

SureserveGroup

Interim results to 31 March 2022

Interim results 2022



17 May 2022

Sureserve Group plc

("Sureserve" or the "Group")

Unaudited Interim Results for the six months ended 31 March 2022 (H1 FY22)

Continued momentum, high revenue visibility and strong order book drives confident outlook for full year

Sureserve, the Social Housing Energy Services Group, is pleased to announce its unaudited interim results for the six-month period ended 31 March 2022.

Financial highlights

- Revenue from continuing operations^{*1}: £126.2m (H1 2021: £101.8m), a 24.0% increase on H1 2021
- Operating profit from continuing operations^{*1,2}: £5.1m (H1 2021: £3.6m), 41.7% growth on H1 2021
- Profit before tax from continuing operations^{*1}: £4.3m, (H1 2021: £3.2m) representing 34.4% growth on H1 2021
- Basic Earnings per share from continuing operations^{*1}: 2.2p (H1 2021: 1.6p), a 37.5% increase on H1 2021
- Net cash^{*3} (excluding lease liabilities): £11.8m (31 March 2021: £9.7m)
- Order book from continuing operations^{*1} of £512.1m (31 March 2021: £340.9m), a 50.2% increase on H1 2021

Operational overview

- Integration of CorEnergy successfully completed, following acquisition in December 2021, expanding Sureserve Group's services in sustainable energy solutions
- New contract wins and contract extensions in Social Housing Energy Services ("SHES") of £101.2m (H1 2021: £65.7m), a 54.0% increase
- Board strengthened with appointment of Sam Vohra as CFO and Tania Songini as Non-Executive director
- ESG actions underway across the Group with initiatives including an employee SAYE scheme offer, Employee Engagement Survey, Academy Awards, a partnership with the Armed Forces, and continued transition of fleet to electric vehicles.

Outlook

- Strategically positioned to deliver clear growth in our market-leading SHES businesses
- Sureserve is cementing its position at the forefront of the energy transition in the UK with an established presence in growth markets of energy efficiency, solar PV, air source heat pumps and battery storage
- 96% of FY22 expected revenue covered by the order book^{*1}, providing visibility of revenue streams
- Continued momentum into full year with high revenue visibility from long-term, regulatory-led local authority and housing association contracts
- General economic headwinds in terms of cost increases may have an impact, but mitigating actions put in place to minimise these.

^{*1} - Continuing operations comprises the Social Housing Energy Services division and Central costs segment. Two businesses, Sureserve Fire and Electrical Limited and Precision Lift Services Limited have been classified as businesses held for sale and are excluded from continuing operations.

^{*2} - Operating profit before impairment of goodwill, amortisation of acquisition related intangibles and acquisition costs

^{*3} - From continuing operations and businesses held for sale

Nick Winks, Non-Executive Chairman of Sureserve, commented:

"The performance during the first half of 2022 reflects Sureserve's market leading position and delivery of quality social housing energy services. We remain focused on pursuing the growth strategy which we announced earlier this year and continue to review potential acquisition targets, with the aim of purchasing businesses which are both services and earnings enhancing, whilst maintaining our price discipline.

The business continues to benefit from high revenue visibility gained from the long-term nature of our local authority and housing association contracts and the £512m order book covers 96% of our expected revenue for the FY22 financial year.

Although there are general economic headwinds in terms of cost increases, we have put in place mitigating actions to minimise the impact. Accordingly, we remain confident in the prospects for the second half of 2022

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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 some 2,588 staff from 28 offices across the UK. Following the strategic review announced in January 2022, the Group now reports performance under a single "Social Housing Energy Services" division.

Chairman's statement

Introduction and trading performance

The first half of FY22 was encouraging, with both total Group and continuing operations showing strong sales growth and EBITA growth over the same six months in FY21 when we continued to experience the effect of some Covid restrictions.

Our cash position as at 31 March 2022 was £11.8m (£9.7m at 31 March 21) after having paid cash consideration of £4.3m to acquire CorEnergy in December 2021.

Board

The composition of the Board has been strengthened by two recent appointments. Having undertaken a formal process, Sam Vohra was appointed as a director and Chief Financial Officer in April 2022. Sam brings considerable finance, commercial and M&A experience gained in previous senior finance leadership roles. Tania Songini was appointed as a Non-Executive director in May 2022 and joins the Audit Committee. Tania's familiarity with renewable energy as well as her extensive knowledge of M&A, and her skills in formulating strategy will be invaluable to the Group in the years ahead.

Outlook

In line with our previously announced growth strategy, we continue to look for bolt-on acquisitions as well as more strategic acquisitions. In terms of potential targets, we will be absolutely focused on our core Social Housing Energy Services market where we are continuing to develop a strong position with established clients and a growing number of long-term contracts.

Our two businesses, which are held for sale, Sureserve Fire and Electrical Limited and Precision Lift Services Limited, continue to perform well thereby giving the opportunity to achieve the right price and the right buyer for each business.

