Company Registration No. SC367412

SMS DATA MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2020

Corporate Information

Directors	A Foy W Turner G Urwin (appointed 31 March 2021) T Mortlock
Secretary	C McGinn
Company number	SC367412
Registered office	Second Floor 48 St Vincent Street Glasgow G2 5TS

Directors' Report

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

Future developments

During the year ended 31 December 2020, the Company commenced deployment of its new ADM™ model with 4G functionality. Development of additional products which utilise 4G technology, similar to the ADM™, also commenced during 2020 as this technology becomes the new standard to replace previous 2G services.

The Company will continue to develop its capabilities to deliver innovative and integrated data solutions to customers utilising the latest technologies, with a view to delivering new and enhanced solutions in existing and new markets, whilst also increasing portfolio size and driving recurring revenue.

Most notably, the Company continues to seek to grow opportunities in Australia to distribute the ADM™ device, and provide remote data collection and presentation services, to Water Authorities. With much of Australia still experiencing major drought conditions and associated water restrictions, there is a growing focus on water reform and water resource management, providing the initial basis for the Company's exploration into this potential new market.

Going concern and financial risk management

The Company has recognised a loss after tax of £77,257 (2019: profit of £2,802,068) for the year ended 31 December 2020. The profit recognised in 2019 was primarily due to the extinguishment of an outstanding loan balance owed to another Group undertaking. This event was non-recurring and was recognised as an exceptional gain given it does not reflect the underlying trading performance of the Company, which continues to grow. Despite planned installations being temporarily suspended in the year as a result of COVID-19 restrictions, thus leading to lower installations rates, the Company's underlying performance was largely unaffected as the rates of asset removals were congruently lower and the Company continued to generate revenue from its existing data assets under management.

As at 31 December 2020, the Company had net current liabilities of £5,591,767 (2019: £6,319,441) and net liabilities of £163,727 (2019: £86,470). Net current liabilities are driven primarily by amounts borrowed from other Group undertakings to support the Company's working capital. As these amounts are repayable on demand, they have been classified as current obligations and drive the net current liability position at 31 December 2020. The directors are comfortable that this does not impact the Company's going concern assessment as they are of the understanding that the Group undertakings acting as lenders to the Company have no intention of seeking repayment within twelve months. Furthermore, 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 30 September 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

Directors' Report *(Continued)*

Going concern and financial risk management *(continued)*

c.80% of the pre-COVID-19 run rate. Where permitted under the UK Government's guidelines, installation activity continued in the early part of 2021 through the second national lockdown. Since April 2021, following the easing of restrictions, the Group has operated above the pre-COVID-19 run rate.

Management has modelled several different meter installation scenarios, including 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.

Directors

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

A Foy
W Turner
D Thompson (resigned 31 March 2021)
T Mortlock

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 year, but are equity holders of the ultimate parent company Smart Metering Systems plc, an AIM listed company.

Directors' Report *(Continued)*

Research and development

During the year, the Company incurred development costs of £nil (2019: £33,796) relating to a new ADM^{TM} model.

Post balance sheet events

Post balance sheet events regarding the Budget 2021 announcement have been disclosed. See note 19 to the financial statements for details.

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.

Independent auditors

Pursuant to section 487 of the Companies Act 2006 the auditor will be deemed to be re-appointed and Ernst & Young will therefore continue in office.

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: 21 September 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 Auditor's Report to the Members of SMS Data Management Limited

Opinion

We have audited the financial statements of SMS Data Management Limited for the year 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 19, 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 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.

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 Auditor's Report to the Members of SMS Data 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.

Independent Auditor's Report to the Members of SMS Data Management Limited *(Continued)*

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 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 Data 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.

Independent Auditor's Report to the Members of SMS Data Management Limited *(Continued)*

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 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.

