

Company Registration No. SC367563

SMART METERING SYSTEMS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2024

Corporate Information

Directors	T Mortlock G Blain Y Luo A Furze A Mehra A M Vasiu
Secretary	N Jordan
Company number	SC367563
Registered office	Second Floor 48 St Vincent Street Glasgow G2 5TS
Auditors	Ernst & Young LLP G1 Building 5 George Square Glasgow G2 1DY

Strategic Report

The Directors present their Strategic Report on the affairs of Smart Metering Systems Limited (the 'parent company') and its subsidiaries (the 'Group' or 'SMS') for the year ended 31 December 2024.

Business developments

On 22nd March 2024, Sienna Bidco Limited ('Bidco'), a newly formed company wholly owned by the funds advised by Kohlberg Kravis Roberts & Co. Inc. and its affiliates ('KKR'), formally acquired SMS by way of a takeover offer (as defined in section 974 of the Companies Act 2006) for 955 pence in cash for each SMS share (the 'Acquisition'). As a result, SMS de-listed from the London Stock Exchange through cancellation of the SMS shares traded on AIM. It re-registered as a private limited company on 11 June 2024. The energy transition is driving substantial changes in underlying energy markets and there is a clear opportunity for SMS to invest at scale behind the low carbon revolution and further develop its platform and carbon reduction asset base. This strategy is highly capital-intensive and therefore private ownership can better facilitate growth by enabling significantly greater access to long-term flexible capital, accelerating growth whilst avoiding the need for asset recycling to fund growth initiatives. KKR also provides SMS and its management team with operational expertise and access to its full global platform and value creation resources.

Operational performance

i) Asset management

The Group's asset management division is focussed on growing the long-term, index linked, recurring revenues from smart meters and data assets. In 2024, the Group delivered 8% growth in annualised recurring revenue (ARR) to £122.3m through the Group's portfolio of owned smart meter assets of c.2.6 million and other managed assets. Ofgem's smart meter roll-out programme continues to progress and aims to have at least 75% of all home meters exchanged to smart by the end of 2025.

ii) Asset installation

The asset installation division is focused on delivery of SMS's carbon reduction ('CaRe') asset pipeline, excellence in health and safety, customer service and operational efficiency. 2024 was a transitional year for the Group's installation business. Volumes dropped from March 2024 following changes to the Group's portfolio and installation pipeline, along with a general slowing in activity across the industry. The business responded to this with a focus on cost control and effective utilisation of the Group's direct workforce.

iii) Energy management

The energy management division is focused on the origination, operation and optimisation of commercial-scale CaRe products enabling a low-carbon, more flexible smart energy grid and reducing energy consumption and costs for end consumers. In 2024, the Group increased its operational portfolio of grid-scale battery storage assets by 80MW to 320MW (2023: 240MW) as two further sites went live, including the Group's first 2-hour battery site. However, the Group has seen lower annualised equivalent EBITDA/MW year-on-year as a result of variable market conditions, with lower optimisation of Non-Balancing Mechanism Unit revenue streams in particular.

Financial performance

SMS uses alternative performance measures, defined below, to present a clear view of what the Group considers to be the results of its underlying, sustainable business operations. Excluding certain items enables consistent year-on-year comparisons and aids a better understanding of business performance. A reconciliation of these performance measures is disclosed below, and the Board are of the opinion that these alternative performance measures show a positive trend for the Group:

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000	Percentage change
Annualised recurring revenue¹	122.3	113.4	8%
Group revenue	199.4	172.7	15%
Gross Profit	106.4	92.6	15%
Depreciation included in Statutory Gross Profit	45.1	39.3	15%
Depreciation adjusted Gross Profit²	151.5	131.9	15%
Statutory profit from operations	12.9	29.5	-56%
Amortisation of intangibles	5.3	5.0	6%
Depreciation	45.1	39.3	15%

Strategic Report

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000	Percentage change
Statutory EBITDA	63.4	73.8	-14%
Exceptional items ³ (EBITDA-related)	32.7	6.5	404%
Non-cash items ⁴	4.7	9.8	-52%
Pre-exceptional cash EBITDA	100.8	90.1	12%

¹ The revenue being generated from meter rental and data contracts at a point in time. Includes revenue from third-party managed meters.

² SMS includes depreciation on revenue-generating assets within cost of sales for statutory reporting purposes. Removing this from gross profit ("depreciation-adjusted gross profit") provides a better comparison of the Group's underlying trading performance year-on-year.

³ Exceptional items are those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation on the consolidated income statement. Large increase on prior year as a result of £27.7m of costs in relation to the Acquisition and £4.5m restructuring costs incurred as part of right sizing the business to align with job volumes.

⁴ Non-cash items comprise IFRS 2 expenses, movements in ECL and revenue provisions, impairment charges, gain or loss on foreign exchange, gain or loss on disposal and fair value gain or loss on derivative financial instruments.

Environmental matters

The table below incorporates the Group's mandatory Streamlined Energy and Carbon Reporting (SECR) reporting, together with material voluntary disclosures. SMS utilises the internationally recognised GHG Protocol to ensure comprehensive and standardised data calculations. Reporting covers all emissions from the Group's business activities, and all sites and operations during the 2024 calendar year. Further details can be found within the Group's Sustainability Report 2024 at www.smsenergy.com/sustainability/overview/.

The Group's Scope 1 calculation looks at the energy consumed by fleet vehicles, gas consumed across offices, warehouses and the Group's training centre, and fugitive emissions from air conditioning. The Group's Scope 2 calculation looks at electricity consumption. Scope 3 accounts for the emissions generated within the Group's value chain.

	2024	2023	Commentary
Total Scope 1 (TCO2e)	2,983.5	3,388.1	Scope 1 comprises the direct emissions from our operations.
Company-owned vehicles	2,932.7	3,283.2	Our owned and tracked fleet vehicles.
Gas	50.2	64.6	Gas heating serves six of our properties across the UK.
F-gas ¹	0.6	40.3	F-gas is the refrigerant used in our air conditioning for cooling workspaces and server rooms.
Total Scope 2 Location-based (TCO2e)	6,307.7	4,143.7	Scope 2 comprises the indirect emissions associated with our operations.
Electricity (Buildings)	101.7	109.9	Electricity lights, heats, and powers our operations across warehouses, offices and training centres in the UK and Ireland.
Electricity (Battery sites)	6,204.1	4,032.1	Net electricity used to operate cooling and communication systems at our grid battery site.
UK electricity for EVs	1.9	1.7	1 electric van was added to the fleet and trialled during 2023.
Total Scope 2 Market-based (TCO2e)¹ (including green energy contracts)	11,713.6	7,201.4	We source green contracts for our electricity where possible.
Total Scope 3 (TCO2e)	34,975.80	19,897.7	Scope 3 comprises emissions from up and down our value chain, including those of suppliers and service providers.
Diesel upstream supply ¹	700.7	785.6	Upstream emissions for the production of diesel to supply company-owned fleet.
Petrol upstream supply ¹	14.2	14.8	Upstream emissions for the production of petrol to supply company-owned fleet.
Transport and distribution ¹ electricity ¹	557.3	358.3	Upstream emissions of purchased electricity for battery operation and on our warehouses, offices and training centres.
Generation of purchased electricity that is sold to end users ¹	33,174.1	17,958.5	Upstream emissions of purchased electricity for our BESS which is sold back to the grid.
Vehicle business travel	158.8	426.9	Business travel in employee-owned vehicles.
Air & Rail business travel	105.6	-	Business travel by air and rail

Strategic Report

Employee Teleworking ¹	265.1	353.6	The associated carbon emissions from energy used to power office equipment and for heating by employees working from home.
Total Scope 1, 2 & 3 (TCO₂e) (Scope 2 Location-based)	44,267.0	27,429.5	
Carbon intensity Scope 1, 2 & 3 (TCO ₂ e/£m) ²	222.0	158.8	Shows the amount of emissions produced to achieve the revenue realised, per £m.
Operational energy consumption (MWh)	43,024.2	34,109.8	This is the total energy consumption of our operations, spanning activities included in Scope 1 and 2 (excluding F-gas).

¹ Data disclosure is voluntary under SECR but included for completeness of Scope reporting under the GHG Protocol. See the Group's Sustainability Report for a full breakdown of all metrics which can be found within the sustainability section of the SMS website.

² Following the re-evaluation of our material outputs, our previous years totals have subsequently changed. The original figures can be found in the data centre within the sustainability section of the SMS website.

In line with the Group's net zero targets, fleet replacement initiatives and energy saving surveys designed to increase efficiency of the Group's battery sites continued to be a focus throughout the year. The Group achieved a reduction in gas emissions following the installation of air source heat pumps at a core office building at the end of 2023, and reduced fleet emissions across the Group owing to reduced travel across the Group's engineering workforce.

The Group has continued to transition existing vehicles to internal combustion engine (ICE) vans and electric vehicles (EVs) in the year and looking forward, plans to continue this transition and making sustainability upgrades across its core sites. The Group also plans to conduct energy saving audits on its grid-scale battery sites.

Group non-financial and sustainability information statement

Governance arrangements in relation to assessing and managing climate-related risks and opportunities

The Board has oversight of climate-related issues through the overarching risk and opportunities framework in place across the Group. The Board is supported by the Environmental, Social & Governance (ESG) Working Group, which comprises of members of senior management from key business functions. The ESG working group is in place to ensure appropriate accountability and alignment is embedded into strategic planning, decision-making and everyday processes. These channels enable appropriate consideration and integration of climate aspects from the top level to ensure the Group remains resilient to climate change.

Processes for identifying, assessing and managing climate-related risks and opportunities

Management is engaged on climate-related risks and opportunities through dedicated risk and opportunity workshops, spanning executive leadership team and departmental teams to support the continuous improvement of risk and opportunity identification and management processes. These workshops are used to identify new risks and opportunities, review and update existing risk ratings, identify appropriate new mitigating actions, and assess progress towards completion of identified mitigating actions.

Principal climate-related risks and opportunities

The Group review risks and opportunities over short- (0-3yrs), medium- (4-10yrs) and long-term (11-20yrs) time horizons. Those detailed below reflect the risks and opportunities which management deem to be significant to the Group's continuing business operations.

Risk area	Impact	Time horizon	Risk management approach
Physical - Extreme weather – flooding, heat, storms	Extreme weather and climate events can lead to interruption of the operation of 'on the road' activities such as metering and engineering teams.	Short-term	Incident response and communication plans are in place. SMS has established emergency weather procedures including employee alerts of poor or dangerous driving conditions or hazardous working conditions. Our in-house fleet and SHEQ (Safety, health, environment and quality) teams work together to evaluate all potential weather events and act accordingly. Should a weather event require mitigating action, our fleet and SHEQ teams have the delegated authority to reduce or stop operations and utilise emergency 4x4 vehicles.
	Extreme weather and climate events can damage assets leading to the interruption of critical IT systems.	Short-term	Business continuity plans are in place across the SMS Group. These encompass a range of scenarios including disaster recovery plans for critical IT systems and failover facility availability for immediate redeployment of staff if required, thus enabling core operations to be serviced. External impacts are considered through activities such as monitoring of industry data flows and escalation of issues should they arise.

Strategic Report

Transitional – Market, regulation & policy and legislative changes	Policies on carbon pricing and emissions and the energy transition can result in higher operating costs.	Medium to long-term	To mitigate the risk from rising energy costs the Group has net zero targets in place covering fleet and building emissions, including transition to electric vehicles, which will mitigate future increases in fossil fuels carbon taxation, road tax and availability of vehicles, and sustainability upgrades for office buildings to improve efficiency and reduce usage. The planned electrification of heat sources will further mitigate against future increases in fossil fuel carbon taxation. Leveraging our ISO50001 accredited Energy Management Systems (EnMS) ensures continual improvement in our energy efficiency across the wider business.
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Opportunity	Impact	Time horizon
Transitional – Market, regulation & policy and legislative changes	Smart meter rollout extensions and half hourly settlement demands can extend business opportunities in our existing customer base.	Short to medium-term
Transitional – Market, regulation & policy and legislative changes	Increasing demand for emerging carbon reduction services, data and technologies allows for expansion in the market.	Medium to long-term

Resilience of business model and strategy

Through the Group's risk management framework, management ensure sufficient risk mitigation processes are in place to allow for the Group to continue operating and meeting both short-term and long-term strategic targets, and to remain resilient through adverse climate related events.

An emission scenario analysis was prepared in previous years to evaluate the near-, medium- and long-term exposure to the physical risks of climate change. Findings from this analysis were quantitatively evaluated, creating a complete overview of the physical risks to the business from weather events over the next 40 years. Through this exercise management established that the Group's assets were at low risk from physical climate change considering mitigating controls. With no significant changes in the Group's asset base this conclusion remains relevant to the current business operations. Furthermore, a qualitative assessment has been made on our transitional resilience by area leaders, and we are confident in the mitigations we have in place. We will continue to review and broaden our exposure analysis and the resilience provided by our mitigation strategies.

Targets and metrics used to assess and manage climate-related risks and realise opportunities

The Group continues to support the UK's transition to a low carbon future by assisting clients and wider consumers with the delivery of carbon reduction solutions and sustainably focused services. As such, the Group continues to measure smart meter installation volumes as a method of delivering carbon reduction capabilities to consumers. The Group also continues to target reductions in emissions from business operations including through fleet replacement to increase PHEV and EV assets.

Principal risks and uncertainties

The Board has overall responsibility for governance, risk management and internal control for the Group. Group Internal Audit engage with the executive and senior leadership teams to support the continuous improvement of risk management processes within the Group. The Group's principal risks, after allowing for effective mitigation, are detailed below.

Potential breach of cyber security

Critical information technology systems could be subject to a major external or internal cyber-attack, causing a breach of information security regulations and/or service disruption. The Group maintains a formal cyber security policy which includes having physical firewalls and encryption controls in place, maintaining associated accreditations, and mandatory security awareness training for all SMS staff.

Bargaining power of energy suppliers

Consolidation of the energy supplier market could lead to increased bargaining power and a risk to our competitive position within the market. The Group continually monitors market developments and maintains open channels of communication with contracted customers and the 'big 6' energy suppliers to ensure the business continues to evolve alongside energy supplier requirements.

Major incident risk

A major incident could occur, with severe consequences for people, the environment, revenue and company reputation. The Group have a dedicated incident management response team with response and communications plan in place. The Board has overall accountability for the compliance with health and safety standards and is provided with regular management reporting. Controls in place include maintaining the Group wide ISO certifications, business continuity and disaster recovery plans, independent regulatory reviews, maintenance of high-quality and mandatory training standards, and penetration testing across the group's IT estate.

Strategic Report

Business continuity and disaster recovery – resilience of IT infrastructure and failure of critical business systems and processes

Failure of core and/or critical information technology systems could result in operational interruption. Alongside the business continuity and disaster recovery plans in place as described above, the Group has a number of additional physical controls in place include: failover facility available for immediate redeployment of staff enabling key operations to be maintained, alternative UK sites available to manage core business operations, the ability for most of the workforce to work from home, and N+1 (parallel redundancy) backup to ensure an uninterruptible power supply and system availability.

Speed of organisational change

Speed of organisational growth in the short term without sufficient and appropriate growth in infrastructure could result in restrictions around engineering/resource capacity and metering supply constraints. The Group's robust forecasting processes closely are aligned to with commercial and operational management teams ensuring effective capacity planning.

Metering and grid-scale batteries supply chain

The Group relies on a limited number of critical suppliers for meters and grid-scale batteries, and failure of critical suppliers could have significant operational and financial implications. Enhanced stock control processes mitigate the risk of being unable to fulfil customer orders in the event of a critical supplier failure while the Group's centralised in-house legal function protect the commercial interests of the Group through robust contracting processes and due diligence on grid-scale battery suppliers.

Potential breach of General Data Protection Regulation (GDPR)

There could be a breach of GDPR through an internal failure to follow protocol and policy or as a result of data integrity and retention issues. The Group's DPO monitors internal GDPR compliance and, through a series of internal and external communication platforms, informs and advises staff and third parties of our obligations and expectations under GDPR. Annual GDPR training is also rolled out for all SMS staff to ensure best practice is upheld across the organisation.

Our people

An inability to attract, retain and motivate the right people could have a material adverse effect on the business and ultimately lead to a failure to deliver on its strategic objectives. The Group's equal opportunities, diversity and inclusion policy provides harmonised terms of employment ensuring fairness and consistency across the organisation. Competitive rewards and employee benefit packages are aligned to our pay and reward framework with regular employee satisfaction surveys carried out to review and address employee feedback and succession planning is implemented for key leadership and business roles.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Company Directors must act in a way that they consider, in good faith, would most likely promote the success of their company for the benefit of its members as a whole, taking into account the factors listed in section 172 of the Companies Act 2006.

Effective stakeholder engagement is critical to the long-term success of our business. We seek to understand each stakeholder group – what they find important and what how we can be of value to them. This helps us make better decisions when setting strategy and in our day-to-day operations.

The Group has complied with the requirements of section 414CZA of the Companies Act 2006 by including certain information within the Strategic and Directors' report to inform members of the Company how the Directors have considered the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing their duty under section 172 to promote the success of the Company. The Directors consider, both individually and together, that they have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. The Group defines its key stakeholders as the groups included in the table below.

Stakeholder group	Why effective engagement is important	Form of engagement
Shareholder	Following the Acquisition of the Group, regular communication with the Group's shareholder supports an effective partnership, which ultimately facilitates the ongoing growth and long-term success of the business.	<ul style="list-style-type: none"> Discussions at monthly Board meetings and weekly management meetings including review of the Group's annual forecasts, and operational and performance. Day-to-day interaction between the KKR management team and SMS executive leadership team.
Customers	As the energy and utilities industry continues to navigate the UK smart meter rollout, it is important that we work collaboratively with energy suppliers to ensure we are meeting their service needs in an efficient and effective way.	<ul style="list-style-type: none"> Listening and responding to customer feedback, along with regular services reviews to ensure feedback is addressed in a timely manner. Assignment of a strategic account director – a single point of contact with whom items can be discussed.

Strategic Report

	Maintaining open and honest relationships with our customers allows us to remain commercially competitive and secure both new and recurring long-term contracts.	<ul style="list-style-type: none"> For larger customers, dedicated contact centres are used to co-ordinate with end consumers.
Employees	<p>Through inclusive practices and prioritising good health and wellbeing, SMS continually seek to improve employee engagement and organisational performance.</p> <p>To foster customer loyalty, and impact positively on organisational performance and stakeholder value, it is crucial that we continue to build a positive culture, where employees are listened to, and are inspired to perform their best work.</p>	<ul style="list-style-type: none"> Open and collaborative management structure. Townhall events led by our executive management team. Key topics in the year included updates on the Group's strategy and targets, and introduction of a new employee participation plan. 'Employee Voice' a bi-monthly forum LOV (Living Our Values) Awards. Use of a bespoke SMS intranet site (with a dedicated Wellbeing page and resources). Annual performance and development reviews for all.
Suppliers	<p>Our wide range of partners provides us with the goods and services we rely on to deliver for our customers. Reliable supplier relationships are thus crucial in delivering our business model and strategy.</p> <p>Health and safety is at the heart of everything we do and this extends to services provided to us by our third-party partners.</p>	<ul style="list-style-type: none"> Comprehensive onboarding process by skilled procurement and legal professionals. Two-way communication process, developing a culture of openness and transparency. Prompt payment practices. For larger suppliers, ongoing engagement through regular meetings and feedback sessions.
Regulatory bodies	<p>The primary government regulator for the gas and electricity market in the UK is the Office of Gas and Electricity Markets ('Ofgem'). Ofgem is the regulatory body by which our key customers are governed.</p> <p>Maintaining regulatory compliance is crucial to our business success amongst customers who rely on our reputation as a full-service provider.</p>	<ul style="list-style-type: none"> Attendance at regular meetings. Active participation in consultations and workshops. Representation on several boards and panels. Regular compliance reviews and audits, both internally and externally, in respect of the certifications and accreditations.
Lenders/financiers	Our lenders are providers of critical funding, supporting the achievement of the Group's operational and strategic goals.	<ul style="list-style-type: none"> Provision of financial and management reporting and strategy as part of new debt package being agreed. Ad-hoc phone calls as needed, ensuring proactive communication.
Government bodies	<p>We engage with several government bodies including the Department for Energy Security and Net Zero (DESNZ) (formerly part of BEIS) and the Data Communications Company (DCC).</p> <p>These government bodies use our expertise and experience to assist in the formulation and delivery of key energy policies, which have a direct impact on our customers and our own business.</p>	<ul style="list-style-type: none"> Regular meeting programme with DESNZ, including attendance at round tables and working groups. Extensive engagement with the DCC, particularly focused on the transition of 3G and 2G services to 4G. Representation on the Smart Energy Code (SEC) Operational Performance panel and Smart Meter Device Assurance scheme to help govern the activities of the DCC.

