

Registered number: 02199653

SECURE METERS (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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SECURE METERS (UK) LIMITED

COMPANY INFORMATION

Directors	K Ghosh K Patel S Singhal
Registered number	02199653
Registered office	Secure House Moorside Road Winchester Hampshire SO23 7RX
Independent auditor	James Cowper Kreston Chartered Accountants and Statutory Auditor Mill House Overbridge Square Hambridge Lane Newbury RG14 5UX

SECURE METERS (UK) LIMITED

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SECURE METERS (UK) LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2017

Business review

The directors are pleased to report that the turnover of Secure Meters (UK) Ltd (the "Group") has increased by 60% in 2017 to £552m (2016 - £346m) as a result of major accomplishments in both of its business segments metering products and energy supply. The net profit also stands at £32m (2016 - £24m).

The metering products business has grown substantially with an increase in turnover by 85% to £146m (2016 – £79m). The company has been able to establish long term relationships with major industry players helping it drive the significant rise in turnover.

Furthermore, the energy supply business operating under subsidiary Utilita Group Ltd (UGL) has steadily followed its growth path with a rise in the total customer base to 497k (2016 - 320k) and 936k (2016 - 617k) energy supply points. The substantial growth in the energy retailing business continues to lead to extra demands being placed on the resources of the Group. Independent banking facilities, new office accommodation and a wholesale energy purchasing agreement have been put in place to enable this growth to be maintained. The Group passed 500k customers in April 2017.

Future outlook

The company expects to continue its performance in the coming year based on its collaboration with major energy retailers, metering assets providers and continuing consideration of smart meters to be rolled out across Great Britain (GB).

Once the specifications of new smart meters are finalised and the Data Communications Company (DCC) central smart metering communications service goes live the volumes may get impacted. The energy supply business has now moved to a new office accommodation and has also entered into wholesale energy purchasing agreement and Independent banking facilities to continue the growing trend.

Principal risks and uncertainties

Market risk

The GB retail energy market remains dominated by the Big Six suppliers, although independent suppliers now make up approximately 16% of the total GB market. UGL has based its strategy on being a niche supplier to the prepayment segment of the market. This segment is poorly served by the Big Six mainly due to a high cost to serve. The Group is now constrained by an Ofgem imposed price cap for its pre-pay residential customers. Smart meters (SMETs 1) roll out acquisition is continuing due to delays in DCC central smart metering communications service going live and good performance of our products in field, however volumes may be impacted if DCC goes live and performance is not stabilised.

Wholesale energy market risk

The Group operates in the GB energy retail market and purchases its energy in the GB wholesale markets. The Group fixes the prices to its customers until notifying a change and sources the energy from the wholesale market at the prevalent prices. Due to the volatility in the market, there remains a price risk in the energy retailing market. However, the group forward purchases wholesale energy, in accordance with a board level agreed hedging policy, to reduce the price risk.

Technical risk

As the Group operates in an industry using sophisticated technology, there is a risk of technical issues related to utility meters used in the field, and from the regulator, which the group has to face. New demands from the regulator placed on the Group continue to need to be incorporated into systems and procedures. The development resources deployed by the wider Secure Group provide a strong backbone to the Group in mitigating any risk arising out of future technological changes.

SECURE METERS (UK) LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

Currency risk

The Group has limited exposure to foreign currencies. Most of the transactions are incurred in the functional currency, Sterling. It supplies to few of its customers in Euro and US Dollars which it tries to hedge naturally by sourcing in the same currency. However, GB energy prices have a significant link to the world price of oil, which is denominated in US Dollars.

Liquidity risk

Although the Group is in a continued growth phase still it is exposed to liquidity risk as its market share and its addressable market are expanding. The improved cash flows has reduced the liquidity risk to a significant extent. The Group has working capital facilities with its banking partners to manage temporary cash crunch. Industry regulations require UGL to have substantial levels of credit cover in place to cover future purchases but daily fluctuations in liabilities can still result in significant cash calls having to be paid out or cash deposits having to be placed. The implementation of the wholesale energy purchasing agreement has reduced the Group's exposure to liquidity risk by removing the requirement to place collateral for energy purchases.

Political risk

Energy remains an important political issue and this does expose the business to higher regulatory risk than would be the normal for other retail markets. The recent Competition and Markets Authority investigation into the retail energy sector has placed further demands on the business with the introduction of a price cap for prepayment customers from April 2017.