Although there are general economic headwinds in terms of cost increases, we have put in place mitigating actions to minimise the impact. With an order book of £512m, of which nearly £400m relates to FY23 and beyond, we remain confident in the prospects for the second half of 2022.

Chief Executive's review

Trading in the first half of the year has been positive. Despite the broader economic challenges the UK currently faces, we continue to provide services that are both essential to our clients and the communities we serve and form an important part of the energy transition currently underway. Our order book stood at a record £512m at 31 March 2022, from continuing operations, and contract wins for H1 2022 were £101m.

We are delighted with the acquisition of CorEnergy, which we completed in December 2021, and subsequent integration. The business has gone from strength to strength and being a part of a wider Group has enabled it to submit for opportunities which previously had not been available to it due to the size of the business. In return, the CorEnergy team brings a new dynamic to our existing business and has very quickly established itself as part of the Sureserve family. It is also encouraging to note the number of new hires and an imminent move into larger premises for CorEnergy, both required following recent contract win successes.

As we noted in our Preliminary Results announcement for FY21, we are focused on growth, both organic and through acquisition. We are working with corporate advisers on acquisition targets, a number of which we have identified with potential, but we are focused on acquiring businesses which will be services and earnings enhancing at the right price, so are being patient whilst undertaking the search process. Conversely, following the update to the Group's strategy as announced in our preliminary results for FY21, we have identified two of our businesses, Sureserve Fire and Electrical Limited and Precision Lift Services Limited, as being held for sale and are looking for suitable opportunities for disposal. Both businesses continue to trade strongly and are operating very much as business as usual in the meantime.

The recent appointment of Sam Vohra as CFO on a permanent basis is excellent news for the Group. From his arrival on an interim basis in December 2021, Sam has shown strong leadership qualities, excellent financial knowledge, and a good degree of commerciality. He is a great addition to an already strong leadership team.

At the full year FY21 results, our Chairman made note of the need to review our internal efficiencies. As part of this commitment, we recently completed a review of our central costs, as a result of which a small number of people have left the business. We thank them for their contribution to Sureserve and wish them well for the future.

As always ESG is at the heart of what we do as a Group. In recent months we have been immensely proud to receive the Armed Forces Covenant Silver Award for our commitment to employing and supporting ex-services personnel in the business and we see this as a partnership that will only expand over time. We launch our latest Employee Engagement Survey in May 2022, our first since November 2020 and we look forward to receiving feedback on both what we already do well and those things that we need to do better. Our recent Save As You Earn (SAYE) offer saw good take up from employees, who have the opportunity to buy shares at a discounted price over a period of time, but we know we can do more.

In terms of the environmental agenda, we remain as committed as ever to transitioning our vehicles to electric and whilst the worldwide shortage of component parts and vehicles has restricted our progress, our current fleet is 6% electric, up from 3% as at 30 September 2021, we would hope to be at least 10% at the end of this financial year.

We look forward to our Academy Awards Day on 19th May 2022. This is the perfect opportunity to celebrate the depth and breadth of talent we currently have undertaking training. Across the Group we have more than 300 people undertaking training, of whom over 100 are apprentices. The inaugural event was held in May 2019, and we are delighted to finally be able to hold our second event. The Sureserve Foundation, which does such great work to help those in fuel poverty, will also hold its second Fundraising Dinner in September 2022.

As ever the strength of Sureserve comes from the commitment, competence, and enthusiasm of those who work for us and serve our clients and communities so well. I want to record my personal thanks to all of them, both for what they have done to date and will continue to do in the future.

Operational review

Group summary

As we announced in our full year results reported in January, the Group's growth strategy will build on our expertise, experience, and leading position in the market as an energy services provider to social housing clients across the UK. We believe that by combining selective and targeted acquisitions alongside developing organic growth opportunities, there is an opportunity for significant growth for the Group in the years ahead.

The Group has had an encouraging start to the current financial year and is continuing the momentum seen in FY21. This demonstrates the resilience of the business model which is based on predictable and recurring revenues in areas supported by regulatory led spend. This 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.

As previously reported, our refreshed 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 SHES basis and do not include our Fire and Electrical or Lift businesses as a result, as these businesses are classified as being held for sale (with the 2021 prior period comparatives being restated).

Financial performance

SHES: six months ended 31 March	Unaudited 6 months to 31 March 2022	Unaudited 6 months to 31 March 2021 (restated)	Change
Revenue (£m) *1	126.2	101.8	24.0%
EBITA (£m) *2	6.7	5.4	24.1%
EBITA margin	5.3%	5.2%	0.1ppts

*1 Revenue from continuing operations after inter-segment elimination of £0.6m in H1 2022 and £1.7m in H1 2021.

*2 EBITA is defined as operating profit before amortisation of acquisition related intangibles, impairment of goodwill and acquisition costs.

