

SureserveGroup

Interim results to 31 March 2023

Interim results 2023



16 May 2023

Sureserve Group plc
("Sureserve" or the "Group")

Unaudited Interim Results for the six months ended 31 March 2023 (H1 FY23)

Sureserve, the Social Housing Energy Services Group, is pleased to announce its unaudited interim results for the six-month period ended 31 March 2023.

Highlights

- Revenue^{*1} increased by 23.0% to £155.3m (H1 2022: £126.2m)
- EBITA^{*1,2} increased by 41.2% to £7.2m (H1 2022: £5.1m)
- Profit before tax^{*1} increased by 55.8% to £6.7m (H1 2022: £4.3m)
- Adjusted basic earnings per share^{*3} increased by 3.3% to 3.1p (H1 2022: 3.0p)
- Net cash^{*4} (excluding IFRS 16 lease liabilities) increased to £14.4m (31 March 2022: £11.8m)
- Order book^{*1} increased by 10.9% to £567.7m (31 March 2022: £512.1m)
- Improvement in the EBITA margin^{*1} to 4.6% (H1 2022: 4.0%)
- 44 contract wins in H1 with a total contract value of £93.2m (H1 2022: £101.2m)

Outlook

- The Group's order book^{*1} provides good visibility of revenue streams with 98% of FY23 expected revenue covered by the order book
- The Group continues to pursue its goal of becoming a leading provider of energy services to the social housing sector in the UK.

Update on Recommended Cash Offer

- On 21 April 2023, Cap10 4NetZero Bidco Limited and Sureserve announced that they had reached agreement on the terms of a recommended all cash offer for the Company
- Completion of the transaction is, subject to the prior satisfaction or, where permitted, waiver of the conditions set out in the announcement dated 21 April 2023, expected during early July 2023

Peter Smith, Chief Executive Officer of Sureserve, commented:

"The Group's half year performance endorses the operational expertise across the Group and the resilience of the business model, which is supported by non-discretionary, regulatory led spend alongside the Government's continued emphasis on a net zero target for carbon emissions by 2050 with current legislation supporting this target."

^{*1} – From continuing operations. Continuing operations comprises the Social Housing Energy Services division and central costs. Sureserve Fire and Electrical Limited and Precision Lift Services Limited have been classified as assets held for sale and are excluded from continuing operations.

^{*2} – EBITA is defined as Operating profit before impairment of goodwill, amortisation of acquisition related intangibles and exceptional items.

^{*3} – Adjusted basic earnings per share from continuing and discontinued operations excluding impairment of goodwill, amortisation of acquisition related intangibles, exceptional items, and their associated tax effect.

^{*4} – From continuing and discontinued operations. The cash from discontinued operations is presented within assets held for sale.

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Notes to editors

Sureserve is a leading UK social housing energy services Group. The Group was founded in 1988 and is headquartered in Dartford. It currently employs 2,756 staff from 33 offices across the UK.

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Chairman's Statement

Trading performance

The first half of FY23 was encouraging, with both total Group and continuing operations showing strong sales growth as well as EBITA growth compared to the same six months in FY22. Our net cash position as at 31 March 2023 was £14.4m (£11.8m at 31 March 2022).

Update on Recommended Cash Offer

On 21 April 2023, the Boards of Cap10 4NetZero Bidco Limited ("Bidco"), a newly incorporated company established on behalf of Cap10 Partners LLP, and Sureserve announced that they had reached agreement on the terms of a recommended all cash offer pursuant to which Bidco, will acquire the entire issued and to be issued share capital of Sureserve. Completion of the transaction is, subject to the prior satisfaction or, where permitted, waiver of the conditions set out in the announcement dated 21 April 2023, expected during early July 2023.

Chief Executive's review

The first half of FY23 saw revenue from the continuing businesses up 23% on last year with growth seen across all Group businesses, notably Aaron Services, Everwarm and Providor, who are all up more than 28% on last year. It is particularly pleasing to see Providor performing so well this year, after a difficult first half of last year when we made investments in training. A move to a hybrid model, employing both our own engineers and sub-contractors has proved successful for Providor and the business has performed strongly as a result. Everwarm has also had a more than credible H1 with upside coming from increased revenue and contract mix. Two of the Gas businesses have been impacted by the cold weather we had in both December and March, with Aaron offsetting this challenge with their renewables work and a number of new contract wins.

Our acquisition strategy has led to a number of conversations with potential target companies which are ongoing. On 21 April 2023, the Company announced that it was in advanced discussions regarding a possible acquisition. Discussions are continuing although there is no certainty that these will result in any agreement. On the disposal front, we are continuing to market both businesses held for sale, Sureserve Fire and Electrical and Precision Lift Services, and interest has been encouraging. Discussions with potential buyers are underway, supported by our advisors, Quercus Corporate Finance.

We continue to make progress on the ESG front. At the end of March, 10% of our fleet was electric. We are looking forward to our Sureserve Academy Day in late May when we will celebrate the successes of our Apprentices and we will run another Employee Engagement Survey in June. We believe we have made good progress since last year on a number of fronts and will monitor results of this year's survey closely.

