

smart approach
smart systems



Smart Metering Systems plc (SMS)
connects, owns, operates and maintains
metering systems and databases on
behalf of major energy companies.

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MORE ONLINE

Read more about SMS online at
our investor website [sms-plc.com](https://www.sms-plc.com)



Our highlights

SMS has recorded another six months of strong trading, marked by further milestones for the Company including an acquisition and a significant contract win.

FINANCIAL HIGHLIGHTS

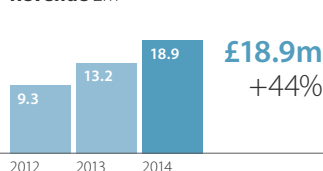
- Revenue increased by 44% to £18.9m (H1 2013: £13.2m)
– increase of 24% excluding Utility Partnership Limited ("UPL")
- Recurring meter rental increased by 43% to £8.6m (H1 2013: £6.0m), representing 46% of total revenue
- Gross profit increased by 52% to £12.2m (H1 2013: £8.1m)
– increase of 38% excluding UPL
- Adjusted EBITDA* increased by 59% to £8.7m (H1 2013: £5.5m)
– increase of 50% excluding UPL
- Basic earnings per share increased 23% to 4.02p (H1 2013: 3.27p)
- Interim dividend increased by 34% to 0.94p per ordinary share
- £14m acquisition of Utility Partnership Limited (UPL) on 14 April 2014: addition of c.£2m EBITDA annual run rate adding electricity connections, meters, data and energy services to SMS's services
- Net debt of £48.6m and a net debt to EBITDA of 2.8x
- Available cash and unused debt facility of £56.4m

* Excluding exceptional items and fair value adjustments

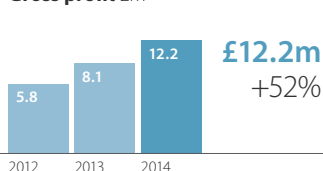
OPERATIONAL HIGHLIGHTS

- Total meter portfolio increased by 13% to 534,000 (December 2013: 469,000)
- Increase of 48% in capital investment in meter assets to £15.5m (H1 2013: £10.5m)
- Increase in annualised recurring gas meter rental at 30 June 2014 of 42% to £18.8m (H1 2013: £13.2m)
- Contract extensions or additions from a number of major customers, including British Gas Business (after half year end on 23 July 2014)
- Acquisition of UPL with an annualised run rate c.£2m EBITDA from electricity market providing connections, meters, data and energy services
- ADM™ installations increased to over 24,000 units to date
 - Received full accreditation for water market in the UK
 - International trials continuing
- Asset installation
 - Increase of 32% in asset installation revenue to £9.5m (H1 2013: £7.2m), of which gas connection business reduced by 13% to £3.6m (H1 2013: £4.1m)
- Strengthened Board with the appointment of energy sector expert Willie MacDiarmid as Non-executive Director

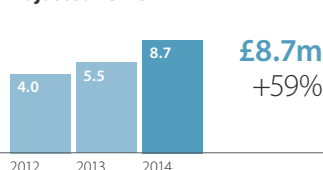
Revenue £m



Gross profit £m



Adjusted EBITDA* £m



ALAN FOY, CHIEF EXECUTIVE OFFICER, COMMENTED:

"We are especially excited that we can now offer our expanded customer base a full gas and electricity proposition, following SMS's acquisition of Utility Partnership Limited in the first half of 2014.

SMS has grown in line with expectations and is well-positioned in its markets following the acquisition and integration of Utility Partnership Limited's complementary electricity business activities and the announcement of a new contract from British Gas Business which will have a positive impact over the next three years."

Chairman's statement



Paul Dollman
Non-executive Chairman

We are pleased to announce further growth across our business for the first half of 2014. We have continued to expand both our customer base and our meter portfolio. The first six months are also notable for our acquisition of Utility Partnership Limited, a leading manager of electricity meters in the UK and provider of electricity connections, design, meter installation, data management and energy management services, resulting in the addition of a full electricity proposition.

OUR BUSINESS

Our business is based on connecting, owning, operating and maintaining metering systems and databases on behalf of major energy companies and energy brokers.

Our core focus is on gas and electricity meters in the UK, where we aim to:

- ▶ be the market leader in the independent ownership of industrial and commercial (I & C) meters; and
- ▶ grow our domestic meters business organically and position the business for the opportunity to gain gas and electricity smart meter ownership and management services in the UK's future smart metering rollout plan.