The Group delivered period-on-period revenue growth of 24.0% to £126.2m (H1 FY21: £101.8m). This was driven by continued new contract wins, contract extensions and additional spending from certain clients. These effects were seen particularly across our Gas compliance businesses where we are witnessing sustained revenue growth. The Energy Efficiency, Renewables and Smart Metering businesses also saw significant growth compared to H1 FY21. Part of this was a return to more normalised trading levels where revenues had been impacted in the comparable prior period from the Covid-19 restrictions in place, particularly in the Energy Efficiency and Smart Metering businesses. However, we also saw increases from planned growth in smart metering from investments in engineer headcount and training. This increases our engineer numbers and improves opportunity through our partnership with our utility clients. We also saw a positive contribution from the CorEnergy acquisition.

EBITA increased by 24.1% to £6.7m (H1 FY21: £5.4m), with this additional profitability driven by a combination of factors. Improved EBITA performance within Gas was revenue-led, given the increases above. Everwarm energy efficiency work volumes and profitability have largely returned to pre-pandemic levels with both revenue and EBITA higher than the comparable period in H1 FY21 both in absolute terms and on a percentage point basis. The Provider headcount and training investments made in H1 did impact on EBITA, but this will result in future benefits as the business' scale continues to increase.

Looking forward

We remain optimistic around opportunities for continued growth within the Group, underpinned by our refreshed strategy. We believe our businesses have a positive outlook, with many opportunities for growth ahead reinforced by the

Government's continued emphasis on a net zero target for carbon emissions by 2050. Momentum continues to build around that agenda. The Group and our experienced management teams are well placed to support our clients through the energy transition, and we will continue to monitor developments as opportunities arise.

Energy services and future energy transition is a core focus moving forward and we believe we have developed a successful basis for growth to be pursued both organically and through acquisition. Our established presence in the installation of energy efficiency measures, solar PV works, air source heat pumps, EV charging points and battery storage projects all represent attractive growth sectors which our experienced management teams are well placed to deliver. The backdrop of climate change and ongoing Government initiatives, and future commitments, is likely to provide ongoing opportunities to increase our delivery in these, and associated, service areas.

As we previously noted in December 2021, the acquisition of CorEnergy Limited 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 being immediately enhancing earnings for the Group. In line with our refreshed strategy, we will continue to review other appropriate acquisition opportunities as we expand our scale, service mix and geographical offering.

As previously communicated, the nature of our Group and particularly our Gas businesses remains a core service including vital emergency repair and testing services to properties. Our continued growth further strengthens our position in the gas sector, with a true national reach and market leading business. We are well positioned to grow further both organically and through further acquisition in the fragmented and regional market. The gas businesses are all showing strong revenue growth and we remain confident that our experienced leadership in this stable sector provides a strong platform to continue our aims of further growth and cash generation.

We are not exposed to fluctuations in wholesale gas prices given our position as an installer and maintainer of heating assets. 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.

The Board is encouraged that high bidding success rates continue to be achieved by the Group. The period end order book for SHES was £512.1m which represents a 50.2% increase on the comparative period (31 March 2021: £340.9m). This provides a predictability of future revenues and allows longer-term planning to occur, which helps drive efficiency. 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 continue to target securing contracts with long-term visibility and robust value. We remain confident in our future with a significantly increased order book value and high visibility on future revenues, underpinning our confidence in the prospects for the second half of 2022.

SHES 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. Following the increase in size of Aaron Services, both organically and from the acquisition of Vinshire in the comparable period, the three gas businesses are now more similar in revenue size. This gives the Group a robust base of trading and allows further internal benchmarking and comparability studies to enhance performance.

Each of the three gas businesses, Sure Maintenance, K&T Heating and Aaron Services is delivering revenue growth compared to H1 FY21. This has led to increased profitability despite some of the cost pressures being experienced. We are predominantly paid on a fixed price basis for service and repair work evenly throughout the year. The gas businesses 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 revenue. As a result, historically a significant proportion of the division's annual profit arises during the second half of the financial year.

The gas businesses continued their track record of new wins during the period. The most significant of these was previously announced by the Group for securing £17.0m of work over a maximum of ten years for heating servicing, repairs, and installations on behalf of the London Borough of Tower Hamlets. Further significant awards include in excess of £20.0m with Metropolitan Thames Valley Housing for domestic, commercial heating and electrical works over a four-year term. A further significant award over ten years of £10.0m with Southend on Sea Borough Council, in addition to £0.8m of heating maintenance with First Choice Homes were supplemented by other smaller gas servicing and maintenance wins.

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 exceptional client service supporting consistent delivery. The business has again delivered several wins in the period, and we are also hopeful the trend to reduced Covid-19 related impacts from regular clients such as restaurants, hotels and gyms will continue. Wins include a number of individual awards for water testing and sampling including £0.7m with London Borough of Merton, £0.8m with Sanctuary Housing Group, £0.5m with Royal Borough of Kensington and Chelsea and in excess of £0.5m with Metropolitan Thames Valley Housing for water hygiene risk assessments and monitoring.

