SureserveGroup

Interim results to 31 March 2021

Interim results 2021

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Sureserve Group PLC
18 May 2021

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Sureserve Group plc

("Sureserve" or the "Group")

Unaudited Interim Results for the six months ended 31 March 2021 (H1 FY21)

WELL POSITIONED FOR GROWTH

Sureserve, the compliance and energy services Group, is pleased to announce its interim results for the six-month period ended 31 March 2021.

Robert Legget, Interim Chairman of Sureserve, commented:

"*Our half year performance provides a solid base from which our highly experienced team can grow the business. Although the immediate future still remains uncertain due to the pandemic, Sureserve has a substantial order book providing good levels of visibility of earnings, an established business model of recurrent revenues from our public sector client base and a strong balance sheet to support both organic and inorganic growth opportunities. We therefore are cautiously optimistic about the future.*"

Financial overview

- Revenue up 4.6% to **£114.6m (H1 2020: £109.6m)**
- EBITA*[1] up 22.1% to **£4.8m (H1 2020: £3.9m)**
- Profit before tax up 71.5% to **£4.4m (H1 2020: £2.6m)**
- Profit before tax before amortisation of acquisition intangibles up 30.6% to **£4.4m (H1 2020: £3.4m)**
- Earnings per Share (EPS) from continuing operations up 71.2% to **2.2p (H1 2020: 1.3p)**
- EPS excluding amortisation of acquisition intangibles and share based payments up 25.7% to **2.3p (H1 2020: 1.8p)**
- Net cash / (debt) excluding lease liabilities increased to **£9.7m (31 March 2020: (£3.5m))**
- Order book of **£371.6m (31 March 2020: £323.7m)** providing visibility of earnings with circa 99% covered in FY21

**[1] EBITA is defined as operating profit before amortisation of acquisition intangibles. EBITA excludes the profit from Discontinued Operations.*

Operational overview

- Compliance delivered another strong performance, with demand for services remaining high, with Energy successfully navigating the challenging Covid-19 dynamic.
- Both divisions continued their reputation for delivery of quality services and market-leading positions in the highly-regulated public sector gas testing and energy management sectors
- Excellent record of contract wins worth £112.1m during the period strengthening our position across the UK

Outlook

- Strategically positioned to deliver clear growth in our market-leading Gas businesses
- Energy Services well placed to be at the forefront of the energy transition in the UK
- 99% of FY21 expected revenue covered by the order book, worth £371.6m, providing visibility of non-volatile revenue streams
- The Group is well-positioned for further organic growth in a fragmented and regional market
- Acquisitive growth opportunities, building on recent Vinshire acquisition and integration, will be evaluated as appropriate
- Despite the ongoing situation related to Covid-19, we expect continued strong trading throughout FY21 and beyond

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Sureserve Group

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Notes to editors

Sureserve is a leading Compliance and Energy Services group that performs critical functions in homes, public and commercial buildings, with a focus on clients in the UK public sector and regulated markets. Services are delivered through two divisions: Compliance and Energy Services.

The Group was founded in 1988 and is headquartered in Basildon and currently employs some 2,299 staff.

Chairman's Statement

Introduction and Trading Performance

On 18 March 2021, I was appointed Interim Chairman and Peter Smith was appointed Interim Chief Operating Officer, following Bob Holt's decision to step down from the Board.

I am delighted to report that despite the challenges presented to it from the global pandemic, the Sureserve Group has continued to make solid progress. In the six months to 31 March 2021, the Group is reporting a 4.6% increase in Group revenue of £114.6m (H1 2020: £109.6m) and a 22% increase in Group EBITA to £4.8m (H1 2020: £3.9m). Profit before tax on continuing operations was up 72% to £4.4m (H1 2020: £2.6m). During the period under review, the Group won new contracts totaling £112.1m and is reporting a current order book of £371.6m, which provides strong visibility of future earnings.

Our basic earnings per share (from continuing operations) increased by 71% to 2.2p (H1 2020: 1.3p). The Group has continued to generate cash and has an improved balance sheet with net cash of £9.7m (excluding lease liabilities) (H1 2020: net debt of £3.5m).

This excellent performance reflects our focused business model, underpinned by regulatory demand and with an established public sector client base with contracted recurrent revenues. We remain optimistic on the opportunities available to the Group and look forward to further delivering on our growth strategy.

Covid-19 Update

As communicated in our full year financial results to 30 September 2020, the unprecedented situation presented by the Covid-19 pandemic and ongoing Government response is continuing to impact Group operations, as with many others. The safety of our employees and customers has remained paramount throughout and will continue be our absolute priority. While the national situation in terms of cases and lockdown restrictions has improved in recent months and is less severe in comparison to the initial stages of the pandemic response one year ago, it remains fluid with impacts to some extent on all aspects of operations.

Our focus remains on serving our customers in the safest manner possible while protecting the wellbeing of colleagues and minimising virus spread risk, including but not limited to ensuring our 'Covid-Secure' status through NQA verification standards. Our detailed responses and key protocols were documented in full through our year end reporting and continue to evolve while our focus remains on safe delivery as we continue to refine our approach to effective operations.