In March we held our inaugural Renewables Conference. The venue was carefully chosen as the Widnes Vikings' Stadium in Widnes. The decarbonisation of the stadium was completed by Sure Maintenance for Halton Borough Council in March 2022, incorporating state of the art infrastructure and air source heat pump (ASHP) technology, supporting the Council's carbon reduction plans and longer-term decarbonisation goals. It was the perfect opportunity to show a number of our clients and other invited guests around the stadium and provide advice on both how to access funding streams, and the skills that Sureserve bring to the communities we support. We have every intention of making this an annual event and are currently looking at venues for next year.

As ever I want to close by thanking all of our staff for all they do for our clients and the communities they support.

Operational review

Group Summary

The first half of FY23 was encouraging, with continuing operations showing sales and EBITA growth over the same six months in FY22 against a challenging macroeconomic inflationary environment. This demonstrates the resilience of the business model which is based on predictable and recurring revenues in areas supported by non-discretionary and regulatory led spend. Our growth is underpinned by high levels of long term contracts and frameworks for which we have continued to see high appointment and retention levels. Our client base, largely of local authorities and housing associations, provides us with sustainable partnerships that we regard as blue chip.

Our strategy is to drive growth from within our specialism of social housing energy services ('SHES'). We believe this focus plays to our core strengths and in identifying business areas where we have an established market position, we can maximise our growth potential. The results below have therefore been presented on a continuing operations basis (including the SHES business and central costs) and do not include our fire and electrical or lift businesses which are classified as discontinued operations.

The Group delivered period on period revenue growth of 23.0% to £155.3m (H1 22: £126.2m). All businesses delivered higher revenues than the prior period, with the majority returning double-digit growth. EBITA increased by 41.2% to £7.2m (H1 22: £5.1m) with this additional profitability driven by a combination of factors. It is encouraging to see Providor performing so well this year, after a challenging first half of last year. A move to a hybrid model, employing both our own engineers and sub-contractors has proved successful and the business has performed strongly as a result. Everwarm has started the year well with upside coming from higher sales volumes. Two of the gas businesses were impacted by the colder weather in the period, with the other delivering record monthly sales from a combination of installations, renewables and electrical works coupled with new contract wins.

Looking forward

We remain optimistic around opportunities for continued growth within the Group. We believe our businesses have a positive outlook, with many opportunities for growth ahead. Our position is reinforced by the Government's continued emphasis on a net zero target for carbon emissions by 2050 with current legislation supporting this target. The Group and our experienced management teams remain well placed to support our clients through the energy transition, and we will continue to monitor developments as opportunities present themselves.

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The current energy environment in the UK has prompted additional actions from the Government. One such action, announced in November 2022, is the introduction of a new £1bn ECO+ scheme, which will provide funding for hundreds of thousands of homes across the country to install new home insulation. This is part of wider actions across energy policy to help the UK meet its ambition of becoming energy independent. The new scheme will extend support to those who do not currently benefit from any other Government support to upgrade their homes and is in addition to the existing £6.6bn 'Help to Heat' energy schemes. Around one-fifth of the £1bn fund will also be targeted towards the most vulnerable, including those on means tested benefits or in fuel poverty. The Group has been active in delivering other Energy Company Obligation ('ECO') schemes and is well placed to benefit from these new opportunities as they arise.

Energy services and future energy transition will continue to be a core focus moving forward and we believe we have developed a successful basis for achieving growth both organically and through acquisition. Our established presence in the installation of solar PV works, battery storage projects, energy efficient lighting, air source heat pumps and electric vehicle charging points presents our experienced management team with attractive growth opportunities going forward that we are well placed to deliver on. The backdrop of global climate change combined with the UK Government's ongoing initiatives and future commitments, is believed likely to provide further opportunities to increase our delivery in these, and associated, service areas.

As we communicated at the time, purchasing CorEnergy is a key example of the type of strategic acquisition we wish to pursue. CorEnergy is a business focused on delivering sustainable energy solutions for public and private sector organisations, supplementing our energy services, and immediately enhancing earnings for the Group. In line with our strategy, we will continue to review other appropriate acquisition opportunities as we expand our scale, service mix and geographical offering.

The nature of our Group, particularly our gas businesses, remains as a core service provider to customers, including vital emergency repair and compliance testing services to properties. Our continued growth further strengthens our position in the energy services sector, with a true national reach across our businesses. Nearly all of our gas contracts include annual contractual price increases which are either CPI-linked, or linked to another associated price index, with the increase typically falling due on the contract anniversary date. Consequently, we are well positioned to continue our growth both organically and through further acquisitions in what are mostly fragmented and regional markets. Each of the gas businesses has achieved revenue growth compared to the previous period, with Aaron Services delivering record sales in the period. We remain confident that our experienced leadership in this stable sector provides a strong platform for further growth and cash generation underpinned by a strong order book.