Smart metering

Provider 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 remains focused on existing contract delivery through to the current Government smart meter deadline of 31 December 2025. While slightly more than half of the 55m total meters within the roll-out have now been installed as smart, a significant market opportunity remains.

The business has delivered considerable growth in the period from previous contract wins and extensions, in addition to the engineer headcount growth as mentioned above. The business continues to review new contract opportunities, both from new clients and existing contractual relationships. The business did witness short-term challenges from the pandemic effects during the period, notably from employee absences in December and January from increased levels of Covid isolation and absences. Profitability reduced as compared to the comparable period last year largely due to the increased mobilisation investment into engineer recruitment and training as the business plans and builds for future growth in volumes.

Provider has extensive experience of the national smart meter roll-out and continues to apply careful management to the situation. We recognise that the recent volatility in gas prices has significantly impacted some of the smaller energy supplier businesses and their ability to trade. We are fortunate that our client base are the larger utility companies who are better placed to successfully navigate pricing volatility. In addition, these larger suppliers remain likely to be appointed by

Ofgem to take over the smaller suppliers and their smart meter obligations. This therefore may further increase our volume of future work with those customers. It may also give us access to more engineers, either directly or through subcontractor arrangements, where appropriate opportunities arise. The UK Government has confirmed that it remains committed to the smart meter rollout as it aligns with their net zero commitment.

Energy efficiency and renewables

Our energy services businesses provide a range of energy efficiency services such as insulation, heating, and energy efficient measures. The latter includes EV charging points, air source heat pumps, battery storage, energy efficient lighting and solar PV through the Everwarm and CorEnergy businesses. Everwarm provides these services predominantly for social housing and private homes with CorEnergy having a focus on non-domestic premises. The Everwarm business also includes our joint ventures, Warmworks and Arbed, which also focus on similar energy efficiency works in domestic properties.

Sureserve delivers energy efficiency measures that support carbon emissions savings for utility companies, which enables 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 the summer, compared to the winter months, with the result that this business also sees higher revenues and margins in H2 each year. CorEnergy works are project-based and therefore not subject to the same seasonality.

Results across our Energy Efficiency businesses saw increased profitability in the Everwarm business together with a positive contribution from the newly acquired CorEnergy business. Everwarm's improved performance was principally due to the increase in revenues. We saw greater activity 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 Warmer Homes Scotland work for the Scottish Government largely returning to normal as compared to the prior period where Covid-19 restrictions had remained. The Arbed joint venture saw performance in line with expectations, given the scheme ended in November 2021. CorEnergy's contribution to the Group since acquisition has been positive and in line with our expectations given the investments being made within the business.

The Energy Efficiency and Renewables businesses continued to see several large wins and awards as reflected in the order book growth. The largest win for Everwarm was a £3.0m award with Moray Council, focusing on solar PV, battery, and air source heat pump works. A number of smaller wins and framework placements gives management confidence for future work opportunities, along with existing client contracts and opportunities supporting the Warmworks joint venture also. CorEnergy also saw a number of wins including works in excess of £1.5m with Dorset Council, approximately £0.9m with Gloucestershire NHS Trust and various other ongoing and associated works. We are already seeing additional opportunities from CorEnergy's involvement in the Group and access to frameworks and other tenders which would not have been available to them prior to acquisition. We believe the complementary services offered by CorEnergy represent a continued opportunity for growth in the Group.

Carbon prices remained largely stable during the period. We continue to believe that we are well placed to deliver on behalf of our utility partners based on our management team's extensive experience in this area. The new 'ECO4' scheme, which commenced on 1 April 2022 is set to increase in total size to £1bn per year from £640m. This should provide further opportunity for Everwarm to deliver increased volumes. Importantly ECO-4 is also expected to continue until 31 March 2026.

Our Warmworks joint venture which delivers the Warmer Homes Scotland initiative for the Scottish Government saw continued momentum in performance and client delivery. The Warmworks joint venture announced the acquisition of Connected Response Ltd in December 2021 which will allow a more diverse range of heating solutions to those in need and will continue to support the growth of the business.

As previously reported, the Arbed 3 programme for the Welsh Government has now concluded with details yet to be finalised for any successor scheme. We will monitor this alongside other appropriate opportunities. The joint venture has concluded the installation programme and is currently undertaking remaining post installation obligations. The Group continues to work elsewhere in Wales, particularly in relation to the energy retrofit scheme with Pobl Group in Swansea.

Outlook

The continuity and support of key individuals and consistent growth have provided us with a stable platform to deliver quality services for our client base. Like many others, due to a combination of factors we are currently experiencing some upward cost pressures on certain materials, fuel, and labour supply. However, we believe we are well placed to address these challenges through the experience of our management teams and workforce, and the business model. Our long-term partnership approach with clients and key supply chain relationships will also enable us to mitigate inflationary pressures where possible.

