21 March 2016

Smart Metering Systems plc

("SMS" or "the Company" or "the Group")

Final results for the year ended 31 December 2015

Smart Metering Systems plc (AIM: SMS.L) is pleased to announce its final results for the 12 months to 31 December 2015, which show continued growth across all business areas.

Financial Highlights

- Revenue increased by 27% to £53.9m (2014: £42.4m)
- Total annualised recurring income* increased by 33% to £34.73m (2014: £26.2m)
    - Gas: meter recurring rent increased 27% to £27.8m (2014: £21.9m) and data recurring income more than doubled to £2.2m (2014: £1.0m)
    - Electricity: meter recurring rent doubled to £1.25m (2014: £0.6m) and data recurring income grew 28% to £3.45m (2014: £2.7m)
- Gross profit increased by 32% to £36.5m (2014: £27.6m)
- Gross profit margin at 68% (2014: 65%)
- Underlying EBITDA** increased by 38% to £26.3 (2014: £19.1m)
- Underlying PBT** increased by 38% to £17.4m (2014: £12.6m)
- EBITDA** margin at 49% (2014: 45%)
- Underlying earnings per share*** increased 67% to 17.46p (2014: 10.46p)
- Final dividend of 2.2p per ordinary share making 3.3p for the full year (2014: 2.82p), an increase of 17%

* Recurring revenue refers to revenue generated by meter rental and data contracts. Annualised recurring income refers to the revenue being generated at a point in time.
** Underlying PBT & EBITDA is before deduction of exceptional items, other operating income and intangible amortisation.
*** Underlying earnings per share is profit after taxation but before exceptional items, other operating income and intangible amortisation, divided by the weighted average number of ordinary shares in issue.

Operational Highlights

- Total Gas and Electricity metering and data assets increased by 211,000 to just under 1 million under management at 31 December 2015 (December 2014: 768,000)
    - Total gas meter portfolio increased by 19% to 723,000 (December 2014: 607,000), with industrial and commercial ("**I&C**") meters increasing by 75% to 114,000 (December 2014: 65,000). Gas data portfolio increased by 107% to 85,000 (December 2014: 41,000)
    - Total electricity meter portfolio increased by 142% to 29,000 (December 2014: 12,000). Electricity data portfolio increased by 31% to 142,000 (December 2014: 108,000)
- ADM™ installations up 80% to 74,000 units at 31st December 2015 (December 2014: 41,000) with international trials continuing
- Capital expenditure on meters increased by 15% to £41.2m, reaching a monthly run rate of approximately £3.5m in December 2015
- Celebrated 20 years in operation in June 2015 and first anniversary of the integration of the electricity business, having acquired UPL in April 2014, now SMS ES
- Completed rebranding of the business in June 2015, bringing all group subsidiaries under the single SMS brand, setting out a simplified integrated gas, electricity and dual fuel offering to clients
- Strong start to 2016 with new agreements and acquisitions:
    - With the opening of the domestic smart meter market, SMS signed five framework agreements with independent energy suppliers including RHE, Green Energy, Flow Energy, Spark Energy and Our Power

- Strategic acquisitions of meter installation suppliers, CH4 Gas Utility and Maintenance Services Limited and Trojan Utilities Limited, and IT specialists, Qton Solutions Limited

Alan Foy, Chief Executive Officer, commented:

"2015 has been another successful year with substantial progress across all segments of the business. As we celebrate 20 years in operation, SMS has again recorded double-digit growth. During the year we completed the rebranding of the business, bringing all group subsidiaries under the single SMS brand, setting out a simplified integrated gas and electricity offering to clients with the integration of UPL now complete.

We remain focused on the continued expansion of our core business while also pursuing the significant opportunities available to SMS in the domestic smart meter market. 2016 has started well with the signing of five new domestic smart meter agreements along with three important strategic acquisitions to control our installation capacity in our markets. We remain confident in our outlook for the business and market development in 2016."

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Notes to Editors
About Smart Metering Systems

Established in 1995, Smart Metering Systems plc, based in Glasgow, connects, owns, operates and maintains metering systems and databases on behalf of major energy companies. The Company provides a fully integrated service from beginning to end to cover the installation of a gas/electricity supply/connection to the procurement, installation and management of a gas or electricity meter asset to the collection and management of customer data and ongoing energy management services.

The Company has further applications for gas with its ADM™ device which allows "smart" functions such as remote reading and half-hourly consumption data to be offered to customers in addition to the normal metering services. The Company was admitted to the AIM market in July 2011 and is now part of the FTSE AIM 50 index. For more information on SMS please visit the Company's website: www.sms-plc.com.

Chairman’s statement

Review of the year

2015 has been a year of continued progress in our business, notably with the acquisition last year of UPL (now SMS ES), and continued growth and expansion during our 20th anniversary year. We also completed the rebranding of the SMS business, bringing all group subsidiaries under the single SMS brand and setting out a simplified integrated gas and electricity offering to clients.

Following the rebrand, we now operate three divisions under the single SMS Plc brand: Connections Management, Metering and Data and Energy Management, with gas and electricity service offerings across all three divisions.

In the first half of the year, the Metering and Data division signed an agreement for the provision and ownership of electricity meters and data management services for an initial order of 5,000 meters with Total Gas & Power Limited, an existing customer of SMS’s Gas business. This contract win followed a strong end to 2014 where we won contracts with BES Utilities, British Gas Business, DONG Energy Services Limited, and Opus Energy, all of which now benefit from our integrated offering across both gas and electricity.

Our Business

SMS has delivered double-digit growth during the year across all segments of the business with strong recurring income in our gas and electricity business and a substantial increase in our gas meter portfolio.

We have a strong order book to install and own gas and electricity meters in the I&C and domestic market and we will continue to fill that order book over the next few years. This will continue to generate an asset-backed, high-quality annuity stream that will provide high visibility of revenues.

We continue to develop a strong market position in the UK smart metering market with a focus on the cross-selling of services between gas and electricity customers by providing an integrated suite of services across all three divisions.

SMS also has significant additional growth opportunities arising from the UK government initiative mandating the installation of a smart meter in every home and small business across the UK by 2020. This presents a significant market opportunity with a substantial proportion of an estimated 1.6 million gas meters and 2.1 million electricity meters in the UK I&C market to be exchanged for a smart metering solution by the target date of 2020. There is added potential of a rollout of some 22 million gas meters and 27 million electricity meters in the UK domestic market within that period.

Strategy

Our medium term strategy is to increase the run rate with our customers, and continue to grow the meter asset portfolio alongside targeting of the new I&C and domestic smart meter market.

Our priority in 2016 and beyond is to focus on four key strategic areas, reflecting the opportunity of the growing domestic smart meter market is to:

- Continue to install and own gas meters and data contracts and maximise the contracted order book in the I&C and domestic meter market organically with existing customers and through new contracts

- Drive recurring rental income from the I&C market

- Target the significant domestic smart meter market opportunity in the UK based on our proven business model and established market position

- Increase levels of business with, and services provided to key gas and electricity suppliers, with a focus on cross-selling between Gas and Electricity across our suite of services

People and Systems

Our people have been instrumental in driving the business forward and in the successful integration of UPL and also the rebranding of the expanded business.

Equally important in terms of operational performance is our IT systems and compliance management work with our customers, the gas and electricity suppliers. These are integral to the way in which we deliver our dual fuel metering service and achieve customer satisfaction and build relationships of trust.

We are excited to be driving forward our strategic vision, values and culture through our enlarged team and strengthened senior management.

