13 September 2021

Smart Metering Systems plc

Strong H1 performance, well-positioned for growth

Smart Metering Systems plc (AIM: SMS, the Group), the fully integrated energy infrastructure company owning and managing meter assets, energy data, grid-scale batteries and other carbon reduction (“CaRe”) assets, has published its half year results for the six months ended 30 June 2021.

£’m (unless stated otherwise)	H1 2021	H1 2020[1]
Alternative performance measures		
Index-linked annualised recurring revenue (ILARR)[2]	84.2	75.9
Pre-exceptional EBITDA[3]	26.1	27.8
Underlying profit before taxation[4]	9.6	9.1
Underlying basic EPS (p)[5]	4.20	5.02
Statutory performance measures		
Group revenue	51.7	54.2
EBITDA	22.4	214.1
Profit before taxation	5.0	194.5
Basic EPS (p)	0.90	171.07
Dividend per share (p)	18.75	4.58
Net cash/(debt)	5.6	44.5

1 **2020 measures include the financial performance of the disposed I&C meter portfolio up to the date of sale on 22 April 2020.**

2 ILARR is the revenue generated from meter rental and data contracts at a point in time. Includes revenue from third-party managed meters.

3 Pre-exceptional EBITDA is statutory EBITDA excluding exceptional items.

4 Underlying profit before taxation (PBT) is profit before taxation excluding exceptional items and amortisation of certain intangibles.

5 Underlying basic EPS is underlying profit after taxation divided by the weighted average number of ordinary shares for the purpose of basic EPS. H1 2021 underlying profit after taxation includes the non-recurring effect of a change in the deferred tax rate from 19% to 25%, following the UK Government’s enactment of the Finance Bill 2021 in May, detailed further in the Financial Review section below.

A reconciliation between reported and underlying performance is detailed in the Financial Review section below.

Highlights

Financial

- ILARR at 30 June 2021 up 9% on year-end (31 December 2020: £77.0m) and up 11% on the prior period (30 June 2020: £75.9m) to £84.2m
- Revenue down 5%, to £51.7m (H1 2020: £54.2m), up 8% once adjusted for the I&C meter portfolio disposal
- Pre-exceptional EBITDA down 6%, to £26.1m (H1 2020: £27.8m), up 22% once adjusted for the I&C meter portfolio disposal
- Underlying profit before taxation up 5%, to £9.6m (H1 2020: £9.1m), up 87% once adjusted for the I&C meter portfolio disposal
- Net cash at 30 June 2021 of £5.6m (30 June 2020: net cash of £44.5m), reduction reflects continued investment in revenue-generating assets
- 27.5p per share dividend intended in respect of full year FY 2021 (full year FY 2020: 25.0p), to be paid in quarterly instalments starting October 2021
- Assuming no further pandemic-related restrictions, the Board expects FY 2021 underlying PBT to be marginally ahead of its previous expectations

Smart meters

- Strong recovery in smart meter installations post COVID-19
- Net increase in contracted smart meter order pipeline to c.2.75m (31 December 2020: c.2.0m)

Grid-scale batteries

- 470MW grid-scale battery pipeline established
- 240MW of the total pipeline now acquired, of which 90MW are under construction and progressing in line with earlier expectations

Acquisition of Industrial & Commercial (I&C) large power Half Hourly (HH) meter portfolio

- Completed in April 2021 for £8.4m
- c.15,000 I&C meters acquired from a large energy supplier, adding c.£1.1m to the Group's I&C meters ILARR
- Data service contracts also acquired, initially generating a further c.£2m of data ILARR

Developing CaRe assets

- Behind-the-meter smart solar and battery solution launched with pilot projects in up to 1,500 homes; additional pipeline developing
- Installation of electric vehicle charge points commenced as part of Virgin Media Park and Charge project
- Continued progress in the development of wider CaRe products and services

Environmental, Social and Governance (ESG)

- Tangible progress towards 'net-zero by 2030' target
- Several new social initiatives launched
- Highest scoring for corporate governance by Morgan Stanley Capital International (MSCI)

Fund raising and banking facilities

- The Company have announced, today, a proposed equity placing together with a refinancing of its existing revolving credit facility to £420m. We have published further details alongside these interim results, available here: https://www.sms-plc.com/corporate/investors/regulatory-news/

Alan Foy, Chief Executive Officer, commented:

"The Group has continued its strong financial performance throughout the first six months of the year, delivering encouraging growth and a pleasing recovery in smart meter installation rates. This performance underlines the resilience of our business, the defensive nature of the metering infrastructure asset class and the index-linked sustainable cash flows it generates, despite the ongoing disruption of COVID-19. We are well positioned for future growth.

"As we set out at our inaugural Capital Markets Day in June, we have a considerable market opportunity for our metering, data and battery CaRe products, with further growth opportunities for our developing CaRe products. Our recent smart meter contract win with a large energy supplier will further expand our long-term index-linked recurring revenues and leverages on the scalability of our well established end-to-end integrated model.

"Today's proposed fundraising and increased banking facility significantly strengthen our position within the UK energy market and provides funding for our growth strategy. Driven by our fully integrated and scalable technology platform "METIS", SMS is committed to decarbonising the UK energy system and helping to deliver on the 'net-zero' agenda.

"In the light of recent trading and assuming no further pandemic-related restrictions, the Board expects FY 2021 underlying PBT to be marginally ahead of its previous expectations."

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Notes to Editors
Smart Metering Systems plc (www.sms-plc.com) is a fully integrated energy infrastructure company owning and managing meter assets, energy data, grid-scale batteries and other carbon reduction ("CaRe") assets. The Group manages and optimises these assets through its in-house technology and data analytical platform "METIS".

Established in 1995, SMS provides a full end-to-end service, from funding and installation to management and maintenance, with a highly skilled workforce, deep engineering expertise and well-established industrial partnerships.

SMS is leading the low carbon, smart energy revolution in the UK and is committed to reducing its own carbon emissions to net zero by 2030. SMS has been recognised with the London Stock Exchange's Green Economy Mark every year since it was introduced in 2019.

SMS plc is headquartered in Glasgow with a national presence across twelve UK locations.

SMS's shares are listed on AIM.

Overview
Our performance remained strong through the first half of the year, delivering growth over the prior period, with underlying profit before taxation increasing by 5% to £9.6m despite ongoing disruption from COVID-19 in the early parts of the year and the flow through effect of the 2020 I&C meter portfolio disposal. This performance further demonstrates the resilience of our business, the defensive nature of the metering infrastructure asset class and the index-linked sustainable cash flows it generates. Recovery following COVID-19 has been rapid with the Group successfully increasing its smart meter installation run rate and continuing to grow its contracted smart meter order pipeline, now at c.2.75 million.

Our 470MW grid-scale battery pipeline is progressing at pace with 240MW of the total pipeline now acquired, of which 90MW is under construction. The remaining 230MW is under exclusivity and we are actively developing a wider pipeline of projects. The existing meter and grid-scale battery pipelines, once fully installed, are expected to add a combined c.£75m of EBITDA.

Our established CaRe products, which include meters, energy data and grid-scale batteries, allow us to access an addressable market opportunity of c.£1.2bn EBITDA. This demonstrates the scale of the opportunity ahead of us and the positioning of our business within and beyond the UK smart meter rollout to drive the 'net-zero' agenda and UK energy transition. There are further opportunities within our developing CaRe products, including behind-the-meter, ADM™ Australia, energy services, EV charging infrastructure and heat networks. Our fully integrated and scalable technology platform "METIS" is at the heart of digitally enabling and integrating our CaRe assets and energy data solutions and provides us with a platform for significant growth.

Separately, the Company has today announced an increase in its funding capacity following a proposed equity placing and the successful refinancing of its existing revolving credit facility from £300m to £420m. The debt refinancing also extends the maturity date of the existing facility from December 2023 to 2025 on similar attractive terms.

UK smart meter rollout
Whilst COVID-19 impacted the ability to install smart meters at the beginning of the year (particularly with specific restrictions in Scotland), the Group is now exceeding its pre-COVID-19 monthly installation run rate by c.20%, with over 30,000 smart meters installed per month over the June to August period.

With c.46% of meters now exchanged to smart across the UK, we have c.1.6m smart meters deployed with an additional smart meter contracted order pipeline for a further c.2.75m meters. Once completed, the meter pipeline is estimated to add c.£55m to the Group's ILARR, which should flow to EBITDA as it leverages our established asset management platform. Independent energy suppliers constitute over 30% of the market and we estimate that there are a further c.2.6m meters still to be contracted within the addressable independent energy market segment.

Ofgem has further strengthened the regulatory regime on suppliers to deliver the UK smart meter rollout, moving away from an all-reasonable steps obligation to offer consumers a smart meter, to mandatory supplier-specific annual binding installation targets, requiring 85% of UK meters to be smart by 31 December 2025.

Acquisition of I&C meter portfolio
On 6 April 2021, we acquired an I&C large power HH electricity meter portfolio from a large energy supplier for £8.4m cash consideration.

The c.15,000 I&C meters acquired have added c.£1.1m to the Group's meter rental ILARR. As part of the transaction, data service contracts have also been transferred to SMS, which will initially generate a further c.£2m of data ILARR. Metering and data services are reported within our Asset Management division.

Integration and mobilisation of this acquired business is progressing well. The acquisition underpins our competitive position in the I&C sector and reinforces the Group's ability to consolidate its position by leveraging on its existing technology platform and nationwide infrastructure, particularly as the UK's electricity industry moves towards HH settlements, which is being mandated by the end of 2025.

Grid-scale batteries
We have continued to make strong progress in further developing and securing our 470MW pipeline of grid-scale battery storage sites, which is reported within our Energy Management division.