Financial instruments

UGL contracts on a regular basis to hedge against the energy price volatility risk it faces in the market. It uses derivative products to cover its exposure to the extent defined by the hedging policy approved by the Board.

Further, the Group has to place cash collateral and bank guarantees in favour of its supplier for the purpose of credit cover.

The transactional instruments, e.g. sales and purchase invoices, are regularly monitored for timely settlement and control.

Key performance indicators

The directors of the group consider the following to be key performance measures:

Turnover for the Group – Increased from £346m to £552m – 60% growth

Profit for the Group - Increased from £24m to £32m – 33% growth

Customer base for energy supply business – Increased from 302k to 497k – 65% growth

Number of supply points – Increased from 617k to 936k – 52% growth

In addition, the Group keenly monitors the outstanding Debtor balances and Inventory levels to optimise working capital investment and UGL tracks the rate of new installations in the field and performance of the call centre to gauge the efficiency of the business.

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



.....
K Ghosh
Director

Date: 13-7-17

SECURE METERS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

The directors present their report and the financial statements for the year ended 31 March 2017.

Directors

The directors who served during the year were:

K Ghosh
K Patel
S Singhal

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £26,966,322 (2016 - £17,232,184).

Dividends for the year totalled £5,660,501 (2016 - £2,153,834).

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employee involvement

Secure Meters (UK) Limited is committed to involving and consulting employees in all aspects of the group's business. This includes the use of group wide emails, an intranet, open access to HR staff and senior management.

SECURE METERS (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

Disabled employees

Secure Meters (UK) Limited is committed to providing equal opportunities for all employees and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit.

Striving to ensure that the work environment is free of harassment and bullying and that everyone is treated with dignity and respect is an important aspect of ensuring equal opportunities in employment.

Disclosure of information in the strategic report

Certain information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 with regards to financial risk management and has been included in the strategic report.

Disclosure of information to auditor

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

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

Post balance sheet events

There has been a significant events affecting the Group since the year end. Details of this matter have been included in note 34 of the financial statements.

Auditor

The auditor, James Cowper Kreston, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



.....
K Ghosh
Director

Date: 13-7-17

SECURE METERS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SECURE METERS (UK) LIMITED

We have audited the financial statements of Secure Meters (UK) Limited for the year ended 31 March 2017, set out on pages 7 to 37. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2017 and of the Group's profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report and the Directors' Report.

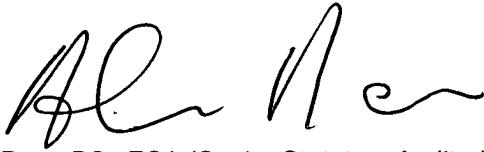
SECURE METERS (UK) LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SECURE METERS (UK) LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Adrian Rann BSc FCA (Senior Statutory Auditor)

for and on behalf of
James Cowper Kreston

Chartered Accountants and Statutory Auditor

Mill House
Overbridge Square
Hambridge Lane
Newbury
RG14 5UX
Date:

16 / 7 / 17

SECURE METERS (UK) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £	2016 £
Turnover	4	551,619,909	346,464,597
Cost of sales		(463,873,349)	(279,901,503)
Gross profit		87,746,560	66,563,094
Administrative expenses		(48,020,466)	(32,467,569)
Exceptional administrative expenses	5	-	(1,343,649)
Other operating income	6	155,000	6,989
Operating profit	7	39,881,094	32,758,865
Interest receivable and similar income	11	1,227,682	228,907
Interest payable and expenses	12	(172,119)	(2,670,535)
Profit before taxation		40,936,657	30,317,237
Tax on profit	13	(8,467,057)	(6,355,366)
Profit for the financial year		32,469,600	23,961,871
Profit for the year attributable to:			
Non-controlling interests		5,503,278	6,729,687
Owners of the parent company		26,966,322	17,232,184
		32,469,600	23,961,871

The notes on pages 13 to 37 form part of these financial statements.