While we are not exposed to fluctuations in wholesale gas prices given our position as an installer and maintainer of heating assets, we are well positioned to benefit from UK Government initiatives to reduce fuel poverty, particularly in times when wholesale energy prices are high for extended periods. Our role is to support our client base and the end user with compliant, safe, and effective heating. In addition to the gas heating services and products we more generally work with, we are seeing increased demand for alternative heat sources. This includes, but is not limited to, air source heat pumps. The Government has targeted 600,000 heat pump installations per year by 2028 as part of its 2050 net zero initiative. We therefore believe this will continue to be an area of focus and an opportunity for growth as we move forward. It is seen as largely supplementary to existing revenue streams.

High success rates for contract bids and retention levels continue to be achieved, and the order book from continuing operations totalled £567.7m at the end of March 2023. This represented a 10.9% increase compared to the prior period (March 2022: £512.1m). On an overall Group basis, the order book totalled £611.8m (March 2022: £556.2m). This provides visibility over future revenue, profitability, and cash flow, facilitating longer term planning and helping to drive efficiencies. The order book is consistent with our previously stated view around our targeted efforts on long term contracts that provide opportunities to deliver profitably in our core areas, and we remain focused on securing contracts with long term visibility and robust value. We remain confident in our future profitable growth with a significantly increased order book value and good visibility on future earnings, underpinning our belief in a robust financial outlook.

Operational summary

Gas

The Group's gas businesses provide planned and responsive maintenance, installation, and repair services predominantly to local authority and housing association clients, in the areas of domestic and commercial gas. These activities include the installation of lower carbon renewable technologies such as air source heat pumps.

The gas businesses delivered 15.4% revenue growth compared to the prior period, with progression coming from all three businesses. In addition to winning new business, year on year sales have also increased due to the contractual price increase mechanisms included within nearly all of the contracts. The latter has helped to mitigate against some of the continuing cost pressures experienced during the period resulting in increased profitability.

Revenue is primarily derived from recurring contracted service and repair work throughout the year, coupled with ad hoc project-based work. The gas businesses normally have more callouts during colder months, resulting in higher labour and materials costs. This seasonality drives higher levels of profitability and cash generation in the warmer months when call-out rates are lower, and a proportion of our engineers can be redeployed to jobs that yield further income. As a result, a significant proportion of the annual profit often occurs during the second half of the financial year.

The gas businesses continued to win substantial new business during the period. The most significant awards included a gas servicing, maintenance, and installation contract with Great Places worth in the region of £19m over a five-year period and an installation of renewable technology and solid fuel heating system for £3.0m over a six-year period for East Midlands Housing Group.

Water and air hygiene

H2O is our water and air risk assessment specialist provider across the UK. Performance of the business has continued to be positive with strong client service supporting consistent delivery.

Smart metering

Providor is our leading national installer of smart meters (operating as a meter asset manager and meter operator), undertaking work for utility suppliers which are required by the UK Government to install smart meters in every home across England, Wales, and Scotland. The business is among the most experienced in the ongoing UK-wide roll-out and remains focused on existing contract delivery through

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to the current installation deadline of 31 December 2025. As of December 2022, over 28 million of the newly installed meters were operating in smart mode. With more than 55 million smart meter installations required in total, there remains a significant market opportunity ahead of the roll-out deadline.

The business has delivered considerable growth in the period and continues to assess new revenue prospects, both from new clients and existing contractual relationships. The business is well placed to grow further with continued confidence in operational delivery.

Providor has extensive experience of the national smart meter roll-out and continues to apply careful management to the situation. We consider our contractual positions while seeking to provide strong and secure employment for our engineers. The UK Government has confirmed that it remains committed to smart meter roll-out and that this initiative aligns with its net zero commitment.

Energy efficiency and renewables

These businesses provide a range of energy efficiency services such as insulation, heating, and energy efficient technologies. The latter includes air source heat pumps, solar PV, battery storage, energy efficient lighting and electric vehicle charging points through the Everwarm and CorEnergy businesses. Everwarm provides these services predominantly for social housing and private homes, through grant funding, with CorEnergy focusing more on renewables projects for non-domestic clients. The Everwarm business also includes our joint ventures, Warmworks and Arbed, which are similarly focused on energy efficiency works in domestic properties backed by Government funding.

Everwarm delivers energy efficiency measures that support carbon emissions savings for utility companies, enabling them to meet their legislative targets. The insulation operations are driven by seasonal influences as rendering processes are not permitted below certain temperatures. As a result, we typically experience a far larger number of productive working days in summer, compared to winter months, with higher revenues and margins normally achieved in the second half of the financial year. However the seasonality effect is lessening as the mix of works changes. CorEnergy works are project based and therefore not subject to the same seasonality.

Results across our energy efficiency businesses saw increased profitability with Everwarm benefitting from gross margin drop-through on higher sales volumes and mix of works. CorEnergy initiated its *"Invest to Grow"* strategy, which is designed to accelerate growth and propel the business to the next stage of its lifecycle.

The energy efficiency and renewables businesses continued to see several large wins and awards as reflected in the order book growth. The largest wins for Everwarm included the retrofit programme for Pobl Group for £14.1m, and a regeneration project for Osprey Housing valued at £1.9m. CorEnergy also saw a number of wins including £4.0m lighting and heat decarbonisation works for the M&S Bank Arena (ACC Group / Liverpool City Council), £2.6m solar PV for First Group PLC, and various other ongoing and associated works.