This report was approved by the Board of Directors and signed on its behalf



Gail Blain
Chief Financial Officer

Date: 26.6.25

Directors' Report

The Directors submit their Annual Report on the affairs of the Group together with the audited consolidated and parent company financial statements for Smart Metering Systems ('SMS') Limited for the year ended 31 December 2024.

Principal activities

As at 31 December 2024, SMS Limited traded principally through its subsidiary undertakings. Its principal activity was and remains that of a holding company.

The principal activities of the Group are: the installation, operation and management of meter and energy infrastructure assets and related data services; the construction and operation of grid-scale battery energy storage systems, the design, installation and management of utility connections and energy infrastructure; and the delivery of energy management and carbon reduction solutions, including the operation of carbon reduction ('CaRe') assets.

Change in company name

On 11th June 2024 the Company, which was previously listed as a public company, re-registered under the Companies Act 2006 as a private company and is now incorporated under the name of Smart Metering Systems Limited.

Statutory information

In accordance with s414C(11) of the Companies Act 2006, the Company has included the following information which is considered of strategic importance within the Strategic Report found on pages 4 to 5, and 7 to 8:

- Streamlined Energy and Carbon Reporting
- Engagement with stakeholders

This Directors' report sets out all other information required to be disclosed by the Company in compliance with the Companies Act 2006.

Branches outside the UK

One subsidiary of the Group operates outside the UK in the Republic of Ireland.

Directors

The directors who served during the year and to the date of this report are as follows:

Tim Mortlock
Gail Blain
Miriam Greenwood OBE DL (resigned on 25 April 2024)
Graeme Bissett (resigned on 25 April 2024)
Ruth Leak (resigned on 22 March 2024)
Jamie Richards (resigned on 22 March 2024)
Mike Winkel (resigned on 22 March 2024)
Yimei Luo (appointed on 22 March 2024)
Andrew Michael Furze (appointed on 22 March 2024)
Aadhaar Mehra (appointed on 23 May 2024)
Ana Maria Vasiu (appointed on 11 March 2025)

Following the acquisition of the Company by Sienna Bidco Limited on 22 March 2024, Ruth Leak, Jamie Richards and Mike Winkel stepped down as non-executive directors of the Board and Yimei Luo and Andrew Michael Furze were appointed as directors, followed by Aadhaar Mehra on 23 May 2024, all representing Sienna Bidco Limited. Following the de-listing of the Company on 25 April 2024, the remaining non-executive directors Graeme Bissett and Miriam Greenwood stepped down from their positions on the Board.

Other than employment contracts and interests in shares and options, none of the Directors had a material interest in any contract with the Company or any of its subsidiary undertakings. Any related-party interests applicable to the Directors are shown in note 26 to the financial statements.

The Company's Articles of Association provide that all Directors will stand for re-election every three years.

Directors' qualifying indemnity provisions

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors, and Directors of subsidiary companies, during the year. These provisions remain in force at the reporting date.

Directors' Report

Dividends

In line with the Group's dividend policy prior to the Acquisition, a 33.275p per share dividend was paid in January 2024. Post Acquisition a further dividend of £40m was approved and paid by the Company.

Employees

Employee engagement is paramount to the Company's success. The Group's policies around communication and sharing of information with employees ensure that employees are kept up to date on matters likely to affect their interests. Periodic updates on key business developments, business performance, wellbeing initiatives, charitable donations and sponsorship opportunities, and progress towards net zero are delivered via various communication channels, including those delivered by the executive leadership team through townhall meetings and newsletters.

The Group seeks to engage with employees on matters affecting them, through channels including employee surveys (internal and external), an employee forum, written feedback and face-to-face sessions. The Stakeholder engagement section on pages 7 and 8 provides further detail on these channels of communication.

The Group operates an equal opportunities, diversity, and inclusion policy, supported by face-to-face and eLearning. It is the policy of the Group to support the employment of people with protected characteristics and to ensure that attraction, recruitment, onboarding, training, career development and promotion opportunities are available to all. As such, SMS is a 'Disability-Confident', 'Mindful', 'Accredited Living Wage and Living Hours' and 'Young Person's Guarantee' employer.

Going concern

Management prepares budgets and forecasts on a ten-year forward-looking basis. These forecasts cover operational cash flows and investment capital expenditure, taking into consideration available facilities, and are prepared based on management's estimation of installation run rates through the UK smart meter rollout. The Directors have performed their assessment of the entity's ability to continue as a going concern for a period of 12 months to 30 June 2026.

Management has modelled several different scenarios, including a downside scenario which assumes a reduced rollout of new meter installations, and reduced grid-scale battery revenues. This scenario demonstrated the business is expected to 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 modeling provides confidence to management that, even in adverse circumstances, the business will still have sufficient resources to continue to operate.

Following completion of Sienna Bidco Limited ("Bidco")'s takeover of SMS in March 2024, a new Senior Facilities Agreement came into effect for SMS totaling £1.175bn, ensuring the Group has sufficient facilities in place to provide the financial flexibility required to support the Group's long-term growth prospects.

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

Financial risk management

Details of the use of financial instruments and financial risk management are included in note 24 to the financial statements contained in this Annual Report and Accounts 2024, which are incorporated by reference into this Directors' report.

Political contributions

No political contributions were made during the year (2023: £nil).

Post balance sheet events

On 19th May 2025, the Board of directors of SMS announced that they had received and accepted an offer from an external party to acquire the Group's grid-scale battery storage business. The impacts of the sale are not reflected in these financial statements on the basis that the Group's grid-scale battery storage business was not held for sale as at 31 December 2024, nor had any offer been received at this date. The sale is therefore defined as a non-adjusting post balance sheet event and the accounting impacts will be reflected in the financial statements for the year-ended 31 December 2025.

Research and development

The main research and development activities relate to IT systems development to support the metering and installations business. In addition, the Group continues to invest in future technologies related to decarbonisation and energy efficiency. Research and development expenditure in the year is disclosed in note 3 to the financial statements.

Directors' Report

External auditor

The Audit Committee recommended, and the Board approved, the proposal that the current auditor, Ernst & Young LLP, be reappointed as auditor of the Company at the AGM. Ernst & Young LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint Ernst & Young LLP as the Company's auditor will therefore be considered by the Board.

Directors' statement as to disclosure of information to auditor

Each of the Directors at the date of approval of the Annual Report and Accounts 2024 confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he or she has taken all the steps that ought to be taken by a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards. The directors have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101, "Reduced Disclosure Framework". 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 Group and Company and of their profit or loss for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

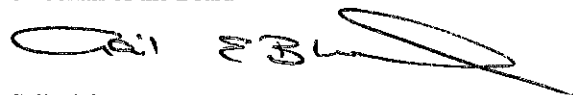
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards and, for the Company financial statements, state whether applicable UK accounting standards including FRS 101 have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website at www.sms-plc.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors on 19. 6. 2025 and signed on its behalf below.

On behalf of the Board



Gail Blain

Chief Financial Officer

Date: 26. 6. 25

Independent auditors report to the members of Smart Metering Systems Limited

Opinion

We have audited the financial statements of Smart Metering Systems Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2024 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Parent Company Balance Sheet, Parent Company Statement of Changes in Equity and the related notes 1 to 34, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2024 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 group 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 group and parent company's ability to continue as a going concern for a period to 30 June 2026.

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 group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report set out on pages 3 to 11, 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.

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 this gives rise to 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.

Independent auditors report to the members of Smart Metering Systems Limited

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, 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 group's and the parent 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 group or the parent 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 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 group and parent company and determined that the most significant are those that relate to the reporting framework (IFRS, FRS 101, Companies Act 2006) and the relevant tax compliance regulations in the UK and Ireland. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental and bribery and corruption practices;
- We understood how SMS is complying with those frameworks by making enquiries of directors, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our

Independent auditors report to the members of Smart Metering Systems Limited

review of the board minutes and papers provided to the Board, as well as consideration of the results of our audit procedures across the group to either corroborate or provide contrary evidence which was then followed up;

- We assessed the susceptibility of the group'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 analysts. Areas identified the greatest potential for fraud included revenue recognition and in common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. These procedures included specific procedures in relation to revenue recognition to ensure the occurrence and completeness of revenue and the testing of manual journals 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 non-compliance with such laws and regulations. Our procedures involved enquiries of group management and those charged with governance, those responsible for legal and compliance procedures and internal audit; journal entry testing with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business and a review of Board minutes to identify any non-compliance with laws and regulations.

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 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.



Paul Copland (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Edinburgh

26 June 2025

Consolidated Income Statement

For the year ended 31 December 2024

	Notes	2024 Before Exceptional items £'000	2024 Exceptional items ¹ £'000	2024 Total £'000	2023 Before Exceptional items £'000	2023 Exceptional items ¹ £'000	2023 Total £'000
Revenue	2	191,926	7,508	199,434	168,612	4,144	172,756
Cost of sales	3	(92,997)	–	(92,997)	(80,109)	–	(80,109)
Gross profit		98,929	7,508	106,437	88,503	4,144	92,647
Administrative expenses	3	(61,554)	(40,163)	(101,717)	(56,396)	(10,625)	(67,021)
Net impairment (losses)/gains on financial assets	3	(523)	–	(523)	2,452	–	2,452
FV gains on derivative financial instruments	3	4,932	–	4,932	–	–	–
Other operating income	3	3,822	–	3,822	1,388	–	1,388
Profit/(loss) from operations		45,606	(32,655)	12,951	35,947	(6,481)	29,466
Share of loss of associate	12	(641)	–	(641)	(822)	–	(822)
Finance costs	5	(35,414)	–	(35,414)	(12,592)	–	(12,592)
Finance income	5	15,693	–	15,693	1,065	–	1,065
(Loss)/Profit before taxation		25,244	(32,655)	(7,411)	23,598	(6,481)	17,117
Taxation	6	(7,280)	3,519	(3,761)	(5,525)	771	(4,754)
(Loss)/Profit for the year attributable to owners of the parent		17,964	(29,136)	(11,172)	18,073	(5,710)	12,363

¹ Refer to note 3 for details of exceptional items.

The (loss) from operations arises from the Group's continuing operations.

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

	Notes	2024	2023
Basic earnings per share (pence)	7	(8.44)	9.27
Diluted earnings per share (pence)	7	(8.44)	9.24

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	2024 Before exceptional items £'000	2024 Exceptional items £'000	2024 Total £'000	2023 Before exceptional items £'000	2023 Exceptional items £'000	2023 Total £'000
(Loss)/Profit for the year	17,964	(29,136)	(11,172)	18,073	(5,710)	12,363
Other comprehensive income¹						
Exchange differences on translation of foreign operations	41	—	41	(5)	—	(5)
Other comprehensive income for the year, net of tax	41	—	41	(5)	—	(5)
Total comprehensive (loss)/income for the year attributable to owners of the parent	18,005	(29,136)	(11,131)	18,068	(5,710)	12,358

¹ May be reclassified to profit or loss.

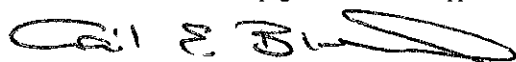
Consolidated Statement of Financial Position

	Notes	31 December 2024 £'000	31 December 2023 £'000
Assets			
Non-current assets			
Intangible assets	9, 10	26,470	25,866
Property, plant and equipment	11	705,651	686,673
Investments		40	40
Investment in associate	12	477	1,118
Loans to related parties	26	378,952	2,000
Trade and other receivables	14	40,817	2,773
Total non-current assets		1,152,407	718,470
Current assets			
Inventories	13	323	439
Trade and other receivables	14	57,253	61,445
Cash and cash equivalents	15	39,172	26,538
Cash and cash equivalents – restricted	15	390	809
Derivative financial instruments	23	4,092	-
Loan to associate	26	2,030	-
Total current assets		103,260	89,231
Assets held for sale	16	-	513
Total assets		1,255,667	808,214
Liabilities			
Current liabilities			
Trade and other payables	17	66,374	64,379
Bank loans and overdrafts	18	11,471	4,543
Lease liabilities	19	965	865
Other liabilities	21	569	325
Derivative financial instruments	23	475	-
Total current liabilities		79,854	70,112
Non-current liabilities			
Bank loans	18	662,806	193,899
Lease liabilities	19	15,568	14,980
Provisions	20	3,580	2,837
Other liabilities	21	-	1,386
Deferred tax liabilities	22	20,383	17,250
Derivative financial instruments	23	1,889	-
Total non-current liabilities		704,226	230,352
Total liabilities		784,080	300,464
Net assets		471,587	507,750

Consolidated Statement of Financial Position

		31 December 2024 £'000	31 December 2023 £'000
Equity			
Share capital	27	1,381	1,336
Share premium	30	358,998	333,421
Other reserve	30	9,562	9,562
Own share reserve	30	-	(1,204)
Foreign currency translation reserve		-	(41)
Retained earnings		101,646	164,676
Total equity attributable to owners of the parent		471,587	507,750

The financial statements on pages 22 to 76 were approved and authorised for issue by the Board of Directors and signed on its behalf by:



Gail Blain
Director

Date: 26.6.25.

Company registration number
SC367563

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

Attributable to the owners of the parent company:	Share capital £'000	Share premium £'000	Other reserve £'000	Own share reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
As at 1 January 2023	1,334	332,332	9,562	(955)	(36)	191,249	533,486
Total profit for the year	—	—	—	—	—	12,363	12,363
Other comprehensive income	—	—	—	—	(5)	—	(5)
Total comprehensive income for the year	—	—	—	—	(5)	12,363	12,358
Transactions with owners in their capacity as owners							
Dividends (note 8)	—	—	—	—	—	(41,396)	(41,396)
Shares issued (note 27)	2	1,089	—	—	—	—	1,091
Movement in own shares (note 30)	—	—	—	(249)	—	(283)	(532)
Share-based payments (note 28)	—	—	—	—	—	1,757	1,757
Income tax effect of share options	—	—	—	—	—	986	986
As at 31 December 2023	1,336	333,421	9,562	(1,204)	(41)	164,676	507,750
Total (loss) for the year	—	—	—	—	—	(11,172)	(11,172)
Other comprehensive loss	—	—	—	—	41	—	41
Total comprehensive (loss) for the year	1,336	333,421	9,562	(1,204)	—	153,504	496,619
Transactions with owners in their capacity as owners							
Dividends (note 8)	—	—	—	—	—	(51,114)	(51,114)
Shares issued (note 27)	45	25,578	—	—	—	—	25,623
Movement in own shares (note 30)	—	—	—	1,204	—	(1,230)	(26)
Share-based payments (note 28)	—	—	—	—	—	9,567	9,567
Equity distributions (note 29)	—	—	—	—	—	(9,624)	(9,624)
Income tax effect of share options (note 22)	—	—	—	—	—	545	545
As at 31 December 2024	1,381	358,999	9,562	—	—	101,648	471,590

See note 30 for details of the Own share reserve and Other reserve.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 £'000	2023 £'000
Operating activities			
(Loss)/Profit before taxation		(7,411)	17,117
Share of loss of associate	12	641	822
Finance costs	5	35,414	12,592
Finance income	5	(15,693)	(1,065)
Exceptional items: other ¹		8,423	6,665
Depreciation	3	45,147	39,280
Amortisation of intangibles	3	5,345	5,049
Share-based payment expense	4	9,567	1,757
RDEC income	3	(381)	(117)
Loss on disposal of property, plant and equipment		6,768	4,863
Impairment of property, plant and equipment	3	2,723	2,340
Impairment of goodwill and intangible assets		3,384	-
Fair value adjustments to derivatives	3	(4,932)	-
Movement in inventories		116	(57)
Movement in trade and other receivables		5,427	(8,870)
Movement in trade and other payables		1,868	(4,027)
Cash generated from operations		96,406	76,349
Income tax received		-	227
Net cash generated from operations		96,406	76,576
Investing activities			
Proceeds on disposal of subsidiary		58	-
Payments for asset acquisitions ²		-	(1,043)
Payment for acquisition of new business, net of cash acquired	25	(86)	(80)
Payment of convertible loan to associate	26	-	(2,000)
Payments to acquire property, plant and equipment		(77,924)	(153,106)
Payments on account to acquire grid-scale battery assets	14	(40,817)	(2,773)
Proceeds on disposal of property, plant and equipment		1,161	921
Payments to acquire intangible assets	9	(9,422)	(4,892)
Finance income received	5	1,741	1,065
Net cash used in investing activities		(125,289)	(161,908)
Financing activities			
New borrowings		476,468	335,000
Borrowings repaid		(380,000)	(205,000)
Lease payments ³		(1,588)	(1,748)
Finance costs paid		(31,802)	(7,811)

Consolidated Statement of Cash Flows

	Notes	2024 £'000	2023 £'000
Derivative interest received	5	3,544	-
Net proceeds from share issue	27	25,623	1,091
Purchase of own shares		(26)	(532)
Dividends paid	8	(51,114)	(41,396)
Net cash generated from financing activities		41,105	79,604
Net increase/(decrease) in cash and cash equivalents		12,223	(5,728)
Exchange loss on cash and cash equivalents		(8)	(2)
Cash and cash equivalents at the beginning of the financial year		27,347	33,077
Cash and cash equivalents at the end of the financial year⁴	15	39,562	27,347

¹ Other non-cash exceptional items comprise £8,205,000 for losses on the Group's traditional and SMETS1 meter portfolios, £905,000 of accelerated amortisation of arrangement fees upon extinguishment on the old loan facility, and a £687,000 credit in relation to the release of contingent consideration on a prior period acquisition. In 2023, non-cash exceptional items included £7,103,000 for losses on the Group's traditional and SMETS1 meter portfolios and a £438,000 credit in relation to the release of deferred consideration on a prior period acquisition that is no longer payable.

² In 2023, payments for asset acquisitions included £1,043,000 of payments to settle deferred consideration on battery sites acquired in prior years.

³ Lease payments comprise £1,468,000 (2023: £1,638,000) of principal payments and £120,000 (2023: £110,000) of deemed interest payments.

⁴ Cash and cash equivalents includes restricted cash following an IFRIC agenda decision in March 2022.

	2024 £'000	2023 £'000
Cash and cash equivalents comprise		
Cash and cash equivalents	39,172	26,538
Cash and cash equivalents – restricted cash	390	809
Total cash and cash equivalents	39,562	27,347

Accounting Policies

The material accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements of the Group for the year ended 31 December 2024 were approved and authorised for issue in accordance with a resolution of the Directors on 19th June 2025. Smart Metering Systems Limited (SMS) is a private limited company limited by shares and incorporated in Scotland, with its registered office at 2nd Floor, 48 St. Vincent Street, Glasgow, G2 5TS. As at 31 December 2023, the Company's ordinary shares were traded on AIM. SMS de-listed from the London Stock Exchange through cancellation of SMS shares traded on AIM and re-registered as a private limited company on 25 April 2024.

Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards.

The consolidated 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, and in accordance with the Companies Act 2006.

The consolidated financial statements are presented in British Pounds Sterling (£), which is Smart Metering Systems Limited's functional and presentation currency, and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

In preparing the consolidated financial statements management has considered the impact of climate change, particularly in the context of the disclosures included in the Strategic report and the Group's net-zero carbon target. Our net-zero plans are to electrify our vehicle fleet and carry out sustainability upgrades to our building estate. The fleet will be replaced at the end of its useful life. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment to December 2025. Qualitative explorations of potential areas of concern, including an evaluation of climate exposure on our physical assets such as offices, warehouses and vehicles, has been carried out and we have identified areas of potential climate-related risk, such as extreme weather events which could affect our physical locations and road-based employees. Overall, the risk of climate-related change on the Group is considered low.

Going concern

Management prepares budgets and forecasts on a ten-year forward-looking basis. These forecasts cover operational cash flows and investment capital expenditure, taking into consideration available facilities, and are prepared based on management's estimation of installation run rates through the UK smart meter rollout. The Directors have performed their assessment of the entity's ability to continue as a going concern for a period of 12 months to 30 June 2026.

Management has modelled several different scenarios, including a downside scenario which assumes a reduced rollout of new meter installations, and reduced grid-scale battery revenues. This scenario demonstrated the business is expected to have sufficient cash flow to continue to operate, banking covenants would remain satisfied with adequate headroom, and adequate cash would be available to cover liabilities and operating costs. This modelling provides confidence to management that, even in adverse circumstances, the business will still have sufficient resources to continue to operate.

Following completion of Sienna Bidco Limited ("Bidco")'s takeover of SMS in March 2024, a new Senior Facilities Agreement came into effect for SMS totalling £1.175bn, ensuring the Group has sufficient facilities in place to provide the financial flexibility required to support the Group's long-term growth prospects.

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

Basis of consolidation

The consolidated accounts of the Group include the assets, liabilities and results of the Company and subsidiary undertakings in which Smart Metering Systems Limited has a controlling interest. Control is achieved when the Group

Accounting Policies

is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all the following: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to policy on page 67).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within Finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within Administrative expenses.

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 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.

