



Smart Metering Systems plc
("Smart Metering Systems" or the "Company")

Maiden Interim Results for the six months ended 30 June 2011

Smart Metering Systems plc (AIM: SMS), the only independent provider of gas infrastructure connection and gas meter asset management services, and a developer of advanced smart metering technology solutions, to the UK's key gas suppliers, is pleased to announce its maiden interim results for the six months ended 30 June 2011. These are the first trading results since the Company's flotation on AIM on 8 July 2011.

Financial Highlights

- Strong trading performance
- £10m of gross proceeds raised on IPO post period end
- Revenue increased by 28% to £7.4m (H1 2010: £5.8m)
- Gross profit increased by 54% to £3.8m (H1 2010: £2.4m)
- EBITDA increased by 104% to £2.4m (H1 2010: £1.2m)
- PBT increased by 118 % to £1.5m (H1 2010: £0.7m)
- Basic earnings per share of 1.78p (H1 2010: 0.60p)

Operational Highlights

- Gas meter portfolio increased to 227,517 at 30 June 2011 (2010: 181,468)
- Recurring meter rental income increased by 58% to £3.0m (2010: £1.9m)
- Positive outlook for the remainder of the year

Alan Foy, Chief Executive Officer, commented: "The first six months of the year demonstrated further growth for the group and a successful IPO. The board was strengthened by the appointment of Kevin Lyon as Chairman and Nigel Christie as senior independent director who will provide valuable experience as we begin the next phase of our development on the public markets. We are well placed to continue this growth by maintaining a consistently high quality service to our customers and on-going investment in meter assets. We view the remainder of the year with confidence."

For further information, please contact:

Smart Metering Systems

Alan Foy, Chief Executive Officer
 Glen Murray, Finance Director

0207 466 5000 on 19 September
 0141 249 3850 thereafter

Buchanan

Diane Stewart / Carrie Clement
 Richard Darby

0131 226 6150
 0207 466 5000

Cenkos Securities, NOMAD

Ken Fleming
 Jon Fitzpatrick

0131 220 6939
 0207 397 8900

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

We are delighted to announce Smart Metering Systems' first interim results following the Company's flotation on AIM in July of this year.

The results we are reporting today solely reflect our performance as a private company. During this period, the Company performed strongly as we prepared for flotation, with revenue up 28% and operating profit up 54%. Our three subsidiaries, UK Gas Connections ("UKGC"), UK Meter Assets ("UKMA") and UK Data Management ("UKDM") all made progress as we increased our gas connections and our portfolio of meter assets under management, and progressed the development of our ADM smart metering device.

The completion of the IPO was particularly pleasing to us as we received significant support from blue chip institutional investors for our business model. We welcome our new shareholders to the Company.

The net proceeds from the IPO placing will be used to fund organic growth. This process has already started and, since July 2011, we have invested more than £2.0m in new gas meter assets.

Financial Review

Revenue increased by 28% in the six months to 30 June 2011 to £7.4m (H1 2010: £5.8m) with a 54% corresponding increase in gross profit of £1.4m to £3.8m (H1 2010: £2.4m).

Capital expenditure on new gas meters amounted to £3.9m (H1 2010: £2.0m). The Company has excellent visibility of earnings as contracts with gas suppliers provide predictable recurring revenues. Recurring meter rental income showed good progress in the period, increasing by 58% to £3.0m (2010: £1.9m).

The Company showed good operational gearing as it continued to grow without adding significantly to its overhead cost base.

The cash balance at 30 June was £1.3m (2010: £0.2m). Post period end this balance was increased by £8.6m, the net proceeds of the IPO placing.

The Company is not declaring a dividend at this stage but, subject to the Company's financial performance, intends to pay a maiden interim dividend for the financial year ending 31 December 2012.

Operational Review

Smart Metering Systems benefits by being the UK's only independent provider of the full range of integrated gas services from the management of gas connections and operation of gas meter assets to a comprehensive smart metering solution.

UKGC provides gas connection and metering services to the UK's major gas suppliers who employ UKGC on a non-exclusive basis to install meters and provide gas connections for their end consumers. UKGC saw modest increases in gas connection activity during the period, although it experienced an unusually high level of transactions in late June.

UKMA is an OFGEM-accredited meter asset manager engaged in the ownership, operation and management of domestic and industrial and commercial gas meter assets. As at 30 June, UKMA's meter assets portfolio had continued to grow with the main licensed gas suppliers in the UK, increasing to 227,517 at the period end from 221,000 at the time of the publication of the AIM admission document.

As at 12 September 2011, this had increased to 240,309 meter assets representing an increase of 9% since flotation. The substantially unutilised net proceeds of the IPO placing and the Company's existing cash resources will provide the Company with the platform to continue to grow its meter assets portfolio. In addition we are in the process of completing additional bank facilities which further increases our capital for investment.

