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Sureserve Group PLC
25 January 2022

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Sureserve Group plc

("Sureserve" or the "Group")

Preliminary Results for the year ended 30 September 2021

Strategic focus on energy services growth platform

Sureserve, the social housing energy services Group, is pleased to announce its audited preliminary results for the year ended 30 September 2021.

Financial highlights

- ReVenue: £244.0m (2020: £195.7m), a 24.7% increase on 2020
- Operating profit before exceptional items and amortisation of acquisition related intangibles: £14.6m (2020: £10.4m), 40.3% growth on 2020
- Profit before tax: £13.8m, representing 76.7% growth on 2020 (2020: £7.8m)
- Basic Earnings per share: 7.1p (2020: 4.0p)
- Year-end net cash (excluding IFRS 16 lease liabilities): £16.5m (2020: £9.8m)

Operational overview

- Record 167 contract wins in the year valued at £417.0m
- ESG targets identified and delivery strategy underway
- Acquisition and successful integration of Vinshire Gas Services Limited
- Post-period end acquisition of sustainable energy solutions provider, CorEnergy Limited

Strategy Review

- Ambition to be the market leading social housing energy services Group, with added value services and new technologies which meet with the UK's growing energy transition agenda.
- The growth strategy will be to:
  - Expand Sureserve's current footprint in gas heating and maintenance by 'bolt-on' acquisitions that grow each of our three businesses in this sector.
  - Continue to drive organic growth, building on the Group's ongoing FY21 contract win and order book momentum
  - Enhance the Group's capabilities in social housing by 'strategic' acquisitions of businesses with experience of renewable technologies for our sector.
  - Drive our internal efficiencies to improve on our current c.6% EBITA margin on sales.
- No 2021 final dividend as the Board has decided that the Group's capital would be better deployed in driving our growth plans by retaining cash to invest in strategically enhancing acquisitions

Outlook

- Confident for the year ahead
- Participating in a total of 81 frameworks worth a total of £346.5m at year end (2020: 94 frameworks worth £382.1m)
- 73% of FY22 revenue covered by the order book worth £527.1m at the start of the financial year, providing good visibility of non-volatile revenue streams
- Under the Group's refreshed strategy, the business is well-positioned for further organic growth in a fragmented market, alongside earnings enhancing acquisitions.
- The Group's momentum has continued with a strong start to trading in FY22

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

"*Sureserve is at an exciting stage of its corporate life, with a profitable and stable platform from which to grow. Our strong market position in the provision of energy services to the UK social housing sector provides the Group with excellent opportunities.*

Achieving these ambitions will require a focus on the four key deliverables below:

1. *Expanding our current footprint in gas heating and maintenance by 'bolt-on' acquisitions that*

grow each of our four businesses in this sector.

2. *Continue to drive organic growth, building on the Group's ongoing FY21 contract win and order book momentum*
3. *Enhancing the Group's capabilities in social housing by 'strategic' acquisitions of businesses with experience of renewable technology for our sector.*
4. *Driving our internal efficiencies to improve our current 6% EBITA margin on sales.*

I would like to take the opportunity to thank all of my colleagues at Sureserve, who have been dedicated to supporting our clients during the challenges of the pandemic and, with a strong start to the current year, I look forward with confidence to the year ahead."

Enquiries:

Sureserve Group

Nick Winks, Chairman	07973 316 544
Peter Smith, Chief Executive Officer	07590 929 431

Camarco (Financial Public Relations)

Ginny Pulbrook Rosie Driscoll Toby Strong	020 3757 4992

Shore Capital (Nominated Adviser and Broker) Stephane Auton Daniel Bush Fiona Conroy	020 7408 4090

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 2,381 staff from 27 offices across the UK.

Chairman's statement

Introduction

This is the first Chairman's statement since my appointment in May 2021. I am grateful to our Senior Independent Director, Robert Legget, for stepping into the breach as Interim Chairman for the two months prior to my arrival.

Upon appointment I set myself two immediate priorities, as well as visiting all Group companies and getting to know the business. These two, equally important, priorities were to oversee a formal process to review and refresh our strategy; and to commence the search for a new Chief Executive Officer.

Leadership Team

Ironically, the five months of executive search gave me both the experience of meeting a number of high-class CEO candidates as well as a close-up opportunity to watch Peter Smith, our Interim Chief Operating Officer, as he combined his historic responsibilities of Chief Financial Officer with those of a Chief Executive Officer. I was particularly impressed by Peter's abilities with people and his strong work ethic. By late October 2021 I had no hesitation in recommending to our Board that Peter become CEO to take Sureserve Group through the next phase of its growth.