We remain hopeful that current Government guidance and communications are indicative of further relaxations of restrictions over the coming months but will remain vigilant and reactive to updates as they occur. Given trading continues to be impacted as a result of the Government pandemic response measures and restrictions, certain businesses within the Group continue to receive Government support as applicable, as set out in the Operational Review.

Our People

My fellow directors and I are most grateful for the exceptional efforts and hard work of our workforce over this difficult period. Our people must be commended for the way in which they have continued with the task of looking after our clients and, at the same time, having to address the difficulties of working in a more constricted environment under Covid-19. The adjective "staunch" comes to mind.

Our experienced executive team has continued to demonstrate its tenacity in managing the business during the pandemic, with periods of consolidation and preparation now moving back into the delivery of contracts, building on the trust gained by clients and maximising the potential of an already engaged and operationally ready workforce. The team has provided the solid base for the Group's strong trading performance that I summarised above and I personally would like to thank them all.

During the past six months, the Group has continued to prioritise the health and wellbeing of the workforce. The cost of this in our business has been substantial and immeasurable but appropriate to the end objective of ensuring our peoples' and our customers' maximum safety as far as possible.

Following the departure of Bob Holt as Executive Chairman in March, the Board began the formal process to appoint a new independent Non-Executive Chairman and a new Chief Executive. The Group will provide an update on this process as and when appropriate.

ESG

Alongside the delivery of consistent organic growth, the Group's performance and long-term goals are connected to our Environmental, Social and Governance related objectives. In the first half of this year we have reduced our Energy consumption in office premises by 7.7% and the Energy consumption of the fleet by 32.3%, both in line with our Carbon reduction targets. This has also partly been assisted by reduced activity due to lockdown. We are currently working with the Carbon Trust to achieve carbon neutral status via the PAS 2060 accreditation. We continue to be accredited on a number of ISO standards to protect ourselves, our environment, partners, clients and their customers. We have recently launched a pilot project to convert the first batch of our vehicle fleet of 1,600 light commercial vehicles and 60 company cars across the UK. 30 zero emissions electric commercial vehicles have been ordered as we start to transition from Euro 6 diesel to electrical power. We have also begun the roll-out of zero emissions electric company cars to our Leadership team, ensuring sustainability is at the heart of our culture, and our ongoing commitments to realising carbon reductions across the Group. This aligns with our service proposition of the installation and maintenance of EV charge points.

The Group has a strong training culture, delivered via the Sureserve Academy, and is focused on developing skills at all levels. I am pleased to say that we are looking to increase the number of employees in training this year, including those entering the business through traditional Apprentice routes. We are enthusiastic when it comes to our responsibility for bringing forward the next generation of engineers, leaders and professionals, who all remain at the very heart of our business.

The Sureserve Foundation, formed in 2019 to combat the effects of fuel poverty across the UK, provides support to local community organisations, housing associations and local authorities. The Foundation has been able to deliver a number of projects by way of grants and hardship funds.

Our Equality, Diversity and Inclusion steering group has put in place a five-year strategy, and is working with the Gender & Equality, and Ethnicity & Diversity working groups to achieve the Group's long-term objectives.

On Governance, you will have seen that we recently announced that we are changing our board structure to the more conventional one of separating the Executive Chairman role into two, namely a Non-Executive Chairman and Chief Executive. As we are focused on following best practice, we will continue to review the skill set and composition of the Board, which best meets with the need of the business as it grows.

Strategy for Growth

We have now created a successful basis for growth, and in essence, this will be pursued both organically and through acquisition with different strategies applied by our two divisions. Although any further Covid-19 related lockdowns might inhibit plans, the Sureserve team continue to remain responsive and focused on delivering this growth strategy.

For Energy Services, growth is likely to be driven by Government-sponsored schemes. The current ECO scheme and HEEPS in Scotland are focused on reductions in carbon emissions and fuel poverty, with most of the clients being local councils and housing associations. The latest announcement by the Government of the acceleration of climate change commitments is very encouraging and while the Green Homes Grant scheme for homeowners only lasted for six months and suffered from very poor take-up, the allocation of £320m to the "local authority delivery" (or "LAD") part of the scheme is a welcome development as this allows us to better support our public sector clients, such as councils, in delivering the necessary energy efficient home improvements. Everwarm's expertise and regulatory licenses mean that expansion in England is an attractive prospect and we are seeing new opportunities and contract awards from this as further described below.

The Board are conscious that energy-saving technology is changing and the Group is therefore developing other low carbon expertise, including installation of heat pumps, solar PV, battery energy storage solutions, electric vehicle charging points, innovative insulation techniques and other energy efficiency initiatives as markets develop. Client demands and supply chain capability are driving enhancements.

Growth at Providor will be driven by the Government push to finish the smart metering instalment plan by 2025.

In the Compliance division, we will continue to support and grow our bid teams and expand our services with new and existing clients with a view to increasing market share. In-fill acquisitions, such as that of Vinshire in December, which help us to spread our geographical coverage and customer base, are exactly the type of tactical acquisition we will continue to pursue.