Dividend

We announced a progressive dividend policy in our interim results and increased our interim dividend by 17% to 1.1p. SMS is delighted to announce a proposed final cash dividend of 2.2p for the year ended 31 December 2015. In addition to the interim dividend of 1.1p, this will make a total dividend of 3.3p. The final dividend will be paid on 2 June 2016 to those shareholders on the register (record date) on 29 April 2016 with an ex-dividend date of 28 April 2016.

Outlook

The team, under Alan Foy's leadership, has continued to deliver on SMS's strategy and operational plans and SMS is ideally positioned to maintain our competitive advantage and continue to make progress on its strategy. We have seen a strong start to 2016 with five framework agreements with independent energy suppliers in the domestic smart meter market. We have also made important strategic acquisitions to control our installation capacity for the delivery of our customer contracts in all our markets. We remain confident on the outlook for 2016, and view the future of the business and market development as highly promising.

Chief Executive Officer's statement

I am very pleased to report on the continued strong performance of the business for the year ended 31 December 2015.

Recurring income now represents 57% of our total revenue compared with 53% of total revenue in 2014, as we see the continued benefits of building up recurring income streams from our long-term contracts from a diversified blue chip customer base.

Operational Review

During 2015 our gas and electricity meter portfolios increased by 19% and 142% respectively. The gas meter portfolio increased from 607,000 to 723,000 at the year end. The number of electricity meters rose from 12,000 to 29,000 at year end. Our Gas and Electricity metering and data assets rose by over 20% in 2015.

Our two key financial metrics both demonstrated substantial growth in the year. Our revenue increased by 27%, and our long-term recurring revenue for gas meter recurring rent by 27%. The electricity meter recurring rent doubled from £0.6m to £1.25m. Gas data recurring income also doubled, while electricity data grew by just over 28%.

These metrics are core to our long-term annuity financial model and the recurring rental revenue is based on the ownership and future purchase of meter assets. Once installed, these meters will be on SMS's long-term index linked contracts and provide recurring revenue for the lifetime of the assets, expected to be 25 years.

Industrial and Commercial Meters

2015 has been another successful year and we were delighted to announce a number of new contracts and contract extensions with major customers during the year.

We nearly doubled our I&C gas metering portfolio to 114,000 from 65,000 meters in 2014 and grew our customer base during 2015 to a point where SMS contracts are in place with over 80% of the total I&C meter market in the UK with national and multinational clients.

The I&C electricity metering business has also witnessed more than a doubling of its metering portfolio to 29,000 from 12,000 meters in 2014 following the introduction of new contracts with BES, Total Gas & Power, Opus Energy and Dong Energy. The electricity business has also been successful in delivering new contracts with existing and new customers in order to satisfy increasing market demand for half hourly metering services following the introduction of new OFGEM regime which will see more than 160,000 meters move to the half hourly market by April 2017. These industry changes provide opportunities for increased meter ownership and in particular for increased recurring data revenue due to the increased demand for half hourly data.

UK Domestic Smart Market Opportunity

SMS will provide UK domestic smart meters as part of the government's domestic smart meter programme overseen by the Department of Energy and Climate Change. The programme requires domestic energy supply companies to provide all of their customers with a smart meter in homes and small businesses (larger businesses are subject to separate regulations and are already using smart meters) across the UK by 2020. In total, this represents 22 million domestic gas and 27 million domestic electricity smart meters to be installed, requiring an approximate £6.5 billion aggregate capital investment.

This new market presents an important opportunity for SMS to extend its current business model, based on owning and installing assets in the I&C and domestic market, and to replicate this with the installation of domestic smart meters in the roll-out out between now and 2020.

Gas and electricity suppliers must appoint a Meter Asset Manager (MAM) and SMS is one of only four companies in the Smart Domestic market. We are very well positioned for this new market, given our business model.

SMS has the ability to fund substantial growth of this new market with, inter alia, a £150 million term facility from a club of banks. We firmly believe that the nascent domestic smart meter market will prove attractive to our funders.

While the new market presents a considerable opportunity, there are also challenges. There will, in all likelihood, be new entrants, and while the Government has committed to the roll–out timetable, given its scale, it would not be surprising to see some delay.

Domestic Meters

Over the period, we grew our domestic gas meter portfolio by 12% from 542,000 to 609,000 by the year end 2015.

Our combined gas and electricity full service offering has both strengthened our position and our opportunity in the domestic meter market, ideally positioning the business for the domestic smart meter roll out programme in the UK.

ADM™

The ADM™ device is SMS's advanced metering solution which allows for remote meter reading on a half-hourly basis and has been designed to meet our customer requirements. SMS continues to deploy the ADM™ devices in the UK.

In 2015 the number of ADM™ installations increased 74,000, up from 41,000 in 2014, and we remain confident that our ADM™ device technology has a broad range of potential applications in gas, electricity, water and LPG markets.

Business Summary

2015 has been a successful year and our business is strong, notably our I&C installation business and the recurring rental income. SMS continues to deliver operational and financial growth and along with the significant opportunities in the domestic smart metering market we remain confident in the outlook for the business and market development in 2016.

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Notes	2015 £'000	2014 Restated £'000
Revenue	2	**53,945**	42,386
Cost of sales	3	**(17,427)**	(14,766)
Gross profit		**36,518**	27,620
Administrative expenses	3	**(18,484)**	(14,832)
Other operating income	3	**1,546**	215
Profit from operations	3	**19,580**	13,003
Attributable to:			
Operating profit before exceptional items, Other operating income and amortisation of intangibles		**19,493**	14,580
Amortisation of intangibles		**(1,459)**	(1,155)
Other operating income		**1,546**	215
Exceptional items and fair value adjustments	3	**-**	(637)
Finance costs	6	**(2,118)**	(2015)
Finance income	6	**3**	30
Profit before taxation		**17,465**	11,018
Taxation	7	**(2,463)**	(2,143)
Profit for the year attributable to equity holders		**15,002**	8,875
Other comprehensive income		**-**	
Total comprehensive income		**15,002**	8,875

The profit from operations arises from the Group's continuing operations.
Earnings per share attributable to owners of the parent during the year:

	Notes	**2015**	**2014 Restated**
Basic earnings per share (pence)	8	17.46	10.46
Diluted earnings per share (pence)	8	16.78	10.06

Consolidated statement of financial position

As at 31 December 2015

	Notes	**31 December 2015 £'000**	31 December 2014 (restated) £'000	1 January 2014 (restated) £000
Assets				
Non-current				
Intangible assets	10	10,028	10,932	2,018
Property, plant and equipment	11	125,700	91,277	57,382
Investments	12	83	83	-
Trade and other receivables	15	901	1,172	-
		136,712	103,464	59,400
Current assets				
Inventories	14	1,099	1,211	2,504
Trade and other receivables	15	10,205	8,245	6,052
Income tax recoverable		-	66	433
Cash and cash equivalents	16	5,711	4,285	2,073
Other current financial assets	20	-	—	207
		17,015	13,807	11,269
Total assets		153,727	117,271	70,669
Liabilities				
Current liabilities				
Trade and other payables	17	14,919	16,694	10,810
Income tax payable		445	-	-
Bank loans and overdrafts	18	8,496	7,904	3,933
Commitments under hire purchase agreements	19	64	90	3
Other current financial liabilities	20	46	70	-
		23,970	24,758	14,746
Non-current liabilities				
Bank loans	18	76,219	53,645	31,475
Commitments under hire purchase agreements	19	14	64	6
Deferred tax liabilities	22	6,139	4,395	3,395
		82,372	58,104	34,876
Total liabilities		106,342	82,862	49,622
Net assets		47,385	34,409	21,047
Equity				
Share capital	23	861	856	838
Share premium		9,650	9,291	8,971
Other reserve	25	4,258	4,258	1
Treasury shares	24	(231)	(92)	-
Retained earnings		32,847	20,096	11,237
Total equity attributable to equity holders of the parent company		47,385	34,409	21,047