We continue to believe we are well placed to deliver on behalf of our utility partners based on our management team's extensive experience in this area. The 'ECO4' scheme, which commenced on 1 April 2022, commits funding of £1bn per year until 31 March 2026. Additionally, the ECO+ scheme announced in November 2022 will provide a further £1bn in funding. This should provide further opportunities for Everwarm to deliver increased volumes.

The Public Sector Decarbonisation Scheme supports the aim of reducing emissions from public sector buildings by 75% by 2037. Phase 3B announced a further £635m of grant funding available for non-domestic public sector buildings for the financial years 2023 to 2025. This scheme provides an ongoing revenue stream for CorEnergy for consultancy and contracting works for existing and new public sector clients.

Our Warmworks joint venture, delivering the Warmer Homes Scotland initiative for the Scottish Government, saw continued momentum in performance and client delivery.

Peter Smith
Chief Executive Officer

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Chief Financial Officer's review

Group revenue from continuing operations^{*1}, increased by 23.0% to £155.3m (H1 2022: £126.2m), reflecting strong revenue growth across the gas and energy efficiency businesses.

Group EBITA from continuing operations^{*1}, increased by 41.2% to £7.2m (H1 2022: £5.1m) reflecting strong revenue growth, notwithstanding the inflationary macroeconomic backdrop which we continue to proactively manage against, and recognising the investments in training made in the prior period in the smart metering business. Central costs were £1.4m (H1 2022: £1.6m).

The Group reported an operating profit^{*1} of £7.2m (H1 2022: £4.7m), after £nil of amortisation charges for acquisition intangibles (H1 2022: £0.3m) and exceptional costs of £nil (H1 2022: £0.1m relating to acquisition costs for CorEnergy).

The net finance expense^{*1} was £0.5m (H1 2022: £0.4m), and taxation^{*1} was £1.5m (H1 2022: £0.8m). The profit after tax^{*1} was £5.2m (H1 2022: £3.5m).

Loss after tax from discontinued operations was £0.1m (H1 2022: profit after tax of £1.0m).

Tax

The effective tax rate for the period was 22%, which is in line with the blended statutory rate of corporation tax, and we expect the full year effective tax rate to be at this level.

Earnings per share

Basic earnings per share from continuing operations^{*1} were 3.1 pence (H1 2022: 2.2 pence), based on profit after tax from continuing operations of £5.2m (H1 2022: £3.5m). Group adjusted basic earnings per share^{*3} was 3.1 pence (H1 2022: 3.0 pence).

Our profit for the period was £5.1m (H1 2022: £4.5m). Based on the weighted average number of shares in issue during the year of 166.1m, this resulted in basic earnings per share of 3.1 pence (H1 2022: 2.8 pence) from continuing and discontinued operations.

Cash flow performance

Our operating cash flow^{*4} for the period was an outflow of £4.8m (H1 2022: inflow of £1.4m) with the management of working capital remaining an area of continued focus. The reduction in the cash balance from 30 September 2022 to 31 March 2023 is due in part to the increased working capital requirement to address supply chain challenges in the industry, e.g. by maintaining higher levels of inventory, and in part due to the cash cycle seasonality of the business, whereby the business invests in, and absorbs more working capital during the colder winter months.

Net cash / (debt)

At 31 March 2023, the Group had net cash (including cash balances in assets held for sale) excluding lease liabilities^{*4} of £14.4m (H1 2022: £11.8m).

	Unaudited six months ended 31 March 2023 £'000	Unaudited six months ended 31 March 2022 £'000	Audited year ended 30 September 2022 £'000
Cash and cash equivalents	12,784	8,857	19,319
Unamortised finance costs (included in other receivables)	118	185	151
Net cash excluding lease liabilities	12,902	9,042	19,470
Lease liabilities	(17,702)	(11,450)	(15,076)
Total net cash in continuing operations	(4,800)	(2,408)	4,394
Cash and cash equivalents in assets held for sale	1,653	2,963	3,989
Lease liabilities in assets held for sale	(1,128)	(484)	(599)
Total net cash (including lease liabilities)	(4,275)	71	7,784
Total net cash (excluding lease liabilities)	14,437	11,820	23,308

The total net debt, including lease liabilities^{*4} of £18.8m (H1 2022: £11.9m), was £4.3m (H1 2022: net cash of £0.1m).

Banking arrangements

In December 2021, the Group renewed its bank facilities to provide an overdraft facility of £5,000,000 together with a revolving credit facility of £15,000,000 which runs to 31 January 2025. We had drawn £nil as at 31 March 2023 (31 March 2022: £nil) under the revolving credit facility, and as at the date of this report the facility remained undrawn. National Westminster Bank ('NatWest') continues to be a highly supportive banking partner.

We are confident that our banking facilities provide sufficient support in managing our corporate affairs and provides sufficient capacity to plan for future growth, particularly in bidding with confidence on new contracts, and funding strategic organic and acquisitive growth.

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Statement of financial position

The principal items in our balance sheet are goodwill and working capital.

Goodwill has remained unchanged at £40.9m from 30 September 2022. As at 31 March 2023, there are £nil acquisition intangibles (31 March 2022: £nil) remaining on the statement of financial position as these have been fully amortised.

