Company Registration No. 12285853

SMS ASSET MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 DECEMBER 2020

Corporate Information

Directors	A Foy (appointed 28 October 2019) T Mortlock (appointed 28 October 2019) G Urwin (appointed 31 March 2021)
Secretary	C McGinn (appointed 28 October 2019)
Company number	12285853
Registered office	Prennau House Copse Walk Cardiff Gate Business Park Pontprennau Cardiff Wales CF23 8XH

Directors' Report

The directors present their report and the audited financial statements of the Company for the period ended 31 December 2020.

Principal activity

The Company's principal activity is the provision of management services to a third party to whom a minority of the Group's meter asset portfolio was sold in April 2020. These services include accounting and treasury, portfolio asset management and other administrative tasks.

Future developments

There are no significant future developments to note.

Reporting period

The Company was incorporated on 28 October 2019. This first set of accounts is made up to 31 December 2020 from 28 October 2019, the date of incorporation.

Dividends

No dividends have been paid or recommended in the current period.

Going concern and financial risk management

The Company has recognised no profit or loss after tax for the period ended 31 December 2020 and as at that date had net current assets of £2 and net assets of £2.

The Group has provided a letter of support to confirm it will continue to provide financial support to the Company for a period of 12 months from the date of signing of these accounts.

Management prepares budgets and forecasts on a five-year forward-looking basis. These forecasts cover operational cash flows and investment capital expenditure. The directors have performed their assessment of the entity's ability to continue as a going concern, from the date of issue of these financial statements to 31 July 2022.

Following the outbreak of COVID-19, forecasts have been reviewed in detail based on the estimated potential impact of COVID-19 restrictions and regulations, along with the Group's proposed responses. 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 and, subject to no further setbacks with the pandemic, the Group expects this to improve further as recovery continues.

Management has modelled several different meter installation scenarios, including an extreme downside scenario arising solely from a COVID-19 protracted national lockdown, which assumed that no new installations took place for a period of six months. 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 extreme circumstances, the business will

Directors' Report *(continued)*

Going concern and financial risk management *(continued)*

still have sufficient resources to continue to operate. Overall, the main impact of COVID-19 is one of timing and, longer term, management does not anticipate any significant effects on the business as a result of the pandemic.

Management has concluded that no significant structural changes to the business are needed as a result of COVID-19.

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. 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 approving the financial statements, the Group had access to c.£247m of its revolving credit 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.

None of the subsidiaries within the Group have had to rely on any government support schemes as a result of COVID-19 and cash within the Group is available to be moved between subsidiaries as needed, as part of a well-established, group-wide treasury management process.

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 Company's going concern status.

Directors

The directors who served the Company during the period were as follows:

A Foy (appointed 28 October 2019)
D Thompson (appointed 28 October 2019 and resigned 31 March 2021)
T Mortlock (appointed 28 October 2019)

G Urwin was appointed as director to the Company on 31 March 2021 following the resignation of D Thompson.

The directors had no beneficial interest in the share capital of the Company at any time during the period but are equity holders of the ultimate parent company SMS plc, an AIM listed company.

Post balance sheet events

There are no post balance sheet events to note.

Disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Directors' Report *(continued)*

Independent auditors

Ernst & Young were appointed as auditor to the Company during the period and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a general meeting.

Small companies provision

The accounts have been prepared in accordance with certain provisions relating to small size companies under section 415A of the Companies Act 2006. In addition, no Strategic report has been prepared as part of these accounts as a result of the small companies' Strategic report exemption being applied.

On behalf of the Board

G Urwin
Director
Date: 22 July 2021

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors report to the members of SMS Asset Management Limited

Opinion

We have audited the financial statements of SMS Asset Management Limited for the period ended 31 December 2020 which comprise the Income statement and statement of comprehensive income, Statement of financial position, Statement of changes in equity and the related notes 1 to 10, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as 31 December 2020 and of its results for the period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditors report to the members of SMS Asset Management Limited *(continued)*

Other information ***(continued)***

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an

Independent auditors report to the members of SMS Asset Management Limited *(continued)*

Auditor's responsibilities for the audit of the financial statements ***(continued)***

audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and Companies Act 2006) and the relevant tax compliance regulations in which the Group operate.
- We understood how SMS Asset Management Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance. We corroborated our enquires through reading the board minutes, and we noted that there was no contradictory evidence.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of stakeholders. Where this risk was considered higher, we performed audit procedures to address the fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved reading board minutes to identify any non-compliance with laws and regulations; enquiries of management and journal testing, as outlined above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Independent auditors report to the members of SMS Asset Management Limited *(continued)*

Use of our report *(continued)*

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.