We further aim to build our established international activities through existing metering, data and energy services and products.

We will also seek to expand into other markets where "smart" applications such as remote reading and half-hourly consumption data are important.

PEOPLE

We are delighted to welcome 168 new colleagues from UPL, which more than doubles our staff numbers to over 290.

Our new colleagues also believe that the most important element of running a business is to ensure that we provide the highest quality of service to our customers. The strong performance of our newly combined businesses in the first half of this year is testament to the dedication and expertise

that each member of the team invests in our business and in the relationships with our valued customers. We would like to thank all members of staff for their continued support and hard work.

On 14 April 2014, SMS welcomed Willie MacDiarmid as a Non-executive Director of the Company. Willie is a valued addition to our Board. He is a proven senior executive with a background in the energy sector and he has had involvement at the highest level with the last two UK governments on a variety of strategic and operating working groups. As a member of the Scottish Power executive team, the Company's successful metering business was part of Willie's portfolio.

During the six months to 30 June 2014, Nigel Christie retired from the Board as a Non-executive Director, Miriam Greenwood took over the Chair of the Company's Audit Committee and Willie MacDiarmid took over the Chair of the Company's Remuneration Committee.

DIVIDEND

At the time of our admission to AIM, we stated that we intended to adopt a dividend policy that would reflect the Group's profitability, underlying growth prospects and availability of cash and distributable reserves, while maintaining an appropriate level of dividend cover.

SMS is therefore delighted to announce a proposed interim cash dividend to shareholders of 0.94p per ordinary share for the half year ended 30 June 2014, marking a 34% increase. The interim dividend will be paid on 21 November 2014 to those shareholders on the register (record date) on 17 October 2014 with an ex-dividend date of 16 October 2014.

OUTLOOK

The first half of 2014 has proved a successful six months for the business, which include the addition of a full service electricity offering, increasing long-term recurring meter rental revenue and a continued strong financial performance. SMS looks forward with confidence to the opportunities in the UK and internationally as we drive our vision to be the leading independent provider of smart metering solutions to suppliers in the utility sector with the highest levels of customer service.

Chief Executive Officer's statement



Alan Foy
Chief Executive Officer

During the first half of 2014, the meter portfolio surpassed the half-million mark with an increase of 65,000. Contracts secured in 2012 with DONG Energy, Opus Gas Supply, Flow Energy, Daligas and Crown Gas and Power continue to help drive portfolio growth. The British Gas Business contract secured in July 2014 will further increase our meter portfolio.

Our business model of building up the annualised recurring gas meter rental continues. These recurring revenues are as a result of the long-term nature of our contracts, which provide an index-linked revenue stream.

ACQUISITION OF UPL

On 14 April 2014, SMS acquired the entire issued share capital of UPL. With this acquisition we will look to increase the electricity meter portfolio, further adding to our recurring rental revenue.

The UPL acquisition is proving successful and will accelerate the overall strategic vision of SMS's enlarged business in three key areas:

- ▶ to drive growth opportunities through connections, metering and data management services to an expanded gas and electricity customer base;
- ▶ to position our business as a dual gas and electricity meter provider for the UK's future smart meter rollout programme; and
- ▶ to provide further opportunities to expand internationally.

UPL manages over 90,000 electricity meters with core customers such as Centrica, Opus, SSE and EDF. Other customers include: Network Rail, Vodafone, Santander, Sainsbury's, O2 UK and Cable & Wireless. UPL has grown very successfully since its establishment and for the year ended 31 July 2013 turnover was £11.1m with gross profit of £3.7m and EBITDA (after exceptional items) of £2.0m.

The service we offer and culture of our two companies complement each other well and now as a single enlarged business we are already seeing positive results at an operational, financial and personnel level.

INDUSTRIAL AND COMMERCIAL METERS

In addition to our recent new contract win with British Gas Business, we have secured extensions from major customers on existing contracts and we have added UPL's portfolio of over 6,000 industrial and commercial meters.

ADM™

The ADM™ device is SMS's advanced metering solution which allows for remote meter reading on a half-hourly basis and has been designed in line with our own customer requirements.

SMS has more than tripled the number of ADM™ device installations in the last year to 24,000 and feedback continues to be positive.

DOMESTIC METERS

SMS's opportunity in the domestic meter market has been strengthened through our now combined gas and electricity full service offering which ideally positions the business for the UK's current domestic gas and electricity smart meter rollout.