As at 31 March 2023, net current assets stood at £29.8m (31 March 2022: £19.6m).

The principal items of working capital (including balances held in assets held for sale) are noted below and reflect the continued focus on working capital:

	31 March 2023	31 March 2022	30 September 2022
	£m	£m	£m
Trade receivables	34.8	26.3	23.1
Accrued income	20.7	16.8	22.1
Trade payables	(33.2)	(29.5)	(31.2)
Accruals	(7.2)	(10.2)	(11.1)

^{*1} – From continuing operations. Continuing operations comprises the Social Housing Energy Services division and central costs. Sureserve Fire and Electrical Limited and Precision Lift Services Limited have been classified as assets held for sale and are excluded from continuing operations.

^{*2} – EBITA is defined as Operating profit before impairment of goodwill, amortisation of acquisition related intangibles and exceptional items.

^{*3} – Adjusted basic earnings per share from continuing and discontinued operations excluding impairment of goodwill, amortisation of acquisition related intangibles, exceptional items, and their associated tax effect.

^{*4} – From continuing and discontinued operations. The cash from discontinued operations is presented within assets held for sale.

Risks

The Board considers strategic, financial, and operational risks and identifies actions to mitigate those risks.

Our period-end review included an assessment of accrued income, of which the balance was £20.7m at the reporting date (31 March 2022: £16.8m). Accrued income is reviewed regularly for impairment and represents a balance sheet risk in our industry and we continue to ensure a balanced approach between risk and possible outcome on final invoicing.

We continue to manage a number of potential risks and uncertainties, including claims and disputes which are common to other similar businesses which could have a material impact on short- and longer-term performance. The Board remains focused on the outcome of a number of contract settlements on which there is a range of outcomes for the Group in terms of both cash flow and impact on the consolidated statement of comprehensive income.

In preparing our annual accounts and interim financial statements, we have taken a view on the financial risk of pending claims and disputes and seek to provide in full for potential shortfalls, whilst taking account of potential counter-claims, such that we have a collectively balanced position of risk across all such matters.

Going Concern statement

In assessing the Group and Company's ability to continue as a going concern, the Board reviews and approves the annual budget, three-year plan, and a rolling 12 month forecast, including forecasts of cash flows, borrowing requirements and covenant headroom. The Board reviews the Group's sources of available funds and the level of headroom available against its committed borrowing facilities and associated covenants. The Group's financial forecasts, considering possible sensitivities in trading, indicate that the Group will be able to operate within the level of its committed borrowing facilities and within the requirements of the associated covenants for the foreseeable future. NatWest remains very supportive of the Group and in December 2021, the Group renewed its bank facilities to provide an overdraft facility of £5,000,000 together with a revolving credit facility of £15,000,000 which runs to 31 January 2025. The Directors have a reasonable expectation that the Group and Company have adequate resources to continue their operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the unaudited interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 March 2023

		Unaudited six months ended 31 March 2023	Unaudited six months ended 31 March 2022	Audited year ended 30 September 2022
	Notes	£'000	£'000	£'000
Revenue	2	155,303	126,243	275,096
Cost of sales		(134,071)	(108,707)	(234,049)
Gross profit		21,232	17,536	41,047
Other operating expenses		(14,701)	(13,165)	(25,644)
Share of results of joint venture		627	712	1,424
Operating profit before impairment of goodwill, amortisation of acquisition intangibles and acquisition costs	2	7,158	5,083	16,827
Amortisation of acquisition intangibles		-	(269)	(269)
Acquisition costs		-	(115)	(120)
Operating profit		7,158	4,699	16,438
Finance expense		(493)	(365)	(864)
Profit before tax from continuing operations	2	6,665	4,334	15,574
Taxation	3	(1,466)	(807)	(2,481)
Profit for the period attributable to the equity holders of the Group from continuing operations		5,199	3,527	13,093
(Loss) / profit for the period from discontinued operations	4	(115)	1,006	(2,022)
Profit for the period attributable to the equity holders of the Group		5,084	4,533	11,071
Earnings per share from continuing operations				
Basic	5	3.1p	2.2p	8.0p
Diluted	5	3.0p	2.1p	7.8p
(Loss) / earnings per share from discontinued operations				
Basic	5	(0.1p)	0.6p	(1.2p)
Diluted	5	(0.1p)	0.6p	(1.2p)
Earnings per share from continuing and discontinued operations				
Basic	5	3.1p	2.8p	6.8p
Diluted	5	3.0p	2.7p	6.6p
Adjusted earnings per share				
Basic	5	3.1p	3.0p	9.0p
Diluted	5	3.0p	2.9p	8.8p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2023