Within the existing 470MW pipeline the first two sites, totalling 90MW, have commenced construction and are advancing in line with expectations. A further 150MW has been acquired year-to-date with 100MW due to start construction during the fourth quarter 2021 and 50MW due to start construction during the fourth quarter 2022. The remaining 230MW is under exclusivity.

We are also developing a wider pipeline of projects, which are at various stages of progression, targeting over 10% market share in the coming years.

Developing CaRe assets
Development of wider CaRe products and services reported within our Energy Management division, including our Solopower solution and electric vehicle (EV) charging infrastructure, continues with ongoing IT investment, leveraging our existing infrastructure and expertise.

Pilot projects for our behind-the-meter solution have been established in up to 1,500 homes in Scotland and are progressing well, with early developments made on expanding this pipeline of activity across the UK.

Installations of EV chargers have commenced as part of the Virgin Media Park and Charge project, on which we are a lead coordinator, and we entered a partnership with Aberdeen City Council in H1, as part of a £5.2m green energy project, to trial the installation of heat pumps and integration of electrified heat alongside our Solopower solution.

Current trading and outlook
The monthly smart meter installation run rate has recovered since the beginning of 2021 and is currently operating at c.20% above the pre-COVID-19 run rate. We installed over 30,000 smart meters per month during the June to August period, whilst continuing to focus successfully on the safety and efficiency of our operational delivery.

At the end of August 2021, the Group's ILARR stood at £84.8m (30 June 2021: £84.2m) with 4.1 million meter and data assets under management (30 June 2021: 4.0 million).

The existing meter and grid-scale battery pipelines, once completed, are expected to add a combined c.£75m of EBITDA. The net proceeds of the proposed equity placing will be utilised alongside the extended £420m debt facility to give us the financial and operational flexibility to help fund these pipelines.

As the Company set out at its inaugural Capital Markets Event in June, we remain well positioned in the UK's energy market, with significant additional growth opportunities for our established and developing CaRe products and services.

In the light of recent trading and assuming no further pandemic-related restrictions, the Board expects FY 2021 underlying PBT to be marginally ahead of its previous expectations.

ESG and sustainability
ESG leadership is at the core of our business as we seek to realise our purpose, "to serve our customers and protect our environment". We are dedicated to helping our customers reduce their carbon emissions and are committed to achieving net zero in our own business by 2030. Our CaRe products and services are critical to achieving a cleaner and resilient future energy system.

We published a detailed update on our ESG initiatives on 28 July 2021.

Key developments in 2021 include:

Environmental:
- Recognised with the London Stock Exchange's Green Economy Mark (the "Mark") every year since it was introduced in 2019.
- In the first half of 2021, our Scope 1 and Scope 2 emissions fell by 31% when compared with the first half of 2019. Although during the period emissions rose 17% compared to H1 2020, this comparison is distorted by the impact of COVID-19.
- Carbon emissions avoided through the use of our products and services increased 74% in H1 2021, compared to H1 2020, resulting in an 11x positive impact versus our carbon footprint (H1 2020 & H1 2019: 8x).
- Our vehicle fleet represented 88% of the Group's total carbon emissions in H1 2021 with the remaining 12% originating from buildings. We actively continued to address each of these two areas to reduce our carbon emissions footprint:
    - More than 90% of company cars were transitioned to plug-in hybrid
    - Commenced replacement of our van fleet to plug-in hybrid
    - Office upgrades commenced with the objective of increasing renewable power and energy efficiency, including air source heat pumps for water heating and solar PV for renewable electricity

Social:
- SMS is now a signatory of the Business in the Community Race at Work Charter, ensuring its workplaces are tackling barriers that ethnic minority people face in recruitment and progression.
- We have become a Level 3 Disability Confident Leader, the highest level possible.
- Several initiatives launched to support local communities and biodiversity efforts whilst constructing grid-scale battery projects.
- We have donated over 150 tablet computers to schools, community and learning centres, care facilities, and local charities across England, Scotland, and Wales.

Governance:
- Dedicated board subcommittee for Health, Safety, & Sustainability operating effectively, headed by the Group's Chairman Miriam Greenwood.
- Completion of annual Carbon Disclosure Project (CDP) submission in July, aligning with the key requirements under TCFD (Taskforce for Climate-related Financial Disclosure) of climate-related governance, strategy, risk management, metrics and targets.
- Successfully concluded the ISO50001 external audit process and completed our external ISO re-certification audits with zero non-conformities or observations.
- Morgan Stanley Capital International (MSCI) weighted average performance improved from 6.3 to 6.6 (on scale of 10) and Sustainalytics risks rating reduced from 27.8 to 26.6 (on scale of 0-50).

Operational review by division

Asset Management:
The Group's meter and data assets ILARR grew 9% to £84.2m at 30 June 2021 (31 December 2020: £77.0m) with total meter and data assets under management of 4.0 million (31 December 2020: 3.8 million). With the easing of COVID-19 restrictions in recent months, capital deployment into new smart meter assets has ramped up again and, in line with expectations, we have seen a corresponding increase in the volumes of traditional meters being removed from the wall as a result.

ILARR from our domestic smart meter portfolio grew 9% to £46.6m, with 1.5 million smart meters at 30 June 2021. In H1 2021, we entered into agreements with two of the fastest growing independent energy suppliers to provide services as an integrated domestic smart meter installer and Meter Asset Provider (MAP). Under the terms of the agreements, which include a minimum contracted order commitment, we will fund and install domestic smart meters on behalf of the energy suppliers. These wins enhanced our contracted smart meter order pipeline to c.2.5 million meters at 30 June 2021 (31 December 2020: c.2.0 million). Net of meters installed during H1; the Group's pipeline stood at c.2.35 million at 30 June 2021. We have since announced a further contract win with a large energy supplier

to fund and provide services, as MAP, for the installation of at least 400,000 domestic smart meters, bringing our current contracted smart meter order pipeline to c.2.75m. Once installed, this pipeline is estimated to add c.£55m to the Group's ILARR. We continue to target the additional c.2.6m meter opportunity we believe is still available to be contracted with independent energy suppliers.

We continue to support the enrolment and adoption of SMETS1 meters into the Data Communications Company (DCC) platform. As at 2 September 2021, c.5.6 million SMETS1 meters had been migrated. The migration of our own SMETS1 portfolio is well underway with c.216,000 SMS SMETS1 meters enrolled at the end of June, equivalent to c.18% of the Group's SMETS1 portfolio. This process has focused initially on those meters which had lost their smart functionality and is now expected to continue through to the end of 2022 following an extension issued by BEIS.

ILARR from data assets grew 22% to £14.3m and ILARR from I&C assets grew 51% to £4.5m, including the initial c.£2.0m data service contracts and c.£1.1m meter assets acquired as part of the I&C HH meter portfolio acquisition detailed above.

BEIS have recently confirmed their intention to mandate market wide HH settlement from 2025. This change is anticipated to grow the current market for such industry accredited services and represents a significant opportunity for us, leveraging our in-house, accredited and scalable technology platforms.

Traditional domestic meter ILARR decreased by 4% to £12.8m and third-party assets ILARR decreased 6% to £6.0m as a result of traditional meter exchanges for smart, in line with expectations. We expect the remaining traditional meter portfolio to be exchanged with smart meters over the course of the UK smart meter rollout.

Asset Installation:
The increase in the meter installation run rate, as detailed above, has been managed efficiently and cost effectively, ensuring all control measures to protect the safety of engineers, support staff and the end consumer remain strictly enforced and adhered to. Additional PPE continues to be used by all engineers.

Consistent with the prior year, our engineer capacity has been – and continues to be – carefully monitored in response to the installation run rate. Use of a flexible engineering model, including both direct SMS engineers and subcontractors, has allowed us to adapt quickly to meet customer demand efficiently. Supported by robust stock control, established IT platforms and the newly integrated Groupwide Enterprise Resource Planning (ERP) system, installation operations continue to run efficiently.

In June 2021, BEIS announced a further 6-month extension to the 'all reasonable steps' obligation to the end of 2021, thus extending the UK smart meter rollout deadline to 31 December 2025 (previously 1 July 2025) in recognition of the ongoing delays caused by COVID-19 in the early parts of the year. Focus remains on aligning our engineering capacity and installation profile over this extended BEIS rollout period, using technology to drive both efficiency improvements and an improved customer experience.

H1 has seen the Asset Installation business expand its installation services into non-metering utility infrastructure and energy services activities, in support of new CaRe assets. Specifically, the first Electric Vehicle (EV) charging installs were successfully carried out by our engineers as part of a trial project, leveraging the newly accredited EV Chargepoint Installation course delivered at the Group's training academy to support this expansion. Our training academy is maintained to exceptional standards with capacity to train up to c.120 engineers per month.

Energy Management:
COVID-19 continued to have an impact on our consultancy and energy management services during the first half of the year with ongoing delays as a result of disruption to site works. Service delivery has been maintained but roll out of site-based energy efficiency measures has been impacted by customers' financial and operational constraints imposed by COVID-19, impacting our ability to deploy these services. Consequently, revenue in this division declined during H1.

Supported by the UK Government's climate change agenda, we remain committed to exploring the substantial market opportunities arising from the potential scope for deployment of CaRe products and services.

Most notably, development of our pipeline of grid-scale battery storage projects has been a key priority through H1. This is a critical asset class required by the UK energy system to provide flexibility services to balance the grid and support the continued introduction of more intermittent renewable generation. Construction is advancing as planned on the two projects acquired in 2020, in Burwell and Barnsley, totalling 90MW capacity. These sites are forecast to be energised in Q1 2022.

In addition, we have acquired a further three 50MW projects year-to-date, which are intended to be constructed over the next 12-18 months. We are in exclusivity to acquire a further 230MW, giving a total current pipeline of 470MW consistent with year-end.