Our mix of customer proposition and service offering based on established contractual relationships underpins our future prospects. Although carbon pricing remains important, we believe that the Government will remain committed to addressing funding for fuel poverty in this highly regulated sector. Our view remains that the Group's significant wealth of management experience and client relationships gives our business a market leading proposition in energy services and energy transition. We believe our ECO credentials will allow us to continue to service our large utility clients as well as others. This means we are well placed to provide a quality service to our customers and deliver effectively for all our stakeholders.

We believe our financial performance and order book growth supports our progress in FY22, continuing the momentum seen in FY21, and remain confident in the prospects for our SHES businesses for FY22. This 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, consisting largely of local authorities and housing associations, provides us with continuity moving forward with clients whom we regard as blue chip. Our ambition and plan is to be a leading social housing energy services provider in the UK such that we are at the forefront of the energy transition.

Chief Financial Officer's review

Following the update to the Group's strategy during the period, the Board of Directors has changed the basis of segmental reporting to move away from the previously reported two segments (Compliance and Energy Services) to a single business segment of "Social Housing Energy Services". As part of the updated strategy, the Group is looking to dispose of the Sureserve Fire and Electrical Limited and Precision Lift Services Limited entities and so these have been classified as assets held for sale. The Social Housing Energy Services operating segment and central costs are shown as continuing operations and exclude these two businesses that are held for sale.

Group revenue from continuing operations, increased by 24.0% to £126.2m (H1 2021: £101.8m), reflecting strong revenue growth across the gas and energy efficiency businesses, recognising that the prior period comparatives were impacted by the Covid-19 restrictions in place at the time. CorEnergy, which was acquired in December 2021, reported revenue of £1.8 million and EBITA of £0.2 million post-acquisition.

Group EBITA from continuing operations, increased by 41.7% to £5.1m (H1 2021: £3.6m) reflecting revenue growth offset by investments made in headcount and training in the smart metering business, the inflationary backdrop and costs incurred on efficiency measures in the period. Central costs were £1.6m (H1 2021: £1.8m).

The Group reported an operating profit of £4.7m (H1 2021: £3.6m), after £0.3m of amortisation charges for acquisition intangibles (H1 2021: £nil) and exceptional costs of £0.1m (H1 2021: £nil) relating to acquisition costs for CorEnergy.

The net finance expense was £0.4m (H1 2021: £0.4m), and taxation was £0.8m (H1 2021: £0.6m). The profit after tax, from continuing operations, was £3.5m (H1 2021: £2.6m).

Profit after tax for businesses held for sale increased by 11% to £1.0m (H1 2021: £0.9m).

Tax

The effective tax rate for the period was 19%, which was in line with the 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 were 2.2 pence (H1 2021: 1.6 pence), based on profit after tax from continuing operations of £3.5m (H1 2021: £2.6m).

Our statutory profit for the half year was £4.5m (H1 2021: £3.5m). Based on the weighted average number of shares in issue during the year of 162.9m, this resulted in basic earnings per share of 2.8 pence (H1 2021: 2.2 pence) from continuing operations and businesses held for sale.

Cash flow performance

Our operating cash flow for the period was an inflow of £3.0m (H1 2021: £4.4m) and the management of working capital remains an area of continued focus. This includes accrued income, receivables and payables, and we manage these balances within our existing banking facilities. However, we recognise the importance of supporting our supply chain and have ensured that we have continued to pay our suppliers as normal.

Acquisition of CorEnergy Limited

On 7 December 2021, the Group acquired the entire issued share capital of CorEnergy Limited. The consideration paid for CorEnergy was £6.6 million, plus a working capital adjustment of £1m (paid in cash), taking the total consideration paid to £7.6m. £3.3m was satisfied through cash and a further £3.3m in the issue of 3,704,811 new ordinary shares of 10p each in Sureserve which were issued at an effective share price of 89.4p each.

Net cash / (debt)

At 31 March 2022, the Group had net cash (including cash balances in assets held for sale) excluding lease liabilities of £11.8m (31 March 2021: £9.7m).

	Unaudited six months ended 31 March 2022	Unaudited six months ended 31 March 2021	Audited year ended 30 September 2021
	£'000	£'000	£'000
Cash and cash equivalents	8,857	9,647	16,444
Cash and cash equivalents included in assets held for sale	2,963	-	-
	11,820	9,647	16,444
Unamortised finance costs (included in other receivables)	185	82	27
Net cash pre-lease liabilities	12,005	9,729	16,471
Lease liabilities	(11,450)	(10,910)	(12,043)
Lease liabilities included in liabilities held for sale	(484)	-	-
Total net cash/(debt) from continuing operations and assets held for sale	71	(1,181)	4,428

The total net cash including lease liabilities was £0.1m (31 March 2021: net debt of £1.2m).

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 2022 (31 March 2021: £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 capacity to plan for future growth, particularly in bidding with confidence on new contracts, and funding strategic organic and acquisitive growth.