We would expect the new Chairman and Chief Executive to focus on this buy-and-build strategy after their appointments.

Outlook

The Group has entered the second half of the financial year ahead of previous management expectations, in a solid position and expects, with our £371.6m order book providing visibility of earnings, that the Group will report further profitable growth during 2021.

I remain optimistic about the prospects of the Group for the year ahead and, along with my colleagues at Sureserve, will continue to focus on our vision to be the supplier of choice to communities across the UK for their compliance and energy services, becoming market leaders through excellence in service delivery, innovation and customer service and thereby enhancing value for shareholders.

Robert Legget, Interim Chairman

OPERATIONAL REVIEW

Group Summary

The overall Group performance remains positive despite the background of Covid-19 which we believe continues to demonstrate the resilience of the business model, given the basis of predictable and recurring incomes in areas supported by non-discretionary and regulatory-led spend. Despite this we do continue to see considerable trading impacts, particularly within our Energy Services division, from the Government pandemic response measures and restrictions. Given these impacts, where appropriate, businesses in the Group have applied for and received Government support. Following the continued emphasis and delivery on cash conversion we took the decision to fully repay any previously deferred VAT payments by 31 March 2021, in line with the original HMRC guidelines and intention.

Compliance (68% of Group revenue / H1 FY20: 66%)

Compliance: six months ended 31 March	**Unaudited 6 months to 31 March 2021**	**Unaudited 6 months to 31 March 2020**	**Change**
Revenue (£m) *[1]	78.9	73.4	7.6%
EBITA (£m) *[2]	5.8	3.7	57.8%
EBITA margin	7.4%	5.0%	2.4ppts

*[1] Division revenue figures include revenue from intercompany trading which accounts for a total across both divisions of £1.7m in 2021 and £1.1m in 2020.

*[2] EBITA is defined as operating profit before amortisation of acquisition intangibles.

The Compliance division provides planned and responsive maintenance, installation and repair services predominantly to local authority and housing association clients, in the areas of domestic and commercial gas, fire and electrical, water and air hygiene, and lifts. These services cover clients' social housing and public building assets, as well as industrial and commercial properties. Gas services comprise over three quarters of the divisional revenues. We believe we remain the largest player in this fragmented and typically localised market and have enhanced our service offering both organically during the period but also through the acquisition of Vinshire Gas Services Limited (Vinshire) in December as previously reported. Vinshire is a heating services and installations company, providing services primarily for Housing Associations and Local Authorities across the East and West Midlands, complementing Aaron Services activities with offices in Derby and West Bromwich. We are pleased with the progress the business and team have made in the few months of trading since joining the group.

We are predominantly paid for service and repair work on a fixed price basis evenly through the year. The gas businesses (which as noted above encompass the majority of the division's revenues) have more call-outs 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, historically a significant proportion of the division's annual profit arises during the second half of the financial year, making the strong results in this current period even more pleasing. Revenue growth combined with a move above our previous H1 EBITA margin levels of 5% has seen a considerable step forward in our profits.

The division delivered period-on-period revenue growth of 7.6% to £78.9m (H1 FY20: £73.4m), driven by continued new contract wins, extensions and some additional spending from certain clients and workstreams where spending had been deferred earlier in the pandemic. We also saw positive impact from the Vinshire acquisition in addition to ongoing regulatory pressures in the sector. Installation and commercial project works exceeded expectations in the first half of the year, which by adding to our improved contractual client base further strengthened our position. EBITA increased by 57.8% to £5.8m (H1 FY20: £3.7m), with this additional profitability driven by a combination of factors. Improved EBITA performance across both gas and non-gas was driven from this overall revenue growth but also margin improvements which arose from work mix including more commercial works in addition to efficiencies gained by the experienced management teams as scale continues to increase.

The division continued its track record of new wins during the period with particular success within our gas businesses, including securing £8m of work over three years for heating servicing and repairs with Richmondshire District council, gas heating and maintenance awards over four years of £4.8m with Saffron Housing Trust and £4.0m with Royal Borough of Kensington and Chelsea, a £2.5m award with L&Q for electrical works and other smaller gas servicing and maintenance wins. Other significant wins in the division include £2.0m of fire door repair work for London Borough of Newham, a £2.0m contract with VIVID Housing for fire alarm servicing and maintenance works and £1.6m with Thanet District Council for lift refurbishment works, along with numerous other wins across the full range of workstreams including £1.2m of water hygiene and risk assessments with Southern Housing Group.

We believe the future outlook for our Compliance businesses remains strong, underpinned by high levels of long-term contracts and frameworks for which the division has continued to see high appointment levels, along with an ongoing trend towards regulatory services. Our client base, which is largely comprised of local authorities and housing associations, provides us continuity moving forward with blue chip clients. As previously communicated the nature of our Compliance businesses is of core services including vital emergency repair and testing cover to our local authority and housing association customers, to ensure compliance with gas, electricity and building testing regulations. The Government continuing to recognise many of our employees within their "key worker" classification has enabled us to support clients and provide these crucial services throughout the pandemic.