Critical accounting judgements

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- capitalisation of internal installation costs:
 - a significant level of in-house installation of meter assets is carried out by the Group, certain costs of which are capitalised in the year (2024: £33.1m, 2023: £54.5m) and depreciated as part of property, plant and equipment depreciation. Judgement is required by management to ascertain the appropriate categories and proportion of overheads and other expenses that are directly attributable to installation of meter assets. Typically, capitalised costs will include staff costs, and a systematic allocation of any production overheads deemed to be directly attributable to the process of installing a meter owned by the Group. Other general and administrative overheads, such as sales, marketing and training costs, are expensed directly to profit and loss; and
- presentation of losses on certain meter assets as exceptional items:
 - as a result of the inherent volatility associated with the UK smart meter rollout, and removal of traditional meter assets as part of this, management has taken the decision to show losses arising on these meters – comprising the net book value of installation components on removal of a meter from the wall, impairment charges, and scrapped meter units – as exceptional administrative expenses. By disclosing these amounts separately, the traditional meter

Accounting Policies

asset portfolio can be better tracked to assist users of the financial statements to better understand the premature retirement of these revenue-generating assets that is outside the Group's control. On removal of traditional meters from the wall, the receipt of termination income is recognised as revenue under IFRS 15 and, consistent with the treatment of related losses, is classified as exceptional; and

- the Group has continued to see a small proportion of SMETS1 meters removed from the wall. As these removals are attributable to the temporary industry transition period, management has made the judgement to recognise losses arising on these meters, and termination income recognised within revenue, as exceptional while the Enrolment and Adoption programme continued throughout the year

Key sources of estimation uncertainty

The Group has no key sources of estimation uncertainty at the reporting date that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue recognition

i. Metering

Meter rental

The Group acts as a gas and electricity Meter Asset Provider (MAP), providing and installing meters to energy suppliers on behalf of the end consumer.

As a result of the Group's assessment of contracts on implementation of IFRS 16, and any potential interaction with IFRS 15, it was determined that the arrangements the Group has in place to act as MAP do not constitute a lease of the meter asset to the energy supplier. Therefore, the related income for the service of providing a fitted meter is recognised in accordance with IFRS 15.

The provision of meter assets to energy suppliers ('MAP services'), together with the initial installation, is considered a distinct and single performance obligation on the basis that, as MAP, the Group has an obligation to its customers to provide a fitted meter. This is a separately identifiable service to which a stand-alone selling price is typically allocated. Over the course of the contract term, which runs in perpetuity, the Group delivers a series of monthly services for which benefits are simultaneously received and consumed by the customer.

Charges for MAP services are calculated daily based on the number of installed meters and invoiced to customers monthly once validation checks have been completed. As revenue from MAP charges is attributed to services provided daily, revenue is always based on the actual level of service provided and, therefore, any uncertainty at the end of each reporting period is limited to the extent that validation checks are still being completed. Revenue is thus recognised over time based on our right to invoice and includes contract Retail Price Index (RPI) uplifts.

As a result of industry regulations, and subject to specific contract terms with a customer, the Group may be required to make payments to customers for shortfalls in the level of service provided. These charges are directly related to the service being provided to the customer and thus are recognised as a reduction to revenue in the month in which the service failure occurred. Where service levels are set based on annual targets, charges are estimated monthly and subsequently finalised at the end of the year. Uncertainty, as it pertains to these payments to customers, is thus typically resolved by the end of the reporting period.

If the services rendered by the Group exceed the payment received, then accrued income is recognised. This is subsequently reclassified to receivables at the point at which the Group has an unconditional right to payment.

Asset management services

The Group provides meter asset management and operations services to energy suppliers. These services are considered a distinct performance obligation from the meter rental on the basis that these are separately identifiable services to which a stand-alone selling price is allocated, and they are not necessary to bring the meter asset into use.

Over the course of the contract term, which can either be fixed or in perpetuity, the Group 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.

Accounting Policies

Service charges are calculated based on the number of meters appointed and are accrued monthly. As revenue 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. For charges invoiced to customers monthly revenue is thus recognised over time based on our right to invoice and includes contract RPI uplifts. For charges invoiced to customers annually in advance, including contract RPI uplifts, a contract liability is recognised and subsequently released to the income statement over the year on a straight-line basis. The Group uses the practical expedient under IFRS 15 from adjusting revenue for any significant financial components of one year or less.

The Group's meter asset management contracts also include the provision of transactional meter works. These are considered further in section (iv) below.

If the services rendered by the Group exceed the payment received, then a contract asset is recognised. This is subsequently reclassified to receivables at the point at which the Group has an unconditional right to payment.

Third-party management services

The Group provides management services to a third party to whom it sold a minority of its meter asset portfolio 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 Group 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 our right to invoice.

If the services rendered by the Group exceed the payment received, then a contract asset is recognised. This is subsequently reclassified to receivables at the point at which the Group has an unconditional right to payment.

Termination income

Under certain circumstances the Group's MAP contracts grant it rights to termination income when an individual meter asset is removed from a wall, or the MAP contract is terminated early by other means as defined in the customer contract. Under certain circumstances the Group's MAP contracts grant it rights to termination income when an individual meter asset is removed from a wall, or the MAP contract is terminated early by other means as defined in the customer contract.

When a customer exercises their pre-existing contractual right to terminate a contract early, or an asset is removed from the wall, there are no changes in scope or price as originally set out in the contractual agreement that would change the enforceable rights and obligations of either party to the contract, and no prior approval is required from the Group in order for the customer to do so. An early termination does not, therefore, meet the definition of a contract modification and is accounted for as a change in transaction price.

Termination notifications are triggered by an industry data flow once an asset is removed from a wall. Typically, the customer exercising their termination rights and the completion of the termination event occur simultaneously. Termination income is therefore recognised at a point in time when the removal is completed since there would be no material difference between recognition over time or at a point in time.

ii. Data services

The Group provides data collection and aggregation services to Industrial & Commercial (I&C) electricity customers and, through use of the ADM™ unit, to I&C gas customers. Over the course of the contract term, which can either be fixed or in perpetuity, the Group 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 meters/ADM™ units appointed and are accrued monthly. As revenue 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.

Accounting Policies

Service charges, including contract RPI 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 Group uses the practical expedient under IFRS 15 from adjusting revenue for any significant financial components of one year or less.

The ADM™ device is a proprietary product for the Group 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.

iii. Utility connections services (gas and electricity)

Gas and electricity connections services are provided under fixed-price contracts with I&C customers and can be delivered to a single site or multiple sites. Whilst each service consists of multiple activities, the Group's promise in the contract is to deliver an integrated end-to-end service to which the underlying activities are inputs. Where services are delivered to multiple sites, and these are substantially the same, a series of services is being provided. In all cases, therefore, these contracts give rise to a single performance obligation to which the fixed price is allocated. Subsequent variations to this price, due to changes in the inputs required, are accounted for as contract modifications and recognised on a cumulative catch-up basis.

Services are transferred over time on the basis that these are customised services with no alternative use and the Group has an enforceable right to payment for work completed to date.

Revenue is recognised on the stage of completion with reference to the actual services provided as a proportion of the total service expected to be provided under the contract, as the services can enhance a work-in-progress asset for the customer and have no alternative use. This is determined on a contract-by-contract basis using a milestone approach with reference to the milestones set out in the contract or otherwise agreed. Where relevant, consideration is also given to material services provided between milestones. Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change and any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known to management.

The customer pays the fixed amount based on a payment schedule. In certain circumstances the customer pays in advance and therefore a contract liability is recognised and subsequently released to the income statement based on the measure of progress detailed above. As the contract is cancellable at the customer's discretion, subject to settlement for services provided to the date of cancellation, a contract liability is not recognised until the cash has been received.

If the services rendered by the Group exceed the payment received, then a contract asset is recognised. This is subsequently reclassified to receivables at the point at which the Group has an unconditional right to payment.

The Group utilises the practical expedient available under IFRS 15 for costs to obtain a contract. Commissions paid as part of obtaining a contract are expensed as incurred on the basis that the contract term is typically less than twelve months.

iv. Transactional meter works

Transactional works, which include emergency, adversarial and other maintenance services, and are typically short term in nature, are accounted for as a separate performance obligation to asset management services (see section (i) above) on the basis that these works are separately identifiable and can be performed by another party. A customer, being the energy supplier, is legally obligated to appoint a meter asset manager and can therefore benefit from this service in isolation, without the subsequent transactional works which are initiated on an ad-hoc basis upon demand by the customer.

The transaction price allocated to transactional works is based on stand-alone selling prices (per unit, where relevant) and revenue 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 Group 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 and asset management services.

Accounting Policies

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.

For segmental purposes, this transactional, non-recurring revenue is recognised within asset installation.

v. Grid-scale batteries

Grid-scale battery assets generate revenue by providing several services.

Capacity market

SMS enters into longer term contracts with the National Grid. During the contract period, which may last from one to 15 years, SMS's only obligation is to make itself available to provide the capacity agreed in the contract when notification is received from National Grid. Pricing is fixed at an auction. SMS are subject to non-delivery penalties and termination fees should the battery storage asset be unavailable to provide the agreed capacity.

There is a single performance obligation to be available to provide capacity to the National Grid. Revenue is recognised over time.

Wholesale market

SMS trades power with a counterparty on an exchange on the EPEX GB Day Ahead and Intraday markets, with the intention of buying power at a low off-peak price and selling at a high peak price. All trades take place at spot price and there are no forward or future contracts. All trades are settled daily.

There is a single performance obligation for SMS to buy or sell power on the exchange. Revenue is recognised for each transaction at a point in time and is recognised net of costs from trading activities.

Balancing mechanism

SMS enters into short-term contracts with Elexon BSC to help balance the demands of the National Grid by increasing or decreasing generation (or consumption). Contracts range for a length of one to 60 minutes and prices are fixed when a bid is submitted. Elexon accepts only the cheapest bids needed to balance the grid.

There is a single performance obligation for SMS to increase or decrease its battery asset output. Revenue is recognised over time. However, due to the short-term nature of the contracts, there would be no material difference between recognition over time or at a point in time. Revenue is recognised net of costs from trading activities.

Ancillary services market

SMS enters into contracts with the National Grid to help maintain frequency on the grid. During the contract period SMS is required to use the grid-scale battery asset following the Grid's instructions. The price is fixed at auction.

Revenue is recognised over time. However, due to the short-term nature of the contracts, there would be no material difference between recognition over time or at a point in time.

Embedded benefits

SMS enters into contracts with the National Grid and the Distribution Network Operator under which SMS is paid based on the amount of electricity exported during Triad or peak periods.

There is a single performance obligation to export capacity during Triad or peak periods. Revenue is recognised over time. However, due to the short-term nature of the contracts, there would be no material difference between recognition over time or at a point in time.

Imbalance

Elexon BSC is obliged to purchase or sell electricity generated or sold in any half-hour period which is not otherwise contracted for. SMS buys or sells power to meet its requirements for the other revenue streams. The purchase and selling prices are at a spot price set by a formula.

Accounting Policies

There is a single performance obligation for SMS to export or import power. Revenue is recognised for each transaction at a point in time and is recognised net of costs from trading activities.

vi. Energy management services

Energy management services provided mainly to I&C customers include utility bureau and bill validation services, risk management and procurement services and energy reduction and environmental management services.

Certain services, such as utility bureau and bill validation, are delivered through a series of monthly services over the course of the contract term, for which the benefits are simultaneously received and consumed by a customer. These are accounted for as a single performance obligation. The transaction price allocated includes a fixed monthly service charge together with a variable component for specific activities that may not be carried out every month. As revenue from charges is attributed to services provided monthly, revenue is always based on the actual level of service provided and, therefore, there is no uncertainty at the end of each reporting period. Revenue is thus recognised over time based on our right to invoice on a monthly basis and our right to payment for work completed to date.

Contracts for specialist consultancy services may include multiple projects. Where these projects are separately identifiable within the contract and are not interrelated, they are accounted for as separate performance obligations. The transaction price is allocated based on the stand-alone selling price for each project and revenue is recognised over time in line with project completion milestones.

Other energy reduction and environmental management services are typically longer-term, multi-site contracts and, therefore, the revenue recognition is consistent with that detailed above for utility connections – see details in section (iii) above.

vii. Assets and liabilities arising from contracts with customers

Costs to fulfil a contract

In certain circumstances, the Group 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.

Contract assets and liabilities

Payments from customers are received based on a billing schedule, as established in the relevant contracts.

The timing of revenue 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 receivables 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 revenue as (or when) we perform under a contract.

For project-based services, work in progress is billed in accordance with the agreed-upon contractual terms with the customer. Interim payments are typically received as work progresses, which can give rise to a billed or unbilled accounts receivable, where the Group's right to payment is unconditional, or a contract asset, where revenue has been recognised based on progress completed but the right to payment is still conditional on future performance. For some contracts, the Group may be entitled to receive advance payments. A contract liability is recognised for these advance payments in excess of revenue recognised. Contract assets are disclosed within accrued income in Note 14 and contract liabilities within deferred income and advanced payments in Note 17.

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. For contracts where revenue is recognised over time, the Group generally has an enforceable right to payment for costs for work completed to date plus margin. Contracts allow both parties to cancel without penalty in the case of a material breach of contract.

Accounting Policies

Exceptional items and separately disclosed items

The Group presents as exceptional items on the face of the consolidated statement of comprehensive income those items of income and expense which, because of the material nature or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in that year facilitating comparison with prior periods and to better assess trends in financial performance.

Government grants

Grants from governments are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions, usually on submission of a valid claim for payment. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to capital expenditure are included in liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Amounts credited to profit or loss are recognised as part of Other operating income in the consolidated statement of comprehensive income.

The R&D expenditure credit (RDEC) scheme is a UK Government tax incentive which allows qualifying companies to claim R&D expenditure credits (RDECs) equal to a percentage of their qualifying research and development expenditure as set by the UK Government for the relevant financial year. The credit is taxable at the corporation tax rate and is included in the company's taxable trading profits. RDECs are accounted for by the Group in accordance with IAS 20 Government Grants and recognised within Other operating income in the consolidated statement of comprehensive income. Outstanding amounts receivable are recognised in the consolidated balance sheet within Trade and other receivables.

Financial assets

The Group and parent company's financial assets include cash and cash equivalents, trade and other receivables, derivative financial instruments and for the parent company only, amounts owed by Group undertakings. Investments consist of an immaterial debt investment held at amortised cost.

Classification

The Group 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 Group's business model for managing the financial assets and the contractual terms of the cash flows.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Financial assets are initially recognised on trade date. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group 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.

Cash and cash equivalents

Refer to accounting policy on Cash and cash equivalents.

Accounting Policies

Trade and other receivables

Trade and other receivables are recognised initially at the IFRS 15 transaction price and subsequently measured at amortised cost. Other than payments on account to acquire grid-scale battery assets, trade and other receivables are generally due for settlement within 30 days and are therefore all classified as current. Due to their short-term nature, carrying value is considered to approximate fair value.

Payments on account to acquire grid-scale battery assets are realised over the course of construction of the battery asset and therefore are not due to be realised within 12 months of the reporting date. These receivables are classified as non-current. Carrying value is considered to approximate fair value.

Loans to related parties comprise of an amount owed by the Group's associate and an amount owed by the Group's immediate parent company. The Group's loan to associate is initially recognised at fair value and subsequently measured at fair value through profit and loss. The loan was issued under normal market conditions, and therefore the principal amount is considered to approximate fair value. The Group's loan to parent is initially measured at fair value and subsequently measured at amortised cost.

Derivative financial instruments

The Group enters into derivative financial instruments (derivatives) to manage its exposure to interest and inflation rates, including management of the balance between floating rate and fixed rate debt. Derivative financial instruments are initially recognised at fair value on the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of derivatives, are recognised in profit and loss within FV gains/losses on derivative financial instruments. Interest receipts or payments are recognised in profit and loss within Finance costs. The Group has not applied hedge accounting.

Derivative assets and liabilities are not offset in the consolidated financial statements unless the Group has both a legally enforceable right and intention to offset. Derivatives are presented as non-current assets or non-current liabilities if the remaining maturity of the instrument is greater than 12 months from the balance sheet date and if the instrument is not due to be realised or settled within 12 months. Interest receivable or payable within 12 months on derivative instruments is classified as a current asset or liability on the basis that it is expected to be realised within 12 months from the balance sheet date.

Impairment

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

Trade receivables and accrued income are written off, and derecognised, where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the customer ceasing trading and entering administration with no expected recovery from the Supplier of Last Resort process, or a failure by the customer to make contractual payments for a period of greater than or equal to 365 days past due. Indicators are assessed on an individual customer basis. Subsequent recoveries of amounts previously written off are credited against the same line item.

Further information about the impairment of trade receivables and accrued income, and the Group's exposure to credit risks, can be found in note 24.

Financial liabilities

The Group's financial liabilities include trade and other payables, bank loans and overdrafts, leases, derivative financial instruments, and for the parent company, bank loans, derivative financial instruments, and amounts owed by Group undertakings.

Classification

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables as appropriate.

Accounting Policies

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 payables and bank overdrafts

Trade and other payables, and overdrafts, are subsequently measured at amortised cost using the effective interest rate method. Trade and other payables 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.

Bank loans

Bank loans are subsequently measured at amortised cost. Interest expense on bank loans is recognised in the consolidated income statement using the effective interest rate method.

Transaction costs on borrowing facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the costs are capitalised against Bank loans upon initial drawdown and subsequently amortised over the term of the loan. Where drawdowns on the facility are not probable, the transaction costs are deemed to represent a prepayment for liquidity services. They are classified as prepayments within trade and other receivables on the consolidated balance sheet and amortised over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or has expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred, or liabilities assumed, is recognised in profit or loss within Finance costs.

If a facility is modified, then it is assessed whether the modification is significant enough to constitute an extinguishment either qualitatively or quantitatively (defined as a change in the present value of cash flows, including any transaction costs paid, exceeding 10%). If a modification is considered an extinguishment of the initial loan, the new modified loan is recorded at fair value and a gain/loss is recognised immediately in the consolidated income statement for the difference between the carrying amount of the old loan and the new loan. Any costs incurred are recognised in profit or loss. Where a modification is not significant enough to be an extinguishment, the cash flows under the modified loan are rediscounted at the original effective interest rate and an immediate gain or loss is recognised accordingly in the consolidated income statement on the date of modification. Any costs incurred are recognised over the remaining period of the modified debt, within the effective interest rate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated 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.

Leases

Group as lessor

The arrangements the Group has in place to act as Meter Asset Provider do not constitute a lease of the meter asset to the energy supplier. SMS controls the meter as the Group retains legal title and obtains substantially all the economic benefit. The assets are recognised as property, plant and equipment and the related income for the service of providing a fitted meter is recognised in accordance with IFRS 15. Further information about the Group's accounting policy for revenue recognition is given above, and for property, plant and equipment in note 11.

Group as lessee

The Group leases land, offices, warehouses and motor vehicles. For offices, warehouses and motor vehicles rental contracts are typically made for fixed periods of three to ten years. For land, rental contracts are typically made for fixed periods of 20 to 50 years. Contracts may have extension or early termination options. Lease terms are negotiated on an

Accounting Policies

individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The weighted average lessee's incremental borrowing rate applied to the lease liabilities at 31 December 2024 was 5.5% (31 December 2023: 6.6%).

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The Group is required to restore the land leased as part of its grid-scale battery storage business, and certain leased warehouses, to the condition required by the terms and conditions of the lease at the end of the respective lease terms. Under IFRS 16, the estimated liability for such restoration costs is recognised as a provision under IAS 37 at initial recognition and is not included as part of the lease liability. As right-of-use assets are measured subsequent to initial recognition using a cost model, any change in the estimate of such costs after initial recognition is added to, or deducted from, the cost of the right-of-use asset.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term, on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets

Accounting Policies

comprise IT equipment and small items of office furniture, where the value of the asset on inception is less than c.US\$5,000.

Payments for services are separated from the lease components of a contract and accounted for as an administrative expense.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a discount rate that reflects the current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognised within finance costs.

Provisions are split between amounts expected to be settled within 12 months of the balance sheet date (current) and amounts expected to be settled later (non-current).

Decommissioning and restoration provisions

Provisions for decommissioning and restoration costs arise in connection with the Group's grid-scale battery storage business, and with certain leased warehouses. The Group is required to restore the land leased as part of its grid-scale battery storage sites, and certain leased warehouses, to the condition required by the terms and conditions of the lease at the end of the respective lease terms (which range between three to ten years for warehouses, and 20 to 50 years for land). The amount recognised is the present value of the estimated future expenditure determined in accordance with current conditions, requirements, and price levels, discounted over the useful economic life of the asset where appropriate. The effects of changes resulting from revisions to the timing or amount of the original estimate of the provision are reflected on a prospective basis, generally by adjustment to the carrying amount of the related right-of-use asset recorded within property, plant and equipment.

An amount equivalent to the decommissioning provision is recognised as part of the corresponding right-of-use asset, which is subsequently depreciated at the same rate as the rest of the asset. Other than the unwinding of discount on or utilisation of the provision, any change in present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding asset.