SECURE METERS (UK) LIMITED
REGISTERED NUMBER: 02199653

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	16	30,208,635	15,623,572
Tangible assets	17	16,111,276	19,070,853
		<u>46,319,911</u>	<u>34,694,425</u>
Current assets			
Stocks	20	17,120,677	8,393,978
Debtors: amounts falling due after more than one year	21	113,000	-
Debtors: amounts falling due within one year	21	66,231,860	39,871,432
Current asset investments	22	8,460,000	6,454,500
Cash at bank and in hand	23	15,750,918	16,884,501
		<u>107,676,455</u>	<u>71,604,411</u>
Creditors: amounts falling due within one year	24	(88,410,923)	(63,942,017)
Net current assets		<u>19,265,532</u>	<u>7,662,394</u>
Total assets less current liabilities		<u>65,585,443</u>	<u>42,356,819</u>
Provisions for liabilities			
Deferred taxation	26	-	(224,577)
Net assets		<u><u>65,585,443</u></u>	<u><u>42,132,242</u></u>
Capital and reserves			
Called up share capital	27	8,086,430	8,086,430
Share premium account	28	990,951	990,951
Capital redemption reserve	28	600,000	600,000
Other reserves	28	(1,384,997)	(1,384,997)
Profit and loss account	28	46,242,409	24,936,588
Equity attributable to owners of the parent company		<u>54,534,793</u>	<u>33,228,972</u>
Non-controlling interests		11,050,650	8,903,270
		<u><u>65,585,443</u></u>	<u><u>42,132,242</u></u>

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



K Ghosh

Director

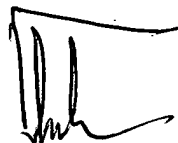
Date: 13-7-17

SECURE METERS (UK) LIMITED
REGISTERED NUMBER: 02199653

COMPANY BALANCE SHEET
AS AT 31 MARCH 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	16	1,936,739	2,223,491
Tangible assets	17	482,199	427,002
Investments	18	801,430	801,430
		<u>3,220,368</u>	<u>3,451,923</u>
Current assets			
Stocks	20	16,793,080	8,129,926
Debtors: amounts falling due within one year	21	44,822,134	19,480,969
Cash at bank and in hand	23	8,602,025	6,586,988
		<u>70,217,239</u>	<u>34,197,883</u>
Creditors: amounts falling due within one year	24	(38,854,024)	(20,154,257)
Net current assets		<u>31,363,215</u>	<u>14,043,626</u>
Total assets less current liabilities		<u>34,583,583</u>	<u>17,495,549</u>
Provisions for liabilities			
Deferred taxation	26	-	(428,977)
Net assets		<u>34,583,583</u>	<u>17,066,572</u>
Capital and reserves			
Called up share capital	27	8,086,430	8,086,430
Share premium account	28	990,951	990,951
Capital redemption reserve	28	600,000	600,000
Profit and loss account	28	24,906,202	7,389,191
		<u>34,583,583</u>	<u>17,066,572</u>

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



.....
K Ghosh

Director

Date: 13-7-17

SECURE METERS (UK) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Called up share capital	Share premium account	Capital redemption reserve	Other reserves	Profit and loss account	Equity attributable to owners of parent company	Non- controlling interests	Total equity
	£	£	£	£	£	£	£	£
At 1 April 2016	8,086,430	990,951	600,000	(1,384,997)	24,936,588	33,228,972	8,903,270	42,132,242
Profit for the year	-	-	-	-	26,966,322	26,966,322	2,147,380	29,113,702
Dividends: Equity capital	-	-	-	-	(5,660,501)	(5,660,501)	-	(5,660,501)
At 31 March 2017	8,086,430	990,951	600,000	(1,384,997)	46,242,409	54,534,793	11,050,650	65,585,443

SECURE METERS (UK) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

	Called up share capital £	Share premium account £	Capital redemption reserve £	Equity loan notes £	Other reserves £	Profit and loss account £	Equity attributable to owners of parent company £	Non- controlling interests £	Total equity £
At 1 April 2015	8,086,430	990,951	600,000	6,200,000	(1,384,997)	9,858,238	24,350,622	2,173,583	26,524,205
Profit for the year	-	-	-	-	-	17,232,184	17,232,184	6,729,687	23,961,871
Equity loan note repayment	-	-	-	(6,200,000)	-	-	(6,200,000)	-	(6,200,000)
Dividends: Equity capital	-	-	-	-	-	(2,153,834)	(2,153,834)	-	(2,153,834)
At 31 March 2016	8,086,430	990,951	600,000	-	(1,384,997)	24,936,588	33,228,972	8,903,270	42,132,242

The notes on pages 13 to 37 form part of these financial statements.