During the pandemic the division has experienced some delays in accessing certain residential and communal properties to undertake work as a result of the Government measures in response to Covid-19, including physical distancing and travel restrictions. Some local authority customers have, where work is considered of a lower priority or not essential, chosen to defer certain elements at points during the pandemic. The division received £0.3m of job retention scheme money from the Government in the six-month period, reflecting the reduction in work levels seen for certain delivery teams.

We believe that following the temporary uncertainty and disruption to the market our mix of customer and services remains strong and longer-term the demand for these works and underlying fundamentals will underpin our future prospects when conditions recover. As a market leader in gas testing with true national reach we believe further opportunities will be forthcoming to grow our business. We will remain proactive in assessing potential future acquisitions, such as the Vinshire business we are delighted to have added to the Group during the period.

Energy Services (32% of Group revenue / H1 FY20: 34%)

Energy Services: six months ended 31 March	**Unaudited 6 months to 31 March 2021**	**Unaudited 6 months to 31 March 2020**	**Change**
Revenue (£m) *1	37.3	37.3	0.2%
EBITA (£m) *2	0.8	1.9	(60.6)%
EBITA margin	2.0%	5.2%	(3.2)ppts

*1 Division revenue figures include revenue from intercompany trading which accounts for a total across both divisions of £1.7m in 2021 and £1.1m in 2020.

*2 EBITA is defined as operating profit before amortisation of acquisition intangibles.

Energy Services undertakes a range of energy efficiency services for social housing and private homes through two businesses:

- Everwarm delivers insulation and heating, energy efficient technologies including electrical vehicle charging points, air source heat pumps, battery storage and solar PV, including works within non-domestic properties. Everwarm combines these services with providing carbon emissions savings for energy companies, enabling them to meet their legislative targets. The insulation operations are driven by seasonal influences, as we are unable to render or use fixing glue necessary for insulation at certain lower temperatures. As a result, we typically experience a far larger number of productive working days in summer, compared to winter months, with the result that this business also sees higher revenues and margins in H2 each year.

· Providor is our leading national installer of smart meters (operating as a meter asset manager and meter operator), which undertakes work for both large and small utility suppliers, who are required to install smart meters in every home in England, Wales and Scotland. The business is among the most experienced in the ongoing UK-wide government roll-out and as we have previously advised the deadline for installation is now the end of June 2025, allowing a realistic timeframe for delivery and sustainable installation levels in coming years. Fewer than half of the 55m total meters within the roll-out have now been installed as smart, with a significant market opportunity remaining.

Divisional revenues for the period increased nominally by 0.2% to £37.3m (H1 FY20: £37.3m), which was pleasing as achieved against the backdrop of significant impact from further Covid-19 pandemic restrictions. These were seen particularly in Scotland where non-essential works inside properties, such as energy efficiency improvements and smart meter installations, have been restricted significantly unless considered of an emergency nature. Both Providor and Everwarm saw revenue lower than expectations because of this. Everwarm saw significant reductions from the same period last year while Providor revenues mitigated this. Providor saw increases from the comparable period last year, largely due to growth from significant contract wins. Divisional EBITA margin reduced to 2.0% (H1 FY20: 5.2%), more in line with performance levels seen in the full year results to September 2020 and not considered representative of expected performance.

Results across our Energy businesses saw significantly decreased profitability in both the Everwarm and Providor businesses. Everwarm's performance was principally due to the reduction in revenues while Providor was impacted by lower growth more than expected, resulting in much lower profitability given the business had scaled up its cost base to deliver significantly higher volumes, which did not transpire. The Arbed joint venture saw reduced performance from significant reductions in volumes given difficulty in delivering works to the levels anticipated due to the pandemic and restrictions in Wales, with works largely considered non-essential. We saw increased delivery and performance in comparison to same period last year within the Scottish Warmworks joint venture. This was due to a mix of growth in the business with new workstreams added and the majority of Warmer Homes Scotland work for the Scottish Government continuing, with only a small number of measures being impacted given the importance of the boiler improvement delivery to potentially vulnerable and fuel poor individuals.

The division had previously seen significant recent wins including large geographical extensions of our smart metering installation services with Scottish Power and EDF, and therefore the focus for the Providor business has been one of mobilisation of those key awards against the backdrop of successfully navigating the Covid-19 pandemic. We were also delighted to receive confirmation of a two-year extension to our existing smart metering installation and management services contract with Scottish Power, which we believe is representative of our strong relationship and delivery performance.

The Everwarm business continued to see several large wins and awards as reflected in the order book growth below. This included £4.7m for London Borough of Ealing, £2.3m with East Lindsey Council and £2.0m with Doncaster Metropolitan Borough Council, all for energy efficiency works through the LAD (Local Authority Delivery) scheme, which has seen the business further geographically diversify into England. The business also won £2.0m of external wall insulation and other services with Fife Council and a £1.7m win with Ancho Housing Association for kitchen replacement works along with further awards such as £1.0m of additional works with East Lothian Council.