		Unaudited as at 31 March 2023	Unaudited as at 31 March 2022	Audited as at 30 September 2022
	Notes	£'000	£'000	£'000
Non-current assets				
Goodwill		40,932	41,079	40,932
Other intangible assets		1,684	1,184	1,403
Property, plant and equipment		1,906	1,870	1,989
Right-of-use assets		17,192	10,956	14,363
Interest in joint ventures		2,148	2,032	2,494
Deferred tax asset		444	420	444
		64,306	57,541	61,625
Current assets				
Inventories		7,275	4,042	5,059
Trade and other receivables		66,801	52,682	53,996
Cash and cash equivalents	6	12,784	8,857	19,319
		86,860	65,581	78,374
Assets classified as held for sale	4	15,689	20,010	15,338
		102,549	85,591	93,712
Total assets		166,855	143,132	155,337
Current liabilities				
Trade and other payables		57,175	53,485	54,070
Lease liabilities	6	6,304	4,132	5,494
Provisions		432	523	497
Income tax payable		408	915	238
		64,319	59,055	60,299
Liabilities directly associated with assets classified as held for sale	4	8,397	6,914	8,233
		72,716	65,969	68,532
Net current assets		29,833	19,622	25,180
Non-current liabilities				
Lease liabilities	6	11,398	7,318	9,582
Provisions		1,509	1,509	1,467
		12,907	8,827	11,049
Total liabilities		85,623	74,796	79,581
Net assets		81,232	68,336	75,756
Equity				
Called up share capital		16,623	16,508	16,589
Share premium account		28,803	28,606	28,740
Share-based payment reserve		904	420	634
Merger reserve		20,067	20,067	20,067
Retained earnings		14,835	2,735	9,726
Equity attributable to equity holders of the Group		81,232	68,336	75,756

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 March 2023

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 30 September 2021 (audited)	16,122	25,620	349	20,067	(1,832)	60,326
Profit for the period	-	-	-	-	4,533	4,533
Issue of shares (acquisition of CorEnergy Limited)	370	2,942	-	-	-	3,312
Issue of shares (exercise of options)	16	44	-	-	-	60
Equity-settled share-based payments, net of tax	-	-	105	-	-	105
Reserve transfer	-	-	(34)	-	34	-
At 31 March 2022 (unaudited)	16,508	28,606	420	20,067	2,735	68,336
Profit for the period	-	-	-	-	6,538	6,538
Issue of shares (exercise of options)	81	134	-	-	-	215
Equity-settled share-based payments, net of tax	-	-	276	-	391	667
Reserve transfer	-	-	(62)	-	62	-
At 30 September 2022 (audited)	16,589	28,740	634	20,067	9,726	75,756
Profit for the period	-	-	-	-	5,084	5,084
Issue of shares	34	63	-	-	-	97
Equity-settled share-based payments, net of tax	-	-	295	-	-	295
Reserve transfer	-	-	(25)	-	25	-
At 31 March 2023 (unaudited)	16,623	28,803	904	20,067	14,835	81,232

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 31 March 2023

	Notes	Unaudited six months ended 31 March 2023 £'000	Unaudited six months ended 31 March 2022 £'000	Audited year ended 30 September 2022 £'000
Cash flows from operating activities				
Cash (used in) / generated from continuing operations	7	(685)	3,037	16,372
Net interest paid		(459)	(326)	(791)
Taxation		(1,263)	(939)	(2,637)
Net cash used in / (generated from) operating activities from discontinued activities		(2,349)	(328)	3,408
Net cash (used in) / generated from operating activities		(4,756)	1,444	16,352
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired		(49)	(2,661)	(2,661)
Purchase of property, plant and equipment		(509)	(404)	(765)
Purchase of intangible assets		(490)	(524)	(911)
Sale of property, plant and equipment		-	7	7
Net cash used in investing activities from discontinued activities		(135)	(44)	(85)
Net cash used in investing activities		(1,183)	(3,626)	(4,415)
Cash flows from financing activities				
Proceeds from issue of shares		97	60	275
Repayment of lease liabilities		(2,843)	(2,147)	(4,797)
Finance issue costs		-	(201)	(201)
Net cash used in financing activities from discontinued activities		(186)	(154)	(350)
Net cash used in financing activities		(2,932)	(2,442)	(5,073)
Net (decrease) / increase in cash and cash equivalents		(8,871)	(4,624)	6,864
Cash and cash equivalents at beginning of year		23,308	16,444	16,444
Cash and cash equivalents at end of period / year		14,437	11,820	23,308
Cash and cash equivalents		12,784	8,857	19,319
Cash and cash equivalents included in assets held for sale		1,653	2,963	3,989
Cash and cash equivalents at end of period / year		14,437	11,820	23,308

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 31 March 2023

1. Basis of preparation

The results presented in this report are unaudited and they have been prepared in accordance with the recognition and measurement principles of UK-adopted International Accounting Standards that are expected to be applicable to the financial statements for the year ending 30 September 2023 and on the basis of the accounting policies to be used in those financial statements. The figures for the year ended 30 September 2022 are extracted from the statutory accounts of the Group for that period. The condensed consolidated financial statements do not 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, being the statutory financial statements for Sureserve Group plc, as at 30 September 2022, which have been prepared in accordance with UK adopted International Accounting Standards with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The condensed consolidated financial statements for the six months ended 31 March 2023 do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2022 have been approved by the Board of Directors and delivered to the Registrar of Companies. These accounts, which contained an unqualified audit report under Section 495, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 September 2022.

