Ordinary	100	100
Calor Properties Limited	England and Wales	Non-trading	Athena House, Athena Drive, Tachbrook Park, Warwick, Warwickshire, CV34 6RL	Ordinary	100	100
Calor Properties Scotland Ltd	England and Wales	Non-trading	15 Atholl Crescent, Edinburgh, EH3 8HA	Ordinary	100	100
Joint ventures and partnerships						
Humber LPG Terminal Limited	England and Wales	Dormant	7th Floor, 200-202 Aldersgate Street, London, EC1A 4HD	Ordinary	50	50
Autogas Limited	England and Wales	Marketing and sale of autogas	Athena House, Athena Drive, Tachbrook Park, Warwick, Warwickshire, CV34 6RL	Ordinary	50	50
Calor Partner Properties LP	England and Wales	Leasing partnership	15 Atholl Crescent, Edinburgh, EH3 8HA	Ordinary	33	33

14 Stocks

	31 December 2019 £m	31 December 2018 £m
Raw materials and consumables	**3.5**	3.6
Finished goods and goods for resale	**11.7**	21.2
	15.2	24.8

Raw materials, consumables and changes in finished goods and goods for resale recognised as cost of sales in the year amounted to £182.7m *(2018: £231.1m)*.

Notes *(continued)*

15 Debtors

	31 December 2019 £m	Restated 31 December 2018 £m
Amounts falling due within one year		
Trade debtors	**61.5**	61.7
Derivatives	**8.7**	3.8
Amounts owed by parent company	**5.6**	1.6
Amounts owed by intermediary parent company	**-**	20.0
Amounts owed by group undertakings	**0.1**	0.4
Amounts owed by subsidiary undertakings	**7.0**	6.9
Amounts owed by joint ventures (trading)	**0.5**	0.6
Other debtors	**7.1**	4.9
Prepayments and accrued income	**15.0**	8.0
	105.5	107.9

The amounts owed by an intermediary parent company are unsecured, have no fixed date of repayment and bear interest of 12-month GBP Libor plus 0.50% per annum *(2018: 0.50%)*.

The amounts owed by group undertakings, subsidiary undertakings and joint ventures (trading) are unsecured, are repayable on demand and are non interest bearing.

Prior year prepayments have been restated as explained in note 22.

16 Creditors: amounts falling due within one year

	31 December 2019 £m	Restated 31 December 2018 £m
Bank overdraft	**-**	1.0
Trade creditors	**45.8**	45.2
Derivatives	**3.2**	14.7
Amounts owed to parent company	**-**	4.3
Amounts owed to group undertakings	**16.8**	15.1
Loan due to subsidiary undertaking	**3.1**	2.9
Other creditors	**3.9**	3.3
Corporation tax	**1.4**	0.8
Other taxation and social security	**2.4**	2.1
Deferred cylinder income	**3.8**	3.8
Accruals and deferred income	**9.6**	5.0
	90.0	98.2

Amounts owed to group undertakings are unsecured, are repayable on demand and are non interest bearing.

Prior year derivatives have been restated as explained in note 22.

Notes *(continued)*

17 Creditors: amounts falling after more than one year

	31 December 2019 £m	31 December 2018 £m
Amounts owed to immediate parent company	**67.1**	66.0
Amounts owed to subsidiary undertaking	**21.8**	21.4
Loan due to subsidiary undertaking	**48.8**	51.9
Deferred cylinder income	**19.3**	19.2
	157.0	158.5

Amounts owed to the immediate parent company are unsecured, carry no fixed date of repayment and the Company has obtained confirmation that payment will not be called for before 31 December 2020. Amounts owed to the immediate parent company bear an interest charge of Lloyds Bank base rate plus 1.5% per annum *(2018: Lloyds Bank base rate plus 1.5%per annum).*

Amounts owed to subsidiary undertakings are unsecured, have no fixed date of repayment and the Company has obtained confirmation that payment will not be called for before 31 December 2020. Amounts owed to subsidiary undertakings bear an interest charge of Lloyds Bank base rate plus 1.5% per annum *(2018: 1.5% per annum).*

In 2012, the Company entered into a twenty year financing arrangement with Calor Properties Limited, a subsidiary undertaking, receiving £75.3 million which is secured on certain of the Company's assets. Interest is charged at 6% per annum *(2018: 6%per annum).* The Company is required to pay £6.2m annually up until 2031.