We will deliver these grid-scale projects from initial construction through to ongoing operation, trading, maintenance and asset management. The cashflows from grid-scale batteries, once energised, are fundamentally driven by the daily requirement for balancing services on the grid which, in tandem with growth in intermittent renewable generation, is substantially increasing the need for such services. The counterparties to these services are the system operators – National Grid and the DNO – providing strong revenue protection, allied with strong battery warranty protections. The economics of this asset class are attractive with an initial EBITDA yield of c.11-14% against a build cost of c.£380,000 per MW, from an asset whose base electrical infrastructure has an expected life in excess of 40 years (with battery cell replacement around every 10 years). These forecasts are supported by independent industry modelling. The economic profile of these assets thus provides long-term returns after a relatively quick construction phase of typically one year or less.

In addition, we have continued to develop the verticals below:

- **Solopower (behind-the-meter smart solar and storage):** Our Solopower solution, which aims to reduce carbon emissions of the UK's social housing stock radically, was launched earlier this year. We will partner with local councils and housing associations to upgrade the energy performance of social housing accommodation significantly through the use of solar generation and battery storage, supported by our Flexigrid™ technology platform. Pilot projects have been established in up to 1,500 homes in Scotland, and we are now beginning to develop this pipeline of activity across the UK, including early-stage projects in the Republic of Ireland.

- **EV infrastructure:** we are developing solutions in the domestic and destination (both workplace and on-street) parts of the market and remain lead coordinators on the Virgin Media Park and Charge ("VPACH") project, which is establishing on-street charging solutions. Installations of EV chargers as part of the VPACH project have commenced and it is expected that between 300 and 600 charging sockets will have been installed by mid-2022. We have the engineering skills and knowledge to establish and originate destination charging infrastructure and its electrical connection to the grid, utilising our established and scalable field management platform. As detailed above, our training academy is also now able to train engineers to install EV chargers at the domestic level.

- **Heat meters and networks:** Through H1, we have continued to pilot a solution for a nation-wide hotel chain for smart heating controls and we are working with other existing and potential customers to explore alternative heat solutions. In April 2021 we announced our partnership with Aberdeen City Council to roll out fabric retrofits and air sourced heat pumps to 100 homes, alongside the Group's Solopower solution, to trial a 'whole-house' approach to the domestic decarbonisation challenge.

Whilst these verticals are at various stages of development, we have established trials and pilots in all of them and are developing the commercial models accordingly. All of these products are closely aligned to our existing vertically-integrated technology and engineering platform, and indeed are complementary to each other – we are positioning our business in areas in which we already have substantial experience and capability. These markets also all share two key characteristics – they reduce carbon, and each in their own right provide a substantial growth market opportunity.

Financial review

H1 2021 saw another period of consistent growth in our key metrics on a like-for-like basis (excluding the effects of the disposed I&C meter portfolio), including ILARR, pre-exceptional EBITDA and underlying profit before taxation. The resilience of our business model has been further demonstrated in the speed with which we have been able to restore our core businesses post COVID-19.

The first half of the year has seen us make significant investment in our established CaRe products and services verticals. Capital expenditure on metering and data assets in the period totalled almost £40m and we invested c.£8m on the acquisition of the large power I&C portfolio detailed above. An additional c.£8m has been invested in the ongoing construction of grid-scale battery storage sites, including the acquisition of three additional 50MW sites.

We maintained a net cash position at 30 June 2021 of £5.6m (31 December 2020: £40.2m) with access to over £265m of our £300m revolving credit facility.

Together with the debt refinancing and proposed equity raise announced today, we are in a strong position to support the delivery of our existing meter and battery pipelines.

Reconciliation of statutory to underlying results
SMS uses alternative performance measures, defined at the end of this Financial review, to present a clear view of what the Group considers to be the results of its underlying, sustainable business operations. Excluding certain items enables consistent year-on-year comparisons and aids a better understanding of business performance.

A reconciliation of these performance measures is disclosed below:

	Period ended 30 June 2021 £m	Period ended 30 June 2020 £m	Percentage change
ILARR	**84.2**	75.9	11%
Group revenue	**51.7**	54.2	(5%)
Statutory profit from operations	**6.6**	197.7	
Amortisation of intangibles	**1.9**	0.9	
Depreciation	**13.9**	15.5	
Statutory EBITDA	**22.4**	214.1	(90%)
Exceptional items[1] (EBITDA related)	**3.7**	(186.3)	
Pre-exceptional EBITDA	**26.1**	27.8	(6%)
Net interest (excl. exceptional)	**(1.6)**	(3.1)	
Depreciation	**(13.9)**	(15.5)	
Amortisation of intangibles included in underlying profit before taxation[2]	**(1.1)**	-	
Underlying profit before taxation	**9.6**	9.1	5%
Exceptional items (EBITDA)	**(3.7)**	186.3	
Exceptional items (interest)	**-**	(0.1)	
Amortisation of intangibles excluded in underlying profit before taxation	**(0.8)**	(0.9)	
Statutory profit before taxation	**5.0**	194.5	(97%)
Taxation	**(4.0)**	(1.7)	
Statutory profit after taxation	**1.0**	192.8	(99%)
Amortisation of intangibles excluded in underlying profit after taxation	**0.8**	0.9	
Exceptional items (EBITDA and interest)	**3.7**	(186.2)	
Tax effect of adjustments	**(0.8)**	(1.8)	
Underlying profit after taxation	**4.7**	5.7	(18%)
Weighted average number of ordinary shares (basic)	**113,115,772**	112,686,659	
Underlying basic EPS (pence)	**4.20**	5.02	
Weighted average number of ordinary shares (diluted)	**113,954,757**	113,568,045	
Underlying diluted EPS (pence)	**4.17**	4.98	

Revenue

	30 June 2021 £'m	30 June 2020 £'m	Percentage change
Asset Management	**39.4**	42.0	(6%)
Asset Installation	**10.4**	9.4	11%
Energy Management	**1.9**	2.8	(32%)
Group revenue	**51.7**	54.2	(5%)

Asset Management revenues are down on the prior period due to loss of revenue from the I&C meter portfolio disposal, which completed on 22 April 2020. Excluding this transaction, Asset Management revenues have increased by c.10% on a like-for-like basis on the prior period. This reflects the flow through effect of increased meter installations at the end of 2020 and into Q1 2021 as COVID-19 restrictions eased and the run rate was restored to a normalised rate.

Asset Installation revenues have increased 11% to £10.4m as compared with the prior period, reflecting the recovery of non-essential field work which was suspended for the majority of the comparative period. As access to consumer properties has re-opened, we have also seen a higher-than-usual volume of transactional meter works through the first half of 2021 together with an increase in revenues from utility connections and infrastructure services.

As expected, Energy Management revenues have experienced a reduction of 32% to £1.9m (H1 2020: £2.8m). Despite the resumption of key customer projects, we are seeing projects run at a lower capacity due to the slow

recovery of the broader hospitality industry post-COVID-19, with revised scope changes to align with customer budget constraints.

Pre-exceptional EBITDA

Pre-exceptional EBITDA provides a more ready comparison of trading, period on period, showing a decrease of 6% to £26.1m (2020: £27.8m). This reflects the effect of lost revenue from the 2020 I&C meter portfolio disposal. Excluding this transaction, like-for-like pre-exceptional EBITDA has increased by c.22% on the prior period.

The majority of this increase is driven by the favourable Asset Management revenue movements detailed above. The remaining increase is attributable to our continued and dedicated focus on operational efficiency and cost control within the Asset Installation business, which has reported a positive gross profit margin, excluding exceptional cost of sales arising as a result of COVID-19, of 38% in H1 2021. Efforts to control the Group's operating cost base in order to increase efficiency in the labour force, including an appropriate balance between direct labour and subcontractors, have driven a reduction in costs of sale with minimal inefficiency being reported in profit and loss in H1 2021.

Consistent with prior year, costs directly attributable to COVID-19, including staff costs that would ordinarily be capitalised, have been recognised within exceptional costs (detailed below).

Underlying profit before taxation

Depreciation costs on general property, plant and equipment, excluding meter assets, have decreased by £0.1m to £2.1m (2020: £2.2m) due to the effect of removals across the various asset classes.

Depreciation costs on meter assets have decreased by £1.5m to £11.8m (2020: £13.3m), due to the 2020 I&C meter portfolio disposal, for which a c.£1.8m depreciation charge was recognised in H1 2020. This has been offset with additional depreciation recognised as a result of the 2021 large power I&C meter acquisition together with the net effect of additions and removals across the various meter types.

The net interest charge in the period is £1.6m (2020: £3.2m), reflecting our undrawn position on our revolving credit facility up to April 2021.

Overall, underlying profit before taxation has increased by 5% to £9.6m due to a flow through of the above points.

Exceptional items

The operating charge to the income statement in respect of other exceptional items of £3.7m (2020: £8.4m excluding the gain on disposal of a subsidiary as part of the I&C meter portfolio disposal) is driven largely by £3.0m of losses on the traditional and SMETS1 meter portfolio (2020: £2.6m).

Consistent with the prior year, management has deemed it appropriate to classify costs attributable to COVID-19 as exceptional in line with the Group's accounting policy. £0.5m of net costs (2020: £5.6m) have been treated as such:

- £0.8m (2020: £5.2m) of costs that would have ordinarily been capitalised as directly attributable to the installation of meter assets – consisting primarily of staff costs – have been recognised as exceptional in line with the same principles as those applied in the prior year. This amount is substantially reduced due to the lifting of restrictions from April 2021, and largely represents the Scottish workforce who were unable to work in the early part of 2021.