Seasonality

The Group has seasonal influences in specific areas. The gas entities experience higher activity levels during colder weather, leading to higher working capital requirements and lower profitability in the winter, and the opposite in the summer. Within Everwarm it is not possible to render walls or use fixing glue at temperatures below three degrees centigrade, nor perform cladding work in high winds. As such, weather has an influence on this business, meaning that the Group must plan to increase capacity during warmer and more settled periods to compensate for time lost during colder ones.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2023

2. Operating segments

The Group's chief operating decision maker is considered to be the Board of Directors. The Group's operating segments are determined with reference to the information provided to the Board of Directors in order for it to allocate the Group's resources and to monitor the performance of the Group.

The Group reports under a single operating segment of "Social Housing Energy Services." The services provided to customers within Social Housing Energy Services comprises of the following:

- Installation, maintenance and repair-on-demand of gas appliances and central heating systems, and air and water hygiene solutions where we contract predominantly under framework agreements to predominantly housing associations and local authorities;
- Consultancy and project management services for renewables and other technology;
- Services in the energy efficiency sector, including external, internal and cavity wall insulation, loft insulation, gas central heating, boiler upgrades and other renewable technologies. The services are offered under various energy saving initiatives including Energy Company Obligations ("ECO"), Green Deal and the Scottish Government's HEEPs ("Home Energy Efficiency Programme") Affordable Warmth programme. Clients include housing associations, social landlords, local authorities and private householders and we have trading relationships with all of the large utility suppliers and many of the leading smaller suppliers.
- Metering services involving the installation, servicing and administration of smart meter devices and associated data.

All revenue and profit is derived from operations in the United Kingdom only.

The profit measure the Board used to evaluate performance is operating profit before amortisation of acquisition intangibles, impairment of goodwill and exceptional items (acquisition costs), as outlined below and on the face of the statement of comprehensive income.

The Group accounts for inter-segment trading on an arm's length basis. All inter-segment trading is eliminated on consolidation. The following is an analysis of the Group's revenue and operating profit before amortisation of acquisition intangibles, impairment of goodwill and exceptional items (acquisition costs) by reportable segment:

	Unaudited six months ended 31 March 2023	Unaudited six months ended 31 March 2022	Audited year ended 30 September 2022
	£'000	£'000	£'000
Continuing revenue			
Social Housing Energy Services	155,972	126,874	276,029
Inter-segment elimination	(669)	(631)	(933)
Total revenue	155,303	126,243	275,096

Reconciliation of operating profit before exceptional and other items to profit before taxation:

	Unaudited six months ended 31 March 2023	Unaudited six months ended 31 March 2022	Audited year ended 30 September 2022
	£'000	£'000	£'000
Continuing operating profit before exceptional and other items by segment			
Social Housing Energy Services	8,607	6,720	20,236
Central overheads	(1,449)	(1,637)	(3,409)
Total operating profit before exceptional and other items	7,158	5,083	16,827
Amortisation of acquisition intangibles	-	(269)	(269)
Acquisition costs	-	(115)	(120)
Finance expense	(493)	(365)	(864)
Profit before taxation from continuing operations	6,665	4,334	15,574

Only the Group consolidated statement of financial position is regularly reviewed by the chief operating decision maker and consequently no segment assets or liabilities are disclosed here under IFRS 8.

3. Taxation

The corporation tax charge for the six months ended 31 March 2023 is calculated based upon the effective tax rates expected to apply to the Group for the full financial year of 22% (2022: 19%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2023

4. Assets held for sale and discontinued operations

As previously disclosed in the FY22 Annual Report, the Group is looking to dispose of the Sureserve Fire and Electrical Limited and Precision Lift Services Limited businesses. A disposal process is underway and is expected to be completed within 12 months. Accordingly, as required under IFRS, the associated assets and liabilities have consequently been presented as held for sale at 31 March 2023. The businesses were both initially classified as held for sale at 31 March 2022.

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	Unaudited six months ended 31 March 2023 £'000	Unaudited six months ended 31 March 2022 £'000	Audited year ended 30 September 2022 £'000
Revenue	17,743	17,280	34,177
Cost of sales	(16,015)	(13,756)	(27,397)
Gross profit	1,728	3,524	6,780
Other operating expenses	(1,858)	(2,272)	(4,988)
Impairment of goodwill	-	-	(3,460)
Operating (loss) / profit	(130)	1,252	(1,668)
Finance expense	(17)	(11)	(24)
(Loss) / profit before tax from discontinued operations	(147)	1,241	(1,692)
Taxation	32	(235)	(330)
(Loss) / profit for the period attributable to the equity holders of the Group from discontinued operations	(115)	1,006	(2,022)

	Unaudited as at 31 March 2023 £'000	Unaudited as at 31 March 2022 £'000	Audited year ended 30 September 2022 £'000
Current assets			
Goodwill	4,321	7,631	4,321
Other intangible assets	14	20	16
Property, plant and equipment	188	71	87
Right-of-use assets	1,106	479	594
Deferred tax asset	88	56	88
Inventories	1,802	761	1,713
Trade and other receivables	6,517	8,029	4,530
Cash and cash equivalents	1,653	2,963	3,989
Total assets classified as held for sale	15,689	20,010	15,338
Current liabilities			
Trade and other payables	(7,052)	(6,430)	(6,958)
Income tax payable	-	-	(366)
Lease liabilities	(1,128)	(484)	(599)
Provisions	(217)	-	(310)
Total liabilities directly associated with current assets classified as held for sale	(8,397)	(6,914)	(8,233)
Net assets	7,292	13,096	7,105