SECURE METERS (UK) LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2016	8,086,430	990,951	600,000	7,389,191	17,066,572
Profit for the year	-	-	-	23,177,512	23,177,512
Dividends: Equity capital	-	-	-	(5,660,501)	(5,660,501)
At 31 March 2017	8,086,430	990,951	600,000	24,906,202	34,583,583

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2015	8,086,430	990,951	600,000	5,202,422	14,879,803
Profit for the year	-	-	-	4,208,377	4,208,377
Dividends: Equity capital	-	-	-	(2,021,608)	(2,021,608)
At 31 March 2016	8,086,430	990,951	600,000	7,389,191	17,066,572

The notes on pages 13 to 37 form part of these financial statements.

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. General information

Secure Meters (UK) Limited is a private company, incorporated in England and limited by shares. The registered office of the company is Secure House, Moorside Road, Winchester, Hampshire, SO23 7RX.

Details of the company's operations and of its principal activities are disclosed in the Strategic Report on page 1 of the accounts.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the company's accounting policies (see note 3).

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The parent has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Secure Meters Limited as at 31 March 2017 and these financial statements may be obtained from the company's registered office.

2.3 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 April 2014. Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue includes an estimate of the value of energy supplied to customers based on company specific industry settlement data and estimates of customer usage since last meter read data. The industry settlement data is the estimated quantity the industry system operator deems the individual suppliers, including the company, to have supplied.

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Development expenditure	-	10 years
Goodwill	-	10 years
Acquisition costs	-	5 years

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided on the following basis:

L/Term Leasehold Property	- Over the life of the lease
Plant & machinery	- 5 to 7 years
Motor vehicles	- 4 years
Fixtures & fittings	- 5 years
Office equipment	- 2 to 4 years
Computer equipment	- 2 to 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the Statement of Comprehensive Income.

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. Accounting policies (continued)

2.7 Operating leases

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

Lease income is recognised in profit or loss on a straight line basis over the lease term. The aggregate cost of lease incentives are recognised as a reduction to income over the lease term on a straight-line basis. Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Any initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the lease and recognised as an expense over the lease term on the same basis as the lease income

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

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

2.11 Cash and cash equivalents

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

2.12 Financial instruments

The group enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. Accounting policies (continued)

2.12 Financial instruments (continued)

cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the balance sheet date.

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

2.13 Creditors

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

2.14 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. Accounting policies (continued)

2.15 Finance costs

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

2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.17 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.18 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

2.19 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. Accounting policies (continued)

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.21 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.22 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project. The expenditure is treated as if it were all incurred in the research phase only.

2.23 Forward energy purchases

Forward purchases of energy are classified as commodity purchases for use within the group's business and as such are accounted for at cost on day of delivery.

2.24 Hedging

The group forward purchases energy only for known supply point based volumes. These are commodity forward purchase contracts where the energy purchased is expected to be fully used in our business in a specific period in the future. These contracts are accounted for at cost on the day energy is supplied.

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Revenue recognition

An estimate is made of the value of energy supplied to customers based on Group specific industry settlement data and estimates of customer usage since last meter read data. The industry settlement data is the estimated quantity the industry system operator deems the individual suppliers, including the company, to have supplied.

Taxation

The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax submissions. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Intangible fixed assets

Development expenditure is capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

The Group establishes a reliable estimate of the useful life of intangible assets. This estimate is based on a variety of factors such as the expected usual life of the cash generating units to which the intangible is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as the remaining life of the asset and projected disposal values.

Forward purchases of energy

The Group has entered into contracts for the purchase of energy for periods up to 24 months in the future. The directors have determined that the classification of such contracts represents commodity purchases for use within the business accounted for at cost at date of delivery and not as derivative instruments accounted for at fair value.

Operating lease commitments

The Group has entered into commercial lease contracts and as a lessee it obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Balance Sheet.

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Product sales	126,475,613	71,631,901
Installation and service charges	30,885,633	18,199,458
Energy sales	393,177,211	255,593,000
Meter rentals	1,081,452	1,040,238
	<u>551,619,909</u>	<u>346,464,597</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	542,680,552	337,546,702
Rest of Europe	4,843,720	5,811,409
Rest of the world	4,095,637	3,106,486
	<u>551,619,909</u>	<u>346,464,597</u>

5. Exceptional items

	2017 £	2016 £
Fees incurred on tendering sale of component	-	1,343,649
	<u>-</u>	<u>1,343,649</u>

During the prior year the group incurred significant professional fees in connection with an aborted sale of its subsidiary group, Utilita Group Limited.