The promotion of Peter Smith to Chief Executive Officer created a vacancy for a Chief Financial Officer. The search began in November 2021 and we hope to conclude this in the next few months. However, we were fortunate to find an excellent Interim CFO, Sameet Vohra, who started working with us on 13th December 2021.

Trading performance

Although the early months of FY21 were still being impacted by Covid, the Group results for the year ended 30 September 2021 represent a creditable improvement on the previous year.

FY19 was the last year entirely unaffected by Covid and so a comparison of FY21 with two years earlier is worthy of examination.

	FY19	**FY21**	
Sales	£212m	£244m	+15%
Profit before tax	£5.3m	£13.8m	+160%
Earnings per share	2.6p	7.1p	+173%

Our Group Order book at the start of FY22 was £527.1m. This compares with an order book at the start of FY21 of £355.8m and at the start of FY20 of £333.2m.

Strategy Review

The turnaround years are now behind us. Our thanks are due to my predecessor, Bob Holt, who successfully led the Group out of the loss-making years and into a position where we can now contemplate the next few years from a position of relative strength.

Our strategy is to build upon our position as a heating, and heating maintenance provider to the social housing sector in the UK. We estimate that, with about 9% of this £2 billion annual market, we are already a leading provider. Our ambition is to double our sales and significantly improve our net margin and earnings per share within the next five years.

Achieving these ambitions will require a focus on the key deliverables below:

1. Expanding our current footprint in gas heating and maintenance by 'bolt-on' acquisitions.
2. Continue to drive organic growth, building on the Group's ongoing FY21 contract win and order book momentum.
3. Enhancing the Group's capabilities in social housing by 'strategic' acquisitions of businesses with experience of renewable technologies for our sector.
4. Driving our internal efficiencies to improve our current c. 6% EBITA margin on sales.

To help with our focus on acquisitions, we have appointed an M&A partner to identify, approach and make initial contact with potential acquisitions on our behalf.

We have businesses which operate outside the social housing energy markets. We will be reviewing the options for these businesses in the light of their performance. One or two of these may ultimately be better served by new owners, allowing their disposal to create cash for acquisitions that further our strategy.

The acquisition of CorEnergy in December 2021 marks the first of our strategic acquisitions and will enhance our positioning as the social housing heating supplier that truly understands the realistic alternatives to fossil fuels.

Our policy of making acquisitions of owner managed businesses, particularly strategic acquisitions, is to choose businesses whose owners are motivated to remain within our business and are committed to continue to deliver success, both for their own satisfaction and also for the wider stakeholders in Sureserve.

Our people

During my first 8 months I have visited each of our subsidiaries at least twice. Two impressions were immediately apparent.

Without exception our management is customer-focused and very clear on what is needed to retain customers. They are also very co-operative with each other, being not at all competitive with each other. Group companies will frequently help others with bids or with buying where sensible economies are achievable.

Many of our subsidiary company management are previous owner-managers and have been with Sureserve since their business was acquired, which is a testament to the mutual respect which pervades the Group.

Dividend Policy

As our strategy is to focus on acquisitions as well as organic growth, the Board has decided that the Group's capital would be better deployed in driving our growth plans by retaining cash to invest in strategically enhancing acquisitions. The Board is therefore recommending that no dividend be paid in respect of FY21.

All our resources will be directed towards our strategic priorities which are designed to afford shareholders significantly improved capital growth within the next five years.

Nick Winks
Non-Executive Chairman

Operational review
Group Summary

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 as well as developing organic growth opportunities, there is an opportunity for substantial growth within the Group in the years ahead.

The overall Group performance remains positive against the background of Covid-19. We believe this continues to demonstrate the resilience of the business model. Our basis of predictable and recurring incomes in areas supported by non-discretionary and regulatory led spend has resulted in growth. This is pleasing given revenues have also increased in comparison to pre-pandemic levels. Despite this, we did continue to see significant trading challenges from Covid-19 during the year, albeit largely restricted to specific income streams, clients or geographies. These were particularly prevalent in the first half of the financial year. The majority were seen within, but not completely limited to, our Energy Services division where specific Government pandemic response measures and restrictions impacted more markedly.

Given these effects, the businesses in the Group have continued to apply for and receive Government support where appropriate. This aligned to the lower levels of restrictions witnessed, at a reduced level from that seen in the prior financial year. As previously reported, following the continued emphasis and delivery on cash conversion, we repaid the full £6.1m of deferred VAT payments on 31 March 2021.