Ernst & Young LLP

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

Date: 22 September 2021

Income statement and statement of comprehensive income

For the year ended 31 December 2020

	Notes	2020 £	2019 £
Turnover	3	3,434,492	3,308,611
Cost of sales		(1,297,137)	(1,262,784)
Gross profit		**2,137,355**	**2,045,827**
Administrative expenses		(2,161,533)	(2,165,361)
Exceptional items	5	(30,132)	2,900,000
Operating (loss)/profit	**4**	**(54,310)**	**2,780,466**
Finance income	8	716	1,818
Finance costs	8	(396)	(230)
(Loss)/profit before taxation		**(53,990)**	**2,782,054**
Taxation	9	(23,267)	20,014
(Loss)/profit for the financial year		**(77,257)**	**2,802,068**
Other comprehensive income		—	—
Total comprehensive (loss)/income		**(77,257)**	**2,802,068**

Statement of financial position

As at 31 December 2020

	Notes	2020 £	2019 £
Fixed assets			
Intangible assets	10	36,439	74,479
Tangible assets	11	5,640,606	6,384,230
Investments		—	—
		5,677,045	**6,458,709**
Current assets			
Stock	12	518,754	358,971
Debtors: Amounts falling due within one year	13	478,381	664,446
Cash at bank and in hand		246,061	347,789
		1,243,196	**1,371,206**
Current liabilities			
Creditors: amounts falling due within one year	14	(6,834,963)	(7,690,647)
Net current liabilities		**(5,591,767)**	**(6,319,441)**
Total assets less current liabilities		**85,278**	**139,268**
Deferred tax liability	15	(249,005)	(225,738)
Net liabilities		**(163,727)**	**(86,470)**
Capital and reserves			
Called up share capital	16	1	1
Retained earnings		(163,728)	(86,471)
Total equity		**(163,727)**	**(86,470)**

The notes on pages 14 to 30 are an integral part of these financial statements.

These financial statements were authorised for issue by the board of directors on 21 September 2021 and were signed on its behalf.

GU

G Urwin
Director

Statement of changes in equity

For the year ended 31 December 2020

	Called up share capital £	Retained earnings £	Total equity £
Balance as at 1 January 2019	1	(2,888,539)	(2,888,538)
Total comprehensive income for the year	—	2,802,068	2,802,068
Balance as at 31 December 2019	**1**	**(86,471)**	**(86,470)**
Total comprehensive loss for the year	—	(77,257)	(77,257)
Balance as at 31 December 2020	**1**	**(163,728)**	**(163,727)**

Notes to the financial statements

For the year ended 31 December 2020

1. General information

SMS Data Management Limited (the "Company") is a private limited company by shares, incorporated in Scotland in the United Kingdom under the Companies Act 2006 (registration number SC367412). The Company is domiciled in the United Kingdom and its registered address is 2nd Floor, 48 St Vincent Street, Glasgow, G2 5TS. The Company's immediate parent is Smart Metering Systems (SMS) Plc (SC367563) and it is ultimately controlled by Smart Metering Systems Plc, which is registered in Scotland, United Kingdom.

The Company's principal activity is that of the supply and installation of ADM™ devices to industrial and commercial customers, and associated data management services.

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 Data 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 2.3.

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)
    - 38A (requirement for minimum of two primary statements, including cash flow statements);

Notes to the financial statements

For the year ended 31 December 2020

2.1 Basis of preparation *(continued)*

  - 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

IFRS 16 was a new accounting standard that was effective for the year ended 31 December 2019. This had no material impact on the Company.

No other amendments to accounting standards, or IFRIC interpretations, that are effective for the years ended 31 December 2019 or 31 December 2020, have had a material impact on the Company.

2.2 Consolidation

The Company is a wholly owned subsidiary of SMS plc. It is included in the consolidated financial statements of SMS plc, which are publicly available. Therefore, the Company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office is 2nd Floor, 48 St. Vincent Street, Glasgow, G2 5TS.

These financial statements are separate financial statements.

2.3 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 the 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.

2.4 Going concern

The Company has recognised a loss after tax of £77,257 (2019: profit of £2,802,068) for the year ended 31 December 2020. The profit recognised in 2019 was primarily due to the extinguishment of an outstanding loan balance owed to another Group undertaking. This event was non-recurring and was recognised as an exceptional gain given it does not reflect the underlying trading performance of the Company, which continues to grow. Despite planned installations being temporarily suspended in the

Notes to the financial statements

For the year ended 31 December 2020

2.4 Going concern and financial risk management *(continued)*

year as a result of COVID-19 restrictions, thus leading to lower installations rates, the Company's underlying performance was largely unaffected as the rates of asset removals were congruently lower and the Company continued to generate revenue from its existing data assets under management.