Consolidated statement of changes in equity

For the year ended 31 December 2015

Attributable to the owners of the parent company:	Share capital £'000	Share premium £'000	Other reserve £'000	Treasury shares £'000	Retained Earnings £'000	Total £'000
As at 1 January 2014	838	8,971	1	-	12,782	22,592
Prior Year adjustment (Note 1)	-	-	-	-	(1,545)	(1,545)
As at 1 January 2014 (restated)	838	8,971	1	-	11,237	21,047
Total comprehensive income for the year (as restated)	-	-	-	-	8,875	8,875
Transactions with owners in their capacity as owners:						
Dividends (note 9)	-	-	-	-	(2,174)	(2,174)
Shares issued	18	320	4,257	—	-	4,595
Shares held by SIP	-	-	-	(92)	-	(92)
Share options	-	-	-	-	240	240
Income tax effect of share options	-	-	-	-	1,918	1,918
As at 31 December 2014	856	9,291	4,258	(92)	20,096	34,409
Total comprehensive income for the year	-	-	-	-	15,002	15,002
Transactions with owners in their capacity as owners:						
Dividends (note 9)	-	-	-	-	(2,564)	(2,564)
Shares issued	5	359	-	-	-	364
Shares held by SIP	-	-	-	(139)	-	(139)
Share options	-	-	-	-	410	410
Income tax effect of share options	-	-	-	-	(97)	(97)
As at 31 December 2015	**861**	**9,650**	**4,258**	**(231)**	**32,847**	**47,385**

See notes 24 and 25 for details of the Treasury shares and Other reserve.

Consolidated statement of cash flows

For the year ended 31 December 2015

	2015	2014
	£'000	£'000
Cash flow from operating activities		
Profit before taxation	**17,465**	11,018
Finance costs	**2,118**	1,738
Finance income	**(3)**	(30)
Fair value movement on derivatives	**(24)**	277
Depreciation	**6,816**	4,526
Amortisation	**1,459**	1,155
Share-based payment expense	**271**	148
Movement in inventories	**112**	1,636
Movement in trade and other receivables	**(1,689)**	1,709
Movement in trade and other payables	**(1,776)**	3,159
Cash generated from operations	**24,749**	25,336
Taxation	**(304)**	(220)
Net cash generated from operations	**24,445**	25,116
Investing activities		
Payments to acquire property, plant and equipment	**(41,474)**	(35,779)
Disposal of property, plant and equipment	**235**	52
Payments to acquire intangible assets	**(555)**	(539)
Acquisition of subsidiary	**-**	(12,632)
Cash acquired with subsidiary	**-**	3,420
Finance income	**3**	30
Net cash used in investing activities	**(41,791)**	(45,448)
Financing activities		
New borrowings	**33,059**	33,003
Capital repaid	**(9,893)**	(6,862)
Hire purchase repayments	**(76)**	(10)
Finance costs	**(2,118)**	(1,738)
Net proceeds from share issue	**364**	325
Dividend paid	**(2,564)**	(2,174)
Net cash generated from financing activities	**18,772**	22,544
Net increase in cash and cash equivalents	**1,426**	2,212
Cash and cash equivalents at the beginning of the financial year	**4,285**	2,073
Cash and cash equivalents at the end of the financial year (note 16)	**5,711**	4,285

Accounting policies

The consolidated financial statements of the Group for the year ended 31 December 2015 were approved and authorised for issue in accordance with a resolution of the Directors on 21 March 2016. Smart Metering Systems plc is a public limited company incorporated in Scotland. The company's ordinary shares are traded on AIM.

The financial information set out in the audited results does not constitute the Group's statutory financial statements for the year ended 31 December 2015 within the meaning of section 434 of the Companies Act 2006 and has been extracted from the full financial statements for the year ended 31 December 2015.

Statutory financial statements for the year ended 31 December 2014 ("2014"), which received an unqualified audit report, have been delivered to the Registrar of Companies. The reports of the auditors on the financial statements for the year ended 31 December 2014 and for the year ended 31 December 2015 were unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006. The financial statements for the year ended 31 December 2015 will be delivered to the Registrar of Companies and made available to all shareholders in due course.

Basis of preparation

The consolidated financial statements, which have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS), and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements are presented in British pounds Sterling (£) and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

Going concern

Management prepares budgets and forecasts on a rolling 24 month basis. These forecasts cover operational cash flows and investment capital expenditure. The Group has committed bank facilities which extend to March 2017 and available cash resources at 31 December 2015 of £26m.

Based on the current projections and facilities in place the Directors consider it appropriate to continue to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated accounts of the Group include the assets, liabilities and results of the Company and subsidiary undertakings in which Smart Metering Systems plc has a controlling interest, with the exception of UPL Italia SRL which is deemed immaterial to the group as a whole, using accounts drawn up to 31 December.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Use of estimates and judgements

The preparation of the financial statements requires the use of estimates and assumptions. Although these estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are acquisitions and business combinations. When an acquisition arises the group is required under IFRS 3 to calculate the Purchase Price Allocation ("PPA"). The PPA requires companies to report the fair value of assets and liabilities acquired and it establishes useful lives for identified assets. Subjectivity is involved in PPA with the estimation of the future value of technology, customer relationships and goodwill.

Revenue recognition

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 at the fair value of the consideration received or receivable, excluding discounts and VAT.

Revenue is recognised when the significant rewards and risk of ownership have been passed to the buyer. The risk and rewards of ownership transfer when the Group fulfils its contractual obligations to customers by supplying services.

Meter rental income
Rental income represents operating lease payments receivable from gas and electricity suppliers. Revenue is recognised on a straight-line basis over the lease term. Rental income is calculated on a daily basis and invoiced monthly. Rental contracts do not operate on a fixed-term basis and are cancellable at any time by the lessee, in which case termination payments are levied and recognised as other operating income in accordance with the terms of the contract with immediate effect and do not transfer risks and rewards of ownership of the underlying asset. They are therefore considered as operating lease arrangements and accounted for as such.

In line with the underlying contractual terms, termination fees due are recognised at fair value upon notification of deappoinment and are classified as other operating income.

Utility connection
Revenue from connection contracts is recognised upon delivery of the related service.

Data management
Data income is recognised on a straight line basis over the contract period. Amounts invoiced in advance are recorded as deferred income.

Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, financial guarantee contracts and derivative financial instruments.

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

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

Initial recognition and subsequent measurement
The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The Group has not designated any derivatives for hedge accounting.

Current versus non-current classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows).

Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond twelve months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

Exceptional items and separately disclosed items
The Group presents as exceptional items on the face of the consolidated statement of comprehensive income those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in that year, so as to facilitate comparison with prior periods and to assess better trends in financial performance. Termination fee income is reported as a separately disclosed given the materiality & nature.

Research and development
Expenditure on pure and applied research activities is recognised in the consolidated statement of comprehensive income as an expense as incurred.

Expenditure on product development activities is capitalised if the product or process is technically and commercially feasible and the Group intends and has the technical ability and sufficient resources to complete development; if future economic benefits are probable; and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.

Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, when the product or system is available for use, so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Amortisation	5% on cost straight line

Intangible assets
Intangible assets acquired separately from third parties are recognised as assets and measured at cost.
Following initial recognition, intangible assets are measured at cost at the date of acquisition less any amortisation and any impairment losses. Amortisation costs are included within the net administrative expenses disclosed in the consolidated statement of comprehensive income.