Financial Performance

- Revenue from operations: £244.0m (2020: £195.7m, 24.7% increase)
- Operating profit before exceptional items and amortisation of acquisition related intangibles: £14.6m (2020: £10.4m, 40.3% growth)
- Profit before tax: £13.8m (2020: £7.8m, 76.7% growth)
- Year-end net cash (excluding IFRS 16 lease liabilities): £16.4m (2020: £9.8m, including deferred VAT due of £6.1m)

We remain confident that the business model is proving resilient, despite the challenges of the pandemic.

Covid-19 Update

As reported at the half year, the unprecedented situation presented by the Covid-19 pandemic and ongoing Government response measures continued to impact Group operations during the year. The safety of our employees and customers has remained paramount throughout and will continue to be our absolute priority. The national situation in terms of lockdown restrictions has improved and is less severe in comparison to the initial stages of the pandemic response. However, it remains fluid with varying degrees of impact on our operations.

The positive results achieved were pleasing against the backdrop of the significant impact from further Covid-19 pandemic restrictions. A number of businesses delivering building compliance services experienced some delays during the year, particularly in accessing residential and communal properties to undertake work as a result of Government or other measures in response to Covid-19. Some local authority customers, where work was deemed non-essential, such as energy efficiency improvements and smart meter installations, chose to defer certain elements. Everwarm, the majority of whose operations are in Scotland, saw its revenues constrained across the full year because of this. However, as Covid-19 restrictions were reduced in the second half of 2021, Providor and Everwarm experienced significant revenue increases from the comparable period last year with Providor, in particular, also benefitting from significant contract wins. These full year results are therefore still not considered representative of our normal expected financial performance. The Group received £1.7m (2020: £6.6m) of job retention scheme money from the Government in the year, reflecting the reduction in work levels seen for certain delivery teams.

Our focus has been serving our customers in the safest manner possible, while protecting the wellbeing of colleagues and minimising virus spread risk. This includes, but is not limited to, ensuring our 'Covid-Secure' status through NQA verification standards. Our detailed responses and key protocols have been reported on during the period. These continue to evolve while our focus remains on safe delivery as we continue to refine our approach to effective operations.

While the pandemic continues to require navigation throughout Group operations, we remain confident in

our ability to proactively manage and respond accordingly to any further developments. We believe that our experiences throughout the pandemic to date have demonstrated it is possible to continue to operate successfully. This includes the delivery of sustained growth, despite any challenges presented. We will continue to monitor restrictions as we move forward and will remain vigilant and reactive to updates as they occur.

Looking Forward: Implementing the refreshed Strategy

We remain optimistic around opportunities for continued growth within the Group, which underpins our future strategy. Our energy services businesses more than reversed the temporary revenue reduction seen during the initial phases of the Covid-19 pandemic last year. We believe all of our businesses have a positive outlook, with many opportunities for growth ahead. This view is reinforced by the Government's continued emphasis on a net zero target for carbon emissions by 2050, and the momentum which continues to build around that agenda.

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. As we previously noted, acquisitions such as Vinshire in December 2020 are exactly the type of strategic acquisition we wish to pursue. This addition to the Group was followed in December 2021 by the acquisition of CorEnergy Limited, a business focused on delivering sustainable energy solutions for public and private sector organisations, supplementing our energy services and immediately enhancing earnings for the Group. In line with our refreshed strategy, we will continue to review other appropriate acquisition opportunities as we expand our scale, service mix and geographical offering.

Our energy services businesses provide a range of energy efficiency services such as insulation, heating and energy efficient technologies. The latter includes electrical vehicle charging points, air source heat pumps, battery storage and solar PV through the Everwarm subsidiary. Everwarm provides these services for social housing, private homes and non-domestic properties. Measures that are delivered support carbon emissions savings for utility companies enabling them to meet their legislative targets. Our Providor business continues to deliver domestic smart metering installation and recurring asset management services to its utility client base. It is well established as one of the market leaders and is experienced in the ongoing UK-wide Government roll-out.

We believe that the division's established presence in the installation of electrical vehicle charging points, solar PV works, battery storage projects and air source heat pumps all represent likely growth sectors that our experienced management team is well placed to deliver. The backdrop of climate change and ongoing Government initiatives, and future commitments, is believed likely to provide ongoing opportunities to increase our delivery in these, and associated, service areas.

The Board is delighted by the high bidding success rates continuing to be achieved by the Group with the year-end order book significantly increased at £527.1m (2020: £355.8m). This provides a predictability of future incomes and allows longer-term planning to occur, which helps drive efficiency. The order book is consistent with our previously stated view around our focus 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. With our previously strengthened bidding resource we are well placed to capitalise on various opportunities going forward. We remain confident in the growth and prospects for the Group.