As at 31 December 2020, the Company had net current liabilities of £5,591,767 (2019: £6,319,441) and net liabilities of £163,727 (2019: £86,470). Net current liabilities are driven primarily by amounts borrowed from other Group undertakings to support the Company's working capital. As these amounts are repayable on demand, they have been classified as current obligations and drive the net current liability position at 31 December 2020. The directors are comfortable that this does not impact the Company's going concern assessment as they are of the understanding that the Group undertakings acting as lenders to the Company have no intention of seeking repayment within twelve months. Furthermore, 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 30 September 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.

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

Notes to the financial statements

For the year ended 31 December 2020

2.4 Going concern and financial risk management *(continued)*

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.

2.5 Turnover recognition

Refer to details in note 3.

2.6 Exceptional items and separately disclosed items

Exceptional items are presented on the face of the statement of comprehensive income. These are material items of income or expense which, because of their material nature or expected infrequency of the events giving rise to them, merit separate presentation to allow for a better understanding of the financial performance in a given year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

2.7 Interest income and expense

Interest income and interest expense are recognised through the statement of comprehensive income as incurred. Interest income comprises of interest receivable from bank deposits. Interest expense comprises of interest due on bank loans and similar bank charges. Where applicable, interest can also include interest payable and/or receivable on intercompany loans where loans are carried at amortised cost and the effective interest method is applied.

2.8 Financial assets

The Company's financial assets include cash and cash equivalents and debtors.

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.

2.8 Financial assets *(continued)*

Measurement

Trade and other debtors
Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost. They are generally due for settlement within 30 days, due to their short-term nature, carrying value is considered to approximate fair value.

Cash and cash equivalents
Refer to accounting policy.

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 and accrued income, which include amounts relating to intercompany trading, contract assets and billed and unbilled receivables arising from contracts with customers the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtors.

Trade debtors and accrued income are written off, and de-recognised, where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes, amongst others, the customer ceasing trading and entering administration, or a failure by the customer to make contractual payments for a period of greater than 365 days past due.

Indicators are assessed on an individual customer basis. Impairment losses, including the loss allowance, on trade debtors and contract assets are presented within administrative expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

Subsequent measurement
After 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.

2.9 Financial liabilities

The Company's financial liabilities include trade and other creditors.

Classification
Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Recognition
All financial liabilities are recognised initially at fair value and, in the case of bank loans, net of directly attributable transaction costs.

Measurement
Trade and other creditors and bank overdrafts
Trade and other creditors, and overdrafts, are subsequently measured at amortised cost using the effective interest rate method. Trade and other creditors are presented as current liabilities unless payment is not due within twelve months after the reporting period. Due to their short-term nature, carrying value is considered to approximate fair value.

Notes to the financial statements

For the year ended 31 December 2020

2.9 Financial liabilities *(continued)*

Amounts owed to Group undertakings

Amounts owed to Group undertakings consist of outstanding loan balances, classified as debt instruments under IFRS 9. These are unsecured and interest free. All loans between group undertakings are repayable on demand and classified as creditors due within one year. Amortised cost is equal to the principal value, which is considered to approximate fair value.

2.10 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.

2.11 Research and development

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

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

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

- Development of ADM™ units - 10% on cost straight line
- Development of internally generated information technology systems (IT development) - 20% on cost straight line

Capitalised development expenditure on ADM™ units is disclosed within property, plant and equipment as part of meter assets and amortised over the same useful economic life as that applied to the tangible ADM™ unit.

Capitalised IT development expenditure is disclosed within intangible assets as part of IT development and software. Development and software were previously disclosed separately but were combined into a single asset class for the year ended 31 December 2019 as all costs capitalised within these categories relate to information technology and, with effect from 1 January 2019, are amortised over the same useful economic life of five years.

2.12 Intangible assets

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

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

2.12 Intangible assets *(continued)*

Internally generated intangible assets relate to IT development and are recognised as part of IT development and software. Refer to further details in the research and development accounting policy above.

Intangible assets are amortised over their useful lives as follows:

- IT development and software - 20% on cost straight line

Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis. Longer life software is related to underlying meter assets.

2.13 Impairment

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date. A reversal of an impairment loss is recognised as income immediately.

2.14 Tangible assets

Tangible assets are stated at cost, net of accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the tangible asset. When significant parts of these assets are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively.