Providor remains focused on existing contract delivery through to the current Government smart meter deadline of June 2025 and continues to review new contract opportunities. This represents an ongoing opportunity to strengthen further, with previously awarded agreements and an evaluation of existing contracts and further potential extensions available giving us confidence over future delivery, despite the short-term challenges introduced, particularly in Scotland, from the ongoing pandemic restrictions.

Within Everwarm, carbon prices remained largely stable during the period however volumes remain impacted by Covid-19 and the ongoing challenges with 'ECO3' due to measure types and qualifying properties. We continued to work through this period and believe we are well-placed to deliver on behalf of our utility partners based on our management team's extensive experience in this area. In February 2021 the UK Government announced plans to increase spending on ECO to £1bn per year (from £640m) to 2026 which should provide further opportunity for Everwarm to deliver increased volumes.

Our Warmworks joint venture delivering the Warmer Homes Scotland initiative for the Scottish Government saw ongoing operationally strong performance and client delivery, predominantly due to the ability to continue trading closer to normal conditions, despite the ongoing pandemic impacts. The Scottish Government's flagship Home Energy Efficiency Programme for Scotland ("HEEPS") continued to perform well with its diversified installation portfolio, focusing on central heating, boiler improvements and other energy efficiency installation measures. We believe there is potential growth based on increased funding now available, along with additional project work from other clients.

The Arbed 3 programme for the Welsh Government via our joint venture with the Energy Saving Trust, focused on improvements to households likely to be living in severe fuel poverty, is ongoing. In the reporting period we continued to navigate the challenges caused by the pandemic and restrictions on works, however we are hopeful of better performance over the summer period as we work towards the current contractual end date of November 2021.

Sureserve's Energy division has not been afforded the same 'key worker' status as seen in our Compliance businesses due to a combination of our services delivered and devolved government approaches around continuation of works, particularly in Scotland. This has resulted in what we believe to be short-term reductions in trade within both Energy businesses and joint ventures. Given reduced volumes from expectations the businesses have applied for appropriate government support, with the division receiving £0.6m of job retention scheme money from the Government in the six-month period, along with ongoing other actions such as customer and supplier negotiations and the implementation of any necessary cost control procedures to best mitigate negative impacts.

We believe the prospects for our Energy business remains strong We have seen some encouraging recent wins, with Everwarm in particular at the forefront of this, and are well placed to deliver additional work where appropriate opportunities present. The UK Government's commitment to create a net zero carbon economy by 2050 is expected to drive further focus on energy efficiency with announcements and commitments on this now being seen regularly. We will continue to monitor developments and believe the group is well placed to take advantage.

New Wins and Order Book

The Board are encouraged that high bidding success rates continue to be achieved by the Group. Contract wins in the period totalled £112.1m, contributing to a period-end order book of £371.6m. This represented a 14.8% increase on the comparative period (31 March 2020: £323.7m). 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. We believe our order book remains strong across the group with growth in Everwarm's order book particularly pleasing and we believe reflecting the positive opportunity and our credentials within the sector. We continue to focus on securing contracts with long term visibility and robust value and following recent investments in bidding resource are well placed to capitalise on various opportunities going forward.

Financial Review

The Group had a strong period posting an EBITA of £4.8m from continuing activities (H1 2020: £3.9m).

Group revenue increased by 4.6% to £114.6m (H1 2020: £109.6m), mainly reflecting an increase in revenues in the Compliance Services, whose revenues increased by 7.6% to £78.9m (H1 2020: £73.4m). Revenues in the Energy division increased by 0.2% to £37.3m (H1 2020: £37.3m). These divisional revenue figures include revenue from intercompany trading which accounts for a total of £1.7m (H1 2020: £1.1m).

Group EBITA increased by 22.1% to £4.8m (H1 2020: £3.9m), reflecting an increase in EBITA in the Compliance division of 57.8% to £5.8m (H1 2020: £3.7m) and a decrease in EBITA in Energy Services of 60.6% to £0.8m (H1 2020: £1.9m). Central costs were £1.8m (H1 2020: £1.7m).

We reported an operating profit of £4.8m (H1 2020: £3.1m), after £nil of amortisation charges for acquisition intangibles (H1 2020: £0.8m). Remaining un-amortised intangible assets in the balance sheet are not acquisition related.

Net finance expense was £0.4m (H1 2020: £0.6), and taxation was £0.8m (H1 2020: £0.5m). The statutory profit after tax was £3.5m (H1 2020: £2.2m).

Tax

The effective tax rate for the period was 19%, compared with a statutory rate of corporation tax of 19%. We expect a full year effective tax rate of 19%.

Earnings Per Share

Basic earnings per share from continuing operations were 2.2 pence (H1 2020: 1.3 pence), based on profit after tax from continuing operations of £3.5m (H1 2020: £2.1m).

Adjusted earnings per share from continuing operations excluding amortisation of acquisition intangibles and share based payments were 2.3 pence (H1 2020: 1.8 pence), based on adjusted profit after tax from continuing operations excluding amortisation of acquisition intangibles and share based payments of £3.7m (H1 2020: £2.9m).