Provisions also include the estimated cost to decommission grid-scale battery assets at the end of their life. These costs have been capitalised as part of the related asset within property, plant and equipment, and are depreciated over the life of the asset. Changes in the provision arising from revised estimates that relate to the asset are recorded as adjustments to the carrying value of the asset.

Investments in associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associated undertakings, until the date on which significant influence ceases.

Research and development

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

Accounting Policies

Expenditure on product and system development activities is capitalised if the product or process is technically and commercially feasible and the Group intends and has the technical ability and sufficient resources to complete development; if future economic benefits are probable; and if the Group 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 asset is available for use, so as to write off its cost, 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. All costs capitalised within this category relate to information technology and, in general, are amortised over an economic life of five years.

Intangible assets

Intangible assets acquired separately from third parties consist of software costs, including licence fees and software design costs. These are recognised as assets, measured at cost and classified as part of IT development and software.

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 acquired as part of a business combination are recognised outside goodwill if the asset is separable or arises from contractual or other legal rights. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives.

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 Administrative expenses disclosed in the consolidated statement of comprehensive income.

Intangible assets are amortised over their useful lives as follows:

- IT development and software 20% on cost, straight line
- Intangibles recognised upon acquisition:
 - Customer contracts 20% on cost, straight line
 - Trademarks 33% on cost, straight line

Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Software as a service ("SaaS") arrangements

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement. These arrangements are accounted for as a service contract over the contract period. The Group's policy in relation to costs incurred to configure or customise the software to specific requirements is as follows:

- Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefit flowing from the underlying resource and to restrict the access of others to those benefits, such costs are capitalised as separate intangible assets and amortised over the useful life of the software on a straight-line basis.
- Where costs incurred to configure or customise do not result in the recognition of an intangible asset then those costs that provide the Group with a distinct service (in addition to the SaaS access) are recognised as expenses as incurred. When such costs incurred do not provide a distinct service, the costs are expensed over the life of the contract on a straight-line basis.

Accounting Policies

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill is not amortised but is tested annually for impairment, or if there is an indication of impairment, and is carried at cost less accumulated impairment losses. Impairment losses are not subsequently reversed.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or Groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose. The units or Groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes and are no larger than an operating segment.

The recoverable amount of a CGU or Group of CGUs is measured at the higher of its value in use and fair value less costs of disposal. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Contingent consideration is recorded initially at fair value and classified as equity or a financial liability. Contingent consideration classified as equity is not remeasured, but contingent consideration classified as a financial liability is subsequently remeasured at fair value through profit or loss.

Adjustments to provisional fair values of identifiable assets and liabilities (and to estimates of contingent consideration) arising from additional information, obtained within the measurement period (no more than one year from the acquisition date), about facts and circumstances existing at the acquisition date, are adjusted against goodwill. Other adjustments to provisional fair values or changes in contingent consideration are recognised through profit or loss.

Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangibles to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment is initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

All other repair and maintenance costs are recognised in the consolidated 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:

- Freehold property - 2%
- Short-leasehold property - Shorter of the lease term or 15% to 20%

Accounting Policies

- Meter assets
 - Smart and Industrial & Commercial meter units 5%
 - ADM™ units 10%
 - Ancillary and installation components lower of 5% or remaining useful economic life of the related meter/ADM™ unit
 - Traditional meters (all components) to 1 July 2025
- Plant and machinery - 33%
- Fixtures, fittings and equipment - 20% and 33%
- Motor vehicles - 25%
- Right-of-use assets - Shorter of the asset's useful life and the lease term
- Grid-scale assets
 - Battery energy storage system - Shorter of the lease term or 2.5% to 10%
 - Battery assets - 10%

An item of property, plant and equipment and any significant components 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 consolidated 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.

See the Leases accounting policy for further details on the recognition and measurement of right-of-use assets under IFRS 16.

(i) Meter assets

The Group's meter asset portfolio recorded within property, plant and equipment comprises both installed and uninstalled meter assets.

Initial recognition

Newly purchased meter units and other significant ancillary parts which are critical for the meter unit to operate upon installation (such as regulators) are initially recognised within property, plant and equipment at cost.

Upon installation, an installed meter asset comprises three key components including the meter unit, the significant ancillary parts and the cost of installation (comprising labour and consumables). Pursuant to the acquisition of the meter installation businesses on 18 March 2016 certain internal costs to the Group are capitalised as part of the installation component where they are demonstrated as being directly attributable to bringing the meter assets into their usable condition.

Depreciation

Newly purchased uninstalled meter units and ancillary parts are not subject to depreciation as they are not yet available for use in the location and condition necessary to be capable of operating in the manner intended by management. Depreciation on newly purchased meter units and ancillary parts commences once the asset has been fully installed. The estimated useful economic lives of the relevant components are defined above.

Removals

Upon removal of an installed meter asset, each component is accounted for as follows:

- The meter unit is subject to a triage process whereby the condition of the meter unit is assessed to identify whether it can be re-used. If the uninstalled meter unit is deemed to be re-usable following triage, then the meter unit is classified as temporarily idle and continues to be depreciated. Meter units which do not have the ability to be reused are scrapped and disposed of from property, plant and equipment. Depreciation does not cease, therefore, until a meter unit is either scrapped or fully impaired.
- Regardless of the physical and operational condition of the meter unit, the ancillary parts and installation cost are scrapped on removal of a meter asset as they have no ability to generate future economic benefit once removed. These are derecognised, giving rise to a loss on disposal.

Refurbishment costs are expensed through Administrative expenses within the consolidated income statement.

Accounting Policies

Reinstallation

When a refurbished meter unit is reinstalled, new ancillary parts and installation costs are capitalised at cost. The meter unit component continues to depreciate over its remaining useful economic life. The newly capitalised ancillary parts and installation components begin depreciating on installation and are depreciated over the lower of 20 years and the remaining useful economic life of the meter unit to which they are attached. See the critical accounting judgements accounting policy for further details.

(ii) **Grid-scale assets**

Acquired development and construction rights together with directly attributable costs incurred in relation to the construction of the grid-scale battery storage sites are accounted for under IAS 16: Property, plant and equipment. These are recorded at cost and classified as part of Assets under construction within Property, plant and equipment. Construction costs are capitalised from the point at which it is probable that the construction of the assets will generate future economic benefit. This is defined by the Group as the point at which the Group has control over the build out of the assets via the secured land, planning permission, and grid connection. Whilst under construction no depreciation is recorded.

Inventories

Inventories comprise parts intended for consumption through the Group's transactional activities, including the maintenance of meter assets. Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value represents the estimated selling price for inventories in the ordinary course of business less the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprises cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consists of cash and short-term deposits as defined above.

Restricted cash

Restricted cash in the consolidated statement of financial position comprises amounts collected from customers on behalf of a third party, as part of a services arrangement, that have not yet been allocated. These monies are held in a trust account whilst awaiting allocation and, per the terms of the account, cannot be used by the Group to meet other short-term cash commitments. They have thus been disclosed separately on the statement of financial position.

Pension costs

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the consolidated statement of comprehensive income.

Share-based payments

IFRS 2 Share-based Payment has been applied to all grants of equity instruments. Prior to acquisition by Bidco, the Group issued equity-settled share-based payments to certain employees under the terms of the Group's various employee share and option schemes. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on an estimate of the shares that will ultimately vest. Share options which are subject to market-related performance conditions are valued using a Monte Carlo simulation.

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.

Own share reserve

Prior to acquisition by Bidco, the Group offered a Share Incentive Plan for all employees and established a trust to facilitate the delivery of SMS shares under this plan. The holdings of this trust include shares that have not vested

Accounting Policies

unconditionally to employees of the Group. These shares are recorded at cost and are classified as own shares. The cost to the Company of acquiring these own shares held in trust is shown as a deduction from shareholders' equity.

Dividends

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are paid.

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 consolidated 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 Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date. Current tax 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.

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 from the initial recognition of 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 does not give rise to equal taxable and deductible temporary differences.

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 assets and liabilities are recognised for all temporary differences, except in respect of:

- temporary differences arising from the initial recognition of goodwill (taxable temporary differences only) or on initial recognition of 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 does not give rise to equal taxable and deductible temporary differences; 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.

Standards and interpretations

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in its annual reporting period commencing 1 January 2024:

Standard or interpretation		Effective date
IAS 1 (amendment)	Classification of Liabilities as Current or Non-Current	1 January 2024
IAS 1 (amendment)	Non-current Liabilities with Covenants	1 January 2024

Accounting Policies

Standard or interpretation		Effective date
IAS 7 (amendment)	Supplier Finance Arrangements	1 January 2024
IFRS 16 (amendment)	Lease Liability in a Sale and Leaseback	1 January 2024

The IAS 1 amendments listed above mandate that for a liability to be classed as non-current, the right to defer settlement of the liability for at least twelve months after the reporting period must have substance and must exist. This right may be subject to a company complying with covenants specified in a loan arrangement, however only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.

The Group has considered the impact of this amendment, notably in relation to its borrowing facilities. The Group's facilities are subject to interest cover and leverage covenants which are calculated half-yearly, and as such the Group's right to defer settlement of those liabilities is subject to its compliance with these covenants within twelve months after the reporting date. Management have prepared forecasts for the twelve months following the reporting date and thereafter, which show the Group has significant headroom in relation to these covenants and does not indicate any future breach of covenants. Management will continue to monitor these forecasts, and are comfortable that the portion of the Group's borrowings which is classified as non-current is appropriate as at 31 December 2024.

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

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2024 reporting periods and have not been early-adopted by the Group. The amendments to IFRS 7 and IFRS 9 regarding the classification and measurement of financial instruments, effective for periods beginning on or after 1 January 2026, could affect how the Group accounts for the derecognition of financial liabilities and how financial assets are classified and is currently under consideration. All other standards are not expected to have a material impact on the entity in the current or future reporting periods, or on foreseeable future transactions.

Notes to the Financial Statements

For the year ended 31 December 2024

1 Segmental reporting

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

- Asset management, which comprises regulated management of gas and electric meters, ADM™ units and energy data assets within the UK;
- Asset installation, which comprises installation of domestic and I&C gas meters and electricity meters throughout the UK; and
- Energy management, which comprises the building and operation of grid-scale batteries, the provision of energy consultancy services and the management of distributed energy resources (DER). Other developing carbon reduction (CaRe) verticals are also managed through this division.

For the purpose of making decisions about resource allocation and performance assessment, it is the operating results of the three core divisions listed above that are monitored by management and the Group's chief operating decision-maker, being the SMS Board. It is these divisions, therefore, that are defined as the Group's reportable operating segments. There is no aggregation of operating segments.

Segment performance is mainly evaluated based on gross profit.

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

31 December 2024	Asset management £'000	Asset installation £'000	Energy management £'000	Unallocated £'000	Total operations £'000
Segment revenue (pre-exceptional)	136,825	70,022	18,528	–	225,375
Inter-segment revenue		(33,449)		–	(33,449)
Revenue from external customers	136,825	36,573	18,528	–	191,926
Cost of sales (excluding depreciation)	(7,915)	(31,493)	(11,306)	–	(50,714)
Depreciation	(36,350)		(5,933)	–	(42,283)
Segment gross profit	92,560	5,080	1,289	–	98,929
Other operating costs/income	296	160	2,251	(47,820)	(45,113)
Depreciation	–	(57)	(264)	(2,544)	(2,865)
Amortisation of intangibles	(2,580)	–	(493)	(2,272)	(5,345)
Profit from operations – pre-exceptional operating items	90,276	5,183	2,783	(52,636)	45,606
Exceptional items (operating)	(255)	(1,221)	–	(31,179)	(32,655)
Profit/(loss) from operations	90,021	3,962	2,783	(83,815)	12,951
Share of loss of associate					(641)
Net finance costs: other					(19,721)
Loss before tax					(7,411)
Tax expense					(3,761)
Loss for year					(11,172)

Notes to the Financial Statements

31 December 2023	Asset management £'000	Asset installation £'000	Energy management £'000	Unallocated £'000	Total Operations £'000
Segment revenue (pre-exceptional)	116,000	92,941	16,696	–	225,637
Inter-segment revenue	–	(57,025)	–	–	(57,025)
Revenue from external customers	116,000	35,916	16,696	–	168,612
Cost of sales (excluding depreciation)	(7,626)	(26,534)	(9,537)	–	(43,697)
Depreciation	(32,786)	–	(3,626)	–	(36,412)
Segment gross profit	75,588	9,382	3,533	–	88,503
Other operating costs/income	229	133	903	(45,903)	(44,638)
Depreciation	–	(45)	(152)	(2,671)	(2,868)
Amortisation of intangibles	(2,445)	–	(301)	(2,304)	(5,050)
Profit/(loss) from operations – pre-exceptional operating items	73,372	9,470	3,983	(50,878)	35,947
Exceptional items (operating)	(2,861)	–	438	(4,058)	(6,481)
Profit/(loss) from operations	70,511	9,470	4,421	(54,936)	29,466
Share of loss of associate					(822)
Net finance costs: other					(11,527)
Profit before tax					17,117
Tax expense					(4,754)
Profit for year					12,363

Inter-segment revenue relates to installation services provided by the asset installation segment to the asset management segment.

Depreciation associated with meter assets in the asset management segment and grid-scale battery assets in the energy management segment has been reported under Cost of sales as these assets directly drive revenue (see note 3).

All material operations are based in the UK and revenue generated in the UK.

The Group had two major customers in both 2024 and 2023 that each generated 10% or more of total Group turnover each year, as listed below by segment:

	2024 £'000	2023 (restated) £'000
Customer 1 – Asset management ¹	13,306	10,386
Customer 1 – Asset installation	9,596	13,029
Customer 2 – Asset management ¹	50,653	47,735
Customer 2 – Asset installation ¹	7,665	8,748
	81,220	79,898

¹The prior year figures for Customer 1 and Customer 2 have been restated to include an amount that was omitted in error. This restatement relates to the disclosure note only with no impact on the underlying consolidated financial statements for the year ended 31 December 2023.

Notes to the Financial Statements

Segment assets and liabilities

31 December 2024	Asset management £'000	Asset installation £'000	Energy management £'000	Unallocated £'000	Total operations £'000
Assets reported by segment					
Intangible assets	22,391	1,938	1,091	1,051	26,471
Property, plant and equipment	527,454	44	168,328	9,825	705,651
Investment in associate	–	–	477	–	477
Loans to associate	–	–	2,030	–	2,030
Trade and other receivables – non-current	–	–	40,087	–	40,087
Inventories	137	186	–	–	323
Contract assets	–	–	37	–	37
	549,982	2,168	212,050	10,876	775,076
Assets not by segment					480,593
Total assets					1,255,669
Liabilities by segment					
Contract liabilities	3,729	1,357	66	–	5,152
Lease liabilities	–	–	11,004	5,529	16,533
Provisions	–	–	3,580	–	3,580
Other liabilities	–	–	569	–	569
	3,729	1,357	15,219	5,529	25,834
Liabilities not by segment					758,647
Total liabilities					784,481

31 December 2023	Asset management £'000	Asset installation £'000	Energy management £'000	Unallocated £'000	Total operations £'000
Assets reported by segment					
Intangible assets	16,687	3,497	2,360	3,322	25,866
Property, plant and equipment	529,573	91	145,320	11,689	686,673
Investment in associate	–	–	1,118	–	1,118
Investment in associate	–	–	2,000	–	2,000
Trade and other receivables – non-current	–	–	2,773	–	2,773
Inventories	58	370	11	–	439
Contract assets	–	1	64	–	65
	546,318	3,959	153,646	15,011	718,934
Assets not by segment					89,280
Total assets					808,214
Liabilities by segment					
Contract liabilities	3,162	1,349	60	–	4,571
Lease liabilities	–	–	10,303	5,542	15,845
Provisions	–	–	2,767	70	2,837
Other liabilities	645	–	1,066	–	1,711
	3,807	1,349	14,196	5,612	24,964
Liabilities not by segment					275,500
Total liabilities					300,464

Notes to the Financial Statements

Assets not by segment include cash and cash equivalents, current trade and other receivables (except for contract assets), investments, loans to parent undertakings, derivatives, other assets in relation to prepaid liquidity services, and assets held for sale.

Liabilities not by segment include trade and other payables (except for contract liabilities), deferred tax liabilities and bank loans.

Additions to non-current assets within each segment are listed below:

2024	Asset management £'000	Asset installation £'000	Energy management £'000	Unallocated £'000	Total operations £'000
Additions to non-current assets					
Intangible assets	9,366	–	56	–	9,422
Property, plant and equipment	52,736	16	29,362	938	83,052
Trade and other receivables – non-current	–	–	40,087	730	40,817
	62,102	16	69,505	1,668	133,291

2023	Asset management £'000	Asset installation £'000	Energy management £'000	Unallocated £'000	Total operations £'000
Additions to non-current assets					
Intangible assets	4,503	–	622	–	5,125
Property, plant and equipment	110,766	65	54,039	6,554	171,424
Trade and other receivables – non-current	–	–	2,773	–	2,773
	115,269	65	57,434	6,554	179,322

Within Energy management additions to property, plant and equipment in 2024 of £30,048,000 is £2,773,000 relating to payments on account to acquire grid-scale battery assets which were previously recognised as additions to non-current other receivables in the year ended 31 December 2023 whilst pending the successful completion of site acceptance tests.

2 Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

Segment revenue by type of service delivered and by timing of revenue recognition is as follows:

Year ended 31 December 2024	Asset management £'000	Asset installation £'000	Energy management £'000	Total operations £'000
Major service lines				
Metering ¹	128,901	–	–	128,901
Data management	15,432	–	–	15,432
Utility connections	–	6,576	–	6,576
Transactional meter works	–	30,010	–	30,010
Grid-scale batteries ²	–	–	11,009	11,009
Energy management	–	(12)	7,182	7,170
Other	–	–	337	337
	144,333	36,574	18,528	199,435

Notes to the Financial Statements

	Asset management £'000	Asset installation £'000	Energy management £'000	Total operations £'000
Year ended 31 December 2024				
Timing of revenue recognition				
Services transferred at a point in time	17,268	30,010	2,028	49,306
Services transferred over time	127,064	6,564	16,500	150,128
	144,333	36,574	18,528	199,434
Year ended 31 December 2023				
Major service lines				
Metering ¹	106,068	–	–	106,068
Data management	14,076	–	–	14,076
Utility connections	–	7,148	–	7,148
Transactional meter works	–	28,747	–	28,747
Grid-scale batteries ²	–	–	9,102	9,102
Energy management	–	21	7,122	7,143
Other	–	–	472	472
	120,144	35,916	16,696	172,756
Timing of revenue recognition				
Services transferred at a point in time	8,096	28,747	3,342	40,185
Services transferred over time	112,048	7,169	13,354	132,571
	120,144	35,916	16,696	172,756

¹ Within metering revenue is £17,268,000 (2023: £8,096,000) relating to termination income, £7,508,000 of which is classified as exceptional (2023: £4,144,000).

² Of £7,182,000 grid-scale batteries revenue £3,261,000 (2023: £4,242,000) relates to wholesale trading income which is recognised net of trading costs.

(b) Assets and liabilities related to contracts with customers

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

	31 December 2024 £'000	31 December 2023 £'000
Current contract assets	37	65
9 Total contract assets	37	65
Current contract liabilities	5,152	4,571
Total contract liabilities	5,152	4,571

Trade receivables and unbilled receivables are disclosed in note 14 and all related to contracts with customers.

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.

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:

Notes to the Financial Statements

	2024 £'000	2023 £'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	4,164	2,102

No revenue was recognised in 2024 and 2023 in relation to performance obligations satisfied in previous periods.

Transaction price for which performance obligations not satisfied

All our utilities connections and energy management contracts are either for periods of one year or less or are billed periodically based on time and resources incurred, or other unit measures. As permitted under IFRS 15, the transaction price allocated to these performance obligations unsatisfied at the end of the reporting period is not disclosed.

3 Profit from operations

	2024 £'000	2023 £'000
Profit from operations is stated after charging/(crediting):		
Cost of sales:		
Direct staff and subcontractor costs	45,916	38,009
Depreciation of meter assets	36,350	32,786
Depreciation of grid-scale assets	5,933	3,626
Inventory costs	2,962	3,698
Short-term lease expense	1,836	1,990
Total cost of sales (before exceptional items)	92,997	80,109
Administrative expenses:		
Staff costs	19,164	22,307
Depreciation:		
-- owned assets	1,700	1,769
-- leased assets	1,292	1,099
Amortisation of intangibles	5,345	5,049
Auditor's remuneration (note 3a)	410	445
Loss on disposal ¹	6,436	4,863
Impairment of property, plant and equipment	2,723	2,340
Low-value lease expense	20	23
Research and development costs	599	527
Other operating charges	23,866	17,974
Total administrative expenses (before exceptional items)	61,555	56,396
Exceptional costs (note 3b)	40,163	10,625
Net impairment losses/(gains) on financial assets (note 24)	523	(2,452)
FV (gain) on derivative financial instrument (note 23)	(4,932)	0
Other operating income (note 3c)	(3,822)	(1,388)
Total operating costs	186,484	143,290

¹ Loss on disposal includes £6,822,000 (2023: £4,195,000) relating to losses on disposal of meter assets, comprising the derecognition of meter units that cannot be re-used and de-recognition of other components consistent with the Group's accounting policy. This is offset with a gain of £251,000 (2023: £nil) on the disposal of a held for sale asset and £165,000 of gains (2023: £668,000 of losses) primarily on disposal of motor vehicles.