All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

For each asset depreciation is calculated using the straight line method to allocate its cost, net of its residual value if applicable, over its estimated useful life as follows:

- Meter assets - ADM™ units - 10%

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

Tangible assets are initially recorded at cost.

2.15 Investments

Investments in subsidiaries are held at cost less accumulated impairment losses.

Notes to the financial statements

For the year ended 31 December 2020

2.16 Stock

Stock is stated at the lower of cost and net realisable value. Cost comprises direct materials and purchases of meter assets at cost. Net realisable value represents the estimated selling price for stock less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.17 Cash and cash equivalents

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

2.18 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.

2.19 Taxation

Tax currently payable is based on the taxable profit for the year 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.

Notes to the financial statements

For the year ended 31 December 2020

2.19 Taxation *(continued)*

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.

3. Turnover

3.1 Disaggregation of turnover from contracts with customers

	2020	2019
	£	£
Analysis of turnover by geography:		
United Kingdom	**3,434,492**	**3,308,611**

		2019
		£
Analysis of turnover by type of service:		
Data Charges	3,424,237	3,301,162
Transactional Meter Works	10,255	7,449
	3,434,492	**3,308,611**

Turnover is stated net of discounts and VAT.

3.2 Assets and liabilities related to contracts with customers:

The Company has recognised the following assets and liabilities related to contracts with customers:

	2020	2019
	£	£
Current contract liabilities	1,001,935	964,123
Total contract liabilities	**1,001,935**	**964,123**

There were no contract assets at 31 December 2020 or 31 December 2019.

Trade debtors and unbilled receivables are disclosed in note 13.

i) Significant changes in contract assets and liabilities

Contract assets and contract liabilities have not changed significantly, and movements reflect the general timing of revenue recognition and status of services in progress at the end of the year.

ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current period relates to carried-forward contract liabilities:

	2020	2019
	£	£
Revenue recognised that was included in the contract liability balance at the beginning of the period	**960,743**	**894,785**

Notes to the financial statements

For the year ended 31 December 2020

3. Turnover ***(continued)***

3.3 Accounting policies and significant judgements

(i) Data services

The Company provides data collection and aggregation services to I&C gas customers through use of the ADM™ unit. Over the course of the fixed contract term, the Company delivers a series of monthly services for which the benefits are simultaneously received and consumed by a customer. Therefore, these are accounted for as a single performance obligation.

Service charges are calculated based on the number of ADM™ units appointed and invoiced to customers monthly. As turnover from service charges is attributed to services provided periodically, revenue is always based on the actual level of service provided and, therefore, there is no uncertainty at the end of each reporting period. Service charges, including contract inflation uplifts, are billed to clients annually in advance and therefore a contract liability is recognised and subsequently released to the income statement over the year on a straight line basis. The Company uses the practical expedient under IFRS 15 from adjusting turnover for any significant financial components of one year or less.

The ADM™ device is a proprietary product for the Company and there are no other market providers of this device. A customer cannot therefore benefit from the data services without installation, and the installation is not separately identifiable as it is integral to the subsequent data services. This is therefore accounted for along with the data services as a single performance obligation and any corresponding charges are recognised over the term of the contract.

(ii) Transactional meter works

Transactional works, which comprise maintenance services and are typically short term in nature, are accounted for as a separate performance obligation on the basis that these are separately identifiable and capable of being distinct.

The transaction price allocated to transactional works is based on stand-alone selling prices (per unit, where relevant) and turnover is recognised at a point in time when the transaction has been completed and accepted by the customer. This is the point at which the customer is charged for the service and a receivable is recognised by the Company as we have an unconditional right to payment. The customer will settle the transaction price for these services as part of the regular monthly billing cycle for metering services.

The customer pays the fixed amount based on the transactional services provided and this is charged once the service has been completed and accepted by the customer.

(iii) Assets and liabilities arising from contracts with customers

Costs to fulfil a contract

In certain circumstances, the Company may incur costs to fulfil its obligations under a contract once it is obtained, but before transferring goods or services to the customer. These costs are assessed on a contract by contract basis and, where they are considered to meet the definition of fulfilment costs under IFRS 15, they are recognised as an asset and amortised on a systematic basis consistent with the pattern of transfer of the services to which the asset relates.