Intangible assets acquired as part of a business combination are recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Intangible assets are amortised over their useful lives as follows:

Software	12.5% and 20% straight line
Customer contracts	20%

Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Goodwill
Goodwill arising on consolidation represents the excess of the consideration transferred and the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in ‘intangible assets’. Goodwill is not amortised but is tested annually for impairment and is carried at cost less accumulated impairment losses. See note [13] for detailed assumptions and methodology. Impairment losses are not subsequently reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Provisional fair values are adjusted against goodwill if additional information is obtained within one year of the acquisition date, about facts or circumstances existing at the acquisition date. Other changes in provisional fair values are recognised through profit or loss.

Changes in contingent consideration arising from additional information, obtained within one year of the acquisition date, about facts or circumstances that existed at the acquisition date are recognised as an adjustment to goodwill. Other changes in contingent consideration are recognised through profit or loss, unless the contingent consideration is classified as equity. In such circumstances, changes are recognised within equity.

Impairment
At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangibles to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Detailed assumptions with regard to discount, growth and inflation rates are set out in note 13 to the accounts.

Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively.

All other repair and maintenance costs are recognised in the consolidated statement of comprehensive income as incurred. Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Freehold property	2% on cost
Short leasehold property	Shorter of the lease term or 15% and 20% on cost
Plant and machinery	5% and 10% on cost
Fixtures, fittings & equipment	15% and 33% on cost
Motor vehicles	25% on cost

Land is not depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised. The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. Property, plant and equipment are initially recorded at cost.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprises cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated statement of

cash flows, cash and cash equivalents consists of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Hire purchase agreements
Assets held under hire purchase agreements are capitalised and disclosed under property, plant and equipment at their fair value. The capital element of the future payments is treated as a liability and the notional interest is charged to the statement of comprehensive income in proportion to the remaining balance outstanding.

Leased assets and obligations as lessee
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets acquired under finance leases are capitalised in the Balance Sheet at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is recorded in the Balance Sheet as a finance lease obligation. The lease payments are apportioned between finance charges to the Income Statement and a reduction of the lease obligations.

Rental payments under operating leases are charged to the Income Statement on a straight-line basis over the applicable lease periods.

Group as lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of assets are classified as operating leases with meter income recognised in line with the meter rental income policy.

Pension costs
The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the statement of comprehensive income.

Share-based payments
The costs of equity-settled share-based payments are charged to the consolidated statement of comprehensive income over the vesting period. The charge is based on the fair value of the equity instrument granted and the number of equity instruments that are expected to vest.

Taxation
Tax currently payable is based on the taxable profit for the year. Taxable profit differs from accounting profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The deferred tax balance is calculated based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax assets include temporary differences related to employee benefits settled via the issue of share options. Recognition of the deferred tax assets assumes share options will have a positive value at the date of vesting, which is greater than the exercise price.

Standards and interpretations
Several new standards and amendments are applicable for the first time in 2015. However, they do not impact the annual consolidated financial statements of the Group.

Standards and amendments to standards that have been issued but are not effective for 2015 and have not been early adopted

Standard or interpretation		Periods commencing on or after
Amendments to IAS 1	Disclosure Initiative	1 January 2016
IFRS 9*	Financial Instruments	1 January 2018
IFRS 15*	Revenue from contracts with customers	1 January 2016
Annual Improvements to IFRSs	2012 to 2014 cycle	1 January 2016
Amendments to IFRS 10 and IAS 28*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016

Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IFRS 11	Accounting for Acquisition of Interests in Joint Operations	1 January 2016
IFRS 16*	Leases	1 January 2019
Amendments to IAS 7*	Disclosure Initiative	1 January 2017
Amendments to IAS 12*	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

Note * - Not yet adopted for use in the European Union

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements.

For standards with a future effective date, the Directors are in the process of assessing the likely impact and look to finalisation of the standards before formalising their view.

Notes to the financial statements

For the year ended 31 December 2015

1 Prior period restatement

Over a number of years, the revenue on gas connection services has been incorrectly recognised upon advance payment by customers rather than upon the delivery of the underlying service. The related subcontractor cost was accrued at the point of revenue recognition. This resulted in the accelerated recognition of both revenue and cost of sales across a number of years. The scale of the gas connections business has been consistent over a number of years with the exception of 2013 when the revenue was higher due to a number of significant contracts.

The financial statements have been restated to correct the cumulative impact on the Consolidated statement of financial position as at 1 January 2014. In addition, income tax receivable and payable and long term trade & other receivables have been reclassified to be shown on the face of the consolidated statement of financial position. No adjustment has been made to the 2014 profit before tax as previously reported, as the impact on the year after the consideration of the effect of the turnaround error from pre 1 January 2014 is considered immaterial at both revenue and profit level.

The impact is as follows:

	31 December 2014	1 January 2014
	£000	£000
Increase in Advance payments	3,448	3,448
Decrease to Accruals	(1,517)	(1,517)
Decrease to Income tax payable/increase to Income tax repayble	(386)	(386)
Decrease in Equity	(1,545)	(1,545)

In addition, in 2014, a credit of £1,918,000 was recognised through the income statement in connection with the recognition of deferred tax benefits arising on share based payments which should have been recognised directly in equity. Accordingly, the comparative financial statements have been restated to correct the charge as follows:

	31 December 2014
	£000
Increase to taxation charge	1,918
Increase to amount recognised directly in equity	(1,918)

This adjustment has had the following impact on earnings per share:

	As restated	As previously reported
Earnings per share:		
– basic (pence)	10.46	12.71
– diluted (pence)	10.06	12.23
Adjusted earnings per share:		
– basic (pence)	11.90	14.36
– diluted (pence)	11.45	13.81

2 Segmental reporting

For management purposes, the Group is organised into three core divisions, Asset Management, Asset Installation and Energy Management, which form the basis of the Group's reportable operating segments and Operating segments within those divisions are combined on the basis of their similar long-term economic characteristics and similar nature of their products and services, as follows:

Asset Management comprises regulated management of gas meters, electric meters and ADM™ units within the UK.

Asset installation of meters comprises installation of domestic and Industrial and Commercial gas meters and electricity meters throughout the UK.

Energy Management comprises the provision of energy advice.

For greater clarity the trade in the Energy Management business has been separated out from Asset Installation.

Comparatives have been altered accordingly.

Management monitors the operating results of its divisions separately for the purpose of making decisions about resource allocation and performance assessment. The operating segments disclosed in the financial statements are the same as reported to the Board. Segment performance is evaluated based on gross profit.

At the most granular level of information presented to the CODM, Asset Management aggregates four operating segments (Gas meter rental, Electricity meter rental, Gas data and Electricity data) principally on the basis that they derive from the same asset using similar processes for consistent customers and are often provided together. Asset Installation aggregates two operating segments (Gas Transactional and Electricity Transactional) due to the consistent nature of the service, customers and delivery processes.