Statement of financial position

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

There was a decrease in goodwill of £1.4m from 30 September 2021, due to the reallocation of goodwill relating to assets held for sale of £7.6m offset by an increase of £6.2m in relation to the acquisition of CorEnergy. As at 31 March 2022, there are £nil acquisition intangibles remaining on the statement of financial position as these have been fully amortised.

As at 31 March 2022, net current assets stood at £19.6m (31 March 2021: £6.0m).

The principal items of working capital are noted below and reflect the continued focus on working capital:

	31 March 2022	31 March 2021	30 September 2021
	£m	£m	£m
Trade receivables	26.3	20.5	18.4
Accrued			

income	16.8	12.5	17.9
Trade payables	(29.5)	(23.3)	(24.9)
Accruals	(10.2)	(9.8)	(11.7)

Risks

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

Our year-end review included an assessment of accrued income, of which the balance was £16.8m at the reporting date (31 March 2021: £12.5m). 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, 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 reasonable sensitivities in forecast 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 2022

	Notes	Unaudited six months ended 31 March 2022 £'000	Unaudited six months ended 31 March 2021 (restated) £'000	Unaudited year ended 30 September 2021 (restated) £'000
Revenue	2	126,243	101,815	216,577
Cost of sales		(108,707)	(86,167)	(180,275)
Gross profit		17,536	15,648	36,302
Other operating expenses		(13,165)	(12,867)	(25,198)
Share of results of joint venture		712	850	1,158
Operating profit before impairment of goodwill, amortisation of acquisition intangibles and acquisition costs	2	5,083	3,631	12,262
Impairment of goodwill		-	-	(188)
Amortisation of acquisition intangibles		(269)	-	-
Acquisition costs		(115)	-	-
Operating profit		4,699	3,631	12,074
Finance expense		(365)	(410)	(1,000)
Profit before tax from continuing operations	2	4,334	3,221	11,074
Taxation	3	(807)	(625)	(1,997)
Profit for the period attributable to the equity holders of the Group from continuing operations		3,527	2,596	9,077
Profit for the period attributable to the equity holders of the Group from discontinued operations	4	1,006	941	2,275

equity holders of the Group		4,533	3,537	11,352
Earnings per share from continuing operations				
Basic	5	2.2p	1.6p	5.7p
Diluted	5	2.1p	1.6p	5.6p
Earnings per share from continuing operations and businesses held for sale				
Basic	5	2.8p	2.2p	7.1p
Diluted	5	2.7p	2.2p	7.0p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

		Unaudited as at 31 March 2022	Unaudited as at 31 March 2021	Audited as at 30 September 2021
	Notes	£'000	£'000	£'000
Non-current assets				
Goodwill	6	41,079	42,810	42,479
Other intangible assets		1,184	822	820
Property, plant and equipment		1,870	1,968	2,009
Right-of-use assets		10,956	10,675	11,564
Interest in joint ventures		2,032	1,352	1,660
Deferred tax asset		420	517	344
		57,541	58,144	58,876
Current assets				
Inventories		4,042	3,181	4,199
Trade and other receivables		52,682	42,479	43,249
Cash and cash equivalents	7	8,857	9,647	16,444
Assets held for sale	4	20,010	-	-
		85,591	55,307	63,892
Total assets		143,132	113,451	122,768
Current liabilities				
Trade and other payables		53,485	44,268	47,397
Lease liabilities	7	4,132	3,646	4,071
Provisions		523	368	403
Income tax payable		915	1,060	1,003
Liabilities held for sale	4	6,914	-	-
		65,969	49,342	52,874
Net current assets		19,622	5,965	11,018
Non-current liabilities				
Lease liabilities	7	7,318	7,264	7,972
Provisions		1,509	2,951	1,596
		8,827	10,215	9,568
Total liabilities		74,796	59,557	62,442
Net assets		68,336	53,894	60,326
Equity				
Called up share capital		16,508	15,959	16,122
Share premium account		28,606	25,474	25,620
Share-based payment reserve		420	749	349
Own shares		-	(290)	-
Merger reserve		20,067	20,067	20,067
Retained earnings		2,735	(8,065)	(1,832)
Equity attributable to equity holders of the Group		68,336	53,894	60,326

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2022

	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 January 2022	16,508	28,606	420	-	20,067	2,735	68,336
Share-based payment reserve			420				420
Share premium account		28,606					28,606
Called up share capital	16,508						16,508
Own shares				(290)			(290)
Merger reserve					20,067		20,067
Retained earnings						(8,065)	(8,065)
At 31 March 2022	16,508	28,606	420	(290)	20,067	(8,065)	60,326

At 1 October 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
Profit for the period	-	-	-	-	-	7,815	7,815
Dividends paid	-	-	-	-	-	(1,595)	(1,595)
Issue of shares	163	146	-	-	-	(105)	204
Share based payments (net of tax)	-	-	8	-	-	-	8
Reserve transfer	-	-	(408)	290	-	118	-
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	386	2,986	-	-	-	-	3,372
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 March 2022