- In the prior year, management had recognised an exceptional bad debt charge of £0.5m in relation to a sub-portfolio of smaller, independent customers which were identified as having a potentially elevated credit risk as a direct consequence of COVID-19 and were provided for on a specific basis. As at 30 June 2021 this provision has been reduced to £0.3m based on positive recovery trends over the past twelve months, giving rise to a £0.2m exceptional credit in the period. This judgement will continue to be monitored through the remainder of the year.

- A successful COVID-19 insurance claim against business recovery costs of £0.1m was also received in the period, recognised as an exceptional credit in line with the recognition of the original costs in the prior year.

Other operating exceptional items total £0.2m (2020: £0.2m) and primarily comprise acquisition-related costs incurred as part of the large power I&C business acquisition in April 2021.

Effective tax rate

The current forecast of the effective tax rate on pre-exceptional profits for the full year is estimated at 38.70% (30 June 2020: 39.28%). The effective rate on pre-exceptional profits remains high due to a change in the deferred tax

rate, following the UK Government's enactment of the Finance Bill 2021 in May, which confirmed an increase in the rate of corporation tax from 19% to 25% from 1 April 2023. This has been applied to the Group's brought forward deferred tax liabilities on its portfolio of meter assets, giving rise to an opening balance impact of c.£2.7m recognised as a charge in the current period. Excluding the impact of this rate change, the full year effective tax rate on pre-exceptional profits is estimated at 19.32% as expected and in line with the prior year.

The Group's capital expenditure as it pertains to meter assets qualifies for capital allowances, providing the Group with tax relief on such expenditure. These allowances are claimed in the tax year in which the asset is acquired and set against taxable profit for that year, thus reducing the total tax payable. As a result, the Group was not tax paying in either the current or prior period.

Dividend

A 25p per share dividend in respect of FY 2020 was approved at the Group's Annual General Meeting in May, and the fourth and final instalment of this was paid in July 2021. A dividend accrual of £7.1m has thus been recognised in our interim financial statements at 30 June 2021.

In line with the Group's policy announced last year, a 27.5p per share dividend is intended in respect of FY 2021. Consistent with FY 2020, this is expected to be settled in four equal quarterly instalments and the provisional dividend timetable for FY 2021 is as follows:

Instalment	Ex-dividend date	Record date	Payment date
1	30 September 2021	01 October 2021	28 October 2021
2	05 January 2022	06 January 2022	27 January 2022
3	31 March 2022	01 April 2022	28 April 2021
4	29 June 2022	30 June 2022	28 July 2022

The Board remains comfortable that future dividend payment amounts are sufficiently secured by income from our existing metering and data asset base and their long-term index-linked cash flows.

Cash flow and financial resources

Operating cash inflow in H1 2021 was £34.4m (H1 2020: £10.6m), driven by growth in our underlying cash earnings and an overall working capital inflow, supported by the utilisation of existing stock to fulfil H1 meter installations. This operating cash flow is net of a restricted cash balance of £1.9m that has been recognised in H1 2021 (H1 2020: £4.9m) in relation to amounts received from energy suppliers on the I&C assets disposed of in the prior year.

Capital expenditure on property, plant and equipment was £44.3m (H1 2020: £17.4m). Of this, £39.8m (H1 2020: £16.5m) has been invested in revenue-generating metering and data assets. This capital expenditure has increased as the prior period was significantly impacted by COVID-19 and the temporary suspension of non-essential field work, including smart meter installations, from 24 March 2020 to 1 June 2020.

£4.3m of the £44.3m capital expenditure in the period relates to construction of grid-scale battery storage sites, classified as assets under construction within the Property, plant and equipment note to the interim financial statements. In addition to this construction spend, there has been a £3.8m cash outflow on H1 site acquisitions, detailed in note 11 to the interim financial statements.

A further £1.1m (H1 2020: £2.7m) investment has been made in intangible assets, primarily comprising development of software to support the metering and installations business. This has reduced on the prior period as a result of the Groupwide Enterprise Resource Planning system that went live across the Group in H1 2020, with a reduction in capital investment post-go-live as expected.

At 30 June 2021, utilisation of the facility totalled £33.3m, net of £1.6m arrangement fees which continue to be amortised over the term of the facility. £0.5m of loan costs have been paid in the period (H1 2020: £4.8m), primarily comprising non-utilisation fees as interest on amounts drawn down is not due for payment until H2. We were fully compliant with all of our bank covenants at 30 June 2021.

We remain in a net cash position at 30 June 2021 of £5.6m (31 December 2020: net cash of £40.2m). This excludes restricted cash. Our available cash and unutilised element of the revolving credit facility stood at £304.1m (31 December 2020: £340.2m) and we had cash in bank of £37.3m at 30 June 2021 (31 December 2020: £40.2m), again excluding restricted cash.

Our financial resources continue to provide the financial flexibility required in order to maximise pipeline growth in a capital efficient way.

Definitions of alternative performance measures

Alternative performance measure	Definition
Index-linked annualised recurring revenue	The revenue being generated from meter rental and data contracts at a point in time. Includes revenue from third-party managed meters.
Depreciation-adjusted gross profit	Statutory gross profit adding back depreciation on revenue-generating assets, recognised within statutory cost of sales.
Depreciation-adjusted gross profit margin	Depreciation-adjusted gross profit divided by statutory revenue.
Pre-exceptional EBITDA	Statutory EBITDA excluding exceptional items.[1]
Underlying profit before taxation	Profit before taxation excluding exceptional items and amortisation of certain intangibles[2].
Underlying profit after taxation	Profit after taxation excluding exceptional items and amortisation of certain intangibles[2] and the tax effect of these adjustments.
Underlying basic EPS	Underlying profit after taxation divided by the weighted average number of ordinary shares for the purposes of basic EPS.
Underlying diluted EPS	Underlying profit after taxation divided by the weighted average number of ordinary shares for the purposes of diluted EPS.
Net cash/debt	Total bank loans less cash and cash equivalents, excluding restricted cash. Excludes lease liabilities recognised under IFRS 16.

1 Exceptional items are 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 on the consolidated income statement.

2 Amortisation of the Group's new Enterprise Resourcing Planning system, which went live in full in 2020, remains within the underlying cost base of the business and is therefore a part of the Group's underlying profit measures.

Financial tables and notes

Consolidated income statement

For the period ended 30 June 2021

	Notes	Unaudited					
		Six months ended 30 June					
		2021 Before exceptional items	**2021 Exceptional items[1]**	**2021 Total**	2020 Before exceptional items	2020 Exceptional items[1]	2020 Total
		£'000	**£'000**	**£'000**	£'000	£'000	£'000
Revenue	3	**51,678**	**—**	**51,678**	54,151	—	54,151
Cost of sales		**(22,537)**	**(800)**	**(23,337)**	(27,846)	(4,309)	(32,155)
Gross profit		**29,141**	**(800)**	**28,341**	26,305	(4,309)	21,996
Administrative expenses		**(19,447)**	**(2,917)**	**(22,364)**	(15,726)	(4,110)	(19,836)
Other operating income		**581**	**—**	**581**	844	—	844
Gain on disposal of subsidiary	5	**—**	**—**	**—**	—	194,729	194,729
Profit from operations		**10,275**	**(3,717)**	**6,558**	11,423	186,310	197,733
Finance costs		**(1,553)**	**—**	**(1,553)**	(3,251)	(115)	(3,366)
Finance income		**1**	**—**	**1**	108	—	108
Profit/(loss) before taxation		**8,723**	**(3,717)**	**5,006**	8,280	186,195	194,475
Taxation		**(4,660)**	**677**	**(3,983)**	(3,322)	1,621	(1,701)
Profit/(loss) for the period and total comprehensive income attributable to owners of the parent		**4,063**	**(3,040)**	**1,023**	4,958	187,816	192,774

1 Refer to note 4 for details of exceptional items.

Consolidated statement of comprehensive income

For the period ended 30 June 2021

	Unaudited					
	Six months ended 30 June					
	2021 Before exceptional items £'000	**2021 Exceptional items £'000**	**2021 Total £'000**	2020 Before exceptional items £'000	2020 Exceptional items £'000	2020 Total £'000
Profit/(loss) for the period	**4,063**	**(3,040)**	**1,023**	4,958	187,816	192,774
Other comprehensive income						
Exchange differences on translation of foreign operations	**(42)**	**—**	**(42)**	83	—	83
Other comprehensive income/(loss) for the period, net of tax	**(42)**	**—**	**(42)**	83	—	83
Total comprehensive income for the period attributable to owners of the parent	**4,021**	**(3,040)**	**981**	5,041	187,816	192,857

The profit from operations arises from the Group's continuing operations.