Notes to the Financial Statements

(a) Auditor's remuneration

Auditor's remuneration can be analysed as:

	2024 £'000	2023 £'000
Audit of the parent company and consolidated financial statements	310	155
Audit of the financial statements of the Company's subsidiaries	100	257
Other assurance services	-	33
	410	445

(b) Exceptional items

	2024 £'000	2023 £'000
Exceptional operating items		
Losses on the traditional and SMETS1 meter portfolio	8,205	7,102
Acquisition-related costs	27,815	3,475
Restructuring costs	4,530	-
Other non-recurring professional fees	-	485
Other	(387)	(437)
Exceptional costs	40,163	10,625
Termination income on the traditional and SMETS1 meter portfolio	(7,508)	(4,144)
Total exceptional items	32,655	6,481

Acquisition-related costs relate to costs arising from the acquisition of the Group by KKR, including legal and professional fees and the effects of the Group's share schemes that settled on takeover. In the prior year £3,475,000 of legal costs relating to Bidco's acquisition were presented within other non-recurring professional fees.

The tax effect of exceptional items charged in 2024 is a credit of £3,519,000 (2023: credit of £771,000).

(c) Other operating income

	2024 £'000	2023 £'000
Government grant income	1,620	760
Other income	2,202	628
	3,822	1,388

Of the government grant income of £1,620,000 (2023: £760,000) recognised in the year ended 31 December 2024, £381,000 relates to RDECs (2023: £117,000). A further £1,239,000 (2023: £643,000) relates to grant income received on government-funded energy efficiency projects within the energy management business.

4 Particulars of employees

The average number of staff employed by the Group during the financial year, including Executive Directors, by activity was:

	2024 Number	2023 Number
Administrative staff	325	446
Operational staff	667	838
Sales staff	10	13
IT staff	107	103
Directors (excluding 5 (2023: 5) Non-executive Directors)	5	2

Notes to the Financial Statements

	2024 Number	2023 Number
	1,114	1,402
The aggregate payroll costs of the employees were:		
	2024 £'000	2023 £'000
Wages and salaries	67,493	66,306
Social security costs	5,701	5,578
Staff pension costs	1,536	1,622
Share-based payment (note 28)	9,567	1,757
Director pension costs	23	37
	84,320	75,300

5 Finance costs and finance income

	2024 £'000	2023 £'000
Finance costs		
Bank loans and overdrafts	37,792	11,711
Lease liabilities	929	724
Interest income on derivative financial instruments	(3,544)	–
Other	238	157
Total finance costs	35,415	12,592
	2024 £'000	2023 £'000
Finance income		
Bank interest receivable	1,737	1,065
Other interest receivable	4	–
Interest receivable on loan to parent company (note 26)	13,952	–
Total finance income	15,693	1,065

Finance costs incurred in relation to bank loans and overdrafts include interest and facility fees.

6 Taxation

	2024 £'000	2023 £'000
Analysis of charge in the year		
Current tax:		
Current income tax expense	–	–
Adjustment to tax charge in respect of previous periods	82	22
Total current income tax	82	22
Deferred tax:		
Origination and reversal of temporary differences	3,647	5,299
Adjustment to tax charge in respect of prior periods	32	(567)
Tax on loss	3,761	4,754

The charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

Notes to the Financial Statements

	2024 £'000	2023 £'000
Profit/(loss) before tax	(7,411)	17,117
Tax at the UK corporation tax rate of 25% (2023: 23.52%)	(1,853)	4,026
Expenses not deductible for tax purposes	5,606	1,031
Income not taxable	(290)	(406)
Adjustments to tax charge in respect of previous periods	116	(545)
Impact of deferred tax not recognised	103	78
Impact of overseas tax rates	103	69
Share of loss of associate	158	193
Utilisation of deferred tax not recognized	(182)	—
Change in tax rate	—	308
Tax expense in the income statement	3,761	4,754

Current tax credit through equity in the year was £nil (2023: £nil).

7 Earnings per share

The calculation of earnings per share (EPS) is based on the following data and number of shares:

	2024 £'000	2023 £'000
(Loss)/Profit for the year used for calculation of basic EPS	(11,172)	12,364
Number of shares	2024	2023
Weighted average number of ordinary shares for the purposes of basic EPS	137,080,680	133,391,975
Effect of potentially dilutive ordinary shares:		
– share options	—	352,524
Weighted average number of ordinary shares for the purposes of diluted EPS	137,080,680	133,744,499
EPS:		
– basic (pence)	(8.44)	9.27
– diluted (pence)	(8.44)	9.24

As there are no outstanding options or other potentially dilutive securities at the end of the reporting period, there is no adjustment required to the basic EPS for diluted EPS in line with IAS 33.32.

8 Dividends

	Year ended 31 December 2024 £'000	Year ended 31 December 2024 Per share (pence)	Year ended 31 December 2023 £'000	Year ended 31 December 2023 Per share (pence)
FY 2022 second interim dividend paid	—	—	10,088	7.5625
FY 2022 third interim dividend paid	—	—	10,090	7.5625
FY 2022 final dividend paid	—	—	10,104	7.5625
FY 2023 first interim dividend paid	—	—	11,114	8.3188
FY 2023 second interim dividend paid	11,114	8.3188	—	—
FY 2024 dividend paid	40,000	3.4534	—	—
Total dividends	51,114	11.7722	41,396	31.0063

Notes to the Financial Statements

A 33.275p per share dividend was initially proposed in respect of FY 2023 of which two instalments have been paid, in October 2023 and January 2024. Per the Group's dividend policy prior to the Acquisition, the second interim dividend is paid out of profits recognised in the year prior to the year in which the dividends are declared and reported. As at 31 December 2023, the distributable profits in the parent company were adequate to cover the second interim dividend of c. £11.1m, which was paid out in January 2024.

Following the Acquisition in March 2024, the third and fourth dividend instalments under the Group's former dividend policy were cancelled.

In December 2024, the Group paid a £40m dividend to its immediate parent company, Sienna Bidco Limited. This distribution was within the parent company's AIFMD capacity and was sufficiently covered by distributable profits in the parent company.

9 Intangible assets

	Goodwill £'000	Customer contracts £'000	IT development and software £'000	Total £'000
Cost				
As at 1 January 2023	10,188	3,268	35,051	48,507
Additions	–	–	4,892	4,892
Acquisitions (note 24)	208	25	–	233
Exchange adjustments	(20)	–	(22)	(42)
As at 31 December 2023	10,376	3,293	39,921	53,590
Additions	–	–	9,422	9,422
Disposals	–	–	(20)	(20)
Exchange adjustments	(41)	–	(59)	(100)
As at 31 December 2024	10,335	3,293	49,264	62,892
Amortisation				
As at 1 January 2023	–	2,605	20,070	22,675
Charge for year	–	209	4,840	5,049
As at 31 December 2023	–	2,814	24,910	27,724
Charge for year	–	221	5,123	5,344
Disposals	–	–	(20)	(20)
Exchange adjustments	–	–	(11)	(11)
Impairment (note 10)	2,689	–	695	3,384
As at 31 December 2024	2,689	3,035	30,697	36,421
Net book value				
As at 31 December 2024	7,646	258	18,567	26,471
As at 31 December 2023	10,376	479	15,011	25,866
As at 1 January 2023	10,188	663	14,981	25,832

Notes to the Financial Statements

10 Impairment of goodwill

The goodwill arising in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. Goodwill is allocated to CGUs as follows:

	Asset management £'000	Asset installation £'000	Solo Energy £'000	Behind- the-meter £'000	Total £'000
Cost					
As at 1 January 2024	5,708	3,497	963	208	10,376
Impairment	–	(1,559)	(922)	(208)	(2,689)
Exchange adjustments	–	–	(41)	–	(41)
As at 31 December 2024	5,708	1,938	–	–	7,646

The following impairment charges have been recognised in the year:

- £1,559,000 on goodwill recognised upon acquisition of Qton Solutions Limited in 2016, recognised within the Asset installation CGU. The goodwill arose in relation to the internal knowledge base acquired on the company's software system "FSM." The use of this system is now being phased out and replaced with the Group's ERP platform, and as such a full impairment charge of the corresponding goodwill has been deemed appropriate.
- £922,000 on goodwill recognised upon acquisition of Solo Energy Limited in 2019. The goodwill was predominantly attributable to management expertise acquired. After the completion of the Acquisition, the managing and operational directors of the Solo Energy business resigned from their positions in the business and therefore a full impairment of the corresponding goodwill has been deemed appropriate. The SMS Board are currently assessing the strategic direction of the Solo Energy business.
- £208,000 on goodwill recognised upon acquisition of the Home Services division of Evergreen Energy Limited in 2023, recognised within the Behind-the-meter CGU. The goodwill primarily arose on the acquired workforce, which has now been largely disbanded and therefore a full impairment of the corresponding goodwill has been deemed appropriate.

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired. Goodwill is tested for impairment by comparing the carrying amount of each CGU, including goodwill, with the recoverable amount. The recoverable amounts are determined based on value-in-use calculations which require assumptions. The calculations use cash flow projections based on financial budgets approved by the Board covering a one-year period, together with management forecasts for a further four-year period. These budgets and forecasts have regard to historical performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed cash flows. Cash flows beyond this are extrapolated using the estimated growth rates stated below.

The annual impairment test was performed for the two CGUs that have remaining goodwill balances allocated to them at 31 December 2024 – being asset management and asset installation. No evidence of impairment was found at the balance sheet date.

The key assumptions used in the value-in-use calculations for those CGUs that have goodwill allocated to them are as follows:

- **Perpetual growth rate** – the terminal cash flows are extrapolated in perpetuity using a growth rate of 2.0% for asset management (2023: 2.25%) and 1.0% for asset installation. The rate of 2.0% applied to asset management is derived from forecasted Retail Price Index increases which apply to the segment's index-linked meter rentals. This is not considered to be higher than the average long-term industry growth rate. The rate of 1.0% applied to asset installation is aligned to the Group's corporate forecast model and is lower than the rate applied to asset management as revenues in these CGUs are not always index-linked.

Notes to the Financial Statements

- **Discount rate** – the discount rate is initially based on the weighted average cost of capital (WACC), which is now determined based on the Group's cost of borrowing following its takeover by KKR and re-registration as a private company. A specific discount rate is then calculated for each CGU taking into account the time value of money, the CGU's risk profile and the impact of the current economic climate. The pre-tax discount rates applied are 6.3% and 7.8% for asset management and asset installation respectively (2023: 8.0%, 10.0%, 19.4% and 11.3% for asset management, asset installation, Solo Energy and Behind-the-meter respectively) and the post-tax discount rates applied are 6.0% and 9.0% for asset management and asset installation respectively (2023: 6.0%, 7.5%, 15.0% and 9.0% for asset management, asset installation, Solo Energy and Behind-the-meter respectively). The risk premium assigned to the asset installation CGU reflects the shorter-term nature of the underlying revenues within this segment, as compared to the annually recurring revenue generated by an installed asset.

Management has performed sensitivity analysis on the key assumptions both with other variables held constant and with other variables simultaneously changed. Management has concluded that there are no reasonably possible changes in the key assumptions that would cause the carrying amounts of goodwill to exceed the value in use for any of the CGUs.

11 Property, plant and equipment

	Land and buildings £'000	Meter assets £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Right-of-use assets £'000	Grid-scale assets £'000	Assets under construction £'000	Total £'000
Cost									
As at 1 January 2023	3,218	586,132	1,186	9,198	5,356	17,000	54,132	31,382	707,604
Reclassification	–	–	(29)	29	–	–	40,019	(40,019)	–
Additions	–	110,766	182	919	2,818	5,015	278	51,446	171,424
Disposals	(177)	(16,546)	(24)	(67)	(1,724)	(54)	–	–	(18,592)
Exchange adjustments	–	–	–	(1)	–	(1)	–	–	(2)
As at 31 December 2023	3,041	680,352	1,315	10,078	6,450	21,960	94,429	42,809	860,434
Reclassification	–	–	–	–	–	–	45,992	(45,992)	–
Additions	–	52,736	37	332	46	1,790	1,104	27,007	83,052
Disposals	(219)	(20,022)	(12)	(878)	(1,495)	(889)	(31)	–	(23,546)
Exchange adjustments	–	–	–	(3)	–	–	–	–	(3)
As at 31 December 2024	2,822	713,066	1,340	9,529	5,001	22,861	141,494	23,824	919,937
Depreciation									
As at 1 January 2023	846	119,340	1,085	7,403	4,057	3,559	994	–	137,284
Charge for year	143	32,786	67	885	674	1,266	3,626	–	39,447
Disposals	–	(5,508)	(24)	(67)	(1,471)	(54)	–	–	(7,124)
Impairment	–	4,156	–	–	–	–	–	–	4,156
Exchange adjustments	–	–	–	(1)	–	(1)	–	–	(2)
As at 31 December 2023	989	150,774	1,128	8,220	3,260	4,770	4,620	–	173,761
Charge for year	68	36,350	88	833	710	1,292	5,933	–	45,274
Disposals	(213)	(8,051)	(5)	(867)	(1,294)	(849)	(2)	–	(11,281)
Impairment	–	6,535	–	–	–	–	–	–	6,535
Exchange adjustments	–	–	–	(3)	–	–	–	–	(3)
As at 31 December 2024	844	185,608	1,211	8,183	2,676	5,213	10,551	–	214,286
Net book value									
As at 31 December 2024	1,978	527,458	129	1,346	2,325	17,648	130,943	23,824	705,651
As at 31 December 2023	2,052	529,578	187	1,858	3,190	17,190	89,809	42,809	686,673
As at 1 January 2023	2,372	466,792	101	1,795	1,299	13,441	53,138	31,382	570,320

Notes to the Financial Statements

Meter assets

Included within the closing Meter assets net book value of £527,459,000 (2023: £529,578,000) is £487,816,000 (2023: £483,309,000) relating to installed meter assets in use and £39,643,000 (2023: £46,268,000) relating to uninstalled meter assets not in use.

Also included within the closing Meter assets net book value is £2,495,000 (2023: £6,991,000) relating to the traditional meter portfolio. In accordance with our accounting policy these assets will be written down to zero by 1 July 2025. In the 2024 consolidated financial statements the traditional meter portfolio generated £11,442,000 (2023: £11,836,000) of revenue with a corresponding £5,015,000 (2023: £4,739,000) depreciation charge. As at 31 December 2024, £10,979,000 (2023: £11,658,000) of annualised recurring revenue arose from the owned traditional meter portfolio.

The assets are secured by a bond and floating charge.

As detailed in the Group's accounting policies, property, plant and equipment are reviewed for impairment at each reporting date. As a result, individual meter units of £6,535,000 (2023: £4,156,000) with a recoverable amount of nil have been identified and therefore have been impaired. These assets relate to meter units which are either not expected to be installed or have been removed from the wall and cannot be re-installed. £3,812,000 (2023: £2,340,000) of the impairment charge is recognised through exceptional items within the Consolidated Income Statement, relating to traditional and SMETS 1 assets, and £2,723,000 (2023: £1,816,000) is recognised through underlying administrative expenses, relating to I&C and SMETS 2 assets. All meter assets are categorised within the asset management segment.

In addition, consistent with prior years, the traditional meter asset portfolio recognised within Meter assets is assessed as a stand-alone cash-generating unit (CGU) and its carrying amount is compared with the recoverable amount. In line with IAS 36, no impairment review was considered necessary at 31 December 2024 as the previous impairment review at 31 December 2022 showed a significant excess of recoverable amount over carrying amount and management concluded that there were no reasonably possible changes in the key assumptions that would cause the carrying amounts of the traditional meter portfolio to exceed the value in use. There have also been no events during 2024 that would eliminate this excess or any new material indicators of impairment in the year. Therefore, no further impairment has been recognised in the period ended 31 December 2024 (31 December 2023: £nil).

Right-of-use assets

A breakdown of right-of-use assets is presented below:

Carrying value	2024 £'000	2023 £'000
Properties ¹	4,624	5,415
Land	12,632	11,775
Motor vehicles	392	–
	17,648	17,190

¹ Properties include office and warehouse space.

The consolidated income statement shows the following amounts relating to leases:

Depreciation charge on right-of-use assets	2024 £'000	2023 £'000
Properties	886	948
Land	394	151
Motor vehicles	12	–
	1,292	1,099

Notes to the Financial Statements

12 Investment in associate

	2024 £'000	2023 £'000
At 1 January	1,118	1,940
Additions	–	–
Share of loss for the year	(641)	(822)
Dividends received	–	–
At 31 December	477	1,118

On 15 June 2022, the Group acquired a 25% shareholding in Clenergy EV Ltd, a software business with a chargepoint operator (CPO) platform focused on electric vehicle charging infrastructure. Clenergy EV Limited's principal place of business is The Mill House Erw Hir, Llantrisant, Pontyclun, Wales, CF72 8BY. The Group's percentage ownership as at 31 December 2024 and 31 December 2023 was 25%.

Summarised financial information for Clenergy EV Ltd for the year/period since investment and after adjustment for fair value adjustments at acquisition is set out below:

	2024 £'000	2023 £'000
Revenue	1,200	645
Operating loss excluding depreciation and amortisation (EBITDA)	(1,055)	(1,839)
Depreciation and amortisation	(1,931)	(1,880)
Taxation	423	430
Loss after taxation	(2,563)	(3,289)
Group's share of associate's loss for the period	(641)	(822)

	2024 £'000	2023 £'000
Non-current assets	5,539	7,127
Current assets	592	1,686
Current liabilities	(3,121)	(2,799)
Non-current liabilities	(1,103)	(1,544)
Net assets	1,907	4,470
Group's share of associate's net assets	477	1,118

Included within current assets is cash and cash equivalents of £496,000 (2023: £1,484,000). The results for Clenergy EV Ltd all relate to continuing operations.

There are no differences in accounting policies between Clenergy EV Ltd and the Group. The Group holds an outstanding loan balance receivable by from Clenergy EV Ltd, refer to note 26 (c) for details and terms of the loan.

13 Inventories

	2024 £'000	2023 £'000
Consumables	323	439

Notes to the Financial Statements

14 Trade and other receivables

	2024 £'000	2023 £'000
Current		
Trade receivables	27,235	34,014
Prepayments and deferred costs	5,584	4,678
Accrued income	20,414	18,544
Other receivables	3,958	4,209
VAT receivable	62	–
	57,253	61,445

Amounts falling due after more than one year:

	2024 £'000	2023 £'000
Payments on account to acquire grid-scale battery assets	40,087	2,773
Prepayments	730	–
	40,817	2,773

Payments on account to acquire grid-scale battery assets relate to deposits on batteries for which final acceptance testing is yet to be completed as at the end of the reporting period.

Non-current prepayments comprise of prepaid arrangement fees in relation to the Group's Revolving Credit Facility, which are amortised over the life of the facility (5 years) in line with the Group's accounting policies.

Accrued income is made up of the following balances:

	2024 £'000	2023 £'000
Unbilled receivables	20,377	18,203
Contract assets	37	65
Other accrued income	–	276
	20,414	18,544

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The Group's credit risk is primarily attributable to trade receivables and accrued income. The amounts presented in the consolidated statement of financial position are net of any loss allowance. The total loss allowance for trade receivables and accrued income at 31 December 2024 was £2,098,000 (2023: £2,275,000). See note 24 for further details. The ageing profile of trade receivables is shown below:

	2024 £'000	2023 £'000
Current	14,987	23,695
1-30 days	1,434	7,006
31-60 days	674	895
61-90 days	814	830
91-120 days	731	1,539
Over 120 days	10,687	3,762
	29,327	37,727
Loss allowance	(2,050)	(1,939)
Amounts offset (see note 24)	(42)	(1,774)
	27,235	34,014

Notes to the Financial Statements

Trade receivables are non-interest-bearing and are generally on 30 to 90-day terms. Trade receivables due from related parties at 31 December 2024 amounted to £nil (2023: £nil).

Substantially all trade receivables are denominated in British Pounds Sterling.

The Group's largest outstanding trade receivables balances are associated primarily with large energy supplier customers for which the credit risk is considered low.

Of the £10,687,000 of trade receivables 120 days overdue, £6,214,000 is associated with a large energy supplier customer to which the Group also has trade payables owed of £6,882,000 at 31 December 2024. There is no contractual right to offset these balances and therefore these amounts are presented gross in the consolidated balance sheet; however they are expected to be settled simultaneously and there is no significant loss allowance associated with them.