The Company's IT system, used to manage these assets, has been stress tested to 5m meter assets, providing further room to grow without incurring significant expenditure.

UKDM is our ESTA-approved data management company. It operates and manages our automatic meter reading services utilising the Company's patent pending ADM smart metering solution for the gas and water markets. Trials of the ADM device are complete with Contract Natural Gas Limited, and indications to commence trials with the Company's other gas supplier customers, which represent 80% of the I&C market, have been received.

The key feature of the ADM solution is its simple plug and play design which can utilise existing pulse-enabled gas meters, reducing installation costs and the need to dispose of them in the field. A simple key swipe to activate eliminates manual commissioning onsite and operational manual intervention and increases data accuracy. The Company's existing IT system and secure communication infrastructure is used to track and manage the ADM device and securely deliver half hourly meter reading information direct to the gas suppliers.

Outlook

Our business continues to show good progress and the Company has made an encouraging start to its life as a quoted company.

The Company has invested in and developed a strong business model that is designed to stand up to competitive pressure. It has an established 'fit-for-purpose' IT system, a strong and robust contract structure and a patent pending smart metering solution that is designed to unlock further growth.

Our strategy is to provide a consistently high quality service to our customers and to deliver organic growth in our gas meter asset portfolio, securing new gas meters and benefiting from the replacement of older existing meters in the I&C market.

Trials of our automated meter reading solution, ADM, will continue throughout the remainder of the year with completion anticipated by early 2012.

We are confident of the outlook for the remainder of the year.

In conclusion, we would like to take this opportunity of thanking all our advisers who helped the Company during the IPO process, welcoming our new shareholders and other stakeholders, and thanking our management and staff for their continued and strong support.

Kevin Lyon
Chairman

Alan Foy
Chief Executive Officer

19 September 2011

SMS plc
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2011

	6 Months ended 30 June 2011 Unaudited £'000	6 Months ended 30 June 2010 Unaudited £'000	Year ended 31 December 2010 Audited £'000
REVENUE	7,391	5,757	12,368
Cost of sales	(3,625)	(3,308)	(6,876)
Gross Profit	3,766	2,449	5,492
Administrative expenses	(1,906)	(1,657)	(4,314)
PROFIT FROM OPERATIONS	1,860	792	1,178
Attributable to:			
Operating profit before exceptional items	1,860	792	2,042
Exceptional items	-	-	(864)
Finance costs	(326)	(88)	(321)
PROFIT BEFORE TAXATION	1,534	704	857
Taxation	(344)	(301)	(367)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	1,190	403	490
Other comprehensive income	-	-	-
Total comprehensive income	1,190	403	490
Earnings per share - basic (pence)	1.78	0.60	0.73
Earnings per share - diluted (pence)	1.69	0.60	0.73

SMS plc
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	30 June 2011 Unaudited £'000	30 June 2010 Unaudited £'000	31 December 2010 Audited £'000
ASSETS			
Non-current assets			
Intangible assets	1,948	1,801	1,731
Property, plant and equipment	16,463	10,108	12,951
Financial asset investments	-	20	-
	<u>18,411</u>	<u>11,929</u>	<u>14,682</u>
Current assets			
Inventories	9	-	-
Trade and other receivables	2,679	1,783	1,219
Financial asset investments	-	517	180
Cash and cash equivalents	1,269	192	1,835
Other current financial assets	56	-	99
	<u>4,013</u>	<u>2,492</u>	<u>3,333</u>
TOTAL ASSETS	<u>22,424</u>	<u>14,421</u>	<u>18,015</u>
LIABILITIES			
Current liabilities			
Trade and other payables	7,146	6,274	6,090
Bank loans and overdrafts	1,174	1,212	1,003
Obligations under hire purchase agreements	-	14	7
Other current financial liabilities	205	-	171
	<u>8,525</u>	<u>7,500</u>	<u>7,271</u>
Non-current liabilities			
Bank loans	10,199	4,121	8,253
Deferred tax liabilities	1,163	860	964
	<u>11,362</u>	<u>4,981</u>	<u>9,217</u>
TOTAL LIABILITIES	<u>19,887</u>	<u>12,481</u>	<u>16,488</u>
NET ASSETS	<u>2,537</u>	<u>1,940</u>	<u>1,527</u>
EQUITY			
Share capital	667	-	-
Other reserves	1	1	1
Retained earnings	1,869	1,939	1,526
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	<u>2,537</u>	<u>1,940</u>	<u>1,527</u>