Notes *(continued)*

18 Interest-bearing loans and borrowings

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

The future payments to which the Company is committed under secured loans are as follows:

	31 December 2019 £m	31 December 2018 £m
Creditors falling due in more than one year		
Amounts due to immediate parent company	**67.1**	66.0
Amounts owed to subsidiary undertaking	**21.8**	21.4
Loan due to subsidiary undertaking	**48.8**	51.9
	137.7	139.3
Creditors falling due within less than one year		
Loan due to subsidiary undertaking	**3.1**	2.9
	140.8	142.2

Loans

	Currency	**Nominal interest rate**	**Year of maturity**	**31 December 2019 £m**	31 December 2018 £m
Amounts due to immediate parent company	£GBP	Lloyds bank rate + 1.5%	2021	**67.1**	66.0
Amounts owed to subsidiary undertaking	£GBP	Lloyds bank rate + 1.5%	2021	**21.8**	21.4
Loan due to subsidiary undertaking	£GBP	6.02%	2031	**51.9**	54.8
				140.8	142.2

Notes *(continued)*

19 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2019 £m	31 December 2018 £m	**31 December 2019 £m**	31 December 2018 £m	**31 December 2019 £m**	31 December 2018 £m
Accelerated capital allowances	**-**	-	**5.3**	5.0	**5.3**	5.0
Fair value adjustments on derivatives	**(0.6)**	(4.6)	**-**	-	**(0.6)**	(4.6)
Pension contributions spread	**(0.9)**	(1.3)	**-**	-	**(0.9)**	(1.3)
Other	**(0.4)**	(0.3)	**-**	-	**(0.4)**	(0.3)
Tax (assets) / liabilities	**(1.9)**	(6.2)	**5.3**	5.0	**3.4**	(1.2)
Net of tax liabilities/(assets)	**(1.9)**	(6.2)	**5.3**	5.0	**3.4**	(1.2)

The company expects the deferred tax asset of £0.6m for fair value adjustments on derivatives at 31 December 2019 to fully reverse in 2020. The pension contribution funding spread deferred tax asset of £0.9m will reverse over the two years to 31 December 2021.

The company does not foresee any significant reversal of accelerated capital allowances deferred tax liabilities and other timing differences deferred tax assets in the year following this reporting year.

20 Provisions

	Other £m	**Deferred tax £m**	**Total £m**
At beginning of year	0.6	-	0.6
Transfer from debtors	-	(1.2)	(1.2)
Charged to profit and loss account	0.6	4.6	5.2
Utilised during the year	(0.4)	-	(0.4)
At end of year	**0.8**	**3.4**	**4.2**

Other provisions relate to redundancy costs £0.6 million *(2018: £0.3 million)* and smaller provisions totalling £0.2 million *(2018: £0.3 million)*. These provisions are estimated to be utilised before 31 December 2020. No provision has been made for taxation on capital gains which may arise on the realisation of properties at book value. Following the rebasing of capital gains to 1982 values, as contained in the Finance Act 1988, and given the available capital losses within the group, it is not anticipated that tax on such capital gains would be at a material level.

21 Capital and reserves

Share capital

	31 December 2019 £m	31 December 2018 £m
Allotted, called up and fully paid		
30,070,456 *(2018: 30,070,456)* ordinary shares of £1 each	**30.1**	30.1

Notes *(continued)*

22 Financial instruments

The carrying amounts of the financial assets and liabilities measured at fair value include:

	Note	**31 December 2019 £m**	Restated 31 December 2018 £m
Assets measured at fair value through profit or loss	*15*	**8.7**	3.8
Liabilities measured at fair value through profit or loss	*16*	**(3.2)**	(14.7)
Derivatives		**5.5**	(10.9)

Derivative financial instruments

The Company enters into forward currency contracts to mitigate the exchange rate risk for certain foreign currency balances within the UK Company. At 31 December 2019, the maturing contracts all mature within 12 months *(2018: 12 months)* of the year end. The Company is committed to buy $160.2m and €0.7m *(2018: $146.6m)* and to pay fixed amounts in sterling. The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

Prior year restatement

The derivative fair values at 31 December 2018 have been restated to reclassify an amount of £16.4m as a result of the option premium being incorrectly grossed up in the balance sheet. The option premium was previously included within prepayments. The restatement has no impact on the net assets of the Company.