6. Other operating income

	2017 £	2016 £
Other operating income	55,000	-
Rental income	100,000	6,989
	<u>155,000</u>	<u>6,989</u>

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

7. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Research & development charged as an expense	8,107	153,654
Depreciation of tangible fixed assets	3,996,985	4,346,841
Amortisation of intangible assets, including goodwill	5,211,925	2,859,812
Fees payable to the Group's auditor and its associates for the audit of the company's annual financial statements	88,460	76,840
Exchange differences	237,354	(148,463)
Other operating lease rentals	239,929	74,148
Defined contribution pension cost	208,363	241,258
	<u>208,363</u>	<u>241,258</u>

8. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	88,460	76,840
Other services relating to taxation	18,800	13,000
All other non-audit services not included above	6,000	7,500
	<u>6,000</u>	<u>7,500</u>

9. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	15,894,026	10,784,299
Social security costs	1,779,986	1,110,144
Cost of defined contribution scheme	208,363	241,258
	<u>17,882,375</u>	<u>12,135,701</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Sales	37	32
Administration	671	293
Technical	6	5
	<u>714</u>	<u>330</u>

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

10. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	568,394	1,281,791
Company contributions to defined contribution pension schemes	13,617	11,250
	<u>582,011</u>	<u>1,293,041</u>

During the year retirement benefits were accruing to 2 directors (2016 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £229,824 (2016 - £791,656).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £13,617 (2016 - £11,250).

11. Interest receivable

	2017 £	2016 £
Interest receivable from group companies	424,808	221,783
Other interest receivable	802,874	7,124
	<u>1,227,682</u>	<u>228,907</u>

12. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	171,575	199,007
Other loan interest payable	433	2,900
Finance leases and hire purchase contracts	111	2,468,628
	<u>172,119</u>	<u>2,670,535</u>

SECURE METERS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

13. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	8,395,628	7,083,187
Adjustments in respect of previous periods	(83,681)	(94,630)
Group taxation relief	787,676	-
Total current tax	<u>9,099,623</u>	<u>6,988,557</u>
Deferred tax		
Origination and reversal of timing differences	(632,566)	(633,191)
Total deferred tax	<u>(632,566)</u>	<u>(633,191)</u>
Taxation on profit on ordinary activities	<u>8,467,057</u>	<u>6,355,366</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>40,936,657</u>	<u>30,317,237</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	8,187,331	6,063,447
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	13,441	245,340
Capital allowances for year in excess of depreciation	-	(14,000)
Adjustments to tax charge in respect of prior periods	(378,572)	(60,360)
Short term timing difference leading to an increase (decrease) in taxation	28,358	72,000
Fixed asset differences	-	106
Deferred tax not recognised	-	(40,587)
Group income	-	(20,000)
Other differences leading to an increase (decrease) in the tax charge	-	23,804
Group relief	16,499	(54,434)
Payment of group relief	600,000	140,050
Total tax charge for the year	<u>8,467,057</u>	<u>6,355,366</u>

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

13. Taxation (continued)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

14. Dividends

	2017 £	2016 £
Ordinary		
Dividends paid on equity shares	5,660,501	2,021,618
Equity Loan Notes		
Loan note distribution	-	132,216
	<u>5,660,501</u>	<u>2,153,834</u>

15. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent company for the year was £23,177,512 (2016 - £4,208,377).

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

16. Intangible assets

Group

	Patents £	Developmen t £	Acquisition costs £	Goodwill £	Total £
Cost					
At 1 April 2016	151,849	6,217,639	17,388,741	817,352	24,575,581
Additions	-	-	23,356,458	-	23,356,458
Disposals	-	-	(8,143,000)	-	(8,143,000)
On acquisition of subsidiaries	-	-	-	2,840,531	2,840,531
At 31 March 2017	151,849	6,217,639	32,602,199	3,657,883	42,629,570
Amortisation					
At 1 April 2016	151,849	3,994,148	4,234,199	571,813	8,952,009
Charge for the year	-	286,752	4,783,000	142,173	5,211,925
On disposals	-	-	(1,743,000)	-	(1,743,000)
At 31 March 2017	151,849	4,280,900	7,274,199	713,986	12,420,934
Net book value					
At 31 March 2017	-	1,936,739	25,328,000	2,943,897	30,208,636
At 31 March 2016	-	2,223,491	13,154,542	245,539	15,623,572