OTHER MARKETS

Our trials of the ADM™ device across Asia, Africa and the UK are advancing well. SMS also believes there is scope to trial the device in current UPL customer markets.

Following an extensive accreditation process, we are also pleased to announce that during the first half of the year the products SMS developed for the UK water market have passed all tests and received full accreditation.

FINANCIAL REVIEW RESULTS FOR THE PERIOD

During the first half of 2014, the Company increased revenue by 44% to £18.9m largely due to increasing recurring revenue, predominantly meter rental but also data provision. In line with the Company's strategy, annualised recurring meter rental revenue grew by 42% to £18.8m compared with £13.2m at the 30 June 2013 and £15.5m as at 31 December 2013.

Asset installation revenue increased to £9.5m (H1 2013: £7.2m). The gas connection business reduced slightly to £3.6m, which is in line with the Company's more typical performance of achieving a full year Gas Connection revenue of between £6m and £7m.

Gross profit increased by 52% from £8.1m (H1 2013) to £12.2m and adjusted EBITDA grew by 59% from £5.5m to £8.7m.

From April 2014, SMS has added an annualised run rate of approximately £2m EBITDA from the acquisition of UPL, also adding electricity connections, meters, data and energy management to SMS's services.

CASH AND BORROWINGS

As at 30 June 2014, the Company had net debt of £48.6m (December 2013: £33.3m). The Company's available cash and unused debt facility stood at £56.4m.

In March 2014, SMS signed new long-term debt facilities with its existing club of lenders, Barclays Bank PLC (lead bank), Clydesdale Bank PLC and Bank of Scotland PLC. The terms, as before, include a ten-year repayment profile.

The £105m revolving credit facility replaces the £45m facility which was put in place in August 2012. It provides SMS with significant additional financial flexibility as the Company continues to accelerate growth and increase investment in its asset base.

Capital investment in meter assets was £15.5m compared to £10.5m in the first half of 2013.

TREASURY POLICIES

The Company uses interest rate swaps to manage its exposure to movements in interest rates.

£28.2m of borrowings as at 30 June 2014 (December 2013: £28.2m) were subject to fixed a rate.

Consolidated statement of comprehensive income

For the period ended 30 June 2014

	Six months ended 30 June 2014 Unaudited £'000	Six months ended 30 June 2013 Unaudited £'000	Year ended 31 December 2013 Audited £'000
Revenue	18,934	13,188	27,916
Cost of sales	(6,697)	(5,115)	(10,101)
Gross profit	12,237	8,073	17,815
Administrative expenses	(6,827)	(4,230)	(9,248)
Profit from operations	5,410	3,843	8,567
Attributable to:			
Operating profit before exceptional items	6,300	4,156	8,834
Exceptional items and fair value adjustments	(890)	(313)	(267)
Finance costs	(779)	(545)	(1,122)
Finance income	8	24	26
Profit before taxation	4,639	3,322	7,471
Taxation	(1,243)	(594)	(896)
Profit for the period			
Attributable to equity holders	3,396	2,728	6,575
Other comprehensive income	—	—	—
Total comprehensive income	3,396	2,728	6,575
Earnings per share – basic (pence) – note 4	4.02	3.27	7.86
Earnings per share – diluted (pence) – note 4	3.85	3.12	7.43

Consolidated statement of financial position

As at 30 June 2014

	30 June 2014 Unaudited £'000	30 June 2013 Unaudited £'000	31 December 2013 Audited £'000
Assets			
Non-current assets			
Intangible assets	10,393	1,920	2,018
Property, plant and equipment	73,908	45,721	57,382
	84,301	47,641	59,400
Current assets			
Inventories	2,710	692	2,504
Trade and other receivables	11,168	3,585	6,099
Cash and cash equivalents	4,672	6,507	2,073
Other current financial assets	235	36	207
	18,785	10,820	10,883
Total assets	103,086	58,461	70,283
Liabilities			
Current liabilities			
Trade and other payables	16,642	10,095	8,879
Bank loans and overdrafts	6,965	2,834	3,933
Obligations under hire purchase agreements	53	4	3
Other current financial liabilities	—	—	—
	23,660	12,933	12,815
Non-current liabilities			
Bank loans	46,281	23,215	31,475
Obligations under hire purchase agreements	50	7	6
Deferred tax liabilities	2,287	3,098	3,395
	48,618	26,320	34,876
Total liabilities	72,278	39,253	47,691
Net assets	30,808	19,208	22,592
Equity			
Share capital	851	838	838
Share premium	8,971	8,971	8,971
Other reserves	4,258	1	1
Retained earnings	16,728	9,398	12,782
Total equity attributable to equity holders of the parent company	30,808	19,208	22,592