The following segment information is presented in respect of The Groups reportable segments together with additional balance sheet information:

31 December 2015	**Asset management £'000**	**Asset installation £'000**	**Energy Management £'000**	**Unallocated £'000**	**Total operations £'000**
Segment/Group revenue	30,233	19,535	4,177	-	53,945
Cost of sales	(4,148)	(10,891)	(2,388)	-	(17,427)
Segment profit – Group gross profit	**26,085**	**8,644**	**1,789**	-	36,518
Items not reported by segment:					
Other operating costs/income	-	-	-	(8,663)	(8,663)
Depreciation	(5,846)	-	-	(970)	(6,816)
Amortisation	(121)	-	-	**(1,338)**	(1,459)
Exceptional items and fair value adjustments	-	-	-	-	-
Profit from operations	**20,118**	**8,644**	**1,789**	**(10,971)**	**19,580**
Net finance costs	(2,127)	0	4	8	(2,115)
Profit before tax	**17,991**	**8,644**	**1,793**	**(10,963)**	**17,465**
Tax expense					(2,463)
Profit for year					**15,002**

31 December 2014	Asset management £'000	Asset installation £'000	Energy Management £'000	Unallocated £'000	*Restated* Total Operations £'000
Segment/Group revenue	22,404	17,639	2,343	-	42,386
Cost of sales	(3,712)	(9,656)	(1,398)	-	(14,766)
Segment profit – Group gross profit	18,692	7,983	945	-	27,620
Items not reported by segment:					
Other operating costs/income	-	-	-	(8,299)	(8,299)
Depreciation	(4,200)	-	-	(326)	(4,526)
Amortisation	(746)	-	-	(409)	(1,155)
Exceptional items and fair value adjustments	—	-	-	(637)	(637)
Profit from operations	13,746	7,983	945	(9,671)	13,003
Net finance costs	(1,985)	-	-	-	(1,985)
Profit before tax	11,761	7,983	945	(9,671)	11,018
Tax expense					(2,143)
Profit for year					**8,875**

All revenues and operations are based and generated in the UK.

The Group has one major customer that generated turnover within each segment as listed below:

	2015 £'000	2014 £'000
Customer 1 – Asset Management	**11,865**	9,847
Customer 1 – Asset Installation	**4,704**	5,089
	16,569	14,936

Segment assets and liabilities

31 December 2015	Asset management £'000	Asset installation £'000	Energy Management £'000	Total Operations £'000
Assets by segment				
Intangible assets	10,028	-	-	10,028
Plant, plant and equipment	119,435	-	6,265	125,700
Inventories	996	-	103	1,099
	130,459	**-**	**6,368**	136,827
Assets not by segment				**16,900**
Total assets				**153,727**
Liabilities by segment				
Bank loans	84,715	-	-	84,715
Obligations under hire purchase agreements	63	-	15	78
	84,778	-	**15**	**84,793**
Liabilities not by segment				21,549
Total liabilities				**106,342**

31 December 2014	Asset management £'000	Asset installation £'000	Energy Management £'000	*Restated* Total Operations £'000
Assets by segment				
Intangible assets	10,932	-	-	10,932
Plant, plant and equipment	84,649	-	3,855	88,504
Inventories	1,091	-	120	1,211
	96,672	-	3,975	100,647
Assets not by segment				16,624
Total assets				117,271
Liabilities by segment				
Bank loans	61,549	-	-	61,549
Obligations under hire purchase agreements	84	-	70	154
	61,633	-	70	61,703
Liabilities not by segment				21,159
Total liabilities				82,862

3 Income statement by nature and items of expenditure included in the consolidated statement of comprehensive income

	2015 £'000	2014 £'000
Revenue	**53,945**	42,386
Direct rental costs	**(4,148)**	(3,712)
Direct subcontractor costs	**(6,504)**	(6,125)
Other direct sales costs and systems rental	**(6,775))**	(4,929)
Staff costs	**(7,166)**	(6,549)
Depreciation:		
– owned assets	**(6,751)**	(4,447)
– leased assets	**(65)**	(79)
Amortisation	**(1,459)**	(1,155)
Other operating income	**1,546**	215
Auditor's remuneration:		
– as auditor	**(80)**	(68)
– other services	**-**	(179)
Exceptional costs and fair value adjustments	**-**	(637)
Operating lease costs:	**-**	
– plant and equipment	**-**	(5)
Other operating charges	**(2,963)**	(1,713)
Profit from operations	**19,580**	13,003
Finance costs	**(2,118)**	(2,015)
Finance income	**3**	30
Profit before taxation	**17,465**	11,018

Included in exceptional items and fair value adjustments expenses are: £Nil (2014: £479,691) acquisition costs and £Nil (2014: £157,500) redundancy costs. . Included within other direct sales costs and systems rental are staff costs of £2,924,000 (2014: £2,245,000).

Auditors' remuneration can be analysed as:

	2015 £'000	2014 £'000
Statutory group audit (Ernst & Young)	**80**	-
Statutory group audit (Baker Tilly UK Audit LLP)	**-**	56
Statutory parent audit	**-**	12
Taxation services (Baker Tilly Tax and Accounting Limited)	**-**	13
Corporate finance (Baker Tilly Corporate Finance LLP)	**-**	157
Non-statutory audit services (Baker Tilly UK Audit LLP)	**-**	9
	80	247

4 Particulars of employees

The average number of staff employed by the Group, including Executive Directors, during the financial year was:

	2015 Number	2014 Number
Number of administrative staff	**17**	20
Number of operational staff	**276**	208
Number of sales staff	**3**	5
Number of IT staff	**12**	12
Number of Directors	**2**	2
	310	247

The aggregate payroll costs, including Executive Directors, of the employees were:

	2015 £'000	2014 £'000
Wages and salaries	**9,205**	7,654
Social security costs	**935**	734
Staff pension costs	**192**	145
Share-based payment	**410**	240
Director pension costs	**20**	21
	10,762	8,794

5 Directors' emoluments

The Directors' aggregate remuneration in respect of qualifying services were:

	2015 £'000	2014 £'000
Emoluments receivable	**821**	738
Value of Group pension contributions to money purchase schemes	**5**	5
Other pension	**16**	16
	842	759

Emoluments of highest paid Director	2015 £'000	2014 £'000
Total emoluments	**488**	423
Pension contributions	**16**	16

The number of Directors who accrued benefits under Company pension schemes was as follows:

	2015 Number	2014 Number
Money purchase schemes	**2**	1

6 Finance costs and finance income

	2015 £'000	2014 £'000
Finance costs		
Bank loans and overdrafts	**2,134**	1,731
Interest rate hedge fair value	**(24)**	277
Hire purchase	**8**	7
Total finance costs	**2,118**	2,015
Finance income		
Bank interest receivable	**3**	30
Interest rate hedge fair value	-	—
Total finance income	**3**	30

7 Taxation

	2015 £'000	2014 Restated £'000
Analysis of charge in the year		
Current tax:		
Current income tax expense	**1,159**	372
Over provision in prior year	**(163)**	—
Total current income tax	**996**	372
Deferred tax:		
Origination and reversal of temporary differences	**1,467**	1,771
Tax on profit on ordinary activities	**2,463**	2,143

The charge for the period can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

Profit before tax	**17,465**	11,018
Tax at the UK corporation tax rate of 20.25% (2014: 21.5%)	**3,536**	2,314
Expenses not deductible for tax purposes / (non taxable income)	**(62)**	121
Adjustments to tax charge in respect of previous periods	**(107)**	132
Change in tax rate	**(904)**	—
Changes in amounts recognised for deferred tax	-	(424)
Tax expense in the income statement	**2,463**	2,143

8 Earnings per share

The calculation of EPS is based on the following data and number of shares:

	2015 £'000	2014 restated £000's
Profit for the year used for calculation of basic EPS	15,002	8,875
Amortisation of intangible assets	1,459	1,155
Other operating income	(1,546)	(215)
Exceptional costs	-	637
Tax effect of adjustments	19	(347)
Earnings for the purpose of adjusted EPS	**14,934**	10,105

Number of shares	2015	2014
Weighted average number of ordinary shares for the purposes of basic EPS	**85,928,114**	84,887,262
Effect of potentially dilutive ordinary shares:		
– share options	**3,463,275**	3,370,617
Weighted average number of ordinary shares for the purposes of diluted EPS	**89,391,389**	88,257,879
Earnings per share:		
– basic (pence)	**17.46**	10.46
– diluted (pence)	**16.78**	10.06
Adjusted earnings per share:		
– basic (pence)	**17.38**	11.90
– diluted (pence)	**16.70**	11.45

The Directors consider that the adjusted earnings per share calculation gives a better understanding of the Group's earnings per share.