	Notes	Unaudited six months ended 31 March 2022 £'000	Unaudited six months ended 31 March 2021 £'000	Audited year ended 30 September 2021 £'000
Cash flows from operating activities				
Cash generated from operations	9	3,037	4,409	17,492
Net interest paid		(326)	(280)	(901)
Taxation		(939)	(796)	(2,421)
Net cash used in operating activities from businesses held for sale		(328)	-	-
Net cash generated from operating activities		1,444	3,333	14,170
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired		(2,661)	(200)	(200)
Purchase of property, plant and equipment		(404)	(1,077)	(1,570)
Purchase of intangible assets		(524)	(319)	(545)
Sale of property, plant and equipment		7	-	18
Net cash used in investing activities from businesses held for sale		(44)	-	-
Net cash used in investing activities		(3,626)	(1,596)	(2,297)
Cash flows from financing activities				
Proceeds from issue of shares		60	91	295
Dividend paid to shareholders		-	-	(1,595)
Repayment of lease liabilities		(2,147)	(1,860)	(3,808)
Finance issue costs		(201)	-	-
Net cash used in financing activities from businesses held for sale		(154)	-	-
Net cash used in financing activities		(2,442)	(1,769)	(5,108)
Net (decrease) / increase in cash and cash equivalents		(4,624)	(32)	6,765
Cash and cash equivalents at beginning of year		16,444	9,679	9,679
Cash and cash equivalents at end of period / year		11,820	9,647	16,444
Cash and cash equivalents		8,857	9,647	16,444

Cash and cash equivalents included in assets held for
**Cash and cash equivalents at end of period /
year**

	2,963	-	-
	11,820	9,647	16,444

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 March 2022

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 2022 and on the basis of the accounting policies to be used in those financial statements. The figures for the year ended 30 September 2021 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 2021, 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 2022 do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2021 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 2021.

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.

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.

Following the update to the Group's strategy during the period, the Board of Directors has changed the basis of segmental reporting to move away from the previously reported two segments (Compliance and Energy Services) to a single business 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 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, impairment of goodwill and exceptional items (acquisition costs) by reportable segment:

	Unaudited six months ended 31 March 2022 £'000	Unaudited six months ended 31 March 2021 (restated) £'000	Unaudited year ended 30 September 2021 (restated) £'000
Continuing revenue			
Social Housing Energy Services	126,874	103,517	219,555

Inter-segment elimination	(631)	(1,702)	(2,978)
Total revenue	126,243	101,815	216,577

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

	Unaudited six months ended 31 March 2022 £'000	Unaudited six months ended 31 March 2021 (restated) £'000	Unaudited year ended 30 September 2021 (restated) £'000
Continuing operating profit before exceptional and other items by segment			
Social Housing Energy Services	6,720	5,427	15,011
Central costs	(1,637)	(1,796)	(2,749)
Total operating profit before exceptional and other items	5,083	3,631	12,262
Amortisation of acquisition intangibles	(269)	-	-
Impairment of goodwill	-	-	(188)
Acquisition costs	(115)	-	-
Finance expense	(365)	(410)	(1,000)
Profit before taxation from continuing operations	4,334	3,221	11,074

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 2022 is calculated based upon the effective tax rates expected to apply to the Group for the financial year of 19%.

4. Assets held for sale

Following the update to the Group's strategy, the Group is looking to dispose of the Sureserve Fire and Electrical Limited and Precision Lift Services Limited businesses, and a disposal process has commenced which is expected to be completed within 12 months. Accordingly, as required under IFRS, the businesses have been classified as assets held for sale at 31 March 2022.

The results of the businesses held for sale, which have been included in the profit for the year, were as follows:

	Unaudited six months ended 31 March 2022 £'000	Unaudited six months ended 31 March 2021 (restated) £'000	Unaudited year ended 30 September 2021 (restated) £'000
Revenue	17,280	12,741	27,435
Cost of sales	(13,756)	(9,838)	(21,065)
Gross profit	3,524	2,903	6,370
Other operating expenses	(2,272)	(1,733)	(4,037)
Exceptional income	-	-	387
Operating profit	1,252	1,170	2,720
Finance expense	(11)	(8)	(20)
Investment income	-	-	4
Profit before tax from businesses held for sale	1,241	1,162	2,704
Taxation	(235)	(221)	(429)
Profit for the period attributable to the equity holders of the Group from businesses held for sale	1,006	941	2,275

Assets and liabilities of businesses held for sale

	Unaudited as at 31 March 2022 £'000
Non-current assets	
Goodwill	7,631
Other intangible assets	20

Property, plant and equipment	71
Right-of-use assets	479
Deferred tax asset	56
Inventories	761
Trade and other receivables	8,029
Cash and cash equivalents	2,963
Total assets classified as held for sale	20,010
Current liabilities	
Trade and other payables	(6,430)
Lease liabilities	(484)
Total liabilities classified as held for sale	(6,914)
Net assets of businesses held for sale	13,096

The proceeds of disposal are expected to exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognised on the classification of these businesses as being held for sale.