Earnings per share attributable to owners of the parent during the period:

	Notes	**Six months ended 30 June 2021 Unaudited**	Six months ended 30 June 2020 Unaudited
Basic earnings per share (pence)	6	**0.90**	171.07
Diluted earnings per share (pence)	6	**0.90**	169.74

Consolidated interim statement of financial position

As at 30 June 2021

	Notes	**Unaudited 30 June 2021 £'000**	Audited 31 December 2020 £'000
Assets			
Non-current assets			
Intangible assets		**25,630**	24,923
Property, plant and equipment	8	**368,201**	328,338
Investments		**75**	75
Other assets		**—**	1,308
Trade and other receivables		**—**	12
Total non-current assets		**393,906**	354,656
Current assets			
Inventories		**18,367**	27,650
Other assets		**—**	641
Trade and other receivables		**43,527**	37,164
Income tax recoverable		**165**	576
Cash and cash equivalents		**37,319**	40,236
Restricted cash		**1,937**	1,627
Total current assets		**101,315**	107,894
Total assets		**495,221**	462,550
Liabilities			
Current liabilities			
Trade and other payables		**57,860**	41,958
Lease liabilities		**869**	936
Other liabilities		**888**	388
Bank loans and overdrafts	9	**133**	—
Total current liabilities		**59,750**	43,282
Non-current liabilities			
Bank loans	9	**31,634**	—
Lease liabilities		**3,953**	4,315
Deferred tax liabilities		**11,360**	8,511
Other long term liabilities		**362**	—
Total non-current liabilities		**47,309**	12,826
Total liabilities		**107,059**	56,108
Net assets		**388,162**	406,442
Equity			
Share capital		**1,137**	1,129
Share premium		**161,533**	160,471
Other reserve		**9,562**	9,562
Own share reserve		**(781)**	(749)
Foreign currency translation reserve		**(41)**	1
Retained earnings		**216,752**	236,028
Total equity attributable to owners of the parent		**388,162**	406,442

Consolidated interim statement of changes in equity

For the period ended 30 June 2021

Attributable to the owners of the parent company:	Share capital £'000	Share premium £'000	Other reserve £'000	Own share reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
As at 1 January 2020	1,128	160,106	9,562	(768)	(66)	53,615	223,577
Total comprehensive income for the period	—	—	—	—	83	192,774	192,857
Transactions with owners in their capacity as owners							
Dividends (note 7)	—	—	—	—	—	(5,168)	(5,168)
Shares issued	—	125	—	—	—	—	125
Movement in own shares	—	—	—	(91)	—	(70)	(161)
Share-based payments	—	—	—	—	—	389	389
Income tax effect of share options	—	—	—	—	—	168	168
As at 30 June 2020	1,128	160,231	9,562	(859)	17	241,708	411,787
Total comprehensive income for the period	—	—	—	—	(16)	705	689
Transactions with owners in their capacity as owners							
Dividends (note 7)	—	—	—	—	—	(7,058)	(7,058)
Shares issued	1	240	—	—	—	—	241
Movement in own shares	—	—	—	110	—	(110)	—
Share-based payments	—	—	—	—	—	237	237
Income tax effect of share options	—	—	—	—	—	546	546
As at 31 December 2020	1,129	160,471	9,562	(749)	1	236,028	406,442
Total comprehensive income for the period	—	—	—	—	(42)	1,023	981
Transactions with owners in their capacity as owners							
Dividends (note 7)	—	—	—	—	—	(21,231)	(21,231)
Shares issued	8	1,062	—	—	—	—	1,070
Movement in own shares	—	—	—	(32)	—	(57)	(89)
Share-based payments	—	—	—	—	—	325	325
Income tax effect of share options	—	—	—	—	—	664	664
As at 30 June 2021	**1,137**	**161,533**	**9,562**	**(781)**	**(41)**	**216,752**	**388,162**

Consolidated interim statement of cash flows

For the period ended 30 June 2021

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000
Operating activities		
Profit before taxation	**5,006**	194,475
Finance costs	**1,553**	3,251
Finance income	**(1)**	(108)
Foreign exchange loss	**(8)**	11
Exceptional items: gain on disposal of subsidiary (note 5)	**—**	(194,729)
Exceptional items: other[1]	**2,985**	2,962
Depreciation	**13,852**	15,523
Amortisation of intangibles	**1,997**	864
Share-based payment expense	**325**	389
Loss on disposal of property, plant and equipment	**645**	579
Movement in inventories	**6,372**	(1,741)
Movement in trade and other receivables[2]	**(4,554)**	(4,277)
Movement in restricted cash	**(311)**	(4,852)
Movement in trade and other payables[2]	**6,134**	(1,754)
Cash generated from operations	**33,995**	10,593
Income tax received	**409**	—
Net cash generated from operations	**34,404**	10,593
Investing activities		
Proceeds on disposal of subsidiary, gross	—	290,615
Payments to dispose of subsidiary[3]	—	(11,573)
Payments for acquisition of subsidiaries, net of cash acquired (note 11)	**(3,848)**	—
Payment for acquisition of new business (note 10)	**(8,433)**	—
Payments to acquire property, plant and equipment	**(44,326)**	(17,367)
Proceeds on disposal of property, plant and equipment	**1,366**	3,079
Payments to acquire intangible assets	**(1,123)**	(2,688)
Finance income received	**1**	108
Net cash (used in)/generated from investing activities	**(56,363)**	262,174
Financing activities		
New borrowings	**33,250**	15,000
Borrowings repaid	**—**	(270,000)
Principal elements of lease payments	**(586)**	(576)
Finance costs paid	**(478)**	(4,793)
Net proceeds from share issue	**1,070**	125
Purchase of own shares	**(89)**	(161)
Dividends paid	**(14,124)**	(5,168)
Net cash generated from/(used in) financing activities	**19,043**	(265,573)
Net (decrease)/increase in cash and cash equivalents	**(2,916)**	7,194
Exchange gain on cash and cash equivalents	**(1)**	3
Cash and cash equivalents at the beginning of the period	**40,236**	50,092
Cash and cash equivalents at the end of the period	**37,319**	57,289

1 Other non-cash material exceptional items include £2,985,000 for losses on our meter portfolio. In the period ended 30 June 2020, other non-cash material exceptional items included £2,611,000 for losses on our meter portfolio and a £351,000 exceptional bad debt charge.

2 In the period ended 30 June 2020, movement in trade and other receivables included an adjustment of £4,922,000 and movement in trade and other payables included an adjustment of £237,000 for working capital disposed of as part of the subsidiary sale.

3 In the period ended 30 June 2020, payments to dispose of subsidiary of £11,573,000 included cash disposed of £4,681,000 and transaction costs paid of £6,892,000.

Notes to the interim report
For the period ended 30 June 2020

1 Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2021 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting. The Company is a public limited company incorporated and domiciled in Scotland whose shares are quoted on AIM, a market operated by the London Stock Exchange.

The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. It does not therefore include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

The financial information for the six months ended 30 June 2021 is also unaudited.

The comparative information for the year ended 31 December 2020 has been extracted from the Group's published financial statements for that year, which were prepared in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006 and have been delivered to the Registrar of Companies. The report of the auditor on these accounts was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern

Management prepares budgets and forecasts on a five-year forward-looking basis. These forecasts cover operational cash flows and investment capital expenditure and are prepared based on management's estimation of installation run rates through the UK smart meter rollout. Through the course of the COVID-19 pandemic, forecasts have continued to be reviewed in detail to ensure any estimated potential impact of COVID-19 restrictions and regulations has been appropriately incorporated, along with the Group's proposed responses. Following the lifting of restrictions and resumption of core services, no significant COVID-19 adjustments have been required in management's latest forecasts.

Non-essential field work, including planned installations of smart meters, was suspended from 24 March 2020. However, this was a temporary response measure and, following the UK Government's announcement detailing phased lifting of restrictions, a progressive resumption of all non-essential field work commenced from 1 June 2020. Through the second half of 2020, the Group continued to see a recovery in installation run rates, despite continued local restrictions, and by Q4 2020 was operating at c.80% of the pre-COVID-19 run rate. Where permitted under the UK Government's guidelines, installation activity continued in the early part of 2021 through the second national lockdown. Since April 2021, following the easing of restrictions, the Group has operated above the pre-COVID-19 run rate.

Management has modelled several different meter installation scenarios, including a downside scenario, which assumed a slower rollout of new installations over the year. The scenario proved that the business would still have sufficient cash flow to continue to operate, banking covenants would remain satisfied with adequate headroom, and adequate cash would be available to cover liabilities and operating costs. This modelling provides confidence to management that, even in adverse circumstances, the business will still have sufficient resources to continue to operate. As anticipated, the main impact of COVID-19 has been one of timing and management does not expect any significant longer-term effects on the business as a result of the pandemic.

Following the disposal of a minority of the Group's meter assets, effected by the sale of a wholly owned subsidiary of the Group on 22 April 2020 (the 'Disposal'), gross cash consideration of £290.6m was received (see note 5 for further details). These proceeds were used to make a voluntary prepayment under the Group's existing loan facility of the full outstanding principal of £270m. Concurrently, the total available funding under the loan facility was reduced from £420m to £300m on the same terms through to the end of 2023. At the date of releasing the interim financial report, the Group had access to c.£247m of this loan facility, with c.£53m drawn down. The Group has not required any new or extended facilities as a result of COVID-19, nor has it needed to renegotiate or waive any of its bank covenants.

The Group was compliant with all its debt covenants at 30 June 2021. The financial covenants attached to this facility are that EBITDA should be no less than 4.00x interest and net debt should be no more than 5.75x EBITDA. At 30 June 2021 these stood at 15.04x and -0.16x respectively, on account of a net cash-positive position, demonstrating significant headroom. The Group does not expect to breach these covenants in the year from the date of release of this report.

The Group remains in a net cash position of £5.6m at 30 June 2021 (£40.2m net cash at 31 December 2020 as a result of the Disposal and the subsequent voluntary prepayment of its loan facility) and, at that date, undrawn facilities were £266.8m (31 December 2020: £300m). The Group balance sheet shows consolidated net assets of £388.2m (31 December 2020: £406.4m), of which £344.2m (31 December 2020: £315.5m) relates to revenue-generating meter and data assets. The liquidity of the Group thus remains strong and continues to provide the financial flexibility required in order to support the Group's long-term growth prospects.

The Group has not had to rely on any government support schemes as a result of COVID-19. With significant coverage provided by existing long-term, inflation-linked and recurring cash flows, the Group remains committed to its revised dividend policy. It approved a 25p per share annualised dividend in respect of FY 2020 and all four cash instalments had been paid at the date of approving the interim financial statements. The Group intends to pay a 27.5p per share annualised dividend in respect of FY 2021.

Based on the current cash flow projections and facilities in place and having given consideration to various outcomes of future performance and forecast capital expenditure, including extreme downside scenarios, the Directors consider it appropriate to continue to prepare the financial statements on a going concern basis and are of the view that there are no material uncertainties regarding the Group's going concern status.