SECURE METERS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

16. Intangible assets (continued)

Company

	Patents £	Development £	Total £
Cost			
At 1 April 2016	151,849	5,228,130	5,379,979
At 31 March 2017	<u>151,849</u>	<u>5,228,130</u>	<u>5,379,979</u>
Amortisation			
At 1 April 2016	151,849	3,004,639	3,156,488
Charge for the year	-	286,752	286,752
At 31 March 2017	<u>151,849</u>	<u>3,291,391</u>	<u>3,443,240</u>
Net book value			
At 31 March 2017	<u>-</u>	<u>1,936,739</u>	<u>1,936,739</u>
At 31 March 2016	<u>-</u>	<u>2,223,491</u>	<u>2,223,491</u>

SECURE METERS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

17. Tangible fixed assets

Group

	L/Term Leasehold Property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Office equipment £
Cost or valuation					
At 1 April 2016	186,454	24,733,585	52,191	40,719	1,606,711
Additions	377,925	-	481	299	1,839,911
Acquisition of subsidiary	19,000	-	-	-	146,000
Disposals	-	(3,977,508)	(22,500)	-	(46,000)
At 31 March 2017	<u>583,379</u>	<u>20,756,077</u>	<u>30,172</u>	<u>41,018</u>	<u>3,546,622</u>
Depreciation					
At 1 April 2016	126,005	7,141,326	14,132	34,108	633,750
Charge for the period on owned assets	36,923	3,026,474	9,368	1,937	746,154
Disposals	-	(2,412,698)	(3,636)	-	(44,000)
At 31 March 2017	<u>162,928</u>	<u>7,755,102</u>	<u>19,864</u>	<u>36,045</u>	<u>1,335,904</u>
Net book value					
At 31 March 2017	<u>420,451</u>	<u>13,000,975</u>	<u>10,308</u>	<u>4,973</u>	<u>2,210,718</u>
At 31 March 2016	<u>60,449</u>	<u>17,592,259</u>	<u>38,059</u>	<u>6,611</u>	<u>972,961</u>

SECURE METERS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

17. Tangible fixed assets (continued)

	Computer equipment £	Total £
Cost or valuation		
At 1 April 2016	891,262	27,510,922
Additions	239,466	2,458,082
Acquisition of subsidiary	-	165,000
Disposals	-	(4,046,008)
At 31 March 2017	<u>1,130,728</u>	<u>26,087,996</u>
Depreciation		
At 1 April 2016	490,748	8,440,069
Charge for the period on owned assets	176,129	3,996,985
Disposals	-	(2,460,334)
At 31 March 2017	<u>666,877</u>	<u>9,976,720</u>
Net book value		
At 31 March 2017	<u><u>463,851</u></u>	<u><u>16,111,276</u></u>
At 31 March 2016	<u><u>400,514</u></u>	<u><u>19,070,853</u></u>

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

17. Tangible fixed assets (continued)

Company

	L/Term Leasehold Property £	Plant & machinery £	Fixtures & fittings £	Computer equipment £	Total £
Cost or valuation					
At 1 April 2016	71,092	307,970	40,719	891,262	1,311,043
Additions	-	-	299	239,466	239,765
At 31 March 2017	<u>71,092</u>	<u>307,970</u>	<u>41,018</u>	<u>1,130,728</u>	<u>1,550,808</u>
Depreciation					
At 1 April 2016	64,553	294,632	34,108	490,748	884,041
Charge for the period on owned assets	3,375	3,127	1,937	176,129	184,568
At 31 March 2017	<u>67,928</u>	<u>297,759</u>	<u>36,045</u>	<u>666,877</u>	<u>1,068,609</u>
Net book value					
At 31 March 2017	<u>3,164</u>	<u>10,211</u>	<u>4,973</u>	<u>463,851</u>	<u>482,199</u>
At 31 March 2016	<u>6,539</u>	<u>13,338</u>	<u>6,611</u>	<u>400,514</u>	<u>427,002</u>

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

18. Fixed asset investments

Company

	Unlisted investments £
Cost or valuation	
At 1 April 2016	801,430
At 31 March 2017	801,430
Net book value	
At 31 March 2017	801,430
At 31 March 2016	801,430

19. Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holdin g	Principal activity
PRI Limited	Ordinary	100 %	Dormant
Secure Meters Technology Limited	Ordinary	100 %	Software services
Utilita Group Limited	Ordinary	66.4 %	Holding company
Utilita Energy Limited	Ordinary	66.4 %	Energy supply
Utilita Gas Limited	Ordinary	66.4 %	Dormant
Utilita Services Limited	Ordinary	66.4 %	Dormant
Utilita Telecom Limited	Ordinary	66.4 %	Dormant
Winchester Gas Distribution Limited	Ordinary	66.4 %	Energy supply
Utilita Field Services Limited	Ordinary	66.4 %	Energy supply
Utilita Telesales Limited	Ordinary	66.4 %	Marketing service
Bswitched Limited	Ordinary	66.4 %	Dormant

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

19. Subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 March 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
PRI Limited	1	-
Secure Meters Technology Limited	(124,684)	17,003
Utilita Group Limited	2,295,859	10,124,381
Utilita Energy Limited	34,534,709	15,135,907
Utilita Gas Limited	1	-
Utilita Services Limited	1	-
Utilita Telecom Limited	1	-
Winchester Gas Distribution Limited	2,002,043	563,407
Utilita Field Services Limited	1,644,428	455,784
Utilita Telesales Limited	(61,313)	555,109
Bswitched Limited	100	-
	40,291,146	26,851,591

20. Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Finished goods	4,226,314	1,410,961	4,226,314	1,410,961
Goods in transit	12,894,363	6,983,017	12,566,766	6,718,965
	17,120,677	8,393,978	16,793,080	8,129,926

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stock recognised in cost of sales during the year as an expense was £114,005,906 (2016 - £63,171,080).

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

21. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due after more than one year				
Prepayments and accrued income	113,000	-	-	-
	<u>113,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Due within one year				
Trade debtors	35,619,800	20,548,703	24,179,248	11,807,608
Amounts owed by group undertakings	19,012,129	6,098,915	20,231,589	6,917,645
Other debtors	5,115,303	10,476,808	86,128	265,421
Prepayments and accrued income	6,076,639	2,747,006	304,780	490,295
Deferred taxation	407,989	-	20,389	-
	<u>66,231,860</u>	<u>39,871,432</u>	<u>44,822,134</u>	<u>19,480,969</u>

22. Current asset investments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Other investments	8,460,000	6,454,500	-	-
	<u>8,460,000</u>	<u>6,454,500</u>	<u>-</u>	<u>-</u>

Other investments represents renewables obligation certificates.

23. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	15,750,918	16,884,501	8,602,025	6,586,988
	<u>15,750,918</u>	<u>16,884,501</u>	<u>8,602,025</u>	<u>6,586,988</u>

Bank overdraft facilities are secured by a fixed and floating charge over the assets of the company.

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

24. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	21,460,317	14,197,243	1,795,658	803,207
Amounts owed to group undertakings	5,505,088	14,290,790	30,412,254	14,290,787
Corporation tax	4,391,581	3,688,929	2,455,581	633,710
Other taxation and social security	4,911,816	2,583,289	3,126,180	2,153,956
Other creditors	336,787	115,919	-	4,763
Accruals and deferred income	51,805,334	29,065,847	1,064,351	2,267,834
	<u>88,410,923</u>	<u>63,942,017</u>	<u>38,854,024</u>	<u>20,154,257</u>

Bank overdraft facilities are secured by a fixed and floating charge over the assets of the company.

25. Financial instruments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Financial assets measured at fair value through profit or loss	24,210,918	23,339,001	9,403,455	7,388,418
Financial assets that are debt instruments measured at amortised cost	59,747,233	37,124,427	44,496,965	18,990,674
	<u>83,958,151</u>	<u>60,463,428</u>	<u>53,900,420</u>	<u>26,379,092</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(79,107,526)	(57,669,799)	(33,272,263)	(17,366,591)
	<u>(79,107,526)</u>	<u>(57,669,799)</u>	<u>(33,272,263)</u>	<u>(17,366,591)</u>

Financial assets measured at fair value through profit or loss comprise investments and cash and cash equivalents

Financial assets that are debt instruments measured at amortised cost comprise trade, intercompany and other debtors.

Financial liabilities measured at amortised cost comprise comprise trade, intercompany and other debtors, and accruals.