Our statutory profit for the year was £3.5m (H1 2020: £2.2m). Based on the weighted average number of shares in issue during the year of 159.5m, this resulted in basic earnings per share of 2.2 pence (H1 2020: 1.3 pence).

Cash Flow Performance

Our operating cash flow for the period was an inflow of £4.4m (H1 2020: £6.3m).

The management of working capital is a continued focus. This includes accrued income, debtors and creditors. We manage these balances within our banking facilities. However, we recognise the importance of supporting our supply chain. We have ensured that we have paid our suppliers as normal.

Net Cash / Debt

At 31 March 2021, the Group had net cash excluding lease liabilities of £9.7m (31 March 2020: net debt of £3.5m). The deferred VAT payments of £6.1m were repaid on 31 March 2021. However, this represents a snapshot in time and the facility was undrawn for the whole period (H1 2020: weighted average RCF drawdown - £9.7m).

The total net debt, including lease liabilities of £10.9m was £1.2m (31 March 2020: £9.9m).

Banking Arrangements

We had drawn £nil as at 31 March 2021 (31 March 2020: £10.0m) under our revolving credit facility (excluding borrowing costs). At the date of issuing this report we had drawn £nil (excluding borrowing costs); National Westminster Bank ('NatWest') continues to be an excellent and supportive partner.

In December 2018, the Group renewed its bank facilities to provide an overdraft facility of £5,000,000 together with a revolving credit facility of £25,000,000, which runs to 31 January 2022. Formal discussions regarding the refinancing of the RCF with Natwest are continuing and we do not anticipate any challenges.

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

Statement of Financial Position

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

There was an increase of £0.5m in goodwill, due to the acquisition of Vinshire. As at 31 March 2021, there are £nil acquisition intangibles remaining on the statement of financial position.

As at 31 March 2021, net current assets stood at £6.0m (31 March 2020: £10.1m).

The principal movements in working capital are noted below and reflect a continued focus on working capital;

	Mar-21	**Mar-20**	**Sep-20**
	£m	**£m**	**£m**
Trade receivables	20.5	28.3	16.7
Accrued income	12.5	9.6	17.3
Trade payables	(23.3)	(23.6)	(19.5)
Accruals	(9.8)	(7.6)	(9.9)

Risks

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

Our half year review included an assessment of accrued income, of which the balance was £12.5m at 31 March 2021 (31 March 2020: £9.6m). As a Group we review regularly for impairment. Accrued income 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 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'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 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, taking into account possible sensitivities in trading performance including the potential impact of Covid-19, 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 supportive of the Group and in December 2018, the Group renewed its banking facilities to provide an overdraft facility of £5,000,000 together with a revolving credit facility of £25,000,000, which runs to 31 January 2022. Formal discussion regarding the refinancing of the RCF with Natwest are continuing and we do not anticipate any challenges. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 March 2021

	Notes	Unaudited six months ended 31 March 2021 £'000	Unaudited six months ended 31 March 2020 £'000	Audited year ended 30 September 2020 £'000
Revenue	2	**114,557**	109,551	195,706
Cost of sales		**(96,005)**	(92,029)	(160,449)
Gross profit		**18,552**	17,522	35,257
Other operating expenses		**(14,601)**	(13,736)	(24,952)
Share of results of joint venture		**850**	146	99
Operating profit before amortisation of acquisition intangibles	2	**4,801**	3,932	10,404
Amortisation of acquisition intangibles		**-**	(800)	(1,600)
Operating profit		**4,801**	3,132	8,804
Finance expense		**(417)**	(614)	(1,047)
Investment income		**-**	39	39
Profit before tax from continuing operations	2	**4,384**	2,557	7,796
Taxation	3	**(847)**	(498)	(1,486)
Profit for the period attributable to the equity holders of the Group from continuing operations		**3,537**	2,059	6,310
Discontinued operations				
Profit for the period from discontinued operations		**-**	128	-
Profit for the period attributable to the equity holders of the Group		**3,537**	2,187	6,310
Earnings per share from continuing operations				
Basic	5	2.2p	1.3p	4.0p
Diluted	5	2.2p	1.3p	3.9p
Earnings per share from continuing operations and discontinued operations				
Basic	5	2.2p	1.4p	4.0p
Diluted	5	2.2p	1.4p	3.9p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2021