Accrued income, which is made up of unbilled receivables and contract assets, is presented net of any loss allowance and impairment, with amounts being invoiced periodically and customers being the same as those within trade receivables. Accrued income primarily relates to unbilled metering income which is billed monthly in arrears. The loss allowance for accrued income at 31 December 2024 was £48,000 (2023: £336,000).

15 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group. The carrying amount of the asset approximates the fair value. Substantially all balances are held in British Pounds Sterling.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprises:

	2024 £'000	2023 £'000
Cash at bank	39,172	26,538
Cash and cash equivalents	39,172	26,538
Cash and cash equivalents – restricted	390	809
Total cash and cash equivalents	39,562	27,347

16 Assets held for sale

	2024 £'000	2023 £'000
Property awaiting disposal	–	513

A warehouse, which was no longer required following the consolidation of the Group's warehouse operations, was classified as held for sale at 31 December 2023. The warehouse was subsequently sold in February 2024.

Notes to the Financial Statements**17 Trade and other payables**

	2024 £'000	2023 £'000
Current		
Trade payables	35,515	23,407
Other payables	4,321	2,822
Other taxes	1,665	1,948
Deferred income	4,400	4,152
Advance payments	1,289	1,020
Accruals	19,184	29,138
VAT payable	–	1,892
	66,374	64,379

Deferred income and advance payments are made up of the following balances:

	2024 £'000	2023 £'000
Contract liabilities	5,152	4,571
Other deferred income (grants)	537	601
	5,689	5,172

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Trade payables are classified at amortised cost, are non-interest-bearing and are normally settled on 30 to 45-day terms.

Substantially all trade liabilities are denominated in British Pounds Sterling.

18 Bank loans

	2024 £'000	2023 £'000
Current	11,471	4,543
Non-current	662,806	193,899
	674,277	198,442

In April 2024, the Group's existing indebtedness of £252,800,000, including the outstanding loan principal, interest and commitment fees, was extinguished in full upon completion of the acquisition by KKR & Co. Inc, and the Group entered a new Senior Facilities Agreement. The new facility package is provided by a syndicate of lenders and comprises a combination of Term Loans, a Capex Facility and a Revolving Credit Facility. The Senior Facilities Agreement has total available commitments of £1,175,000,000 and matures in April 2029. Interest is payable at a rate of 2.15% over SONIA until April 2026, increasing to 2.25% over SONIA in year 3, 2.5% over SONIA in year 4 and 2.75% over SONIA in year 5.

Commitment fees of £2,429,000 were incurred in the year. 0.75% is payable on undrawn funds until April 2026, increasing to 0.79% in year 3, 0.88% in year 4 and 0.96% in year 5.

Arrangement fees of £13,428,000 were incurred in relation to the Acquisition Term loan, Refinancing Term loan, Additional Term loan and the Capex Facility and were accounted for in line with the bank loans accounting policy. Arrangement fees of £960,000 were incurred in relation to the Revolving Credit Facility and are accounted for as prepayments on the basis that drawdowns from this facility are not probable, in line with the bank loans accounting policy. Outstanding unamortised arrangement fees on the old facility of £905,000 were accelerated upon extinguishment and recognised as an exceptional cost in the year.

Notes to the Financial Statements

Any loan amounts drawn down from the Senior Facilities Agreement are secured by way of fixed and floating charges over the whole property, assets and undertaking (including uncalled capital) of the Company, Smart Metering Systems Limited. The charges contain a negative pledge.

The facilities package includes an Acquisition Term loan of £365,000,000 which was initially entered into by the Group's immediate parent company, Sienna Bidco Limited. The Acquisition Term loan, along with interest which had accrued to date, was legally novated to Smart Metering Systems Limited during the year in exchange for an intercompany loan note receivable of £365,000,000. The excess between the carrying value of the Acquisition Term loan novated and the principal value of the intercompany loan note issued in exchange has been recorded as a distribution by Smart Metering Systems Limited within the consolidated statement of changes in equity.

The loans drawn under the facility are all denominated in British Pounds Sterling. The balance as at 31 December 2024 is stated net of £18,633,957 of unamortised transaction costs (2023: £1,101,000).

The movement in bank loans is:

	2024 £'000	2023 £'000
As at 1 January	198,442	63,940
Proceeds of net new borrowings	479,458	130,000
Settlement of interest	(29,216)	(5,633)
Settlement of arrangement fees	(13,428)	(27)
Accrual of interest	36,144	9,585
Amortisation of arrangement fees	2,877	577
As at 31 December	674,277	198,442

The balances in the above table which include both cash and non-cash movements comprise the following:

- Proceeds of net new borrowings:
 - Cash movements include £41,468,000 of drawdowns from the Senior Facilities Agreement and £435,000,000 of drawdowns under the old facility, offset by £380,000,000 of repayments of borrowings in the year relating to cash repayments towards the outstanding loan under the old facility until April 2024.
 - Non-cash movements include a £250,000,000 drawdown of the Refinancing Term loan which was used to settle the outstanding principal and interest on the old loan at April 2024, and a £17,990,000 drawdown used to settle transaction fees on the Senior Facilities Agreement. The Acquisition Term loan of £365,000,000 was initially fully drawn down by the Group's immediate parent company, Sienna Bidco Limited, and legally novated to Smart Metering Systems Limited in exchange for an intercompany loan note (see note 29).
- Settlement of arrangement fees:
 - Cash movements include £375,000 of arrangement fees which were paid in relation to the Additional Term loan, offset by £947,000 of proceeds from the reverse flex arrangement whereby the Group were entitled to a refund on arrangement fees.
 - Non-cash movements include £14,000,000 of arrangement fees relating to the Senior Facilities Agreement which were settled via the aforementioned drawdown of £17,990,000.

Notes to the Financial Statements

The Group has the following committed facility:

	2024 £'000	2023 £'000
Undrawn committed facility	466,341	224,600
Bank loans drawn	704,458	195,000
Utilised in respect of guarantees	4,201	400
Total committed facility	1,175,000	420,000

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

The Group's facilities are subject to covenants based on the Group's interest cover and leverage ratio which are calculated half-yearly, and as such the Group's right to defer settlement of those liabilities is subject to its compliance with these covenants within twelve months after the reporting date. These covenants will first be tested at 30 June 2025. Management have performed forecasts for the 12 months following the reporting date and thereafter, which show the Group have significant headroom in terms of these covenants and are not indicative of approaching a breach of either of these covenants. Management will continue to monitor these forecasts, are comfortable that the portion of the Group's borrowings which is classified as non-current is appropriate as at 31 December 2024.

The Group receives financial guarantees under the Senior Facilities Agreement. In the current year, financial guarantees were utilised in relation to letters of credit for the grid business. In the prior year, the financial guarantee of the old facility was utilised in relation to a lease agreement for one of the Group's grid-scale battery storage sites.

SMS has the right to repay the whole or any part of the loan (subject to a minimum of £250,000) at any time provided it gives the agent not less than three banking days prior written notice.

The new Senior Facilities Agreement requires SMS to notify the agent of the facilities upon becoming aware of a change of control event. The lenders then have the contractual right to cancel their commitments and declare any outstanding amounts together with accrued interest and all other amounts accrued under the facility agreement as immediately due and payable by SMS.

19 Lease liabilities

	2024 £'000	2023 £'000
Current	965	865
Non-current	15,568	14,980
	16,533	15,845

The movement in lease liabilities accounted for under IFRS 16 is:

	2024 £'000	2023 £'000
As at 1 January	15,846	12,361
Cash flows – lease payments	(1,588)	(1,748)
Non-cash changes – accrued lease payments	25	–
Non-cash changes – new leases	824	1,456
Non-cash changes – changes in lease terms and foreign exchange impact	496	3,052
Non-cash changes – interest charge	930	724
As at 31 December	16,533	15,845

The Group had total cash outflows for leases of £3,445,000 in 2024 (2023: £3,761,000). £1,588,000 (2023: £1,748,000) of cash outflows for leases accounted for under IFRS 16 is included within financing cashflows in the consolidated statement of cashflows and £1,856,000 (2023: £2,013,000) is included within operating cashflows.

Notes to the Financial Statements

Details of the Group's right-of-use assets, including the additions and depreciation charge in the year, are disclosed within Note 11.

Short-term and low-value leases are expensed as disclosed in Note 3.

20 Provisions

Provisions comprise:

	2024 £'000	2023 £'000
Non-current		
Provision for restoration costs	2,369	1,888
Provision for decommissioning costs	1,211	949
	3,580	2,837

The movement in provisions is:

	2024 £'000	2023 £'000
As at 1 January	2,837	2,033
Provisions recognised	743	804
As at 31 December	3,580	2,837

The Group is required to restore the land leased as part of its grid-scale battery storage business, and certain leased warehouses, to the condition required by the terms and conditions of the lease at the end of the respective lease terms (which range between 20 to 50 years for land and three to ten years for warehouses). A provision has been recognised for the present value of the estimated expenditure required to carry out this restoration. These costs have been capitalised as part of the cost of right-of-use assets and are depreciated over the shorter of the term of the lease and the useful life of the assets. Provisions also include the estimated cost to decommission grid-scale batteries at the end of their life.

21 Other liabilities

Other liabilities comprise:

	2024 £'000	2023 £'000
Current		
Deferred consideration on acquisitions	569	325
	569	325
Non-current		
Deferred consideration on acquisitions	–	382
Contingent consideration on acquisitions	–	645
Other non-current liabilities	–	359
	–	1,386

The fair value of contingent consideration represents the estimated most likely pay-out based on management's forecast of future trading (level 3) discounted at the Group's incremental borrowing rate. At 31 December 2024 this was estimated to be £nil and therefore the full contingent consideration balance has been released and classified as an exceptional item.

A reconciliation of fair value measurement of the contingent consideration liability is provided below:

Notes to the Financial Statements

	Total £'000
At 1 January 2024	645
Unrealised fair value changes recognised in profit or loss	(645)
At 31 December 2024	–

Refer to note 25 for further details on the contingent and deferred consideration.

22 Deferred taxation

The movement in the deferred taxation liability during the year was:

	2024 £'000	2023 £'000
Opening deferred tax liability	17,250	13,496
Increase in provision through consolidated income statement	3,679	4,733
(Decrease)/increase in provision through equity	(545)	(985)
Deferred tax in respect of acquisitions and disposals	–	6
Closing deferred tax liability	20,384	17,250

The Group's provision for deferred taxation consists of the tax effect of temporary differences in respect of:

	2024 £'000	2023 £'000
Excess of taxation allowances over depreciation on property, plant and equipment	25,581	25,996
Tax losses available	(6,564)	(5,544)
Deferred tax asset on share options	–	(2,775)
Deferred tax on intangibles acquired	831	872
Deferred tax on derivatives	432	–
Deferred tax on CIR allowance	(34)	–
Other temporary differences ¹	138	(1,299)
	20,384	17,250

The deferred tax included in the consolidated income statement is as follows:

	2024 £'000	2023 £'000
Accelerated capital allowances	(43)	12,469
Tax losses	(1,020)	(5,430)
Deferred tax on share options	3,320	(270)
Movement in fair value of intangibles	(41)	(374)
Movement in fair value of derivatives	432	–
Other temporary differences ¹	1,031	(1,662)
	3,679	4,733

¹ Other temporary differences predominantly relate to deferred tax on provisions and accruals.

At 31 December 2024, the main rate of corporate tax applying to the profits of the Group was 25% (2023: 23.52%). The corporation tax rate applied to the 2023 profits of the Group is a blended rate of 19% to 31 March 2023 and 25% from 1 April 2023 deriving from the UK Government announcement of the corporation tax rate increase in the 2021 spring Budget. There have been no further increase to the corporation tax rate thus, 25% being applied to the profits of the Group for the full 12 months of 2024.

Notes to the Financial Statements

The Group had unrecognised trading losses of £3,840,000 in subsidiary undertakings at 31 December 2024 (2023: £2,444,000). The Group also had unrecognised capital losses of £729,000 in subsidiary undertakings at 31 December 2024 (2023: £729,000). These losses are not subject to expiry.

23 Derivatives

The Group enters into derivative financial instruments (derivatives) to manage its normal business exposures in relation to interest rates and changes in the Retail Price Index (RPI), including management of the balance between floating rate and fixed rate debt, consistent with the risk management policies and objectives (note 24).

The Group has recognised the following derivative financial instruments in the consolidated statement of financial position:

	2024 £'000	2023 £'000
Current assets		
Derivative financial instrument - interest rate swaps	4,032	–
Derivative financial instrument - inflation rate swaps	60	–
Total Current derivative financial instrument assets	4,092	–
	2024 £'000	2023 £'000
Non-current liabilities		
Derivative financial instrument - interest rate swaps	1,398	–
Derivative financial instrument - inflation rate swaps	491	–
Total non-current derivative financial instrument liabilities	1,889	–
	2024 £'000	2023 £'000
Current liabilities		
Derivative financial instrument - inflation rate swaps	475	–
Total Current derivative financial instrument liabilities	475	–

Total fair value gains on derivative financial instruments recognised in the consolidated income statement were £4,932,000 (2023: N/A) in relation to the portfolio of interest rate swaps and inflation swaps held by the Group.

24 Financial risk management

The Board reviews and agrees policies for managing the risks associated with interest rate, credit and liquidity risk. The Group has in place a risk management policy that seeks to minimise any adverse effect on the financial performance of the Group by continually monitoring the following risks:

(a) Interest rate risk

The Group's main interest rate risk arises from its floating rate bank loans. This risk is being actively managed by the Group through the use of entering into interest rate swaps and inflation swaps (derivatives).

There were no overdrafts at 31 December 2024 (2023: none) and the interest charge arising on lease liabilities does not represent a significant interest rate risk for the Group as interest rates are fixed based on the rate associated with the lease. The interest that accrues on both the Group's loan to parent undertaking and loan to associate is at a fixed rate.

Notes to the Financial Statements

The Group's financial assets at 31 December 2024 comprise cash, loan receivables and trade receivables. The cash balance of £39,172,000 (2023: £26,538,000) is a floating rate financial asset, with interest income varying based on SONIA. Interest income from cash balances does not represent a significant interest rate risk for the Group.

Interest rate sensitivity

The Group's main interest rate risk arises from long-term borrowings with floating interest rates, which expose the Group to cash flow interest rate risk. This risk is mitigated by interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. The residual interest rate risk is considered to be immaterial on this basis.

During 2024 and 2023, the Group's borrowings at variable rate were mainly denominated in British Pounds Sterling.

(b) Fair values of financial liabilities and financial assets

Financial instruments are classified by the following fair value measurement hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments that are not traded in an active market (such as derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The Group's borrowings are measured at amortised cost. For fair value disclosure purposes, the bank loan is considered to be a level 2 financial instrument on the basis that it is not traded in an active market. The Group's loan to associate is considered to be a level 3 asset. The fair values, based upon the market value or discounted cash flows of these financial liabilities and financial assets held in the Group, were not considered to be materially different from their book values. For short-term assets and liabilities, the Group takes the exemption from disclosing the fair values.

Derivative financial instruments are recognised at fair value and have been valued at 31 December 2024 using a Monte Carlo Simulation approach with key inputs including risk free rate (SONIA), inflation index (UKRPI) and credit spreads of both the Group and counterparties to calculate the present value of the estimated future cash flows based on observable yield curves. Derivatives are considered to be a level 2 financial instrument.

(c) Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange primarily arises from a single subsidiary, operating in Euros. With the exception of this entity, all of the Group's operating activities are denominated in British Pounds Sterling and, therefore, the Group's overall exposure is not significant.

(e) Liquidity risk

The Group manages its cash in a manner designed to ensure maximum benefit is gained whilst ensuring security of investment sources. The Group's policy on investment of surplus funds is to place deposits at institutions with strong credit ratings; this is considered to be institutions with a credit rating of AA– and above. Currently, all of the chosen investment institutions are in line with these criteria.

The ageing and maturity profile of the Group's material financial liabilities is disclosed in the table below. The amounts disclosed are the contractual undiscounted cash flows.

Notes to the Financial Statements

	Less than one year £'000	Between two and five years £'000	Over five years £'000	Total contractual cash flows £'000
31 December 2024				
Contractual maturities of financial liabilities				
Trade payables	35,515	–	–	35,515
Bank loan	54,093	806,095	–	860,188
Other liabilities	569	–	–	569
Lease liabilities	1,844	7,952	22,170	31,966
Derivatives	(4,055)	10,136	–	6,081
	87,966	824,183	22,170	934,319
31 December 2023				
Contractual maturities of financial liabilities				
Trade payables	23,407	–	–	23,407
Bank loan	4,543	195,000	–	199,543
Other liabilities	325	1,540	–	1,865
Lease liabilities	1,459	6,346	23,290	31,095
	29,734	202,886	23,290	255,910

Within trade and other receivables disclosed in note 14, the Group has £3.2m (2023: £2.6m) of cash collateral relating to grid-scale battery trading. The collateral is utilised to complete trading transactions throughout the year and is immediately recycled upon each transaction to meet ongoing collateral requirements.

(f) Credit risk

The Group's credit risk primarily arises from credit exposures to energy suppliers (our customers), including outstanding receivables, due to the Group trading with a limited number of companies, which are generally large utility companies or financial institutions.

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of AA– are accepted. The Group does not expect cash and cash equivalents to be at significant risk. Similarly, the Group's Other receivables primarily comprise of cash collateral which is not considered to be at significant risk by the Group. With regard to customers, the Group assesses the credit quality of the customer, considering its financial position, past experience and other factors. The Group does not expect, in the normal course of events, that debts due from customers are at significant risk. The Group's maximum exposure to credit risk equates to the carrying value of cash and cash equivalents, trade and other receivables, derivative financial instruments, contract assets and investments. The Group's maximum exposure to credit risk from its customers is £47,649,000 (2023: £56,764,000), being the sum of the carrying value of trade receivables and accrued income, including contract assets, as disclosed within Trade and other receivables in note 14. The Group regularly monitors and updates its cash flow forecasts to ensure it has sufficient and appropriate funds to meet its ongoing operational requirements.

Impairment of financial assets

The Group has two types of financial assets that are subject to IFRS 9's expected credit loss model:

- trade receivables, which consist of billed receivables arising from contracts with customers, for the provision of meter asset installation, management and energy services; and
- accrued income, which consists of contract assets and unbilled receivables arising from contracts with customers.

While cash and cash equivalents, other receivables, and the loan to parent held at amortised cost, are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Notes to the Financial Statements

The Group applies the IFRS 9 simplified approach to measuring forward-looking expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and accrued income, including contract assets.

To measure the ECL, trade receivables and accrued income have been Grouped based on shared credit risk characteristics and the days past due. Accrued income relates to rights to consideration for performance, and other operating charges, before payment is due from customers, and consists of unbilled receivables and contract assets (see note 2 for details). These have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for accrued income.

The Group has established a provision matrix based on the payment profiles of sales, over the most recent twelve-month period that is an appropriate representation of loss patterns, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information that might affect the ability of customers to settle the receivables, including macroeconomic factors as relevant. In calculating the loss rates, certain historical losses arising from specific circumstances with customers have been removed where these are not indicative of future loss patterns.

On that basis, the loss allowance at 31 December 2024 was determined as £2,098,000 (2023: £2,275,000) for trade receivables and accrued income. A reconciliation of these balances is provided as follows:

	Accrued income £'000	Trade receivables £'000	Total £'000
At 1 January 2024	336	1,939	2,275
(Decrease)/increase in loss allowance recognised in profit or loss during the year – underlying	(288)	972	684
Amounts reversed/written off during the year	–	(861)	(861)
At 31 December 2024	48	2,050	2,098
	Accrued income £'000	Trade receivables £'000	Total £'000
At 1 January 2023	1,156	3,026	4,182
Increase/(decrease) in loss allowance recognised in profit or loss during the year – underlying	(820)	(1,098)	(1,918)
Amounts reversed/written off during the year	–	(11)	(11)
At 31 December 2023	336	1,939	2,275

The overall loss allowance has decreased at 31 December 2024. Though the loss allowance for trade receivables has increased due to an increase in specific provisions applied in the year, the underlying loss allowance has decreased following the application of updated loss rates. The updated loss rates are also reflected in the decrease in loss allowance of the accrued income balances.

Total impairment losses on financial and contract assets were £523,000 in 2024 (2023: gain of £2,452,000). Included in this amount is a £684,000 increase (2023: £1,918,000 decrease) relating to expected credit loss provisions over trade receivables and accrued income. The balance of £161,000 (2023: £534,000) relates to dividend payouts confirmed on insolvent customers whose balances were previously written off.

(g) Capital management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern. The board maintains a strong capital structure so as to maintain investor and creditor confidence and to sustain the future development of the business.