1(a) Significant accounting policies

As required in AIM Rule 18, the interim financial report for the half-year reporting period ended 30 June 2021 is presented and prepared in a form consistent with that which will be adopted in the annual statutory financial statements for the year ended 31 December 2021 and having regard to the IFRS applicable to such annual accounts.

The accounting policies adopted are consistent with those of the corresponding interim period. They are also consistent with those of the prior year except for the following change in recognition regarding the construction of grid-scale battery storage sites:

Construction of grid-scale battery storage sites

As at 31 December 2020, SMS had acquired two special purpose vehicles, enabling the Group to obtain control over the rights required to develop and commission two grid-scale battery storage sites, totalling 90MW, as part of the Group's investment strategy in CaRe assets. At 31 December 2020, the Company accounted for work in progress acquired, together with the fair value uplift applied to the acquisition balance sheets in relation to development and construction rights, and additional costs of development incurred up to 31 December 2020, as part of Inventories on the consolidated balance sheet.

A change in management's business intention regarding these grid-scale battery storage sites, implemented as part of the Group's wider strategy, is accounted for on a prospective basis in the H1 2021 financial statements and has resulted in a £4.1m reclassification of amounts previously recognised as Inventory to Assets under construction within Property, plant and equipment (see note 8). There has been no material change in the amounts capitalised as a result of this reclassification.

With effect from 1 January 2021, acquired development and construction rights together with directly attributable costs incurred in relation to the construction of the grid-scale battery storage sites will be accounted for under IAS 16: Property, plant and equipment. These will be recorded at cost and classified as part of Assets under construction within Property, plant and equipment. Whilst under construction no depreciation will be recorded.

1(b) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

Standard or interpretation		Effective date
IFRS 16 (amendment)	'Leases', COVID-19 - Related rent concessions	1 June 2020
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendment)	Interest rate benchmark reform – Phase 2	1 January 2021

The amendments listed above did not have any impact on the amounts recognised in prior periods and the current period and are not expected to affect future periods significantly.

The Group's existing revolving credit facility attracts interest at a fixed margin over the three-month London Inter-Bank Offered Rate (LIBOR). At the end of 2021, LIBOR will be replaced by Sterling Overnight Index Average (SONIA), but the Group does not expect any material change in the overall cost of borrowing as a result of this. The transition will be managed carefully with the Group's lending agent. Overall, interest rate benchmark reform is not anticipated to have a significant impact on the Group's risk management strategy.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

1(c) Critical accounting judgements

The judgements made by the Directors in the process of preparing the interim financial statements for the period ended 30 June 2021 are consistent with those disclosed in the Group's published financial statements for the year ended 31 December 2020.

With regard to the presentation of costs attributable to COVID-19 as exceptional the following judgements have been made for the period ended 30 June 2021:

- as a result of reduced engineering activity in periods of lockdown due to COVID-19, management has estimated that £0.8m of costs that would ordinarily be capitalised as directly attributable to the installation of meter assets – consisting primarily of staff costs – have remained in underlying profit. Consistent with the Group's accounting policy on exceptional items (see below), these material costs are attributable to a rare macroeconomic event, being the COVID-19 pandemic, and therefore management has taken the judgement to recognise these costs as exceptional; and
- at 30 June 2021, management has assessed the expected credit losses for trade receivables. COVID-19 has generated global financial uncertainty; however, the potential impact of this on the Group's credit risk is mitigated by the highly regulated nature of the utilities industry and the extensive support made available to energy – and other infrastructure – suppliers by the UK Government. As a result, management has not increased the expected loss rates for the trade receivables portfolio as a whole. Instead, a subset of trade receivables has been identified as having a potentially elevated credit risk, due to a greater risk of administration as a direct consequence of COVID-19. This subset of trade receivables has been provided for on a specific basis and in the prior year resulted in an additional £0.5m impairment loss. This provision has been reduced to £0.3m at 30 June 2021, reflecting positive recovery trends over the past twelve months, giving rise to a £0.2m credit in the current period financial statements. Given the continued uncertainty regarding the impact of COVID-19 on customer default risk, management will continue to monitor the situation and reassess its expected credit losses at each reporting period end. Consistent with the recognition of the original impairment loss in the prior year, management has taken the judgement to recognise this incremental write back as exceptional.

The Group's accounting policy on exceptional items is included below for reference:

Exceptional items and separately disclosed items

The Group presents as exceptional items on the face of the consolidated income statement those items of income and expense which, because of the material 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.

2 Segmental reporting

For management purposes, the Group is organised into three core divisions, as follows:

- Asset Management, which comprises regulated management of gas meters, electric meters and ADM™ units within the UK;
- Asset Installation, which comprises installation of domestic and I&C gas meters and electricity meters throughout the UK; and
- Energy Management, which comprises the provision of energy consultancy services and, following the acquisition of Solo Energy Limited, the management of Distributed Energy Resources (DER) assets.

For the purpose of making decisions about resource allocation and performance assessment, it is the operating results of the three core divisions listed above that are monitored by management and the Group's chief operating decision-maker, being the SMS Board. It is these divisions, therefore, that are defined as the Group's reportable operating segments.

Segment performance is evaluated based on gross profit.

The following segment information is presented in respect of the Group's reportable segments together with additional balance sheet information:

30 June 2021	**Asset Management £'000**	**Asset Installation £'000**	**Energy Management £'000**	**Unallocated £'000**	**Total operations £'000**
Segment revenue	**39,378**	**34,585**	**1,937**	**—**	**75,900**
Inter-segment revenue	**—**	**(24,222)**	**—**	**—**	**(24,222)**
Revenue from external customers	**39,378**	**10,363**	**1,937**	**—**	**51,678**
Cost of sales	**(14,655)**	**(6,424)**	**(1,458)**	**—**	**(22,537)**
Segment gross profit – pre-exceptional cost of sales	**24,723**	**3,939**	**479**	**—**	**29,141**
Exceptional items (cost of sales)	**—**	**(800)**	**—**	**—**	**(800)**
Segment gross profit/(loss)	**24,723**	**3,139**	**479**	**—**	**28,341**
Other operating costs/income	**—**	**—**	**—**	**(14,813)**	**(14,813)**
Depreciation	**(625)**	**—**	**(33)**	**(1,398)**	**(2,056)**
Amortisation of intangibles	**(1,982)**	**—**	**(15)**	**—**	**(1,997)**
Profit/(loss) from operations – pre-exceptional operating items	**22,116**	**3,139**	**431**	**(16,211)**	**9,475**
Exceptional items (operating)	**(3,194)**	**(29)**	**—**	**306**	**(2,917)**
Profit/(loss) from operations	**18,922**	**3,110**	**431**	**(15,905)**	**6,558**
Net finance costs: other	**(1,397)**	**—**	**(66)**	**(89)**	**(1,552)**
Net finance costs: exceptional	**—**	**—**	**—**	**—**	**—**
Profit/(loss) before tax	**17,525**	**3,110**	**365**	**(15,994)**	**5,006**
Tax expense	**—**	**—**	**—**	**(3,983)**	**(3,983)**
Profit for period	**17,525**	**3,110**	**365**	**(19,977)**	**1,023**

30 June 2020	Asset Management £'000	Asset Installation £'000	Energy Management £'000	Unallocated £'000	Total operations £'000
Segment revenue	41,974	22,406	2,779	—	67,159
Inter-segment revenue	—	(13,008)	—	—	(13,008)
Revenue from external customers	41,974	9,398	2,779	—	54,151
Cost of sales	(16,035)	(9,824)	(1,987)	—	(27,846)
Segment gross profit/(loss) – pre-exceptional cost of sales	25,939	(426)	792	—	26,305
Exceptional items (cost of sales)	—	(4,309)	—	—	(4,309)
Segment gross profit/(loss)	25,939	(4,735)	792	—	21,996
Other operating costs/income	—	—	—	(11,810)	(11,810)
Depreciation	(136)	—	—	(2,072)	(2,208)
Amortisation of intangibles	(848)	—	(16)	—	(864)
Profit/(loss) from operations – pre-exceptional operating items	24,955	(4,735)	776	(13,882)	7,114
Exceptions items (operating): gain on disposal of subsidiary	194,729	—	—	—	194,729
Exceptional items (operating): other	—	(679)	—	(3,431)	(4,110)
Profit/(loss) from operations	219,684	(5,414)	776	(17,313)	197,733
Net finance costs: exceptional	(115)	—	—	—	(115)
Net finance costs: other	(3,128)	—	—	(15)	(3,143)
Profit/(loss) before tax	216,441	(5,414)	776	(17,328)	194,475
Tax expense				(1,701)	(1,701)
Profit for period	216,441	(5,414)	776	(19,029)	192,774

Inter-segment revenue relates to installation services provided by the Asset Installation segment to the Asset Management segment.

Depreciation of £11.8m (30 June 2020: £13.3m) associated with meter assets has been reported within Cost of sales, in the Asset Management segment, as the meter assets directly drive revenue.

All material revenues and operations are based and generated in the UK. Following the acquisition of Solo Energy Limited in September 2019, a small minority of operations are based in the Republic of Ireland.

In H2 2020 there was a reclassification of £2.1m between cost of sales and other operating costs which is not reflected in the H1 2020 figures.