SECURE METERS (UK) LIMITED

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FOR THE YEAR ENDED 31 MARCH 2017**

26. Deferred taxation

Group

	2017	2016
	£	£
At beginning of year	(224,577)	(692,090)
Charged to profit or loss	632,566	467,513
At end of year	407,989	(224,577)

Company

	2017	2016
	£	£
At beginning of year	(428,977)	(528,990)
Charged to profit or loss	449,366	100,013
At end of year	20,389	(428,977)

The deferred taxation balance is made up as follows:

	Group	Group	Company	Company
	2017	2016	2017	2016
	£	£	£	£
Accelerated capital allowances	407,989	(224,577)	20,389	(428,977)
	407,989	(224,577)	20,389	(428,977)

27. Share capital

	2017	2016
	£	£
Shares classified as equity		
Allotted, called up and fully paid		
8,086,430 Ordinary shares of £1 each	8,086,430	8,086,430

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

28. Reserves

Share premium account

This reserve represents the amount above the nominal value received for shares issued, less transaction costs.

Capital redemption reserve

This reserve represents the nominal value of shares repurchased by the company.

Other reserves

This reserve represents the balance of reserves following restructuring.

Profit & loss account

This reserve represents the cumulative profit available for distribution.

29. Contingent liabilities

Company

The Company is party to an arrangement jointly with its subsidiary Companies whereby it cross guarantees any bank overdrafts of those Companies.

Group

The Group's hedging strategy aims to provide the Group with protection against sudden and significant increases in energy prices while ensuring that the Group is not competitively disadvantaged in a serious way in the event of a substantial fall in the price of energy. The strategy operates within limits set by the Board. The Group's policy is not to trade in derivatives but to use these instruments to hedge anticipated expenses.

At 31 March 2017 subsidiary companies had entered into a portfolio of forward contracts for the purchase of energy. These contracts are capable of being bought and sold in an arm's length transaction. At 31 March 2017 the price to which the Group is committed exceeds the market price for such contracts by £670,000 (2016 - £15,852,000). Most of these contracts are for a period of up to two years.

Subsidiaries have also cross guaranteed the liabilities for the purchase of energy from BP Gas Marketing Limited. At 31 March 2016 the balance outstanding under this guarantee was £1,600,000 (2016 - £219,648).

30. Capital commitments

At 31 March 2016 the Group had capital commitments contracted for but not provided of £nil (2016 - £415,000).

31. Pension commitments

The group operates a defined contribution pension scheme. The total pension cost for the company was £216,000 (2016 - £230,008). An amount of £323 (2016 - £nil) is included in creditors, which represents contributions payable to the scheme.

SECURE METERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

32. Commitments under operating leases

At 31 March 2017 the Group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Not later than 1 year	1,582,300	771,300	74,300	74,300
Later than 1 year and not later than 5 years	6,381,767	3,749,067	24,767	99,067
Later than 5 years	5,599,000	4,567,000	-	-
	<u>13,563,067</u>	<u>9,087,367</u>	<u>99,067</u>	<u>173,367</u>

33. Related party transactions

The Group is exempt under Paragraph 33.1A of FRS 102 from disclosing related party transactions with entities that are part of the group headed by Secure Meters Limited, where 100% of the voting rights are controlled within the group.

In the year to 31 March 2017 the company provided meter servicing to Utilita Energy Limited for £5,772,688 (2016 - £3,093,128).

Interest of £nil (2016 - £112,518) was due from Utilita Group Limited to Secure Meters UK Limited on amounts due and a distribution of £nil (2016 - £132,216) was made from Utilita Group Limited to the holder of Equity Loan Notes, Secure Holdings International Pte Limited.

Secure Meters UK Limited paid interest of £119,038 (2016 - £124,978) to Utilita Group Limited on amounts due.

Details of amounts owed to and from other group entities can be seen in notes 21 and 24.

34. Post balance sheet events

The Group was owed £3,299,908 at the year end by Secure Controls Limited, a fellow subsidiary. This amount was considered recoverable at that date due to the continuing support given to Secure Controls Limited by the ultimate parent company. Subsequent to the year end the Group purchased the trade and assets of Secure Controls Limited and as part of the deal structure waived the debt due.

35. Controlling party

The directors regard Secure Meters Limited, a company registered in India, as the ultimate parent company. Copies of the parent's consolidated financial statements may be obtained from the company's registered office.