SMS plc
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED 30 JUNE 2011

	Share capital £'000	Other reserve £'000	Retained earnings £'000	Total £'000
Attributable to owners of the parent company:				
As at 1 July 2010	-	1	1,939	1,940
Profit for period	-	-	87	87
Transactions with owners in their capacity as owners:				
Dividends	-	-	(500)	(500)
Balance as at 31 December 2010	-	1	1,526	1,527
Profit for period	-	-	1,190	1,190
Transactions with owners in their capacity as owners:				
Bonus issue	667	-	(667)	-
Dividends	-	-	(180)	(180)
Balance as at 30 June 2011	667	1	1,869	2,537

SMS plc
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2011

	30 June 2011 Unaudited £'000	30 June 2010 Unaudited £'000	31 December 2010 Audited £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation	1,534	704	857
Finance costs	326	88	321
Depreciation	416	265	598
Amortisation	118	118	249
Investment revaluation	-	-	337
Increase in inventories	(9)	-	-
(Increase)/decrease in trade and other receivables	(1,515)	162	775
Increase in trade and other payables	1,150	451	448
Loss on disposal of investment	-	-	5
CASH GENERATED FROM OPERATIONS	2,020	1,788	3,590
 Taxation	 -	 -	 1
NET CASH GENERATED FROM OPERATIONS	2,020	1,788	3,591
 INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment	(3,938)	(2,069)	(5,246)
Disposal of fixed asset investment	-	-	15
Payment to acquire intangible assets	(334)	(56)	(118)
NET CASH USED IN INVESTING ACTIVITIES	(4,272)	(2,125)	(5,349)
 FINANCING ACTIVITIES			
Net proceeds from new borrowings less capital repaid	2,128	(278)	4,304
Net outflow from other long term creditors	(3)	(364)	(554)
Finance costs	(248)	(88)	(250)
Dividends paid	(180)	-	(500)
NET CASH GENERATED FROM (UTILISED IN) FINANCING ACTIVITIES	1,697	(730)	3,000
 Net (decrease)/increase in cash and cash equivalents	 (555)	 (1,067)	 1,242
Cash and cash equivalents at the beginning of the period	1,824	582	582
Cash and cash equivalents at the end of the period	1,269	(485)	1,824

Notes to the accounts

1 Basis of preparation and accounting policies

Basis of preparation

The Group's half yearly financial report consolidates the results of the company and its subsidiary undertakings made up to 30 June 2011. The company is a limited liability company incorporated and domiciled in Scotland and whose shares are quoted on AIM, a market operated by The London Stock Exchange.

The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. It does not therefore include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

The financial information for the 6 months ended 30 June 2011 is also unaudited.

The Group's statutory accounts for the year ended 31 December 2010 have been delivered to the Registrar of Companies. The report of the auditors on these accounts was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The financial statements have been prepared on a going concern basis which the directors believe is appropriate for the following reason:

The directors have prepared cashflow forecasts which show the Group expects to meet its liabilities as they fall due for a period in excess of 12 months from the date of these financial statements.

Significant accounting policies

The accounting policies used in the preparation of the financial information for the six months ended 30 June 2011 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') as adopted by the European Union and are consistent with those which will be adopted in the annual statutory financial statements for the year ended 31 December 2011.

2 Segmental Reporting

For management purposes, the Group is organised into two core divisions, management of assets and installation of meters, which form the basis of the Group's reportable operating segments. Operating segments within those divisions are combined on the basis of their similar long term economic characteristics and similar nature of their products and services, as follows:

The management of assets comprises regulated management of gas meters within the UK and the management of ADM, our automatic meter reading device.

The installation of meters comprises the installation of domestic and industrial & commercial gas meters throughout the UK.

Management monitors the operating results of its divisions separately for the purpose of making decisions about resource allocation and performance assessment. The operating segments disclosed in the financial statements are the same as reported to the Board. Segment performance is evaluated based on gross profit or loss excluding operating costs not reported by segment, depreciation, amortisation of intangible assets and exceptional items.

The following tables present information regarding the Group's reportable segments for the six months ended 30 June 2011, six months ended 30 June 2010 and the year ended 31 December 2010.

SMS plc
Notes to the accounts (cont.)