Notes to the financial statements

For the year ended 31 December 2020

3. Turnover *(continued)*

3.3 Accounting policies and significant judgements *(continued)*

(iii) Assets and liabilities arising from contracts with customers (continued)

Contract assets and liabilities

We receive payments from customers based on a billing schedule, as established in our contracts. The timing of turnover recognition, billing and cash collections results in:

- billed and unbilled accounts receivable, which are recognised when our right to consideration becomes unconditional, and classified as trade debtors and accrued income respectively;
- unbilled amounts, where we have a conditional right to consideration based on future performance, recognised as contract assets. These amounts will be billed in accordance with the agreed upon contractual terms; and
- payments received in advance of performance under a contract, recognised as contract liabilities. Contract liabilities are recognised as turnover as (or when) we perform under a contract.

Cancellation terms can vary but typically include provisions that allow the customer to terminate the contract at their discretion subject to a penalty or settlement of amounts for work completed prior to termination. Contracts allow both parties to cancel without penalty in the case of a material breach of contract.

4. Operating profit

The Company has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Company.

Operating profit for the period is stated after charging/(crediting):	2020 £	2019 £
Stock recognised as an expense	130,208	145,290
Impairment of trade debtors	8,143	—
Amortisation of intangible assets	38,040	76,707
Depreciation of owned tangible assets	1,077,923	1,101,151
Loss on disposal of fixed assets	36,437	380,851
Management charges	420,735	218,853
Audit fees payable to the company's auditor*	8,000	5,000

*This includes audit fees for the Company financial statements and also a share of the fees for the audit of the SMS plc Group accounts. The Company has taken advantage of the exemption not to disclose amounts paid to the auditor for non-audit services as these are disclosed in the Group accounts of its ultimate parent SMS plc.

Management charges disclosed above are payable to SMS Corporate Services Limited, another subsidiary of the Group, for corporate activities and costs processed centrally on behalf of the Company.

During the year, all staff costs were paid through SMS Connections Limited, a wholly owned subsidiary of SMS plc, and recharged to the Company. Total staff costs recharged to the Company in 2020 were £333,064 (2019: £339,248).

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

5. Exceptional items

In 2020, exceptional items comprise of £30,132 of costs directly attributable to COVID-19.

In 2019, a £2,900,000 exceptional gain was recognised as a result of an amount due to a Group undertaking being contractually extinguished effective 31 December 2019.

6. Particulars of employees

During the year, all staff were employed by SMS Connections Limited, a wholly owned subsidiary of SMS plc.

7. Directors' Emoluments

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

8. Finance income and expense

	2020	2019
	£	£
Finance income		
Bank interest receivable	716	1,818
Total finance income	**716**	**1,818**

	2020	2019
	£	£
Finance expense		
Bank borrowings and similar charges	396	230
Total finance expense	**396**	**230**

9. Taxation

Tax (credit) /expense included in the income statement:

	2020	2019
	£	£
Current tax:		
UK corporation tax on profits for the year	—	345
Adjustment in respect of prior years	—	—
Total current tax	**—**	**345**
Deferred tax:		
Current year	(3,290)	(22,755)
Effect of changes in tax rate	26,557	2,396
Total deferred tax	**23,267**	**(20,359)**
Tax charge/(credit) per income statement	**23,267**	**(20,014)**

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

9. Taxation *(continued)*

Tax charge for the year is higher (2019: tax credit was lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19% (2019: 19%). The differences are explained below:

	2020	2019
	£	£
(Loss)/profit before taxation	(53,990)	2,782,054
(Loss)/profit multiplied by the standard rate of tax in the UK of 19% (2019: 19%)	(10,258)	528,590
Effects of:		
Expenses not deductible	6,968	—
Income not taxable	—	(551,000)
Adjustments in respect of prior years	—	—
Tax rate changes	26,557	2,396
Tax (credit)/ charge for the period	**23,267**	**(20,014)**

Current tax has been calculated at the standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19% (2019: 19%).

10. Intangible assets

	IT development and software
	£
Cost	
As at 1 January 2020	190,201
Additions	—
Disposals	—
At 31 December 2020	**190,201**
Accumulated amortisation	
As at 1 January 2020	115,722
Charge for year	38,040
Disposals	—
At 31 December 2019	**153,762**
Net book value	
At 31 December 2020	**36,439**
At 31 December 2019	74,479

The costs recognised within IT development and software relate to the Company's AMR software system, which was purchased for the Company's specific requirements.