	Notes	Unaudited As at 31 March 2021 £'000	Unaudited As at 31 March 2020 £'000	Audited As at 30 September 2020 £'000
Non-current assets				
Goodwill		42,810	42,357	42,357
Other intangible assets		822	1,416	726
Property, plant and equipment		1,968	1,302	1,212
Right-of-use assets		10,675	6,296	6,757
Interest in joint venture		1,352	614	501
Deferred tax asset		517	603	517
		58,144	52,588	52,070
Current assets				
Inventories		3,181	3,276	3,022
Trade and other receivables		42,479	45,015	40,054
Cash and cash equivalents	6	9,647	6,273	9,679
		55,307	54,564	52,755
Total assets		113,451	107,152	104,825
Current liabilities				
Trade and other payables		44,268	40,045	42,764
Lease liabilities	6	3,646	3,279	3,167
Provisions		368	465	825
Income tax payable		1,060	634	1,073
		49,342	44,423	47,829
Net current assets		5,965	10,141	4,926
Non-current liabilities				
Loans and borrowings	6	-	9,810	-
Lease liabilities	6	7,264	3,106	3,669
Provisions		2,951	3,287	3,221
		10,215	16,203	6,890
Total liabilities		59,557	60,626	54,719
Net assets		53,894	46,526	50,106
Equity				
Called up share capital		15,959	15,895	15,934
Share premium account		25,474	25,318	25,408
Share-based payment reserve		749	586	650
Own shares		(290)	(290)	(290)
Merger reserve		20,067	20,067	20,067
Retained earnings		(8,065)	(15,050)	(11,663)
Equity attributable to equity holders of the Group		53,894	46,526	50,106

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 March 2021

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Own shares £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 October 2019 (audited)	15,895	25,318	538	(290)	20,067	(17,237)	44,291
Profit for the period	-	-	-	-	-	2,187	2,187
Share based payments	-	-	48	-	-	-	48
At 31 March 2020 (unaudited)	15,895	25,318	586	(290)	20,067	(15,050)	46,526
Issue of shares (exercise of options)	39	90	-	-	-	-	129
Profit for the period	-	-	-	-	-	4,123	4,123
Dividends paid	-	-	-	-	-	(795)	(795)
Share based payments	-	-	123	-	-	-	123
Reserve transfer	-	-	(59)	-	-	59	-
At 30 September 2020 (audited)	15,934	25,408	650	(290)	20,067	(11,663)	50,106
Profit for the period	-	-	-	-	-	3,537	3,537
Issue of shares (exercise of options)	25	66	-	-	-	-	91
Share based payments	-	-	160	-	-	-	160
Reserve transfer	-	-	(61)	-	-	61	-
At 31 March 2021 (unaudited)	**15,959**	**25,474**	**749**	**(290)**	**20,067**	**(8,065)**	**53,894**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 31 March 2021

	Notes	Unaudited six months ended 31 March 2021 £'000	Unaudited six months ended 31 March 2020 £'000	Audited year ended 30 September 2020 £'000
Cash flows from operating activities				
Cash generated from operations	8	**4,409**	6,292	23,869
Interest paid		**(280)**	(540)	(957)
Interest received		**-**	39	-
Taxation		**(796)**	(242)	(736)
Net cash generated from operating activities		**3,333**	5,549	22,176
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired		**(200)**	-	-
Receipt of deferred consideration on prior period disposals		**-**	930	930
Purchase of property, plant and equipment		**(1,077)**	(283)	(621)
Purchase of intangible assets		**(319)**	(232)	(539)
Sale of property, plant and equipment		**-**	3	31
Net cash (used in) / generated from investing activities		**(1,596)**	418	(199)
Cash flows from financing activities				
Proceeds from issue of shares		**91**	-	129
Dividend paid to shareholders		**-**	-	(795)
Repayment of bank borrowings		**-**	-	(10,000)
Lease payments		**(1,860)**	(2,146)	(4,084)
Net cash used in financing activities		**(1,769)**	(2,146)	(14,750)
Net (decrease) / increase in cash and cash equivalents		**(32)**	3,821	7,227
Cash and cash equivalents at beginning of year		**9,679**	2,452	2,452
Cash and cash equivalents at end of period / year		**9,647**	6,273	9,679

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 31 March 2021

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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 that are expected to be applicable to the financial statements for the year ending 30 September 2021 and on the basis of the accounting policies to be used in those financial statements. The figures for the year ended 30 September 2020 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 2020, which have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The condensed consolidated financial statements for the six months ended 31 March 2021 do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2020 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 2020.

Seasonality

The Group has seasonal influences in specific areas. The Compliance division experiences higher activity levels in Gas and Lift services in colder weather, leading to higher working capital requirements and lower profitability in winter, and the opposite in the summer. Within Energy Services 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 has to plan to increase capacity during warmer and more settled periods to compensate for time lost during colder ones.

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 Board of Directors has determined an operating management structure aligned around the two core activities of the Group, with the following operating segments applicable:

(i) Compliance: focused on gas, fire, electrics, air, water and lifts where we contract predominantly under framework agreements. Services comprise the following:
- Installation, maintenance and repair-on-demand of gas appliances and central heating systems
- Compliance services in the areas of fire protection and building electrics
- Air and water hygiene solutions
- Service, repair and installation of lifts

(ii) Energy Services: we offer a range of 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. We also provide metering services involving the installation, servicing and administration of 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, as outlined below and on the face of the income statement.