Consolidated statement of changes in shareholders' equity

For the period ended 30 June 2014

	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total £'000
Attributable to owners of the parent company:					
As at 1 July 2013	838	8,971	1	9,398	19,208
Profit for period	—	—	—	3,847	3,847
Transactions with owners in their capacity as owners:					
Dividends	—	—	—	(588)	(588)
Share options	—	—	—	125	125
Balance as at 31 December 2013	838	8,971	1	12,782	22,592
Profit for period	—	—	—	3,396	3,396
Transactions with owners in their capacity as owners:					
Shares issued	13	—	4,257	—	4,270
Dividends	—	—	—	(1,370)	(1,370)
Deferred tax asset	—	—	—	1,824	1,824
Share options	—	—	—	96	96
Balance as at 30 June 2014	851	8,971	4,258	16,728	30,808

Consolidated cash flow statement

For the period ended 30 June 2014

	Six months ended 30 June 2014 Unaudited £'000	Six months ended 30 June 2013 Unaudited £'000	Year ended 31 December 2013 Audited £'000
Cash flow from operating activities			
Profit before taxation	4,639	3,322	7,471
Finance costs	779	545	1,122
Finance income	(8)	(24)	(26)
Fair value movements on derivatives	(28)	(206)	(377)
Depreciation	2,066	1,194	2,754
Amortisation	298	118	262
Share-based payment expense	96	519	644
Increase in inventories	138	(319)	(2,131)
Increase in trade and other receivables	(118)	(494)	(2,961)
Increase in trade and other payables	4,272	1,890	826
Cash generated from operations	12,134	6,545	7,584
Taxation	76	(2)	(206)
Net cash generated from operations	12,210	6,543	7,378
Investing activities			
Payments to acquire property, plant and equipment	(16,056)	(10,811)	(24,595)
Disposal of fixed asset investment	—	—	563
Payment to acquire intangible assets	(164)	(122)	(364)
Acquisition of subsidiary	(9,802)		
Cash acquired with subsidiary	620		
Finance income	8	24	26
Net cash used in investing activities	(25,394)	(10,909)	(24,370)
Financing activities			
New borrowings	20,592	6,839	17,830
Capital repaid	(2,754)	(1,239)	(2,875)
Net outflow from other long-term creditors	94	(2)	—
Finance costs	(779)	(545)	(1,122)
Net proceeds from share issue	—	323	323
Dividends paid	(1,370)	(958)	(1,546)
Net cash generated from financing activities	15,783	4,418	12,610
Net increase/(decrease) in cash and cash equivalents	2,599	52	(4,382)
Cash and cash equivalents at the beginning of the period	2,073	6,455	6,455
Cash and cash equivalents at the end of the period	4,672	6,507	2,073
Change in net debt			
Cash and cash equivalents	4,672	6,507	2,073
Bank loans due within one year	(6,965)	(2,834)	(3,933)
Bank loans due after one year	(46,281)	(23,215)	(31,475)
Net debt	(48,574)	(19,542)	(33,335)

Notes to the interim report

For the period ended 30 June 2014

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

BASIS OF PREPARATION

The Group's half-yearly financial report consolidates the results of the Company and its subsidiary undertakings made up to 30 June 2014. The Company is a limited liability company incorporated and domiciled in Scotland and whose shares are quoted on AIM, a market operated by the London Stock Exchange.

The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. It does not therefore include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

The financial information for the six months ended 30 June 2014 is unaudited.

The Group's statutory accounts for the year ended 31 December 2013 have been delivered to the Registrar of Companies. The report of the auditor on these accounts was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

The interim financial information has been prepared on a going concern basis which the Directors believe is appropriate for the following reason:

The Directors have prepared cash flow forecasts which show the Group expects to meet its liabilities as they fall due for a period in excess of twelve months from the date of this interim financial information. Our forecasts show continued capital investment which is funded from retained profits and external finance. At 30 June 2014, the Group had cash of £4.7m and available facilities of £51.8m and continued to be cash generative through trading operations.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the financial information for the six months ended 30 June 2014 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union and are consistent with those which will be adopted in the annual statutory financial statements for the year ended 31 December 2014.