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 2022	Unaudited six months ended 31 March 2021 (restated)	Unaudited year ended 30 September 2021 (restated)
	Number	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	162,946,985	159,518,741	160,267,970
<i>Diluted</i>			
Effect of dilutive potential ordinary shares:			
Share options	3,188,785	3,843,300	2,910,442
Weighted average number of ordinary shares for the purposes of diluted earnings per share	166,135,770	163,362,041	163,178,412
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)	3,527	2,596	9,077
Basic earnings per share from continuing operations	2.2p	1.6p	5.7p
Diluted earnings per share from continuing operations	2.1p	1.6p	5.6p
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 operations and businesses held for sale (£'000's)	4,533	3,537	11,352
Basic earnings per share	2.8p	2.2p	7.1p
Diluted earnings per share	2.7p	2.2p	7.0p

The number of shares in issue as at 31 March 2022 was 165,080,074 (31 March 2021 was 159,587,390).

6. Goodwill

	£'000
At 1 October 2021	42,479
Acquisition of CorEnergy Limited	6,231
Transfer of Sureserve Fire and Electrical Limited and Precision Lift Services Limited to assets held for sale	(7,631)
At 31 March 2022	41,079

7. Net cash / (debt)

	Unaudited as at 31 March 2022 £'000	Unaudited as at 31 March 2021 £'000	Audited as at 30 September 2021 £'000
Cash and cash equivalents	8,857	9,647	16,444
Unamortised finance costs (included in other receivables)	185	82	27
Net cash pre-lease liabilities	9,042	9,729	16,471
Lease liabilities	(11,450)	(10,910)	(12,043)
Total net (debt)/cash in continuing operations	(2,408)	(1,181)	4,428
Cash and cash equivalents included in assets held for sale	2,963	-	-
Lease liabilities included in liabilities held for sale	(484)	-	-
Total net cash/(debt) from continuing operations and assets held for sale	71	(1,181)	4,428

8. Business combinations

CorEnergy Limited

On 7 December 2021, the Group, acquired the entire issued share capital of CorEnergy Limited. The consideration paid for CorEnergy was £6.6m, plus a working capital adjustment of £1m (paid in cash), taking the total consideration paid to £7.6m. £3.3m was satisfied through cash and a further £3.3m in the issue of 3,704,811 new ordinary shares of 10p each in Sureserve which were issued at an effective share price of 89.4p each.

The effect of the acquisition on the Group's assets and liabilities were as follows:

	Provisional fair value £'000
Assets	
Non-current	
Deferred tax asset	131
Current	
Trade and other receivables	671
Cash	1,651
Total current assets	2,322
Total assets	2,453
Liabilities	
Current	
Provisions	(40)
Trade and other payables	(1,222)
Total liabilities	(1,262)
Net assets acquired	1,191
Goodwill	6,231
Acquisition intangibles	202
	7,624
Satisfied by:	
Cash consideration	3,312
Share consideration	3,312
Working capital adjustment (paid in cash)	1,000
	7,624

Post-acquisition results

The results for CorEnergy Limited since the acquisition date, included within the consolidated Statement of Comprehensive Income for the period ended 31 March 2022, are:

	£'000
Revenue	1,769
Operating profit	184
Interest	-
Profit before tax	184
Taxation	(35)
Profit for the period	149

8. Business combinations (continued)

Results of business combinations during the period

If the acquisition of CorEnergy Limited had occurred on 1 October 2021, the consolidated statement of comprehensive income for the Group for the period ended 31 March 2022, would have been:

	£'000
Revenue	126,793
	4,794
Operating profit	
Interest	(365)
Profit before tax	4,429
Taxation	(825)
Profit for the period from continuing operations	3,604
Profit from businesses held for sale	1,006
Profit for the period	4,610

9. Cash used in continuing operations

	Unaudited six months ended 31 March 2022	Unaudited six months ended 31 March 2021 (restated)	Unaudited year ended 30 September 2021 (restated)
	£'000	£'000	£'000
Operating profit	4,699	3,631	12,073

Adjustments for:

Operating profit from businesses held for sale (note 4)	-	1,170	2,720
Depreciation	2,647	2,223	5,084
Amortisation of intangible assets	427	213	451
Share-based payments	105	160	285
Impairment of goodwill	-	-	188
Profit on disposal of property, plant and equipment	(7)	(16)	(208)
<i>Changes in working capital:</i>			
Inventories	(615)	(147)	(1,158)
Trade and other receivables	(11,220)	(2,786)	(3,661)
Trade and other payables	6,968	688	3,765
Provisions	33	(727)	(2,047)
Cash generated from operations	3,037	4,409	17,492

10. Related party transactions

There have been no material changes to the related party balances disclosed in the Group's Annual Report and Accounts 2021 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 2022.

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