23 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		**Other**	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	£m	£m	**£m**	£m
Less than one year	**2.5**	2.2	**0.5**	0.6
Between one and five years	**8.6**	7.5	**0.5**	0.7
More than five years	**22.3**	17.8	**-**	-
	33.4	27.5	**1.0**	1.3

24 Commitments

Capital commitments

	31 December 2019 £m	31 December 2018 £m
Amounts authorised not yet contracted for	**14.3**	14.7

Notes *(continued)*

25 Contingencies

The Company has guaranteed the borrowings from certain subsidiary undertakings to third parties. There were no amounts outstanding at 31 December 2019 *(2018: £nil)*.

26 Employee benefits

The Company operates a funded defined benefit scheme for Calor employees, the Calor Group Retirement Benefits Plan (the "Plan"), the assets of which are held in separate, Trustee administered funds.

On 12 April 2001, the scheme was closed to new entrants. A defined contribution pension scheme was set up by the Company from 01 February 2001.

The last formal actuarial valuations of the Plans were performed by Barnett Waddingham, a firm of independent actuaries, as at 05 April 2014 and updated to 31 December 2019.

On 26 October 2018, The Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC (and others) court judgement provided some clarity in respect of GMP equalisation and, in particular, the obligations that this places on schemes. As set out in Debra Logan's report on GMP equalisation dated 19 December 2018, an allowance of 0.1% of liabilities was made for GMP equalisation. This has resulted in an increase to the defined benefit obligation of £0.5 million and recording as a past service cost occurring at the end of the prior year.

Principal actuarial assumptions used to calculate the Plan's liabilities at the year end were as follows:

	2019	2018
Salary increases	**Nil**	Nil
Rate of increase in Post 97 pensions pension increase	**3.1%**	3.2%
Rate of increase in Post 01 pensions pension increase	**3.0%**	3.3%
Rate of increase in Post 06 pensions pension increase	**2.3%**	2.4%
Discount rate	**2.0%**	2.8%
Inflation assumption (Retail Price Index)	**3.0%**	3.3%
Inflation assumption (Consumer Price Index)	**2.0%**	2.3%

Notes *(continued)*

26 Employee benefits *(continued)*

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60-year old to live for a number of years.

The mortality assumptions used were as follows:

		2019	2018
Life expectancy at age 60			
- Male currently aged 45	Pension less than £14,750 pa	**25.9**	26.5
	Pension greater than £14,750 pa	**28.0**	28.5
- Female currently aged 45	Pension less than £5,500 pa	**27.2**	27.8
	Pension greater than £5,500 pa	**28.8**	29.3
- Male currently aged 60	Pension less than £14,750 pa	**24.9**	25.4
	Pension greater than £14,750 pa	**27.0**	27.4
- Female currently aged 60	Pension less than £5,500 pa	**26.0**	26.5
	Pension greater than £5,500 pa	**27.6**	28.1

The major categories of assets as a percentage of total assets are as follows:

Asset category	**2019**	2018
Growth assets (including equities, synthetic equity, diversified growth, multi-strategy and orientated funds)	**43%**	39%
Bonds and liability hedging	**23%**	22%
Cash	**20%**	23%
Asset Backed Contribution	**14%**	16%
Total	**100%**	100%

Notes *(continued)*

26 Employee benefits *(continued)*

Explanation of amounts in the financial statements

	2019	2018
	£m	£m
Fair value of assets	**428.7**	395.0
Present value of funded obligations	**(512.8)**	(485.4)
Deficit	**(84.1)**	(90.4)
Deferred tax asset	**14.3**	15.4
Net defined benefit liability after deferred tax	**(69.8)**	(75.0)

Amounts recognised in the Profit and Loss account over the year

	2019	2018
	£m	£m
Current service cost	**1.7**	1.9
Administration costs	**0.3**	0.3
Interest on liabilities	**13.2**	12.1
Interest on assets	**(10.9)**	(9.6)
Past service cost	**-**	0.5
Total	**4.3**	5.2

Remeasurements over the year

	2019	2018
	£m	£m
Gain on Plan assets in excess of interest	**(35.6)**	9.1
(Gains) / losses from changes to demographic assumptions	**(9.6)**	0.9
(Gains) / losses from changes to financial assumptions	**49.0**	(23.7)
Total remeasurements	**3.8**	(13.7)