Notes to the Financial Statements

(h) Disclosure of offsetting arrangements

31 December 2024	Gross balances ¹ £'000	Amounts offset ² £'000	Balance sheet ³ £'000
Financial assets			
Trade receivables	27,235	–	27,235
Accrued income	22,100	(1,686)	20,414
Financial liabilities			
Trade payables	35,515	–	35,515
Accruals	17,498	(1,686)	19,184
31 December 2023	Gross balances¹ £'000	Amounts offset² £'000	Balance sheet³ £'000
Financial assets			
Trade receivables	39,994	(1,774)	38,220
Accrued income	22,568	(4,024)	18,544
Financial liabilities			
Trade payables	23,527	(120)	23,407
Accruals	34,817	(5,679)	29,138

¹ The gross amounts of the recognised financial assets and liabilities.

² Amounts are offset where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and liability simultaneously, in accordance with IAS 32.

³ The net amounts presented in the consolidated statement of financial position.

25 Business combinations

Year ended 31 December 2024

No business combinations occurred in the year ended 31 December 2024.

Year ended 31 December 2023

On 8 August 2023 the Group acquired the Home Services division of Evergreen Energy Limited, a Manchester-based green energy solutions business focusing on heat pumps, solar panels and battery storage installation, for total consideration of £205,000. The acquisition will broaden the Group's reach into the business-to-consumer (B2C) segment, widen existing product offerings with the addition of solar panels and heat pumps, add technical expertise, and allow the Group to capitalise on increasing domestic green energy demand.

The fair values of the assets and liabilities acquired and of the consideration are as follows:

	Fair value £'000
Intangible assets: software	25
Trade and other receivables	24
Trade and other payables	(46)
Deferred tax liabilities	(6)
Net identifiable assets acquired	(3)
Add: goodwill	208
Net assets acquired	205
Satisfied by:	
Cash	80

Notes to the Financial Statements

	Fair value £'000
Contingent consideration	125
Total consideration	205

The net outflow of cash in respect of the purchase of the business is:

	£'000
Cash consideration	1,432
Cash and cash equivalents acquired	(86)
Net cash outflow in respect of the purchase of the business	1,346

No contingent assets or liabilities were acquired.

The deferred consideration was paid in January 2024 on the completion of remaining contractual obligations by both parties.

The goodwill is attributable to the opportunity to accelerate growth of the Group's behind-the-meter business. Goodwill will not be deductible for tax purposes.

The acquisition contributed to the Group's revenue by £283,000 and decreased the Group's profit before tax by £408,000 between the date of acquisition and 31 December 2023.

If the acquisition had been completed on 1 January 2023, the Group's revenue would have been £199,999,000 and profit before tax would have been £8,637,000 for the year ended 31 December 2023.

26 Related party transactions

(a) Key management personnel compensation

The Group has determined that its key management personnel comprise the Executive Directors, Non-executive Directors and certain senior management personnel. The aggregate compensation paid or payable to key management is shown below:

	2024 £'000	2023 £'000
Short-term employee benefits	3,155	3,457
Post-employment benefits	58	70
Termination benefits	193	–
Share-based payments	3,758	1,060
	7,164	4,587

(b) Directors

Directors' emoluments

Aggregate remuneration for both Executive and Non-executive Directors in respect of qualifying services was:

	2024 £'000	2023 £'000
Aggregate emoluments	1,540	1,623
Company contributions to money purchase pension scheme	23	37
	1,563	1,660

Emoluments of highest paid Director

	2024 £'000	2023 £'000
Emoluments	903	934
Company contributions to money purchase pension scheme	23	22

Notes to the Financial Statements

Emoluments of highest paid Director

	2024 £'000	2023 £'000
	926	956

Number of Directors who accrued benefits under Company pension schemes

	2024 Number	2023 Number
Money purchase schemes	2	2

On 22 March 2024, upon acquisition of the Group by KKR, all outstanding options held by the Executive Directors under the Group's Unapproved Share Option Plan and Long-Term Incentive Plan vested at a market value of £9.55 and were exercised. 2 Directors exercised share options in the year.

No Directors exercised options in the prior year, and no amounts vested under LTIPs in the prior year.

(c) Associates

The following transactions were carried out with Clenergy EV LTD, an associate of the Group:

Amounts due from associates	2024 £'000	2023 £'000
Opening balance	2,000	–
Interest accrued	30	–
Loans issued	–	2,000
Closing balance	2,030	2,000

The loan is unsecured and following an interest free period of one year, an interest rate of 3% per annum is applied on amounts outstanding from July 2024. The loan holds the option to convert into the number of fully paid ordinary shares sufficient to result in the Group owning an additional 26% of all ordinary shares in Clenergy EV LTD. If not converted by the maturity date in 2025 the loan will become fully repayable by Clenergy EV Ltd.

(d) Parent undertaking

The following transactions were carried out with Sienna Bidco Limited, the Group's immediate parent company post-Acquisition:

Amounts due from parent undertaking	2024 £'000	2023 £'000
Opening balance	–	–
Loan notes issued	365,000	–
Interest accrued	13,952	–
Closing balance	378,952	–

The loan note is unsecured and accrues daily interest at 7.4% from the issue date to the date of redemption. The loan note shall be fully redeemed or repaid, including any accrued and unpaid interest on the 10th anniversary (2034) if not previously redeemed or purchased before then.

(e) Other transactions with related parties

During the year, the Group entered into the following transactions with related parties:

The Group paid dividends to Tim Mortlock of £5,521 (2023: £16,473), Gail Blain of £226 (2023: £432), Miriam Greenwood of £2,666 (2023: £9,709), Graeme Bissett of £1,906 (2023: £7,104), Jamie Richards of £716 (2023: £2,416) and Ruth Leak of £235 (2023: £876).

Notes to the Financial Statements

27 Share capital

	2024 £'000	2023 £'000
Allotted and called up:		
133,606,918 ordinary shares of £0.01 each (2022: 133,397,009 ordinary shares of £0.01 each)	1,381	1,336

The Group has one class of ordinary shares which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

During the year 4,527,602 (2023: 209,909) ordinary share options were exercised in relation to the Group's employee share plans which are described in note 28. The ordinary shares issued have a nominal value of £45,276 (2023: £2,099) and aggregate consideration of £25,623,251 (2023: £1,091,000) was received.

28 Share-based payments

(a) Employee option plans

The Group operates an Unapproved Share Option Plan (the 'Unapproved Plan') and a Long-Term Incentive Plan (LTIP).

Unapproved Plan

The Unapproved Plan is open to any employee, including Executive Directors. Participants are granted options which, except in certain specified circumstances, only vest if certain performance conditions are met and the employee is still in service five years from the date of grant. The options are structured in five annual tranches. The vesting of each annual tranche takes place by reference to a distinct annual performance period and is subject to annual targets. Targets can include a market capitalisation target, non-market performance criteria based on financial targets and individual objectives, which are set at the beginning of the corresponding performance period. Tranches which do not vest due to a missed market capitalisation target can vest in future years if the future-year market capitalisation target is met or on the occurrence of certain events which would cause all tranches to vest. The Remuneration Committee has discretion in relation to the vesting of awards where certain other criteria are not met. Once vested, the options remain exercisable for a period of up to ten years from the date of grant. The exercise price of the options is determined by the Directors but shall not be less than the closing price at which the Company's shares are traded on the date of grant.

LTIP

The LTIP is open to senior employees. Participants are granted nil-cost options which are subject to performance conditions and the participant must remain employed up to the vesting date. The performance conditions are based on the total shareholder return and meeting financial and non-financial targets over a three-year performance period, with phased vesting over an overall five-year term. The vesting period varies from three to five years. Once vested, the options remain exercisable for a period of up to ten years from the date of award.

Summary of options

Upon completion of the Acquisition on 22 March 2024, all share options granted under both the Unapproved Plan and LTIP vested and were exercised by option holders. The full outstanding IFRS 2 expense was accelerated upon vesting.

The number of options outstanding at the beginning and end of the year, under both the Unapproved Plan and LTIP, were as follows:

	Number of options
At 31 December 2022	3,761,847
Granted	535,376
Exercised	(209,909)
Forfeited	(42,000)
Expired/cancelled ¹	(245,080)

Notes to the Financial Statements

	Number of options
At 31 December 2023	3,800,234
Granted	219,367
Tranches not yet granted, vested on takeover	508,000
Exercised	(4,527,601)
Forfeited	-
Expired/cancelled	-
At 31 December 2024	-

¹ Expired/cancelled options include the effect of modifications arising from discretion exercised by the Remuneration Committee to vest certain awards at a smaller proportion of the maximum available (see details below).

Out of the 3,800,234 options outstanding at 31 December 2023, 2,129,878 options were exercisable. Options exercised during the year were satisfied by new issues. The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2024 was £9.55 (2023: £8.05). The share options had a weighted average exercise price of £5.66 (2023: £5.20)

The table below summarises options granted under the Unapproved Plan and LTIP:

Plan	Award	Number of share options at 31 December 2024	Number of share options at 31 December 2023	Exercise price (pence)	Date exercisable	Expiry date	Fair value at grant (pence)
Unapproved	November 2014 options	-	289,159	350.0	12 Nov 2019	11 Nov 2024	84.8
Unapproved	August 2016 options	-	-	470.0	18 Aug 2021	17 Aug 2026	87.2
Unapproved	September 2016 options	-	50,000	529.0	26 Sep 2021	25 Sep 2026	142.4
Unapproved	July 2018 options	-	1,730,719	700.0	1 Jan 2023	13 Jul 2028	11.1 to 134.3
Unapproved	September 2018 options	-	60,000	602.8	13 Sep 2023	13 Jul 2028	98.0 to 266.1
Unapproved	September 2019 options	-	266,400	454.6	05 Sep 2024	13 Jul 2028	111.5
Unapproved	June 2020 options ¹	-	304,000	577.4	26 Jun 2025	13 Jul 2028	56.7 to 191.4
Unapproved	February 2021 options ²	-	768,000	705.4	10 Feb 2026	13 Jul 2028	124.1 to 210.8
LTIP	May 2022 LTIP	-	102,580	nil	18 May 2025 to 18 May 2027	18 May 2032	290.1 to 631.1
LTIP	March 2023 LTIP	-	226,874	nil	14 Mar 2026 to 14 Mar 2028	14 Mar 2033	387.8 to 713.3
LTIP	July 2023 LTIP	-	2,502	nil	1 Jul 2026 to 1 Jul 2028	1 Jul 2033	387.8 to 713.3
LTIP	January 2024 LTIP	-	-	nil	22 Jan 2027 to 27 Jan 2029	22 Jan 2034	454.3 to 835.7
Total		-	3,800,234				

¹ Options at 31 December 2023 relate to the first four of five tranches. The fifth tranche was effectively granted on Acquisition and vested immediately.

² Options at 31 December 2023 options relate to the first three of five tranches. The fourth and fifth tranches were effectively granted on Acquisition and vested immediately.

Fair value of options granted

i) Unapproved plan

Awards subject to a market capitalisation are valued using a Monte Carlo simulation. Other awards are valued using the Black-Scholes model.

In the current year, there were no awards valued using the Black-Scholes model. On Acquisition, there were certain tranches that had a legal grant date but no grant date for IFRS 2 purposes as specific performance targets had not

Notes to the Financial Statements

been set. At Acquisition, all the Unapproved Plan share options which did not yet have a grant date for IFRS 2 purposes automatically vested in full under the change of control provisions included within the Plan rules. Their effective grant date for IFRS 2 purposes was thus 22 March 2024 with a fair value of £9.55, being the Acquisition offer price.

The principal assumptions used in these valuations in the prior year were:

	31 December 2023
Dividend yield (%)	4.48
Expected volatility (%)	29.09 to 30.38
Risk-free interest rate (%)	3.56 to 3.67
Expected option life (years)	2.24 to 2.87
Exercise price (£)	5.77 to 7.05
Share price at grant date (£)	7.42
Fair value at grant date (£)	0.57 to 1.24

The expected price volatility is based on historical volatility, adjusted for any expected changes to future volatility due to publicly available information.

ii) LTIP

Awards subject to a total shareholder return condition are valued using a Monte Carlo simulation. Other awards are valued using the Black-Scholes model.

The principal assumptions used in these valuations were:

	31 December 2024	31 December 2023
Dividend yield (%)	4.11	4.11
Expected volatility (%)	33.99 to 36.76	33.99 to 36.76
Risk-free interest rate (%)	3.43 to 3.57	3.43 to 3.57
Expected option life (years)	3.00 to 5.00	3.00 to 5.00
Exercise price (£)	nil	nil
Share price at grant date (£)	9.49	8.10
Fair value at grant date (£)	4.54 to 8.34	3.88 to 7.13

The expected price volatility is based on historical volatility, adjusted for any expected changes to future volatility due to publicly available information.

Modifications

There were no modifications in 2024.

In January 2023, the Remuneration Committee assessed performance against vesting criteria of the: fifth tranche of the 2018 awards, the first three tranches of the 2019 awards and the third tranche of the 2020 awards under the Unapproved Plan. The aforementioned tranches of the 2018 and 2020 awards did not meet the market capitalisation targets set when they were originally granted, whilst the aforementioned tranche of the 2019 awards did not materially meet the non-market performance targets set when they were originally granted. The Remuneration Committee exercised the discretion available to it under the plan and, after taking into account a range of factors, concluded that the awards would vest at a proportion of the maximum as follows:

- 2018 awards, tranche five - 84%
- 2019 awards, tranches one to three - 40% (tranche 1), 40% (tranche 2), 80% (tranche 3)
- 2020 awards, tranche three - 84%

Notes to the Financial Statements

This was accounted for as a modification of the awards. In accordance with IFRS 2, the options were valued as at the date of modification based on the original terms using a Monte Carlo simulation (for the 2018 and 2020 awards) and a Black-Scholes model (for the 2019 awards) and then based on the modified terms using a Black-Scholes model. The incremental fair value granted as a result of the modifications was £566,000, of which £522,000 was recognised as an expense in 2023. The balance of the incremental fair value will be recognised over the remainder of the relevant vesting period.

The expense recognised in 2024 for all options, including the effect of the modifications, is £8,720,000 (2023: £1,408,000). Of this, £8,387,000 (2023: £nil) has been recognised as an exceptional cost, being the accelerated expense on Acquisition.

(b) Share Incentive Plan (SIP)

The Company introduced the SIP in October 2014. All employees of the Group (including Executive Directors) are eligible to participate in the SIP. Participants may each acquire Partnership Shares worth up to £1,800 per year from their pre-tax earnings at market value. The Company awards participants one Matching Share for each Partnership Share which they acquire. Dividends received on shares held in the SIP are reinvested to acquire Dividend Shares at market value. Matching Shares may be forfeited if the participant disposes of the corresponding Partnership Shares or leaves the employment of the Group within three years of the award date.

Upon completion of the Acquisition on 22 March 2024, all SIP shares vested in full. The tables below show the number of shares held in the SIP at the beginning and end of the year:

Type of award	At 1 January 2024	Awarded shares	Sold/ transferred	Forfeited	At 31 December 2024	Weighted average acquisition price
Partnership	305,036	9,811	(314,847)	-	-	6.36
Matching	298,884	9,811	(305,689)	(3,006)	-	6.36
Dividend	59,031	5,513	(64,544)	-	-	7.51
Total	662,951	25,135	(685,080)	(3,006)	-	

Type of award	At 1 January 2023	Awarded shares	Sold/transferred	Forfeited	At 31 December 2023	Weighted average acquisition price
Partnership	254,873	85,382	(35,219)	-	305,036	6.30
Matching	251,734	85,382	(20,273)	(17,959)	298,884	6.30
Dividend	39,701	23,050	(3,720)	-	59,031	7.36
Total	546,308	193,814	59,212	(17,959)	662,951	

The SIP is administered by the Smart Metering Systems SIP Trust (the 'Trust'). To the extent sufficient shares are not already held by the Trust, Matching Shares awarded by the Trust to employees are acquired in the market prior to the award. Matching Shares held by the Trust which have not yet vested unconditionally at the end of the reporting period are shown as own shares in the financial statements.

The fair value of the Matching Shares at the award date is equal to the share price at the award date. The weighted average fair value per share of the Matching Shares awarded during 2024 was approximately £9.51 per share (2023: £7.37). The total fair value of Matching Shares awarded is typically recognised over the three-year period starting on the respective award dates. However, during 2024 the full outstanding IFRS 2 expense was accelerated on Acquisition following vesting of all SIP shares.

The expense recognised in 2024 for all Matching Shares is £849,000 (2023: £349,000). Of this, £749,000 (2023: £nil) has been recognised as an exceptional cost, being the accelerated expense on Acquisition. No expense is recognised for the Partnership Shares and Dividend Shares because the participants pay full market value for these shares.

Notes to the Financial Statements

29 Equity distributions

During the year the Group's immediate parent company, Sienna Bidco Limited, novated the following financial liabilities to the Group:

	2024 £'000	2023 £'000
Acquisition Term loan	371,421	–
Derivative financial instrument (interest rate swaps)	1,686	–
Derivative financial instrument (inflation rate swaps)	1,517	–

The Acquisition Term loan, along with the interest accrued to the date of novation, was novated in exchange for a loan note receivable with nominal value of £365,000,000. The carrying value of the balances recorded above are reflective of the fair value at the date of novation. As the fair value of the liabilities novated exceeds the nominal value of the consideration received, in the form of a loan note, the excess in fair value is recognised as an equity distribution from SMS to Sienna Bidco Limited.

At the date of novation SMS assumed the derivative liabilities on behalf of Sienna Bidco Limited in exchange for nil consideration. This has also been recognised as an equity distribution.

At the date of novation the distributable profits in the parent company were sufficient to make these distributions.

30 Reserves

Share premium

Share premium comprises the proceeds received in excess of the nominal proceeds on issue of the Group's equity share capital.

Own shares

The Group's Share Incentive Plan is administered by the Smart Metering Systems SIP Trust, which acquires shares in SMS (own shares) to satisfy awards under this plan and facilitate the delivery of shares to participants. All outstanding shares under the Share Incentive Plan were settled upon acquisition of the Group by KKR on 22 March 2024, at the transaction price of £9.55 per share. As such, at 31 December 2024, nil (2023: 176,125) own shares were held in trust with a carrying value of £0 (2023: £1,203,984) and a market value of £0 (2023: £1,656,000). The Company purchased 9,811 shares (2023: 72,232) from the market during 2024 with a weighted average fair value of £9.51 per share (2023: £7.36).

Other reserves

This is a non-distributable reserve that initially arose by applying merger relief under section 612 of the Companies Act 2006 to the shares issued in 2009 in connection with the Group restructuring. Additionally, the premium of £4,189,000 and £1,115,000 arising on the issue of shares as part of the acquisitions of CH4 Gas Utility and Maintenance Services Limited ('CH4'), Trojan Utilities Limited ('Trojan') and Qton Solutions Limited ('Qton') has been credited to this reserve.

31 Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2024 £'000	2023 £'000
Property, plant and equipment	20,743	18,010

Capital expenditure of £20,743,000 (2023: £18,010,000) contracted for in relation to property, plant and equipment relates to the Group's grid-scale battery storage projects under construction.

Notes to the Financial Statements

32 Ultimate controlling party

Up to 22 March 2024, while the Group's shares were traded on the London Stock Exchange's AIM market, there was no ultimate controlling party by virtue of the structure of shareholdings in the Group.

From 22 March 2024 and as at 31 December 2024, the ultimate controlling party was Kohlberg Kravis Roberts & Co. Inc.

The smallest group in which the results of the Group are included as at 31 December 2024 is Smart Metering Systems Limited. The largest group in which the results of the Group are included as at 31 December 2024 is Sienna Midco 2 Limited. Consolidated financial statements of this group are available from Duo, Level 6, 280 Bishopsgate, London, United Kingdom, EC2M 4RB.

33 Subsidiary undertakings and associates

A full list of the Group's subsidiaries and associated undertakings (as defined in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008) as at 31 December 2024 is detailed below. Unless otherwise stated, they have share capital consisting solely of ordinary shares, and the proportion of ownership interests held equals the voting rights held by the Group. The country of registration is also their principal place of business.

All interests presented in the table below are subsidiaries of the Group except for Clenergy EV Ltd which is an associate.