We remain confident in our future with a significantly increased order book value and good visibility on future earnings, underpinning our belief in a robust financial outlook.

Gas

The three Gas Compliance businesses (Aaron Services, K&T Heating and Sure Maintenance) make up 78% (2020: 74%) of the Compliance division's revenues. They delivered an excellent year of revenue growth from recurring incomes and new works, further enhanced by the Vinshire acquisition and integration into Aaron as discussed below. Following the increase in size of Aaron, the three gas businesses are now very similar in revenue size. This gives the Group a robust base of trading and allows further internal benchmarking and comparability studies to enhance performance.

Aaron Services, delivering gas compliance, alternate fuel and renewable solutions across East Anglia and the Midlands, reported an extremely successful year. This was due to a range of factors. It experienced a significantly reduced Covid-19 impact compared to the prior year and saw improved delivery performance building on previous wins. The successful integration of the Vinshire business in the final quarter of the year also contributed positively, along with significant growth from a number of contract awards. The business saw major wins in the year with the largest being electrical testing and associated works for £31m with Thurrock Council over ten years. Further significant awards were for domestic heating, servicing and maintenance works worth over £14m with PA Housing for an initial term in excess of five years, and £5.0m with Stevenage Borough Council over eight years. A further £11m was won with Babergh District Council for heating and electrical works over seven years.

K&T Heating's trading performance has been strong, with annual revenues growing and now approaching £44m. The business delivers gas compliance services across London and the South- East. The highest single value gas contract win in the year was the successful tender for existing client Guinness Partnership, for up to ten years of gas servicing, repairs and installations. This is expected to be worth £70m each for K&T and Sure, or £140m of total value to the Group combined. The retention of this key

Group client is very pleasing given the long-term relationship. The business was also delighted to be awarded a £22m contract with PA Housing for domestic heating, servicing, maintenance and installation works over an initial term in excess of five years. Numerous other wins and extensions were seen within the year.

Sure Maintenance, which delivers gas compliance services across the UK, also delivered significant growth in the year. In addition to its £70m award with Guinness Partnership as noted above, the business saw further key wins to add to the order book position. These included £10.5m with Sandwell Metropolitan Borough Council for replacement of domestic gas appliances and associated works in addition to £5.7m with Cobalt Housing for gas servicing and heating maintenance services.

Our continued growth further strengthens our position in the compliance sector, with a true national reach and market leading Gas Compliance business. We continue to believe we are the strongest compliance business of our type. We are well positioned to grow further both organically and through further acquisition in the fragmented and regional market. The division is 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 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 divisional revenue streams.

Lifts

Precision delivers lift installation and maintenance services to local authorities and social housing associations across the UK. The current year has shown further positive progress and increased profitability, despite a reduction in revenues due to a decrease in project work. The reduced levels are due to client timing requirements with some project works impacted or delayed by Covid-19 in addition to our focus on efficiency and delivery of projects that we believe will drive profitability growth. We have also experienced a shift in mix of work towards higher margin service and repair contracts. As we have detailed previously, the current management team had undertaken a range of actions to positively impact performance. We are delighted that, despite revenue decreases, the business has exceeded profitability expectations and delivered a record year of trading performance under Group ownership. Significant wins during the year were a five-year lift modernisation contract worth £1.9m with Optivo and £1.2m for lift service and maintenance with PA Housing. The business also saw a number of other awards. Following year end we were delighted to be win a further award with Optivo, for £3.9m of lift modification work to further strengthen the order book.

Fire & Electrical

Sureserve Fire & Electrical is the Group's specialist provider of fire, electrical and sprinkler compliance services. It has followed up a successful 2020 with further revenue and profitability growth. The largest wins in the year were £2.0m of fire door repair work for London Borough of Newham and a £2.0m contract with VIVID Housing for fire alarm servicing and maintenance works, both as noted in our interim reporting. Other smaller wins have followed during the remainder of the year.

Water & Air hygiene

H2O is our water and air risk assessment specialist provider across the UK. Performance of the business has continued to be strong with exceptional client service supporting consistent delivery. The business has again driven efforts to grow and has delivered a number of wins in the period. The business has experienced reduced Covid-19 related impacts from regular clients such as restaurants, hotels and gyms not trading, and we are hopeful this trend will continue. The largest individual win was a £1.2m contract for water hygiene and risk assessments with Southern Housing Group as previously reported. We have also seen a number of other smaller awards which will continue to support the growth aspirations of the business.