9 Dividends

	2015 £'000	2014 £'000
Equity dividends		
Paid during the year:		
Interim paid in respect of 2015, 1.1p per share	947	
Final paid in respect of 2014, 1.88p per share	1,617	
Interim paid in respect of 2014, 0.7p per share		1,370
Final paid in respect of 2013, 1.61p per share		804
Total dividends	**2,564**	2,174

10 Intangible assets

	Goodwill £'000	Customer contracts £'000	Development £'000	Software £'000	Total £'000
Cost					
As at 1 January 2014	—	—	1,192	1,810	3,002
Additions	—	—	356	183	539
Additions as part of UPL acquisition	4,112	2,160	—	3,258	9,530
As at 31 December 2014	4,112	2,160	1,548	5,251	13,071
Additions	-	-	525	30	555
As at 31 December 2015	**4,112**	**2,160**	**2,073**	**5,281**	**13,626**
Amortisation					
As at 1 January 2014	—	—	44	940	984
Charge for year	—	332	77	746	1,155
As at 31 December 2014	—	332	121	1,686	2,139
Charge for year	-	666	121	672	1,459
As at 31 December 2015	**-**	**998**	**242**	**2,358**	**3,598**
Net book value					
At 31 December 2015	**4,112**	**1,162**	**1,831**	**2,923**	**10,028**
At 31 December 2014	4,112	1,828	1,427	3,565	10,932
At 1 January 2014	—	—	1,148	870	2,018

11 Property, plant and equipment

	Freehold/ leasehold property £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
As at 1 January 2014	136	63,000	511	—	63,647
Additions	5	35,715	214	—	35,934
Additions as part of UPL acquisition	1,990	—	437	112	2,539
Disposals	—	(69)	—	—	(69)
As at 31 December 2014	2,131	98,646	1,162	112	102,051
Additions	13	41,192	256	-	41,461
Disposals	-	(222)	-	(32)	(254)
As at 31 December 2015	**2,144**	**139,616**	**1,418**	**80**	**143,258**
Depreciation					
As at 1 January 2014	50	5,959	256	—	6,265
Charge for year	56	4,200	236	34	4,526
Disposals	—	(17)	—	—	(17)
As at 31 December 2014	106	10,142	492	34	10,774
Charge for year	64	6,378	340	34	6,816
Disposals	-	(21)	-	(11)	(32)
As at 31 December 2015	**170**	**16,499**	**832**	**57**	**17,558**
Net book value					
At 31 December 2015	**1,974**	**123,117**	**586**	**23**	**125,700**
At 31 December 2014	2,025	88,504	670	78	91,277

At 1 January 2014	86	57,041	92	163	57,382

Hire purchase agreements

Included within the net book value of £125,700,000 (2014: £91,277,000; 2013: £57,382,000) is £73,258 (2014: £208,000; 2013: £84,000) relating to assets held under hire purchase agreements. The depreciation charged to the consolidated financial statements in the year in respect of such assets amounted to £65,060 (2014: £79,000; 2013: £31,000).
The assets are secured by a bond and floating charge (note [18]).

12 Financial asset investments

	Shares in Group undertaking £'000	Unlisted investments £'000	Total £'000
Cost			
As at 1 January 2015	43	40	83
As at 31 December 2015	**43**	**40**	**83**

Subsidiary undertakings

	Country of incorporation	Holding	Proportion of shares held	Nature of business
All held by the Company:				
SMS Connections Limited	Scotland	Ordinary shares	100%	Gas utility management
SMS Meter Assets Limited	Scotland	Ordinary shares	100%	Gas utility management
SMS Data Management Limited	Scotland	Ordinary shares	100%	Data management
UKMA (AF) Limited*	England	Ordinary shares	100%	Leasing
SMS Energy Services Limited	Wales	Ordinary shares	100%	Electricity utility management
SMS Italia SRL*	Italy	Ordinary shares	100%	Electricity utility management

[* The shareholding in this company is indirect via a subsidiary company.]

13 Impairment of goodwill and intangibles with indefinite lives

The goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. The goodwill is allocated to the Asset Management segment which is the segment that was expected to benefit from combining gas and electricity offerings. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The annual impairment test was performed and no evidence of impairment was found as at the balance sheet date.

The recoverable amount calculated in the impairment review was determined on a value-in-use basis. These calculations use pre-tax cash flow projections based on financial budgets approved by management and cover a 5-year period with a terminal value. Long term growth is assumed at 0%. The estimated cash flows are derived by discounting future cash flows that are based on conservative growth and attrition rates and discounted at a post-tax rate of 8.2%. There is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

14 Inventories

	2015 £'000	2014 £'000
Finished goods	**996**	913
Consumables	**103**	298
	1,099	1,211

15 Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	**4,815**	3,588
Prepayments	**221**	542
Accrued income	**5,145**	3,644
Other receivables	**24**	70
VAT recoverable	**-**	401
	10,205	8,245

Amounts falling due after more than one year:

	2015 £'000	2014 £'000
Accrued income	**901**	1,172

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables due from related parties at 31 December 2015 amounted to £Nil (2014: £Nil; 2013: £Nil).

Receivables are all in Sterling denominations.

The Directors are of the opinion that £367,253 of the overdue debts as at 31 December 2015 (2014: £33,000; 2013: £Nil) require impairment.

Accrued income is invoiced periodically and customers are the same as those within trade receivables. Due to its nature there is no accrued income past due.

16 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group. The carrying amount of the asset approximates the fair value. All balances are held in Sterling.

During each period, there were no amounts of cash placed on short-term deposit.

For the purposes of the cash flow statement, cash and cash equivalents comprise:

	2015 £'000	2014 £'000
Cash	**5,711**	4,285
	5,711	4,285

17 Trade and other payables

	2015 £'000	2014 Restated £'000
Current		
Trade payables	**5,324**	7,767
Other payables	**94**	428
Advance payments	**3,105**	3,448
Other taxes	**827**	861
Deferred income	**602**	1,623
Accruals	**4,967**	2,567
	14,919	16,694

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

The maturity profile of trade payables is given below:

	2015 £'000	2014 £'000
Current	**3,703**	5,326
31–60 days	**825**	1,099
60–90 days	**284**	539
Over 90 days	**512**	803
	5,324	7,767

Trade payables are non interest-bearing and are normally settled on 30–45 day terms.

All trade liabilities are Sterling denominated.

18 Bank loans and overdrafts

	2015 £'000	2014 £'000
Current		
Bank loans	**8,496**	7,904
	8,496	7,904
Non-current		
Bank loans	**76,219**	53,645
	76,219	53,645

Bank loans at 31 December 2015 relate to a term loan facility of £105.0m that was finalised in March 2014.

The term loan is available for 24 months, is payable in equal quarterly instalments based on a ten year repayment profile, with a final repayment date of 14 March 2019. The term loan attracts interest at a rate of 1.9% over the three month LIBOR. 0.76% is paid on undrawn funds.

The banks have a bond and floating charge over current and future property and assets.

The Group has fixed the bank interest payable through an interest rate swap (see note 20).