	Registered office (see below table)	key Holding	Proportion of shares held	Nature of business
SMS Energy Connections Limited	1	Ordinary shares	100%	Gas utility connections
SMS Meter Assets Limited	1	Ordinary shares	100%	Gas and electric asset management
SMS MAPCO 1 Limited	2	Ordinary shares	100%	Gas and electric asset management
SMS Data Management Limited	1	Ordinary shares	100%	Data management
UKMA (AF) Limited*	2	Ordinary shares	100%	Funding
SMS Corporate Services Limited	1	Ordinary shares	100%	Administrative services
SMS Asset Management Limited*	2	Ordinary shares	100%	Gas and electric third-party asset management
SMS Energy Services Limited	2	Ordinary shares	100%	Electricity utility connections and management
SMS Data Services Limited*	2	Ordinary shares	100%	Electric asset and data management
CH4 Gas Utility and Maintenance Services Limited*	2	Ordinary shares	100%	Meter installation
SMS Utilities Academy Limited*	2	Ordinary shares	100%	Engineer training and development
Trojan Utilities Limited*	2	Ordinary shares	100%	Meter installation
Qton Solutions Limited*	2	Ordinary shares	100%	Business and domestic software development
Solo Energy Limited (UK)*	1	Ordinary shares	100%	Renewable asset management
Solo Energy Limited (Ireland)*	3	Ordinary shares	100%	Renewable asset management
Care Assets Limited	2	Ordinary shares	100%	Holding company
Care Power (Barnsley) Limited*	2	Ordinary shares	100%	Renewable asset management
Care Power (Burwell 1) Limited*	2	Ordinary shares	100%	Renewable asset management
Care Power (Newtonwood) Limited*	2	Ordinary shares	100%	Renewable asset management
Care Power (Brook Farm) Limited*	2	Ordinary shares	100%	Renewable asset management
Care Power (Berkeley) Limited*	2	Ordinary shares	100%	Renewable asset management
Care Power (Brentwood) Limited*	2	Ordinary shares	100%	Renewable asset management
Care Power (Wolverhampton) Limited*	2	Ordinary shares	100%	Renewable asset management
Care Power (North Tawton) Limited*	2	Ordinary shares	100%	Renewable asset management

Notes to the Financial Statements

	Registered office (see key below table)	Holding	Proportion of shares held	Nature of business
Care Power (Upton) Limited*	2	Ordinary shares	100%	Renewable asset management
Care Power (Bramford) Limited*	2	Ordinary shares	100%	Renewable asset management
Care Power (Drumcross) Limited*	1	Ordinary shares	100%	Renewable asset management
Care Power (Erskine) Limited*	1	Ordinary shares	100%	Renewable asset management
Care Power (Burwell 2) Limited*	2	Ordinary shares	100%	Renewable asset management
N3rgy Data Limited*	2	Ordinary shares	100%	Renewable asset management
Clenergy EV Ltd	4	Ordinary shares	25%	Renewable asset management
Metis Energy Limited	2	Ordinary shares	100%	Home energy solutions
Smart Battery Systems Limited	2	Ordinary shares	100%	Dormant
Metering Limited	2	Ordinary shares	100%	Dormant
Metering 1 Limited	1	Ordinary shares	100%	Dormant
Metering 2 Limited*	1	Ordinary shares	100%	Dormant
Care Energy Limited	2	Ordinary shares	100%	Dormant
Care Power Limited	2	Ordinary shares	100%	Dormant
Care Power (Muckraw) Limited	2	Ordinary shares	100%	Dormant
Care Power (Kinkhall) Limited	2	Ordinary shares	100%	Dormant
Care Power (Kellingley) Limited	2	Ordinary shares	100%	Dormant
Care Power (Overseal) Limited	2	Ordinary shares	100%	Dormant
Care Power (Overton) Limited	2	Ordinary shares	100%	Dormant
Care Power (Burwell Holdco) Limited*	2	Ordinary shares	100%	Dormant

* The shareholding in this company is indirect, via a subsidiary company.

¹ Registered office address: 2nd Floor, 48 St. Vincent Street, Glasgow G2 5TS.

² Registered office address: Prennau House, Copse Walk, Cardiff Gate Business Park, Cardiff CF23 8XH.

³ Registered office address: Unit 4 Joyce House, Barrack Square, Ballincollig, Cork, P31HW35, Republic of Ireland.

⁴ Registered office address: The Mill House Erw Hir, Llantrisant, Pontyclun, Wales, CF72 8BY.

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2024.

Name	Registration number
UKMA (AF) Limited	07130739
SMS Asset Management Limited	12285853
SMS Data Services Limited	13166529
SMS Data Management Limited	SC367412
Solo Energy Limited	SC487193
SMS Utilities Academy Limited	11896547
Trojan Utilities Limited	07790830
Qton Solutions Limited	07046582
Metis Energy Limited	14648082
SMS MAPCO 1 Limited	11022594

Notes to the Financial Statements**34 Post balance sheet events**

On 19th May 2025, the Board of directors of SMS announced that they had received and accepted an offer from an external party to acquire the Group's grid-scale battery storage. The impacts of the sale are not reflected in these financial statements on the basis that the Group's grid-scale battery storage business was not held for sale as at 31 December 2024, nor had any offer been received at this date. The sale is therefore defined as a non-adjusting post balance sheet event and the accounting impacts will be reflected in the financial statements for the year-ended 31 December 2025.

Parent Company Balance Sheet**For the year ended 31 December 2024**

	Notes	2024 £'000	2023 £'000
Non-current assets			
Investments in subsidiaries	2	32,924	26,563
Loan receivable		378,952	-
Trade and other receivables	4	437,649	416,365
Total non-current assets		849,525	442,928
Current assets			
Cash and cash equivalents	6	7,223	-
Trade and other receivables	4	23	-
Derivative financial instrument	9	2,353	-
Total current assets		9,599	-
Current Liabilities			
Bank loans	8	6,824	-
Trade and other payables	5	6,321	(929)
Derivative financial instrument	9	475	-
Total current liabilities		13,617	(929)
Non-current liabilities			
Bank loans	8	394,664	-
Derivative financial instruments	9	1,625	-
Total non-current liabilities		396,289	-
Total assets less current liabilities		845,507	441,999
Net assets		449,218	441,999
Capital and reserves			
Share capital	10	1,381	1,336
Share premium	13	358,999	333,421
Other reserves	13	29,370	19,803
Own share reserve	13	-	(1,204)
Retained earnings		59,468	88,643
Equity shareholders' funds		449,218	441,999

No profit and loss account is presented by the Company, as permitted by section 408 of the Companies Act 2006. The profit after taxation dealt with in the financial statements of the Company was £32,541,000 for the financial year ended 31 December 2024 (2023: £50,077,000).

The parent company financial statements on pages 79 to 85 were approved and authorised for issue by the Board of Directors and signed on its behalf by:


Gail Blain

Director

Date: 26.6.25

Company registration number
SC367563

Parent Company Statement of Changes in Equity

For the year ended 31 December 2024

Attributable to the owners of the parent company	Share capital £'000	Share premium account £'000	Other reserves £'000	Own share reserve £'000	Retained earnings £'000	Total £'000
As at 1 January 2023	1,334	332,332	18,046	(955)	80,245	431,002
Total comprehensive income for the year	–	–	–	–	50,077	50,077
Transactions with owners in their capacity as owners						
Dividends (note 3)	–	–	–	–	(41,396)	(41,396)
Share-based payments (note 10)	–	–	1,757	–	–	1,757
Movement in own shares (note 13)	–	–	–	(249)	(283)	(532)
Shares issued	2	1,089	–	–	–	1,091
As at 31 December 2023	1,336	333,421	19,803	(1,204)	88,643	441,999
Total comprehensive income for the year	–	–	–	–	32,542	32,542
Transactions with owners in their capacity as owners						
Dividends paid (note 3)	–	–	–	–	(51,114)	(51,114)
Equity distributions (note 12)	–	–	–	–	(9,375)	(9,375)
Share-based payments (note 10)	–	–	9,567	–	–	9,567
Movement in own shares (note 13)	–	–	–	1,204	(1,230)	(26)
Shares issued	45	25,578	–	–	–	25,623
As at 31 December 2024	1,381	358,999	29,370	–	59,466	449,216

Notes to the Parent Company Financial Statements

The parent company financial statements of Smart Metering Systems Limited (the 'Company') for the year ended 31 December 2024 were authorised for issue by the Board of Directors on 19th June 2025 and the balance sheet was signed on the Board's behalf by Gail Blain. Smart Metering Systems Limited is a private limited company limited by shares and incorporated and domiciled in Scotland, with its registered office at 2nd Floor, 48 St. Vincent Street, Glasgow, G2 5TS. As at 31 December 2024, the Company's ordinary shares were traded on AIM. SMS de-listed from the London Stock Exchange through cancellation of the SMS shares traded on AIM and re-registered as a private limited company on 25 April 2024.

1 Parent company accounting policies

Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and on a historical cost basis.

The accounting policies of the parent Company financial statements follow those policies which apply in preparing the consolidated financial statements for the year ended 31 December 2024. The financial statements are prepared in British Pounds Sterling and are rounded to the nearest thousand Pounds (£'000).

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 paragraph 79(a)(iv) of IAS 1.
- 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);
 - 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 between two or more wholly owned members of a Group.

Disclosure of auditor remuneration for non-audit fees is not given in the individual financial statements as the Group accounts are required to comply with regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 and present the information on a consolidated basis.

The Company is a guarantor in respect of the Group's borrowing facility to the extent the facilities are utilised by another member of the group other than the Company itself. The fair value of the parental guarantee has been assessed and is not considered significant on the basis that the subsidiary undertaking utilising the facility has a creditworthiness at least similar to the Company. The Company assesses, on a forward-looking basis, the expected credit losses associated with the guarantee. The impairment assessment considers the financial position of the subsidiary undertaking utilising the facility and concluded that there is no significant risk to the Company of impairment over the guarantee. While the guarantee is subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Notes to the Parent Company Financial Statements

Going concern

Based on the current projections and facilities in place, the Directors consider it appropriate to continue to prepare the financial statements on a going concern basis. A detailed assessment for the Group is disclosed in the accounting policies to the consolidated financial statements.

Investments in subsidiaries

Investments in subsidiary undertakings are stated in the balance sheet of the Company at cost, or nominal value of the shares issued as consideration where applicable, less provision for any impairment in value.

Derivative financial instruments

The Company enters into derivative financial instruments (derivatives) to manage its exposure to interest and inflation rates, including management of the balance between floating rate and fixed rate debt. Derivative financial instruments are initially recognised at fair value on the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of derivatives, are recognised in profit and loss within FV gains/losses on derivative financial instruments. Interest receipts or payments are recognised in profit and loss within Finance costs. The Company has not applied hedge accounting.

Derivative assets and liabilities are not offset in the consolidated financial statements unless the Company has both a legally enforceable right and intention to offset. Derivatives are presented as non-current assets or non-current liabilities if the remaining maturity of the instrument is greater than 12 months from the balance sheet date and if the instrument is not due to be realised or settled within 12 months. Interest receivable or payable within 12 months on derivative instruments is classified as a current asset or liability on the basis that it is expected to be realised within 12 months from the balance sheet date.

Amounts owed by Group undertakings

Amounts owed by Group undertakings recorded on the parent company balance sheet consist of outstanding loan balances. These are unsecured and interest free. All loans between Group undertakings are repayable on demand and are classified as current except where the amounts owed are not expected to be settled within 12 months of the reporting date, in which case balances are classified as non-current. Amortised cost is equal to the principal value, which is considered to approximate fair value.

The Company assesses, on a forward-looking basis, the expected credit losses associated with Amounts owed by Group undertakings. The impairment methodology applied depends on the ability to repay amounts repayable on demand and whether there has been any significant change in credit risk.

Loans to parent undertaking

The Company's loan to parent undertaking is initially measured at fair value and subsequently measured at amortised cost.

The Company assesses, on a forward-looking basis, the expected credit losses associated with loans to parent undertaking. The impairment methodology applied depends on the ability to repay amounts repayable on demand and whether there has been any significant change in credit risk.

Cash and cash equivalents

Cash and cash equivalents in the company statement of financial position comprises cash at bank and in hand.

Bank loans

Bank loans are subsequently measured at amortised cost. Interest expense on bank loans is recognised in the income statement using the effective interest rate method.

Transaction costs on borrowing facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the costs are capitalised against bank loans upon initial drawdown and subsequently amortised over the term of the facility.

Notes to the Parent Company Financial Statements

Share-based payments

The grant by the Company of options and share awards over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services rendered, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to the investments in subsidiary undertakings, with a corresponding credit to equity in the Company financial statements. The credit to equity is recognised within Other reserves, as these amounts are non-distributable at the Company level.

2 Investments in subsidiaries

Carrying value	2024 £'000	2023 £'000
At 1 January	26,563	24,306
Share-based payments	9,567	1,757
Additions	–	500
Impairment	(3,206)	–
At 31 December	32,924	26,563

During 2024 and 2023, a number of subsidiary companies granted options and share awards to their employees over the shares of SMS. For accounting purposes, these grants are recorded as investments by the Company in its subsidiary undertakings.

Investments in subsidiaries are assessed annually to determine if there is any indication that any of the investments might be impaired. An impairment charge of £3,206,000 was recognised in 2024 comprising:

- £1,760,599 in relation to the Company's investment in SMS Connections Limited which had accumulated as a result of share options granted to employees of the Group. An impairment has been recognised based on the difference between the carrying value of the Company's investment and the forecasted future discounted cashflows on the subsidiary;
- £1,124,879 in relation to the Company's investment in Solo Energy Limited. After the completion of the Acquisition, the managing and operational directors of the Solo Energy business resigned from their positions in the business and therefore a full impairment of the investment has been deemed appropriate. The SMS Board are currently assessing the strategic direction of the Solo Energy business; and
- £320,695 in relation to the Company's investment in Qton Solutions Limited. The subsidiary primarily holds the intangible assets relating to the Group's software system "FSM". The use of this system is now being phased out and replaced with the Group's ERP platform, and as such activity within the subsidiary will decline. A full impairment of the investment has therefore been deemed appropriate.

Subsidiary undertakings

Details of the subsidiary undertakings of the Company, including those that are held indirectly, are listed in note 33 to the consolidated financial statements.

3 Dividends

Please refer to details in note 8 to the Group financial statements.

Notes to the Parent Company Financial Statements

4 Trade and other receivables

	2024 £'000	2023 £'000
Amounts falling due within one year:		
Other receivable	23	-
	23	-
Amounts falling due after one year:		
Amounts owed by Group undertakings	437,527	416,283
Group Relief debtor	122	82

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Amounts are not expected to be settled within 12 months of the reporting period and are therefore classified as non-current, in line with the accounting policy.

5 Loans receivable

	2024 £'000	2023 £'000
Loans to parent undertaking	378,952	-

Loans to parent undertaking are unsecured, accrue interest daily at a rate of 7.4% and are repayable on demand. Amounts are not expected to be settled within 12 months of the reporting period and are therefore classified as non-current, in line with the accounting policy.

6 Cash and cash equivalents

	2024 £'000	2023 £'000
Cash at bank	7,223	-

7 Trade and other payables

	2024 £'000	2023 £'000
Amounts owed to Group undertakings	6,321	929

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.

8 Bank loans

	2024 £'000	2023 £'000
Current	6,824	-
Non-current	394,664	-
	401,488	-

Please refer to note 18 in the Group accounts for further information on the borrowing facilities entered in the year.

Notes to the Parent Company Financial Statements

The movement in bank loans is:

	2024 £'000	2023 £'000
As at 1 January	–	–
Proceeds of net new borrowings	395,000	–
Settlement of interest	(13,447)	–
Settlement of arrangement fees	(50)	–
Accrual of interest	20,271	–
Amortisation of arrangement fees	(285)	–
As at 31 December	401,489	–

The balances in the above table which include both cash and non-cash movements comprise the following:

- Proceeds of net new borrowings:
 - Non-cash movements include the Acquisition Term loan of £365,000,000 which was initially fully drawn down by the Group's immediate parent company, Sienna Bidco Limited, and legally novated to Smart Metering Systems Limited in exchange for an intercompany loan note (see note 12). The remaining £30,000,000 was cash movement, comprising a drawdown from the Senior Facilities Agreement in the year.
- Settlement of arrangement fees:
 - Cash movements include £375,000 of arrangement fees which were paid in relation to the Additional Term loan, offset by £325,000 of proceeds from the reverse flex arrangement whereby the Group were entitled to a refund on arrangement fees.

The company has the following committed facility:

	2024 £'000	2023 £'000
Undrawn committed borrowing facility	–	–
Bank loans drawn	395,000	–
Utilised in respect of guarantees	–	–
Total facility	395,000	–

The Company has complied with the financial covenants of its borrowing facility during the current reporting period.

The Company's facilities are subject to covenants based on the Group's interest cover and leverage ratio which are calculated half-yearly, and as such the company's right to defer settlement of those liabilities is subject to the Group's compliance with these covenants within twelve months after the reporting date. These covenants will first be tested at 30 June 2025. Management have performed forecasts for the 12 months following the reporting date and which show the Group have significant headroom in terms of these covenants and are not indicative of approaching a breach of either of these covenants. Management will continue to monitor these forecasts and are comfortable that the portion of the Company's borrowings which is classified as non-current is appropriate as at 31 December 2024.

The Company receives financial guarantees under the borrowing facility agreement. There have been no utilisations in respect of these guarantees in the current year.

SMS has the right to repay the whole or any part of the loan (subject to a minimum of £250,000) at any time provided it gives the agent not less than three banking days prior written notice.

Notes to the Parent Company Financial Statements

In the event a change of control takes place, SMS are obliged to notify the agent of the loan facility upon becoming aware of the event. The lender then has the contractual right to cancel the commitment and declare any outstanding amounts together with accrued interest and all other amounts accrued under the facility agreement as immediately due and payable by SMS.

9 Derivatives

The company has recognised the following derivative financial instruments in the statement of financial position:

	2024 £'000	2023 £'000
Current assets		
Derivative financial instrument (interest rate swaps)	2,293	–
Derivative financial instrument (inflation rate swaps)	60	–
Total current derivative financial instrument assets	2,353	–
Non-current liabilities		
Derivative financial instrument (interest rate swaps)	1,134	–
Derivative financial instrument (inflation rate swaps)	491	–
Total non-current derivative financial instrument liabilities	1,625	–
Current liabilities		
Derivative financial instrument (inflation rate swaps)	475	–
Total current derivative financial instrument liabilities	475	–

Total fair value gains on derivative financial instruments recognised in the consolidated income statement were £3,209,000 (2023: N/A) in relation to the portfolio of interest rate swaps and inflation swaps held by the Company.

10 Share capital

	2024 £'000	2023 £'000
Allotted and called up:		
138,134,520 ordinary shares of £0.01 (2023: 133,606,918 ordinary shares of £0.01 each)	1,381	1,336

During the year 4,527,602 (2023: 209,909) ordinary share options were exercised in relation to the Group's employee share plans which are described in note 28 of the Group accounts. The ordinary shares issued have a nominal value of £45,276 (2023: £2,099) and aggregate consideration of £25,623,251 (2023: £1,091,000) was received.

11 Related party transactions

The Group paid dividends to Tim Mortlock of £5,521 (2023: £16,473), Gail Blain of £226 (2023: £432), Miriam Greenwood of £2,666 (2023: £9,709), Graeme Bissett of £1,906 (2023: £7,104), Jamie Richards of £716 (2023: £2,416) and Ruth Leak of £235 (2023: £876).

12 Equity distribution

During the year the Group's immediate parent company, Sienna Bidco Limited, novated the following financial liabilities to the Company:

Notes to the Parent Company Financial Statements

	2024 £'000	2023 £'000
Acquisition Term loan	371,421	–
Derivative financial instrument (interest rate swaps)	1,439	–
Derivative financial instrument (inflation rate swaps)	1,517	–

The Acquisition loan facility, along with the interest accrued to the date of novation, was novated in exchange for a loan note receivable with nominal value of £365,000,000. The carrying value of the balances recorded above are reflective of the fair value at the date of novation. As the fair value of the liabilities novated exceeds the nominal value of the consideration received, in the form of a loan note, the excess in fair value is recognised as an equity distribution from SMS to Sienna Bidco Limited.

At the date of novation SMS assumed the derivative liabilities on behalf of Sienna Bidco Limited in exchange for nil consideration. This has also been recognised as an equity distribution.

At the date of novation the distributable profits in the Company were sufficient to make these distributions.

13 Reserves

Share premium

Share premium comprises the proceeds received in excess of the nominal proceeds on issue of the Company's equity share capital.

Own shares

The Group's Share Incentive Plan is administered by the Smart Metering Systems SIP Trust, which acquires shares in SMS (own shares) to satisfy awards under this plan and facilitate the delivery of shares to participants. All outstanding shares under the Share Incentive Plan were settled upon acquisition of the Group by KKR on 22 March 2024, at the transaction price of £9.55 per share. As such, at 31 December 2024, nil (2023: 176,125) own shares were held in trust with a carrying value of £0 (2023: £1,203,984) and a market value of £0 (2023: £1,655,575). The Company purchased 9,811 shares (2023: 72,232) from the market during 2024 with a weighted average fair value of £9.51 per share (2023: £7.36).

Other reserves

Other reserves are non-distributable and include the following items:

- a reserve that initially arose by applying merger relief under section 612 of the Companies Act 2006 to the shares issued in 2009 in connection with the Group restructuring. Additionally, the premium of £4,189,000 and £1,115,000 arising on the issue of shares as part of the acquisitions of CH4 Gas Utility and Maintenance Services Limited ('CH4'), Trojan Utilities Limited ('Trojan') and Qton Solutions Limited ('Qton') has been credited to this reserve; and

a share-based payment reserve, arising as a result of the grant by the Company of options and share awards over its equity instruments to the employees of subsidiary undertakings in the Group.