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 by reportable segment:

	Unaudited six months ended 31 March 2021 £'000	**Unaudited six months ended 31 March 2020 £'000**	**Audited year ended 30 September 2020 £'000**
Revenue			
Compliance	**78,922**	73,351	137,155
Energy Services	**37,337**	37,250	60,363
Total segment revenue	**116,259**	110,601	197,518
Inter-segment elimination	**(1,702)**	(1,050)	(1,812)
Total revenue	**114,557**	109,551	195,706

Reconciliation of operating profit before amortisation of acquisition intangibles to profit before taxation

	Unaudited six months ended 31 March 2021 £'000	Unaudited six months ended 31 March 2020 £'000	Audited year ended 30 September 2020 £'000
Operating profit before amortisation of acquisition intangibles by segment			
Compliance	**5,839**	3,701	11,813
Energy Services	**758**	1,926	788
Central	**(1,796)**	(1,695)	(2,197)
Total operating profit before amortisation of acquisition intangibles	**4,801**	3,932	10,404
Amortisation of acquisition intangibles	**-**	(800)	(1,600)
Finance costs	**(417)**	(614)	(1,047)
Investment income	**-**	39	39
Profit before taxation from continuing operations	**4,384**	2,557	7,796

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 income tax charge for the six months ended 31 March 2021 is calculated based upon the effective tax rates expected to apply to the Group for the period of 19%.

4. Dividends

The proposed final dividend for the year ended 30 September 2020 of 1.0 pence per share amounting to £1.6m and representing a total dividend of 1.0 pence for the full year (2019: 0.5 pence per share), was paid on 30 April 2021 to the shareholders on the register at the close of business on 19 January 2021.

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 2021 Number	Unaudited six months ended 31 March 2020 Number	Audited year ended 30 September 2020 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**159,518,741**	158,947,467	159,025,339
Diluted			
Effect of dilutive potential ordinary shares:			
Share options	**3,843,300**	1,840,747	3,200,981
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**163,362,041**	160,788,214	162,226,320
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)	**3,537**	2,059	6,310
Basic earnings per share from continuing operations	**2.2p**	1.3p	4.0p
Diluted earnings per share from continuing operations	**2.2p**	1.3p	3.9p
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)	**3,537**	2,187	6,310
Basic earnings per share	**2.2p**	1.4p	4.0p
Diluted earnings per share	**2.2p**	1.4p	3.9p

The number of shares in issue at 31 March 2021 was 159,587,390.

The weighted average number of Ordinary shares in issue during the year excludes those accounted for in the own shares reserve.

6. Net debt

	Unaudited 31 March 2021 £'000	Unaudited 31 March 2020 £'000	Audited 30 September 2020 £'000
Cash and cash equivalents	**9,647**	6,273	9,679
Bank loans and credit facilities	**-**	(9,810)	-
Unamortised finance costs (included in other receivables	**82**	-	136
Net cash / (debt) excluding lease liabilities	**9,729**	(3,537)	9,815
Lease liabilities	**(10,910)**	(6,385)	(6,836)
Total net (debt) / cash	**(1,181)**	(9,922)	2,979

7. Business combinations

Vinshire Gas Service Limited

On 3 December 2020 the Group acquired certain trade and other assets of Vinshire Plumbing and Heating Limited, which included the entire share capital of Vinshire Gas Services Limited, for consideration as detailed below. Vinshire Gas Services Limited's principal activity is that of installation and maintenance of plumbing and heating systems. The effect of the acquisition on the Group's assets and liabilities were as follows:

	Provisional fair value **£'000**
Assets	
Non-current	
Property, plant and equipment	283
Current	
Inventories	13
Trade and other receivables	490
Cash	-
Total assets	**786**
Liabilities	
Non-current	
Provisions	(20)
Trade and other payables	(1,019)
Total liabilities	**(1,039)**
Net liabilities acquired	**(253)**
Satisfied by:	
Cash consideration	**200**
Goodwill capitalised	**453**

The Directors consider the value assigned to goodwill represents the workforce acquired, expected synergies to be generated, and access to additional geographical areas in the UK as a result of this acquisition. It is not expected that any goodwill will be deductible for tax purposes.

Post-Acquisition results

The results for Vinshire Gas Services Limited since the acquisition date, included within the consolidated Statement of Comprehensive Income for the period ended 31 March 2021, are:

	£'000
Revenue	2,494
Profit from operations	101
Interest	(3)
Profit before tax	98
Taxation	(19)
Profit for the period	**79**

8. Cash used in operations

	Unaudited six months ended 31 March 2021 £'000	Unaudited six months ended 31 March 2020 £'000	Audited year ended 30 September 2020 £'000
Operating profit	**4,801**	3,132	8,805
Adjustments for:			
Depreciation	**2,223**	2,515	4,793
Amortisation of intangible assets	**213**	978	1,984
Share-based payments	**160**	48	171
Profit on disposal of property, plant and equipment	**(16)**	(3)	(10)
Changes in working capital:			
Inventories	**(147)**	(240)	37
Trade and other receivables	**(2,786)**	(3,455)	1,618
Trade and other payables	**688**	3,175	6,035
Provisions	**(727)**	142	436
Cash generated from operations	**4,409**	6,292	23,869

9. Related party transactions

There have been no material changes to the related party balances disclosed in the Group's Annual Report and Accounts 2020 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 2021.

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