Segment assets and liabilities

30 June 2021	**Asset Management £'000**	**Asset Installation £'000**	**Energy Management £'000**	**Unallocated £'000**	**Total operations £'000**
Assets reported by segment					
Intangible assets	**19,903**	**3,497**	**2,230**	**—**	**25,630**
Property, plant and equipment	**346,955**	**132**	**15,068**	**6,046**	**368,201**
Inventories	**18,180**	**187**	**—**	**—**	**18,367**
Contract assets	**—**	**—**	**8**	**—**	**8**
	385,038	**3,816**	**17,306**	**6,046**	**412,206**
Assets not by segment					**83,015**
Total assets					**495,221**
Liabilities by segment					
Contract liabilities	**2,635**	**2,327**	**67**	**—**	**5,029**
Lease liabilities	**487**	**—**	**2,472**	**1,863**	**4,822**
Other long term liabilities	**—**	**—**	**362**	**—**	**362**
Bank loan	**31,767**	**—**	**—**	**—**	**31,767**
	34,889	**2,327**	**2,901**	**1,863**	**41,980**
Liabilities not by segment					**65,079**
Total liabilities					**107,059**

31 December 2020	Asset Management £'000	Asset Installation £'000	Energy Management £'000	Unallocated £'000	Total operations £'000
Assets reported by segment					
Intangible assets	19,308	3,497	2,118	—	24,923
Property, plant and equipment	318,979	235	2,222	6,902	328,338
Inventories	22,676	273	4,701	—	27,650
Contract assets	—	—	47	—	47
Other assets (bank loans)	1,949	—	—	—	1,949
	362,912	4,005	9,088	6,902	382,907
Assets not by segment					79,643
Total assets					462,550
Liabilities by segment					
Contract liabilities	1,254	2,216	219	—	3,689
Lease liabilities	727	—	2,276	2,248	5,251
Bank loan	—	—	—	—	—
	1,981	2,216	2,495	2,248	8,940
Liabilities not by segment					47,168
Total liabilities					56,108

3 Disaggregation of revenue from contracts with customers

The Group reports the following segments: Asset Management, Asset Installation and Energy Management, in accordance with IFRS 8 Operating Segments. We have determined that, to meet the objective of the disaggregation disclosure requirement in paragraph 114 of IFRS 15, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors, further disaggregation is required into the major types of services offered. The following table thus discloses segmental revenue by type of service delivered and timing of revenue recognition, including a reconciliation of how this disaggregated revenue ties in with the Asset Management, Asset Installation and Energy Management segments, in accordance with paragraph 115 of IFRS 15.

Period ended 30 June 2021	**Asset Management £'000**	**Asset Installation £'000**	**Energy Management £'000**	**Total operations £'000**
Major service lines				
Metering	**35,505**	—	—	**35,505**
Data management	**3,873**	—	—	**3,873**
Utility connections	—	**4,384**	—	**4,384**
Transactional meter works	—	**5,838**	—	**5,838**
Energy management	—	**141**	**1,937**	**2,078**
	39,378	**10,363**	**1,937**	**51,678**
Timing of revenue recognition				
Services transferred at a point in time	—	**5,838**	—	**5,838**
Services transferred over time	**39,378**	**4,525**	**1,937**	**45,840**
	39,378	**10,363**	**1,937**	**51,678**

Period ended 30 June 2020	Asset Management £'000	Asset Installation £'000	Energy Management £'000	Total operations £'000
Major service lines				
Metering	38,029	—	—	38,029
Data management	3,945	—	—	3,945
Utility connections	—	3,924	—	3,924
Transactional meter works	—	5,132	—	5,132
Energy management	—	342	2,779	3,121
	41,974	9,398	2,779	54,151
Timing of revenue recognition				
Services transferred at a point in time	—	5,132	—	5,132
Services transferred over time	41,974	4,266	2,779	49,019
	41,974	9,398	2,779	54,151

4 Exceptional items

	30 June 2021 £'000	30 June 2020 £'000
Exceptional operating items		
Gain on disposal of subsidiary	—	194,729
Costs attributable to COVID-19	**(523)**	(5,575)
Losses on the traditional and SMETS1 meter portfolio	**(2,985)**	(2,611)
Acquisition-related costs	**(156)**	—
Other	**(53)**	(233)
	(3,717)	186,310
Exceptional finance items		
Facility fees	—	(115)
	—	(115)
Total exceptional items	**(3,717)**	186,195

There were total exceptional items on the consolidated income statement of £3,717,000. Material exceptional operating costs comprise £523,000 of costs directly attributable to COVID-19 (see note 1(c) – critical accounting judgements – for further details) and £2,985,000 of losses on our traditional and SMETS1 meter portfolio. Other exceptional operating costs consist primarily of acquisition-related costs incurred on the large power I&C meter and data acquisition detailed in note 10.

In the period ended 30 June 2020, an exceptional gain on the disposal of a subsidiary of £194.7m was recognised separately on the consolidated income statement. See note 5 for details. There were total other exceptional items on the consolidated income statement of £8,534,000. Exceptional operating costs comprised £5,575,000 of costs directly attributable to COVID-19, £2,611,000 of losses on our traditional and SMETS1 meter portfolio and £233,000 of restructuring costs incurred in right-sizing the Group's installation business in response to delays in the UK smart meter rollout. Exceptional finance costs of £115,000 comprised break costs incurred on full voluntary prepayment of the Group's loan facility.

5 Disposal of subsidiary in the prior period

On 12 March 2020, the Group conditionally signed an agreement to dispose of a minority of the Group's meter assets through the sale of the entire share capital of Crail Meters Limited (Crail), a wholly owned subsidiary of the Group.

The meter asset provision (MAP) business carried on by two existing operating subsidiaries of the Group (the Meter Managers) was transferred to Crail on 12 March 2020. The business transferred included c.187,000 Industrial & Commercial (I&C) meter assets, amongst other working capital balances. Crail continued to trade from 12 March 2020 through to 22 April 2020.

On 22 April 2020 the entire share capital of Crail was sold to an unconnected third party. Total gross cash consideration of £290.6m was received, comprising a payment for the sale of the shares in Crail and the repayment of an intercompany debt owed by Crail to the Meter Managers. There was no contingent or non-cash consideration.

The total carrying amount of net assets disposed was £89.0m, including £86.1m of meter assets, a £9.1m net receivable of working capital balances and £6.2m of deferred tax liabilities, giving rise to a gross gain of £201.6m. After the deduction of £6.9m transaction costs, a net gain on disposal of £194.7m was recognised separately in the consolidated income statement. Excluding deferred taxation and transaction costs, the gain was £195.4m.

Crail did not meet the definition of a discontinued operation under IFRS 5 on the basis that the minority portfolio of I&C assets disposed did not represent the loss of a separate, major line of business and, although I&C activities were significantly reduced, they were not entirely discontinued.

SMS manages the disposed I&C meter portfolio on behalf of the purchaser, for which it receives annual RPI-linked management fees of £0.8m.

6 Earnings per share (EPS)

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

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000
Profit for the period used for calculation of basic EPS	**1,023**	192,774

Number of shares	**Six months ended 30 June 2021 Unaudited**	Six months ended 30 June 2020 Unaudited
Weighted average number of ordinary shares for the purposes of basic EPS	**113,115,772**	112,686,659
Effect of potentially dilutive ordinary shares:		
– share options	**838,985**	881,386
Weighted average number of ordinary shares for the purposes of diluted EPS	**113,954,757**	113,568,045
EPS:		
– basic (pence)	**0.90**	171.07
– diluted (pence)	**0.90**	169.74

7 Dividends

	Six months ended 30 June 2021 Unaudited £'000	**Six months ended 30 June 2021 Per share (pence)**	Six months ended 30 June 2020 Unaudited £'000	Six months ended 30 June 2020 Per share (pence)	Year ended 31 December 2020 Audited £'000	Year ended 31 December 2020 Per share (pence)
Accrued final dividend	**7,107**	**6.25**	—	—	—	—
Paid third interim dividend	**7,065**	**6.25**	—	—	—	—
Paid second interim dividend	**7,059**	**6.25**	5,168	4.58	5,168	4.58
Paid first interim dividend	**—**	**—**	—	—	7,058	6.25
Total dividends	**21,231**	**18.75**	5,168	4.58	12,226	10.83

Per the Group's revised dividend policy, a 25p per share dividend was approved in respect of FY 2020, paid to shareholders in four cash instalments. All instalments had been paid at the date of approval of the interim financial statements as follows:

Instalment	**Dividend amount - £'000**	**Ex-dividend date**	**Record date**	**Payment date**
First interim	7,058	1 October 2020	2 October 2020	29 October 2020
Second interim	7,059	7 January 2021	8 January 2021	28 January 2021
Third interim	7,065	1 April 2021	6 April 2021	29 April 2021
Final[1]	7,107	1 July 2021	2 July 2021	29 July 2021

1 The final instalment of the FY 2020 dividend was accrued, but not paid, at 30 June 2021.

A 27.5p per share dividend is intended in respect of FY 2021. This is expected to be paid to shareholders in four cash instalments. The first instalment is intended to be paid on 28 October 2021 to shareholders on the register at 1 October 2021, with an ex-dividend date of 30 September 2021.