Notes *(continued)*

26 Employee benefits *(continued)*

The change in the assets over the year was:

	2019	2018
	£m	£m
Fair value of assets at the beginning of the year	**395.0**	405.5
Interest on assets	**10.9**	9.6
Company contributions	**14.4**	14.4
Benefits paid	**(26.9)**	(25.1)
Administration costs	**(0.3)**	(0.3)
Return on Plan assets less interest	**35.6**	(9.1)
Fair value of assets at the end of the year	**428.7**	395.0

The change in the Defined Benefit Obligation over the year was:

	2019	2018
	£m	£m
Defined Benefit Obligation at the beginning of the year	**485.4**	518.8
Current service cost	**1.7**	1.9
Past service cost	**-**	0.5
Interest on liabilities	**13.2**	12.1
Benefits paid	**(26.9)**	(25.1)
Changes to demographic assumptions	**(9.6)**	0.9
Changes to financial assumptions	**49.0**	(23.7)
Defined Benefit Obligation at the end of the year	**512.8**	485.4

Notes *(continued)*

27 Related parties

Calor Gas Limited is a wholly owned subsidiary of Calor Group Limited and ultimately SHV Holdings N.V. The results of Calor Gas Limited are included in the consolidated financial statements of SHV Holdings N.V. the smallest and largest company in the group to prepare consolidated financial statements. Consequently, the Company is exempt under the terms of FRS 102 from disclosing details of transactions with SHV Holdings N.V. or other wholly owned entities that were members of the SHV Holding N.V. group.

During the year, the Company sold liquefied petroleum gas to its joint venture Autogas Limited to the value of £9.9 million *(2018: £10.6 million)*. Amounts outstanding in respect of these transactions as at 31 December 2019 were £0.6 million excluding VAT *(2018: £0.6 million* excluding VAT).

Autogas Limited received invoices from Calor Gas Limited during 2019 for the provision of finance, administration, payroll, logistics and support in accordance with the joint venture agreements. The total amount invoiced was £0.2 million, excluding VAT *(2018: £0.1 million* excluding VAT). The VAT exclusive amount outstanding in respect of these transactions as at 31 December 2019 was £nil *(2018: £nil)*.

28 Ultimate parent undertaking

The ultimate parent undertaking and controlling party is SHV Holdings N.V., a private company incorporated in The Netherlands, which is the smallest and largest group to prepare consolidated financial statements incorporating the results of Calor Gas Limited. Copies of the consolidated financial statements for SHV Holdings N.V. may be obtained from the Company Secretary, SHV Holdings N.V., Rijnkade 1, 3511 LC, Utrecht, The Netherlands.

The immediate parent company of Calor Gas Limited is Calor Group Limited.

29 Accounting estimates and judgements

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods impacted.

The key judgements and estimates employed in the financial statements are considered below.

Allowances against the carrying amount of inventories

The Company provides against the carrying amount of inventories for inventory lines based on expected demand for its products to ensure that inventory is stated at the lower of cost and net realisable value. Judgement is required in respect of assessing future demand.

Impairment of goodwill and customer lists

On an annual basis, the Company is required to perform an impairment review to assess whether the carrying value of goodwill and customer lists are less than its recoverable amount. Recoverable amount is based on a calculation of expected future cash flows, which include estimates of future performance.

Provisions

Provisions are made using the best estimates of future cash flows based on the current level of information available. Actual cash flows will be dependent on future events.

Notes *(continued)*

29 Accounting estimates and judgements *(continued)*

Depreciation and amortisation

Judgement is required in assessing the useful economic lives of tangible fixed assets and intangible assets. These assumptions are based on the best estimate of the life of the asset and its residual value at the end of its economic life.

Deferred taxation

The Company recognises deferred tax assets and liabilities based upon future taxable income and the expected recoverability of the balance. The estimate will include assumptions regarding future income streams of the Company and the future movement in corporation tax rates in the respective jurisdictions.

Retirement benefits

In determining the valuation of defined benefit pension scheme assets and liabilities, a number of key assumptions, which are largely dependent on factors outside the control of the company, have been made in relation to:
– Expected return on plan assets
– Inflation rate
– Mortality
– Discount rate
– Salary and pensions increases.
Details of the assumptions used are included in note 26.