19 Commitments under hire purchase agreements

Future minimal commitments under hire purchase agreements are as follows:

	2015 £'000	2014 £'000
Current		
Amounts payable within one year	**64**	90
Non-current		

Amounts payable between two to five years	**14**	64
	14	64

The Group has hire purchase contracts for various items of computer equipment. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

The Directors consider that the future minimum lease payments under hire purchase contracts approximate to the present value of the minimum payments. Obligations under hire purchase contracts are secured on the underlying assets.

20 Other financial liabilities and assets

The Group's treasury policy and management of financial instruments, which form part of these financial statements, are set out in the Financial Review.

	2015 £'000	2014 £'000
Other financial assets	**-**	—
Current liabilities		
Other financial liabilities	**46**	70

Other financial assets and liabilities relate to the fair value adjustment on interest rate swaps.

The Group uses interest rate swaps to manage interest rate risk on interest-bearing loans and borrowings which means that the Group pays a fixed interest rate rather than being subject to fluctuations in the variable rate. The Group has not designated these derivatives as cash flow hedges. The interest rate swaps cover an interest rate swap for an amount of £26,400,000 as at 31 December 2015 (2014: £30,000,000 2013: £28,200,000). The interest rate swap results in a fixed interest rate of 2.83%. The termination date for the derivatives is 15 September 2016.

The movement in the fair value is shown below:

	2015 £'000	2014 £'000
Interest rate swap		
Opening position	**(70)**	207
Adjustment to fair value	**24**	(277)
Closing position	**(46)**	(70)

Fair values

The Directors do not consider there to be any material differences between the fair values and carrying values of any financial assets or liabilities recorded within these financial statements at the balance sheet date other than as set out below.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 31 December 2015, the Group held the following financial instruments measured at fair value:

Liabilities measured at fair value	**31 December 2015 £'000**	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial liabilities at fair value through the statement of comprehensive income:				
Interest rate derivatives	**(46)**	-	**(46)**	-

Fair value has been assessed on a Mark to Market basis.

The above assets are shown on the statement of financial position as other current financial assets and other current financial liabilities.

During the reporting period ended 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

21 Financial risk management

The Board reviews and agrees policies for managing the risks associated with interest rate, credit and liquidity risk.
The Group has in place a risk management policy that seeks to minimise any adverse effect on the financial performance of the Group by continually monitoring the following risks:

Interest rate risk
The Group's interest rate risk arises as a result of both its long and short-term borrowing facilities.
The Group seeks to manage exposure to interest rate fluctuations through the use of fixed interest rate swaps.

Interest rate sensitivity
The following table demonstrates the sensitivity to a change in interest rates on loans and borrowings. The Group's profit before tax is affected through the impact on floating rate borrowings as follows:

Pound Sterling	Increase/decrease in basis points	Effect on profit before tax £'000
2015	**1%**	**329**
2014	1%	195

Interest rate risk profile of financial liabilities
The interest rate profile of the financial liabilities of the Group (being bank loans and overdrafts, obligations under finance leases and other financial liabilities) as at each period end is as follows:

	Fixed rate financial liabilities £'000	Variable rate financial liabilities £'000	Total £'000
2015	**26,400**	**58,556**	**84,956**
2014	30,153	31,550	61,703
1 January 2014	28,209	7,208	35,417

The fixed rate financial liabilities relate to the portion of the banking facility that is fixed through instruments.

Interest rate risk profile of financial assets
The Group's financial assets at 31 December 2015 comprise cash and trade receivables. The cash balance of £5,711,000 (2014: £4,285,000; 2013: £2,073,000) is a floating rate financial asset.

Fair values of financial liabilities and financial assets
The fair values, based upon the market value or discounted cash flows of financial liabilities and financial assets held in the Group, were not materially different from their book values.

Foreign currency risk
The Group's exposure to the risk of changes in foreign exchange rates is insignificant as primarily all of the Group's operating activities are denominated in pound Sterling.

Liquidity risk
The Group manages its cash in a manner designed to ensure maximum benefit is gained whilst ensuring security of investment sources. The Group's policy on investment of surplus funds is to place deposits at institutions with strong credit ratings.

The ageing and maturity profile of the Group's material liabilities are covered within the relevant liability note or below.

	2015 £'000	2014 £'000
Fixed rate		
Less than one year	**3,392**	3,090
Two to five years	**12,497**	12,063
Over five years	**14,119**	15,000
	30,008	30,153
Variable rate		
Less than one year	**6,728**	4,603
Two to five years	**25,597**	19,618
Over five years	**35,096**	7,329
	67,421	31,550

Credit risk
Credit risk with respect to trade receivables and accrued income is due to the Group trading with a limited number of companies who are generally large utility companies or financial institutions. Therefore, the Group does not expect, in the normal course of events, that these debts are at significant risk. The Group's maximum exposure to credit risk equates to the carrying value of cash held on deposit and trade, other receivables and accrued income.

The Group's maximum exposure to credit risk from its customers is £9,960,000 (2014: £8,278,000; 2013: £5,211,000) as disclosed in note 15 – trade and other receivables, and accrued income.

The Group regularly monitors and updates its cash flow forecasts to ensure it has sufficient and appropriate funds to meet its ongoing operational requirements whilst maintaining adequate headroom on its facilities to ensure no breach in its banking covenants.

Capital management
Capital is the equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, sell assets, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of a leverage ratio. This ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings less cash. EBITDA is calculated as operating profit before any significant non-recurring items, interest, tax, depreciation and amortisation.

22 Deferred taxation
The movement in the deferred taxation liability during the period was:

	2015 **£'000**	2014 Restated £'000
Opening deferred tax liability	**4,395**	3,395
Increase in provision through consolidated statement of comprehensive income	**1,467**	1,771
Increase in provision through equity	**277**	(1,918)
Deferred tax on intangibles acquired as part of UPL	**-**	1,137
Other	**-**	10
Closing deferred tax liability	**6,139**	4,395

All movements identified have gone through the statement of comprehensive income.

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

	2015 **£'000**	2014 Restated £'000
Excess of taxation allowances over depreciation on property, plant and equipment	**7,029**	5,330
Tax losses available	**-**	(37)
Deferred tax asset on share options	**(1,708)**	(2,021)
Deferred tax on intangible acquired as part of UPL	**828**	1,137
Fair value of interest rate swaps (net)	**(10)**	(14)
	6,139	4,395

The deferred tax included in the consolidated statement of comprehensive income is as follows:

	2015 **£'000**	2014 Restated £'000
Accelerated capital allowances	**1,736**	1,945
Tax losses	**-**	1
Deferred tax asset on share options	**36**	(120)
Movement in fair value of intangibles	**(309)**	
Movement in fair value of interest rate swaps	**4**	(55)
	1,467	1,771

Finance Act (No. 2) 2015, which was substantively enacted on 26 October 2015, includes legislation reducing the main rate of UK corporation tax from 20% to 18%.This decrease is to be phased in with a reduction to 19%, effective from 1 April 2017, and a reduction to 18%, effective from 1 April 2020. Consequently deferred tax has been provided at the tax rates at which temporary differences are expected to reverse.