2 Segmental Reporting (cont.)

	Asset management £000's	Asset installation £000's	Total operations £000's
30 June 2011			
Segment revenue	3,018	4,373	7,391
Operating costs	(1,011)	(2,614)	(3,625)
Segment profit - group gross profit	2,007	1,759	3,766
Items not reported by segment			
Other operating costs			(1,372)
Depreciation			(416)
Amortisation			(118)
Group operating profit after amortisation and exceptional items			1,860
Net finance costs			(326)
Profit before tax			1,534
Tax expense			(344)
Profit for year			1,190

	Asset management £000's	Asset installation £000's	Total operations £000's
30 June 2010			
Segment revenue	1,911	3,846	5,757
Operating costs	(816)	(2,492)	(3,308)
Segment profit - group gross profit	1,095	1,354	2,449
Items not reported by segment			
Other operating costs			(1,274)
Depreciation			(265)
Amortisation			(118)
Group operating profit after amortisation and exceptional items			792
Net finance costs			(88)
Profit before tax			704
Tax expense			(301)
Profit for year			403

SMS plc
Notes to the accounts (cont.)

2 Segmental Reporting (cont.)

	Asset management £000's	Asset installation £000's	Total operations £000's
31 December 2010			
Segment revenue	4,372	7,996	12,368
Operating costs	(2,045)	(4,831)	(6,876)
Segment profit - group gross profit	2,327	3,165	5,492
Items not reported by segment			
Other operating costs			(2,603)
Depreciation			(598)
Amortisation			(249)
Exceptional items			(864)
Group operating profit after amortisation and exceptional items			1,178
Net finance costs			(321)
Profit before tax			857
Tax expense			(367)
Profit for year			490

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

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

	6 Months ended	6 Months ended	Year ended 31 December 2010 Audited £'000
	30 June 2011 Unaudited £'000	30 June 2010 Unaudited £'000	
Asset management	2,034	1,313	2,893
Asset installation	1,053	534	1,987
	3,087	1,847	4,880

SMS plc
Notes to the accounts (cont.)

2 Segmental Reporting (cont.)

No segmentation is presented for the majority of Group assets and liabilities as these are managed centrally, independently of operating segments.

Those assets and liabilities that are managed and reported on a segmental basis are detailed below.

	Asset management £000's	Asset installation £000's	Total operations £000's
30 June 2011			
Assets reported by segment			
Intangible assets	1,948	-	1,948
Plant and machinery	16,463	-	16,463
	18,411	-	18,411
Assets not reported by segment			4,013
Total assets			<u>22,424</u>
Liabilities reported by segment			
Obligations under hire purchase agreements	-	-	-
	-	-	-
Liabilities not reported by segment			19,887
			<u>19,887</u>
30 June 2010			
Assets reported by segment			
Intangible assets	1,801	-	1,801
Plant and machinery	10,094	-	10,094
	11,895	-	11,895
Assets not reported by segment			2,526
Total assets			<u>14,421</u>
Liabilities reported by segment			
Obligations under hire purchase agreements	14	-	14
	14	-	14
Liabilities not reported by segment			12,467
			<u>12,481</u>

SMS plc
Notes to the accounts (cont.)

2 Segmental Reporting (continued)

	Asset management £000's	Asset installation £000's	Total operations £000's
31 December 2010			
Assets reported by segment			
Intangible assets	1,731	-	1,731
Plant and machinery	12,875	-	12,875
	14,606	-	14,606
Assets not reported by segment			3,409
Total assets			<u>18,015</u>
Liabilities reported by segment			
Obligations under hire purchase agreements	7	-	7
	7	-	7
Liabilities not reported by segment			16,481
Total liabilities			<u>16,488</u>

3 Earnings per share

	6 Months to 30 June 2011 £000's	6 Months to 30 June 2010 £000's	Year to 31 December 2010 £000's
Profit for the period attributable to equity shareholders (basic and diluted)	1,190	403	490
Basic earnings per share (p)	1.78	0.60	0.73
Diluted earnings per share (p)	1.69	0.60	0.73

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for each period were calculated as follows:

Issued ordinary 1p shares at start of period	300	300	300
Effects of sub division of £1 shares into 100 £0.01 shares	29,700	29,700	29,700
Effect of bonus issue of 4,980,000 shares	4,980,000	4,980,000	4,980,000
Effect of bonus issue of 61,663,080 shares	61,663,080	61,663,080	61,663,080
Number of ordinary shares for the period - for basic earnings per share	<u>66,673,080</u>	<u>66,673,080</u>	<u>66,673,080</u>
Effect of share options in issue	<u>3,800,833</u>	-	-
Number of ordinary shares for the period - for diluted earnings per share	<u>70,473,913</u>	<u>66,673,080</u>	<u>66,673,080</u>

4 Events after the Reporting Period

On 8 July 2011 Smart Metering Systems plc completed admission to AIM and the successful placing of 16,666,667 shares raising £10m (£8.65m net of expenses).

The listing has resulted in 46% of the shares being held by directors and 54% by external shareholders.

5 The half yearly financial report was approved by the Board of Directors on 19 September 2011.

6 A copy of this half yearly financial report is available from the Company's Registered Office or by visiting our website at www.sms-plc.com.