8 Property, plant and equipment

	Freehold/ leasehold property £'000	Meter assets £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Right-of-use assets £'000	Assets under construction £'000	Total £'000
Cost								
As at 1 January 2020	2,751	483,528	1,024	5,858	6,028	4,745	—	503,934
Additions	56	40,349	20	1,329	42	2,265	—	44,061
Disposals	—	(131,731)	—	(43)	(765)	—	—	(132,539)
Exchange adjustments	—	—	—	4	—	—	—	4
As at 31 December 2020	2,807	392,146	1,044	7,148	5,305	7,010	—	415,460
Reclassification[1]	—	—	(5)	—	—	—	4,071	4,066
Additions	—	39,779	—	214	28	431	4,305	44,757
Acquisitions	—	6,817	—	—	—	—	4,158	10,975
Disposals	—	(8,917)	—	—	(146)	—	—	(9,063)
Exchange adjustments	—	—	—	(1)	—	(3)	—	(4)
As at 30 June 2021	**2,807**	**429,825**	**1,039**	**7,361**	**5,187**	**7,438**	**12,534**	**466,191**
Depreciation								
As at 1 January 2020	505	84,811	500	3,114	1,466	880	—	91,276
Charge for year	174	24,672	290	1,639	1,300	982	—	29,057
Disposals	—	(32,800)	—	(37)	(379)	—	—	(33,216)
Exchange adjustments	—	—	—	5	—	—	—	5
As at 31 December 2020	679	76,683	790	4,721	2,387	1,862	—	87,122
Charge for period	86	11,796	107	797	585	481	—	13,852
Disposals	—	(2,882)	—	—	(101)	—	—	(2,983)
Exchange adjustments	—	—	—	—	—	(1)	—	(1)
As at 30 June 2021	**765**	**85,597**	**897**	**5,518**	**2,871**	**2,342**	**—**	**97,990**
Net book value								
As at 30 June 2021	**2,042**	**344,228**	**142**	**1,843**	**2,316**	**5,096**	**12,534**	**368,201**
As at 31 December 2020	2,128	315,463	254	2,427	2,918	5,148	—	328,338
As at 1 January 2020	2,246	398,717	524	2,744	4,562	3,865	—	412,658

1 The reclassification of £4,071,000 within Assets under construction relates to costs previously recorded within Inventories at 31 December 2020. See note 1(a) for details.

Meter asset disposals in the year ended 31 December 2020 include the c.187,000 assets disposed of as part of the sale of a subsidiary on 22 April 2020. The assets disposed of had a net book value of £86,103,000.

Included within the closing meter assets net book value of £344,228,000 (31 December 2020: £315,463,000) is £19,667,000 (31 December 2020: £22,627,000) relating to the traditional domestic meter portfolio, which will be written down to zero by 1 July 2025. In the H1 2021 consolidated financial statements there was a £2,465,000 depreciation charge recognised on the traditional domestic meter portfolio (H1 2020: £2,845,000). £12,801,000 annualised recurring revenue as at 30 June 2021 (30 June 2020: £13,795,000) arises from the owned traditional and domestic meter portfolio.

The assets are secured by a bond and floating charge.

For the purpose of impairment testing, the traditional meter asset portfolio recognised within Meter assets is assessed as a standalone cash-generating unit (CGU) and its carrying amount is compared with the recoverable amount. In line with IAS 36, no impairment review was considered necessary at 30 June 2021 as the previous impairment review carried out at 31 December 2019 showed a significant excess of recoverable amount over carrying amount and management concluded that there were no reasonably possible changes in the key assumptions that would cause the carrying amounts of the traditional meter portfolio to exceed the value in use. Since this date there have also been no events that would eliminate this excess or any new material indicators of impairment. As a result of COVID-19, and the reduced smart meter installation activity, there has continued to be a lower volume of traditional meter asset removals through the first part of 2021.

Therefore, no impairment has been recognised in the period ended 30 June 2021 (30 June 2020: £nil). No impairment on other meter assets has been recognised in the period ended 30 June 2021 (30 June 2020: £nil).

9 Bank loans

	30 June 2021 £'000	31 December 2020 £'000
Current		
Bank loans	**133**	—
Non-current		
Bank loans	**31,634**	—
	31,767	—

Drawdowns were made under the revolving credit facility in H1 2021 and the Group had a total outstanding principal of £33.3m at 30 June 2021. Accrued interest of £0.1m has been recognised as part of the carrying value of Bank loans at 30 June 2021 together with a deduction of £1.6m for unamortised transaction costs. The facility attracted interest at a rate of 1.85% over the three-month LIBOR and 0.65% was payable on undrawn funds. The interest is required to be settled quarterly and has thus been classified as current at 30 June 2021.

In line with the Group's accounting policy, unamortised transaction costs were reclassified to Bank loans upon the first drawdown in H1 2021. These continue to be amortised over the remaining duration of the facility to 2023. For the period ended 30 June 2021, £0.3m of transaction costs have been recognised within the consolidated income statement (30 June 2020: £0.3m).

At the start of 2020, the Group had a revolving credit facility of £420m, with a five-year term ending December 2023 (the 'facility'). Following the Group's sale of a wholly owned subsidiary on 22 April 2020, the gross proceeds received of £290.6m were used to make a voluntary prepayment and the total outstanding principal value at 22 April 2020 of £270m, together with outstanding interest and commitment fees of £0.6m, was settled. Concurrently, the total commitments available under the facility were reduced from £420m to £300m. There were no other material changes to the terms and conditions. A drawdown of £15.0m was made in May 2020 but this was subsequently settled at the end of the three-month term. No subsequent drawdowns were made by the Group in FY 2020 and, therefore, as at 31 December 2020 there was no outstanding principal or interest. The amount recognised against Bank loans was thus £nil. Unamortised transaction costs of £1.9m that would ordinarily be deducted against the carrying value of the bank loans were recorded as 'Other assets' at 31 December 2020.

No exceptional finance costs have been recognised in the period ended 30 June 2021 (30 June 2020: £0.1m of break costs incurred as a result of the voluntary prepayment).

The Group has complied with the financial covenants of its borrowing facility during the current and prior reporting periods.

10 Business combinations

On 6 April 2021 the Group acquired a portfolio of c.15,000 Industrial & Commercial large power Half Hourly electricity meters from a third party. This acquisition will add c.£1.1 million of annualised recurring meter revenue to the Group's ILARR. The Group also took ownership of the Meter Operator (MOP) and data service contracts associated with a portfolio of electricity meters, which will initially generate a further net c.£2 million of annualised recurring data revenue.

On the basis that the Group has obtained inputs, a substantive process and outputs, management has concluded that the acquisition meets the definition of a business combination and should be accounted as such under IFRS 3.

Purchase consideration consisted of cash only. Total cash paid was £8,433,000.

Management's purchase price allocation exercise is not yet fully finalised. However, the assets and liabilities provisionally recognised as a result of the acquisition are as follows:

	Fair value £'000
Intangible assets: customer contracts	686
Property, plant and equipment: meter assets	6,817
Inventories	707
Trade and other receivables	1,781
Trade and other payables	(2,369)
Deferred tax liability	(156)
Net identifiable assets acquired	7,466
Add: goodwill	967
Net assets acquired	**8,433**

No contingent assets or liabilities were acquired.

The goodwill is attributable to the opportunity to grow this part of the business for the Group. Goodwill will not be deductible for tax purposes.

Acquisition-related costs of £0.2m have been incurred to date, including transaction costs and mobilisation costs to integrate the newly-acquired business with the Group, and have been included as part of exceptional Administrative costs in the consolidated statement of comprehensive income.

11 Asset acquisitions

During the period ended 30 June 2021, the Group acquired 100% of the issued share capital of the following companies:

Name of acquired company	Company number	Registered office prior to acquisition	Purchase consideration £'000	Nature of the company
Newtonwood Energy Storage Limited	11257609	Unit 9, the Green Easter Park, Benyon Road, Reading, Berkshire RG7 2PQ	1,470	Special purpose vehicle
Brook Farm Energy Storage Limited	10780034	Unit 9, the Green Easter Park, Benyon Road, Reading, Berkshire RG7 2PQ	1,572	Special purpose vehicle
Berkeley Battery Storage 2 Limited	10942601	Suite 4D Drake House, Dursley, Gloucestershire GL11 4HH	1,306	Special purpose vehicle

All three companies report in British Pounds Sterling. The acquisitions enable SMS to obtain control over the rights required to develop and commission three grid-scale battery storage sites as part of the Group's investment strategy in carbon reduction assets. Grid-scale battery storage is a key asset class required by the UK energy system to provide flexibility services to balance the grid and support the continued introduction of more intermittent renewable generation.

Details of the purchase consideration are as follows:

Name of acquired company	Cash paid £'000	Deferred consideration £'000	Total fair value £'000
Newtonwood Energy Storage Limited	1,220	250	1,470
Brook Farm Energy Storage Limited	1,572	—	1,572
Berkeley Battery Storage 2 Limited	1,056	250	1,306
Total purchase consideration	**3,848**	**500**	**4,348**

In respect of two of the three companies, total additional consideration of £500,000 is payable in cash upon energisation (when energy is first sold to the grid). The payment has been measured at fair value at the acquisition date, ignoring the impact of discounting on the basis that the anticipated payment date is within 12 months of the current reporting date.

Management has concluded that these acquisitions do not meet the definition of a business combination under IFRS 3 on the basis that no substantive processes have been transferred. Therefore, these transactions have been accounted for as acquisitions of a group of assets. No goodwill thus arises on the transactions.

The individual assets and liabilities acquired have been identified and the cost of the transactions has been allocated to the assets acquired, and liabilities assumed, based on their relative fair values at the date of purchase as follows:

	Newtonwood £'000	Brook Farm £'000	Berkeley £'000	Total £'000
Assets under construction	1,272	1,596	1,290	4,158
Trade and other receivables	198	76	16	290
Trade and other payables	—	(100)	—	(100)
Total purchase consideration	**1,470**	**1,572**	**1,306**	**4,348**

No contingent assets or liabilities were acquired.

The majority of the value gained from acquiring the three sites is attributable to development and construction rights and therefore a significant portion of the total cost of the transaction has been allocated to Assets under construction due to its higher fair value relative to the other net assets acquired.

Transaction costs of £0.1m were incurred and have been capitalised as a component of the cost of the assets acquired, classified as part of Assets under construction within Property, plant and equipment.

12 The half-yearly financial report was approved by the Board of Directors on 13 September 2021.

13 A copy of this half-yearly financial report is available by visiting our website at www.sms-plc.com.

14 Post balance sheet events

The Company have announced today a proposed equity placing together with a refinancing of its existing revolving credit facility from £300m to £420m, also extending the maturity date of the existing facility from December 2023 to 2025 on similar attractive terms. These transactions will be recognised in H2.