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

11. Tangible fixed assets

	Meter assets
	£
Cost	
As at 1 January 2020	10,813,317
Additions	451,127
Disposals	(201,955)
At 31 December 2020	**11,062,489**
Accumulated depreciation	
As at 1 January 2020	4,429,087
Charge for year	1,077,923
Disposals	(85,127)
At 31 December 2020	**5,421,883**
Net Book Value	
At 31 December 2020	**5,640,606**
At 31 December 2019	**6,384,230**

12. Stock

	2020	2019
	£	£
Finished goods	**518,754**	**358,971**

Stock is stated after provisions for impairment of £444,957 (2019: £406,474).

13. Debtors

	2020	2019
Amounts falling due within one year:	£	£
Trade debtors	173,574	369,551
Amounts owed by Group undertakings	—	1,222
Group relief debtor	10,657	10,657
Prepayments and accrued income	294,150	283,016
	478,381	**664,446**

Trade debtors and accrued income include billed and unbilled receivables relating to our data management contracts.

Within the trade debtors balance is £nil (2019: £nil) which relates to intercompany trading.

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

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

13. Debtors *(continued)*

Accrued income is made up of the following balances:

	2020 £	2019 £
Unbilled receivables	271,877	255,075
Intercompany accrued income	1,222	11,016
	273,099	**266,091**

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

The total loss allowance for trade debtors, amounts owed by Group undertakings and accrued income at 31 December 2020 was £11,681 (2019: £4,076).

Trade debtors are non-interest bearing and are generally on 30–90-day terms.

Accrued income, which is made up of unbilled receivables, is presented net of any loss allowance and impairment, with amounts being invoiced periodically and customers being the same as those within trade receivables.

14. Creditors

Amounts falling due within one year

	2020 £	2019 £
Trade creditors	221,965	412,091
Other taxation and social security	169,562	67,417
Amounts owed to Group undertakings	5,011,475	6,198,786
Other creditors	872	—
Accruals and deferred income	1,431,089	1,012,353
	6,834,963	**7,690,647**

Within the trade creditors balance is £57,964 (2019: £83,325) which relates to intercompany trading.

Within the accruals and deferred income balance is £322,891 (2019: £39,352) which relates to intercompany trading.

Amounts owed to 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 creditors approximates to their fair value.

Trade creditors are classified at amortised cost and are non-interest bearing and are normally settled on 30-day terms.

Deferred income is made up of the following balances:

	2020 £	2019 £
Contract liabilities	**1,001,935**	**964,123**

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

15. Deferred tax

The deferred taxation included in the statement of financial position is as follows:

	2020 £	2019 £
Deferred tax liabilities		
As at 1 January	225,738	246,097
Deferred tax charge to income statement	23,267	(20,359)
As at 31 December	**249,005**	**225,738**

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2020 £	2019 £
Excess of taxation allowances over depreciation on fixed assets	250,450	258,258
Tax losses available	—	(32,520)
Other	(1,445)	—
	249,005	**225,738**

Deferred tax has been provided on the closing balance sheet temporary differences at 19%, being the rate which was substantively enacted at the balance sheet date (effective from 17 March 2020). The March 2021 Budget announced that the rate of corporation tax would be increased in future to 25% and this change was substantively enacted on 24 May 2021. The impact of this change would result in an increase to closing deferred tax liabilities of c.£79,000.

16. Called up share capital

	2020 £	2019 £
Authorised, issued and fully paid:		
1 Ordinary shares of £1 each	**1**	**1**

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.

17. 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. No other related party transactions took place during the current or prior period.

18. Ultimate Parent Company

The immediate parent and ultimate parent undertaking is 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.

Notes to the financial statements

For the year ended 31 December 2020

19. Post balance sheet events – Budget 2021 announcement

Deferred tax has been provided on the closing balance sheet temporary differences at 19%, being the rate which was substantively enacted at the balance sheet date (effective from 17 March 2020). The March 2021 Budget announced that the rate of corporation tax would be increased in future to 25% and this change was substantively enacted on 24 May 2021. The impact of this change would result in an increase to closing deferred tax liabilities of c.£79,000.