23 Share capital

	2015 £'000	2014 £'000
Allotted and called up:		
86,112,912 ordinary shares of £0.01 each (2014: 85,575,452 ordinary shares of £0.01 each)	**861**	856

On 18 March 2015 100,000 ordinary share options were exercised and subsequently sold by staff.
On 25 March 2015 100,000 ordinary share options were exercised and subsequently sold by staff.
On 10 April 2015 216,667 ordinary share options were exercised and subsequently sold by staff.
On 5 May 2015 45,205 ordinary share options were exercised, 23,211 retained and 21,944 subsequently sold by staff.
On 26 May 2015 4,100 ordinary share options were exercised and subsequently sold by staff
On 10 June 2015 27,088 ordinary share options were exercised and subsequently sold by staff
On 25 September 2015 10,000 ordinary share options were exercised and subsequently sold by staff
On 4 November 2015 28,700 ordinary share options were exercised and subsequently sold by staff
On 27 November 2015 1,500 ordinary share options were exercised, 758 retained and 742 subsequently sold by staff.
On 14 December 2015 4,200 ordinary share options were exercised and subsequently sold by staff

24 Share-based payments

On 20 June 2011 the Company adopted both an Approved Company Share Option Plan (the CSOP) and an Unapproved Company Share Option Plan (the "Unapproved Plan").

CSOP

The CSOP is open to any employee of any member of the Group up to a maximum value of £30,000 per employee. No option can be exercised within three years of its date of grant. The performance conditions for awards are based on market capitalisation and individual performance targets.

Unapproved plan

The Unapproved Plan is open to any employee, Executive Director or Non-executive Director of the Company or any other Group company who is required to devote substantially the whole of his time to his duties under his contract of employment. Except in certain specified circumstances no option will be exercisable within five years of its grant. The performance conditions for awards are based on market capitalisation and individual performance targets.

Plan	At 1 January 2015	Granted	Exercised	Lapsed	**At 31 December 2015**	Exercise price (pence)	Date exercisable	Expiry Date
CSOP	229,291	-	(49,330)	-	**179,961**	76.0	15/7/14	15/7/21
CSOP	39,088	-	(35,588)	-	**3,500**	153.5	28/5/15	28/5/22
Unapproved	2,979,060	-	(416,667)*	-	**2,562,393**	60.0	20/6/16	20/6/21
Unapproved	1,162,629	-	-	(11,892)	**1,150,737**	153.5	28/5/17	28/5/22
Unapproved	64,575	-	(35,875)	-	**28,700**	60.0	28/6/13	28/6/23
Unapproved	1,430,965	-	-	(95,410)	**1,335,555**	350.0	12/11/14	12/11/24

* Early exercise due to retirement approved by board.

The average weighted average share price at the date of exercise was £3.41.

Valuation

The fair value at grant of the share options has been estimated using appropriate optionpricing models, taking into account the terms upon which the options were granted, including the market-based performance conditions. The fair value per share of the outstanding optionswere estimated as follows.

Grant date	Plan	Fair value (pence)
15 July 2011	CSOP	17.1
28 May 2012	CSOP	31.5
20 June 2011	Unapproved	17.4
20 June 2011	Unapproved	13.0
28 May 2012	Unapproved	40.0
28 June 2013	Unapproved	244.0
12 Nov 2014	Unapproved	84.8

The total fair value of these options is recognised over the period from their grant date until they become exercisable.

Share Incentive Plan (SIP)

The Company introduced the Smart Metering Systems Share Incentive Plan ("the SIP") in October 2014. All employees of the Group (including executive directors) are eligible to participate in the SIP. Participant may each acquire "Partnership Shares" worth up to £1,800 per year from their pre-tax earnings at market value. The Company awards participants one Matching Share for each Partnership Share which they acquire. Dividends received on shares held in the SIP are reinvested to acquire Dividend Shares at market value. (Matching Shares may be forfeited if the participants disposes of the corresponding Partnership Shares or leaves the employment of the Group within three years of the award date.)

SIP awards

The table below shows the number of shares held in the SIP at the beginning and end of the financial year.

Type of award	At 1 January 2015	Awarded shares	Sold	Lapsed	At 31 December 2015	Weighted average acquisition price
Partnership	24,387	41,505	(4,997)	-	60,895	£3.50
Matching	24,355	41,505	(2,775)	(2,536)	60,549	£3.50
Dividend	65	276	(24)	-	317	£3.59
Total	48,807	83,286	(7,796)	(2,536)	121,761	

25 Other reserve

This is a non-distributable reserve that initially arose by applying merger relief under s162 CA06 to the shares issued in 2009 in connection with the Group restructuring. This was previously recognised as a merger reserve under UK GAAP. Under IFRS, this has been classed as an "other reserve". Additionally, the premium arising on the issue of shares as part of the acquisition of Utility Partnership Limited has been credited to this reserve as required by Companies Act 2006.

26 Commitments under operating leases

The Group has entered into commercial leases for office space. These leases have lives between one and 15 years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases. Future minimum rentals payable under non-cancellable operating leases as at each year end are as follows:

	2015 £'000	2014 £'000
Future minimal commitments under operating lease agreements are as follows:		
Payable within one year	**267**	271
Payable within two and five years	**371**	375
Payable after five years	**228**	259
	866	905

27 Ultimate controlling party

There is no ultimate controlling party by virtue of the structure of shareholdings in the Group.

28 Contingent liability

The Group is the subject of an ongoing HMRC enquiry in respect of payments made to Employee Benefit Trusts in prior years. Whilst the outcome of the enquiry is, as yet, uncertain, the beneficiaries of the Trusts have provided the Company with indemnities against any additional tax that may become payable as a result of these enquiries. As at 31 December 2015 it is not practicable to assess the financial effect of any findings.

29 Business Combinations

Acquisition of Utility Partnership Limited

On 14 April 2014 Smart Metering Systems plc acquired 100% of the issued share capital of Utility Partnership Limited (UPL), now SMS Energy Services Limited (SMS ES). SMS ES is a manager of electricity meters in the UK and provider of electricity connections, design, meter installations, data management and energy management services.

The acquisition has been accounted for using the acquisition method. The fair value of the identifiable assets and liabilities of UPL as at the date of acquisition was:

	Fair value recognised on acquisition £'000
Property, plant and equipment	2,539
Software	3,258
Customer contracts	2,160
Other financial assets	83
Inventories	344
Trade and other receivables	5,074

Cash and cash equivalents	3,420
Total assets	16,878
Trade and other payables	(879)
Deferred tax	(1,137)
Accruals and deferred income	(1,966)
Obligations under hire purchase agreements	(106)
Total liabilities	(4,088)
Total identifiable net assets	12,790
Goodwill arising on acquisition	4,112
Total acquisition cost	16,902

Analysed as:	
New shares in Smart Metering System plc	4,270
Cash paid	12,632
Total acquisition cost	16,902
Cash paid	(12,632)
Acquisition costs	(480)
Net cash acquired with the subsidiary	3,420
Total acquisition cost	(9,692)

Note 30 – Post Balance Sheet Events
On 21 March 2016 the Group announced the acquisition of three companies.

100% of CH4 Gas Utility and Maintenance Services Limited for an initial consideration of £2 million which is being satisfied through the issue of 510,497 ordinary shares of 1p each in SMS ("**Ordinary Shares**") at a price of 391.775p per Ordinary Share. In addition, a further £0.995 million may be payable through the issue of Ordinary Shares pursuant to an earn out arrangement based on the CH4 business satisfying certain performance criteria over the three years from the date of completion.

100% of Trojan Utilities Limited for an initial consideration of £0.5 million which is being satisfied through the issue of 127,625 Ordinary Shares at a price of 391.775p per Ordinary Share. In addition, a further £0.5 million may be payable through the issue of Ordinary Shares pursuant to an earn out arrangement based on the Trojan Utilities business satisfying certain performance criteria over the three years from the date of completion.

100% of Qton Solutions Limited for £2.9 million which is being satisfied through the issue of 740,230 Ordinary Shares at a price of 391.775p per Ordinary Share.

No further disclosures have been provided under IFRS3 in respect of business combinations after the balance sheet date on the basis that the initial accounting is not yet complete.