Kevin Weston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
22 July 2021

Income statement and statement of comprehensive income

For the period ended 31 December 2020

	Notes	28 October 2019 – 31 December 2020 £
Turnover	3	617,869
Cost of sales		(617,869)
Gross profit		—
Administrative expenses		—
Operating profit	4	—
Profit before taxation		—
Taxation		—
Profit for the financial period		—
Other comprehensive income		—
Total comprehensive income		—

Statement of financial position

As at 31 December 2020

	Notes	2020 £
Current assets		
Debtors: Amounts falling due within one year	7	2
Net current assets		**2**
Net assets		**2**
Capital and reserves		
Called up share capital	8	2
Retained earnings		—
Total equity		2

The notes on pages 14 to 20 are an integral part of these financial statements.

These financial statements were authorised for issue by the Board of directors on 22 July 2021 and were signed on its behalf.

G Urwin
Director

Statement of changes in equity

For the period ended 31 December 2020

	Called up share capital £	Retained earnings £	Total equity £
Balance as at 28 October 2019	—	—	—
Issue of shares	2	—	2
Total comprehensive income for the period	—	—	—
Balance as at 31 December 2020	**2**	**—**	**2**

Notes to the financial statements
For the period ended 31 December 2020

1. General information

SMS Asset Management Limited (the "Company") is a private limited company by shares, incorporated in Wales in the United Kingdom under the Companies Act 2006 (registration number 12285853). The Company is domiciled in the United Kingdom and its registered address is Prennau House Copse Walk, Cardiff Gate Business Park, Pontprennau, Cardiff, Wales, CF23 8XH. The Company is ultimately controlled by Smart Metering Systems (SMS) plc (SC367563) which is registered in Scotland, United Kingdom.

The Company's principal activity is the provision of management services to a third party to whom a minority of the Group's meter asset portfolio was sold in April 2020. These services include accounting and treasury, portfolio asset management and other administrative tasks.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of SMS Asset Management Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain financial assets and financial liabilities that have been measured at fair value.

The financial statements are presented in British Pounds Sterling (£) and all values are rounded to the nearest pound except where otherwise indicated.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.2.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
    i. paragraph 79(a)(iv) of IAS 1;
    ii. paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
    iii. paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
    - 10(d) (statement of cash flows);
    - 16 (statement of compliance with all IFRS)

Notes to the financial statements
For the period ended 31 December 2020

2.1 Basis of preparation *(continued)*

- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B–D (additional comparative information);
- 111 (cash flow statement information); and
- 134–136 (capital management disclosures).

- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.
- Paragraph 74A (b) of IAS 16, 'Property, plant and equipment'.

2.1.1 New standards, amendments and IFRIC interpretations

There have been no amendments to accounting standards, or IFRIC interpretations, that are effective for the period ended 31 December 2020, which have had a material impact on the Company.

2.1.2 Reporting period

The Company was incorporated on 28 October 2019. The financial statements are presented from this date to 31 December 2020 to align with the accounting reference date of other subsidiaries within the Group.

2.2 Use of estimates and judgements

The directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors have concluded that Company has no critical accounting judgements or key sources of estimation uncertainty that are considered to have a material impact over the Company's financial statements.

2.3 Going concern

The Company has recognised no profit or loss after tax for the period ended 31 December 2020 and as at that date had net current assets of £2 and net assets of £2.

The Group has provided a letter of support to confirm it will continue to provide financial support to the Company for at least a period of 12 months from the date of signing of these accounts.

Management prepares budgets and forecasts on a five-year forward-looking basis. These forecasts cover operational cash flows and investment capital expenditure. The directors have performed their assessment of the entity's ability to continue as a going concern, from the date of issue of these financial statements to 31 July 2022.

Notes to the financial statements

For the period ended 31 December 2020

2.3 Going concern ***(continued)***

Following the outbreak of COVID-19, forecasts have been reviewed in detail based on the estimated potential impact of COVID-19 restrictions and regulations, along with the Group's proposed responses. 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 and, subject to no further setbacks with the pandemic, the Group expects this to improve further as recovery continues.