The proceeds of disposal are expected to exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognised in the period. An impairment charge of £3,460,000 was recognised in H2 FY22.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2023

5. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Unaudited six months ended 31 March 2023 Number	Unaudited six months ended 31 March 2022 Number	Audited year ended 30 September 2022 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	166,114,337	162,946,985	163,895,387
<i>Diluted</i>			
Effect of dilutive potential ordinary shares:			
Share options	5,291,991	3,188,785	3,694,811
Weighted average number of ordinary shares for the purposes of diluted earnings per share	171,406,328	166,135,770	167,590,198
Earnings for the purpose of basic and diluted earnings per share from continuing operations being net earnings attributable to the owners of the Company from continuing operations (£'000)	5,199	3,527	13,093
Basic earnings per share from continuing operations	3.1p	2.2p	8.0p
Diluted earnings per share from continuing operations	3.0p	2.1p	7.8p
(Loss) / earnings for the purpose of basic and diluted earnings per share from discontinued operations being net earnings attributable to the owners of the Company from discontinued operations (£'000)	(115)	1,006	(2,022)
Basic (loss) / earnings per share from discontinued operations	(0.1p)	0.6p	(1.2p)
Diluted (loss) / earnings per share from discontinued operations	(0.1p)	0.6p	(1.2p)
Earnings for the purpose of basic and diluted earnings per share being net profit after tax attributable to the owners of the Company from continuing and discontinued operations (£'000's)	5,084	4,533	11,071
Basic earnings per share	3.1p	2.8p	6.8p
Diluted earnings per share	3.0p	2.7p	6.6p
Earnings for the purpose of basic and diluted earnings per share, being net profit after tax attributable to the owners of the Company from continuing and discontinued operations, adjusted for the tax effected impairment of goodwill, amortisation of acquisition intangibles and exceptional items (£'000's)	5,084	4,828	14,695
Basic earnings per share	3.1p	3.0p	9.0p
Diluted earnings per share	3.0p	2.9p	8.8p

The number of shares in issue as at 31 March 2023 was 166,222,616 (31 March 2022 was 165,080,074).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2023

6. Net (debt) / cash

	Unaudited six months ended 31 March 2023 £'000	Unaudited six months ended 31 March 2022 £'000	Audited year ended 30 September 2022 £'000
Cash and cash equivalents	12,784	8,857	19,319
Unamortised finance costs (included in other receivables)	118	185	151
Net cash excluding lease liabilities	12,902	9,042	19,470
Lease liabilities	(17,702)	(11,450)	(15,076)
Total net (debt) / cash in continuing operations	(4,800)	(2,408)	4,394
Cash and cash equivalents in assets held for sale	1,653	2,963	3,989
Lease liabilities in assets held for sale	(1,128)	(484)	(599)
Total net (debt) / cash (including lease liabilities)	(4,275)	71	7,784
Total net cash (excluding lease liabilities)	14,437	11,820	23,308

7. Cash (used in) / generated from continuing operations

	Unaudited six months ended 31 March 2023 £'000	Unaudited six months ended 31 March 2022 £'000	Audited year ended 30 September 2022 £'000
Operating profit	7,158	4,699	16,438
<i>Adjustments for:</i>			
Depreciation	3,230	2,647	5,762
Amortisation of intangible assets	211	427	597
Share-based payments	295	105	381
Profit on disposal of property, plant and equipment	-	(7)	(7)
<i>Changes in working capital:</i>			
Inventories	(2,217)	(615)	(1,634)
Trade and other receivables	(11,659)	(11,220)	(11,145)
Trade and other payables	2,320	6,968	6,054
Provisions	(23)	33	(74)
Cash (used in) / generated from operations	(685)	3,037	16,372

8. Related party transactions

There have been no material changes to the related party balances disclosed in the Group's Annual Report and Accounts 2022 and there have been no related party transactions that have materially affected the financial position or performance of the Group in the six months to 31 March 2023.

9. Post balance sheet events

Recommended cash offer

On 21 April 2023, The Boards of Cap10 4NetZero Bidco Limited ("Bidco"), a newly incorporated company established on behalf of Cap10 Partners LLP, and Sureserve announced that they have reached agreement on the terms of a recommended all cash offer pursuant to which Bidco, will acquire the entire issued and to be issued share capital of Sureserve. Completion of the transaction is, subject to the prior satisfaction or, where permitted, waiver of the conditions set out in the announcement dated 21 April 2023, expected during early July 2023.

Warmworks joint venture

On 28 April 2023, the Warmworks joint venture was informed by Scottish Government that it had successfully won the Heat in Buildings Scotland (HIBS) national scheme, which is the successor national fuel poverty scheme to Warmer Homes Scotland. The HIBS scheme has a contract value of £560m over 7 years to October 2030.

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