2 BUSINESS COMBINATIONS

ACQUISITION OF UTILITY PARTNERSHIP LIMITED

On 14 April 2014, Smart Metering Systems acquired 100% of the issued share capital of Utility Partnership Limited (UPL). UPL is a manager of electricity meters in the UK and provider of electricity connections, design, meter installations, data management and energy management services.

The acquisition has been accounted for using the acquisition method. The provisional fair value of the identifiable assets and liabilities of UPL as at the date of acquisition was:

	Fair value recognised on acquisition (unaudited) £'000	Previous carrying value (unaudited) £'000
Property, plant and equipment	2,536	2,536
Software	2,574	—
Customer contracts	1,706	—
Other financial assets	84	84
Inventories	344	344
Trade and other receivables	4,998	4,998
Cash and cash equivalents	620	620
Total assets	12,862	8,582
Trade and other payables	(879)	(879)
Accruals and deferred income	(1,950)	(1,950)
Obligations under hire purchase agreements	(106)	(106)
Total liabilities	(2,935)	(2,935)
Total identifiable net assets at provisional fair value	9,927	
Goodwill arising on acquisition	4,145	
Total acquisition cost	14,072	

The interim financial information include the results of UPL for the period from 14 April to 30 June 2014 during which time it contributed £2,597k to revenue and £309k to group profit for the period.

2 BUSINESS COMBINATIONS CONTINUED

ACQUISITION OF UTILITY PARTNERSHIP LIMITED CONTINUED

SMS and UPL are highly complementary and the acquisition will enable significant growth opportunities by offering a full end-to-end dual fuel service, incorporating connections, meter assets installation, ownership and management, as well as data management services, to the respective gas and electricity customers of SMS and UPL.

In addition to the above synergies, the acquisition adds energy management services to the Group's activities.

The goodwill recognised above is attributed to the expected benefits of combining gas and electricity offerings.

The primary components of this residual goodwill comprise:

- › revenue synergies from dual fuel;
- › the workforce; and
- › new opportunities available to UPL as part of the larger AIM listed group.

The identifiable intangible assets will be amortised as follows:

- › software – 20%
- › customer contracts – 20%

Transaction costs of £485k incurred on the acquisition have been included within exceptional items in the consolidated statement of comprehensive income.

3 SEGMENTAL REPORTING

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

The management of assets comprises regulated management of gas meters, electric meters and ADM™ units within the UK.

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

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

The following tables present information regarding the Group's reportable segments for the six months ended 30 June 2014, six months ended 30 June 2013 and the year ended 31 December 2013.

30 June 2014	Asset management £'000	Asset installation £'000	Unallocated £'000	Total operations £'000
Segment revenue	9,432	9,502	—	18,934
Cost of sales	(1,542)	(5,155)	—	(6,697)
Segment profit – Group gross profit	7,890	4,347	—	12,237
Other operating costs	—	—	(3,888)	(3,888)
Depreciation	(1,758)	—	(173)	(1,931)
Amortisation	(118)	—	—	(118)
Exceptional items	—	—	(890)	(890)
Group operating profit after amortisation and exceptional items	6,014	4,347	(4,951)	5,410
Net finance costs	(771)	—	—	(771)
Profit before tax	5,243	4,347	(4,951)	4,639
Tax expense	—	—	—	(1,243)
Profit for period	—	—	—	3,396

Notes to the interim report continued

For the period ended 30 June 2014

3 SEGMENTAL REPORTING CONTINUED

30 June 2013	Asset management £'000	Asset installation £'000	Unallocated £'000	Total operations £'000
Segment revenue	6,023	7,165	—	13,188
Cost of sales	(1,134)	(3,981)	—	(5,115)
Segment profit – Group gross profit	4,889	3,184	—	8,073
Other operating costs	—	—	(2,605)	(2,605)
Depreciation	(1,122)	—	(72)	(1,194)
Amortisation	(118)	—	—	(118)
Exceptional items	—	—	(313)	(313)
Group operating profit after amortisation and exceptional items	3,649	3,184	(2,990)	3,843
Net finance costs	(521)	—	—	(521)
Profit before tax	3,128	3,184	(2,990)	3,322
Tax expense	—	—	—	(594)
Profit for period	—	—	—	2,728