Management has modelled several different meter installation scenarios, including an extreme downside scenario arising solely from a COVID-19 protracted national lockdown, which assumed that no new installations took place for a period of six months. 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 extreme circumstances, the business will still have sufficient resources to continue to operate. Overall, the main impact of COVID-19 is one of timing and, longer term, management does not anticipate any significant effects on the business as a result of the pandemic.

Management has concluded that no significant structural changes to the business are needed as a result of COVID-19.

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. 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 approving the financial statements, the Group had access to c.£247m of its revolving credit 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.

None of the subsidiaries within the Group have had to rely on any government support schemes as a result of COVID-19 and cash within the Group is available to be moved between subsidiaries as needed, as part of a well-established, group-wide treasury management process.

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 Company's going concern status.

2.4 Turnover recognition

Refer to details in note 3.

Notes to the financial statements

For the period ended 31 December 2020

2.5 Financial assets

The Company's financial assets include debtors arising from intercompany trading.

Classification
The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (FVPL)); and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade date (that is, the date on which the Company commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement
At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement
After the initial recognition, loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Financial assets at FVPL and available-for-sale financial assets are held at fair value.

Amounts owed by Group undertakings
Amounts owed by Group undertakings consist of outstanding loan balances. These are unsecured and interest free.

Impairment
The Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade debtors, which includes amounts relating to intercompany trading, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtors.

2.6 Offsetting of financial instruments

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

2.7 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction from the proceeds.

Notes to the financial statements

For the period ended 31 December 2020

2.8 Taxation

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

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the asset or liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. It is recognised in the income statement except when it relates to items recognised in other comprehensive income or directly in equity, such as share-based payments. In this case, the deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis.

Deferred tax liabilities are recognised for all temporary differences, except in respect of:

- temporary differences arising from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the financial statements
For the period ended 31 December 2020

3. Turnover

3.1 Disaggregation of turnover from contracts with customers

	2020
	£
Analysis of turnover by geography:	
United Kingdom	617,869

	2020
	£
Analysis of turnover by type of service:	
Third-party management services	617,869

Turnover is stated net of discounts and VAT.

There were no contract assets or contract liabilities recognised as at 31 December 2020.

3.2 Accounting policies and significant judgements

Third-party management services
The Company provides management services to a third party to whom a minority of the Group's meter asset portfolio was sold in April 2020. These services include accounting and treasury, portfolio asset management and other administrative tasks.

The various activities that make up these management services are provided to the third party on an integrated basis. Over the course of the contract term, which runs for as long as there are meters within the scope of the services, the Company delivers a series of monthly services for which the benefits are simultaneously received and consumed by the customer. Therefore, these are accounted for as a single performance obligation.

Service charges are currently based on a fixed annual fee, subject to contract RPI uplifts, and are invoiced to the customer monthly. Revenue is thus recognised over time based on the right to invoice. This is subsequently reclassified to receivables at the point at which the Company has an unconditional right to payment.

4. Operating profit

Audit fees payable to the Company's auditor for the period ended 31 December 2020 of £2,000 have been borne by SMS Meter Assets Limited, a wholly owned subsidiary of SMS plc.

5. Particulars of employees

The Company did not have any employees during the period.

6. Directors' Emoluments

During the period, all directors' emoluments were paid through SMS Connections Limited, a wholly owned subsidiary of SMS plc.

Notes to the financial statements
For the period ended 31 December 2020

7. Debtors

Amounts falling due within one year:	**2020** **£**
Amounts owed by Group undertakings	2
	2

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The directors consider that the carrying amount of debtors approximates to their fair value.

The total loss allowance for amounts owed by Group undertakings at 31 December 2020 was £nil.

8. Called up share capital

	2020 **£**
Authorised, issued and fully paid:	
2 Ordinary shares of £1 each	**2**

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

9. Related party transactions

The Company has taken advantage of the exemptions under FRS 101 not to disclose key management compensation or related party transactions entered into with fellow Group members.

There were no other transactions with related parties during the period.

10. Ultimate Parent Company

The immediate parent and the ultimate parent undertaking, and controlling party, is Smart Metering Systems (SMS) plc. Consolidated financial statements for the Group can be obtained from 2nd Floor, 48 St. Vincent Street, Glasgow, G2 5TS.

There is no ultimate controlling party of SMS plc by virtue of the diverse shareholder base.