31 December 2013	Asset management £'000	Asset installation £'000	Unallocated £'000	Total operations £'000
Segment revenue	13,803	14,113	—	27,916
Cost of sales	(2,575)	(7,526)	—	(10,101)
Segment profit – Group gross profit	11,228	6,587	—	17,815
Items not reported by segment	—	—	—	—
Other operating costs	—	—	(5,965)	(5,965)
Depreciation	(2,654)	—	(100)	(2,754)
Amortisation	(262)	—	—	(262)
Exceptional items and fair value adjustments	—	—	(267)	(267)
Profit before interest and tax	8,312	6,587	(6,332)	8,567
Net finance costs	(1,096)	—	—	(1,096)
Profit before tax	7,216	6,587	(6,332)	7,471
Tax expense	—	—	—	(896)
Profit for year	—	—	—	6,575

Substantially all revenues and operations are generated and based in the UK.

3 SEGMENTAL REPORTING CONTINUED

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

	Six months ended 30 June 2014 Unaudited £'000	Six months ended 30 June 2013 Unaudited £'000	Year ended 31 December 2013 Audited £'000
Asset management	4,742	3,499	7,677
Asset installation	2,531	2,993	4,901
	7,273	6,492	12,578

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

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

30 June 2014	Asset management £'000	Asset installation £'000	Total operations £'000
Assets reported by segment			
Intangible assets	2,064	—	2,064
Property, plant and equipment	71,075	—	71,075
Inventories	2,710	—	2,710
	75,849	—	75,849
Assets not reported by segment			27,237
Total assets			103,086
Liabilities reported by segment			
Bank loans	53,246	—	53,246
Obligations under hire purchase agreements	103	—	103
	53,349	—	53,349
Liabilities not reported by segment			18,929
Total liabilities			72,278

Notes to the interim report continued

For the period ended 30 June 2014

3 SEGMENTAL REPORTING CONTINUED

30 June 2013	Asset management £'000	Asset installation £'000	Total operations £'000
Assets reported by segment			
Intangible assets	1,920	—	1,920
Property, plant and equipment	45,373	—	45,373
Inventories	692	—	692
	47,985	—	47,985
Assets not reported by segment			10,476
Total assets			58,461
Liabilities reported by segment			
Bank loans	26,049	—	26,049
Obligations under hire purchase agreements	11	—	11
	26,060	—	26,060
Liabilities not reported by segment			13,193
Total liabilities			39,253

31 December 2013	Asset management £'000	Asset installation £'000	Total operations £'000
Assets reported by segment			
Intangible assets	2,018	—	2,018
Property, plant and equipment	57,041	—	57,041
Inventories	2,504	—	2,504
	61,563	—	61,563
Assets not reported by segment			8,720
Total assets			70,283
Liabilities reported by segment			
Bank loans	35,408	—	35,408
Obligations under hire purchase agreements	9	—	9
	35,417	—	35,417
Liabilities not reported by segment			12,274
Total liabilities			47,691

4 EARNINGS PER SHARE

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Profit for period used for calculation of basic EPS	3,396	2,728	6,575
Amortisation of intangible assets	298	118	262
Exceptional costs	890	313	267
Tax effect of adjustments	(279)	(101)	(127)
Earnings for the purpose of adjusted EPS	4,305	3,058	6,977
Number of shares			
Weighted average number of shares for the purpose of calculating basic EPS	84,421,914	83,348,666	83,606,102
Effect of potentially dilutive ordinary shares:			
– share options	3,704,051	3,947,294	3,440,742
Weighted average number of ordinary shares for the purpose of diluted EPS	88,125,965	87,295,960	87,046,844
Earnings per share:			
– basic (pence)	4.02	3.27	7.86
– diluted (pence)	3.85	3.12	7.55
Adjusted earnings per share:			
– basic (pence)	5.10	3.67	8.35
– diluted (pence)	4.89	3.50	8.02

The Directors consider that the adjusted earnings per share calculation gives a better understanding of the Group's earnings per share.

5 DIVIDEND

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Dividend on equity shares	1,370	958	1,546

After 30 June the Directors have approved an interim dividend of 0.94p per share for 2014, which has not been accrued as a liability as at 30 June 2014 in accordance with IAS 8. The dividend will be paid on 21 November 2014 with an ex-dividend date of 16 October 2014 and a record date of 17 October 2014.

6 The half-yearly financial report was approved by the Board of Directors on 1 September 2014.

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



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