Smart Metering

Providor remains focused on existing contract delivery through to the current Government smart meter deadline of 30 June 2025. The business has delivered considerable growth in the year from previous wins and extensions. The business continues to review new contract opportunities, both from new clients and existing contractual relationships. This represents an ongoing opportunity to strengthen further with confidence over future delivery despite the short-term challenges, particularly in Scotland, from the pandemic restrictions during the year.

Providor has extensive experience of the national smart meter roll-out and continues to apply careful management to the situation. We consider our contractual positions while seeking to provide strong and secure employment for our engineers. We recognise that the gas prices mentioned above have 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 are likely 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 via either direct employment or our subcontractor arrangements, where appropriate opportunities present. The UK Government has confirmed that it remains committed to the smart meter rollout and it aligns with their net zero commitment mentioned above.

Energy Efficiency and Renewables

Results from the Warmworks and Arbed joint ventures are reported within the Everwarm statutory position. However, they are operated autonomously by local management teams with group and joint venture partner support as necessary.

Warmworks delivers the flagship Warmer Homes Scotland scheme for the Scottish Government. The business saw increased delivery and performance due to a combination of growth both from increased Warmer Homes Scotland volumes and new workstreams. We also experienced less of a negative impact from Covid-19 with a lower number of installations being restricted in the first half of this year.

The business continues to bring a diversified installation portfolio for Everwarm, focusing on central heating, renewable energy installations and other energy efficiency improvement measures. On Monday 6 December 2021, Warmworks Scotland LLP announced the acquisition of Connected Response Ltd. This will allow Warmworks to deliver a more diverse range of heating solutions to homes in need. The Arbed 3 programme for the Welsh Government is delivered via our joint venture with the Energy Saving Trust. The scheme focused on improvements to households often living in severe fuel poverty and has now reached a natural conclusion. As previously reported, the original three-year contract term had seen a six-month extension to November 2021. While we are disappointed the scheme has now concluded, we were satisfied with the delivery volumes achieved despite the challenges Covid-19 has presented during the term. The Welsh Government has not yet announced details of any successor scheme. We will monitor this alongside other appropriate opportunities. The joint venture has now concluded the installation programme and is currently undertaking remaining post installation obligations.

We are delighted the Group continues to install energy efficiency measures in Wales through our recently awarded energy retrofit scheme with Pobl Group in Swansea. Other Group works in Wales include our fire business Sureserve Fire & Electrical who are undertaking ongoing sprinkler installations in Newport.

As we reported in our half year results, carbon prices remained largely stable during the year. We continue to believe we are well placed to support our utility partners based on our management team's extensive experience in this area. The new 'ECO4' scheme planned to commence from 1 April 2022 is to be increased in size to £1bn per year from £640m. This should provide further opportunity for Everwarm to deliver increased volumes.

Everwarm continues to deliver a strong record of contract wins, with revenues for the year increasing to £55m. While this was pleasing, it has not returned to pre-pandemic levels given the Covid-19 impacts which continued during the earlier part of the year. We believe this increase in revenue despite setbacks demonstrates an opportunity for growth, alongside the wider sector prospects. The business supports a range of clients in various energy efficiency projects.

Our largest new win was a £5.5m award for the supply of solar PV and home battery storage for Pobl Group in Swansea. We saw a further win of £2.5m for energy efficiency measures with North Ayrshire, plus the LAD (Local Authority Delivery) works with Ealing, East Lindsey and Doncaster. These previously reported projects total nearly £10m and are part of the further development into England. These, along with other smaller wins and framework appointments, support our ongoing ECO delivery and longer-term contract work.

The business continues to seek and explore new prospects as the sector evolves to develop more efficient and newer forms of energy efficiency technology. We believe our Energy business remains strong and has a positive future outlook based on recent wins. Everwarm is at the forefront of this and is well placed to deliver additional work where appropriate opportunities arise. 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 being seen regularly. We will continue to monitor developments and believe the group is well placed to take advantage.

Outlook

The continuity of key individuals and consistent growth have provided us with a stable platform to deliver for our client base. We believe we have demonstrated our resilience in navigating the temporary uncertainty caused by the Covid-19 pandemic and will continue to assess its impact and how to best mitigate as we move forward. Like many others, due to a combination of factors we are currently experiencing some upward cost pressures on certain materials and labour supply. However, we believe we are well placed to address these challenges through the strength of our existing workforce and business model. Our partnership approach with clients and key supply chain relationships will also positively impact. We continue to believe our mix of customer proposition and services remains strong. The demand for these works and underlying fundamentals will underpin 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 our stakeholders. This will be delivered both through the remainder of the current 'ECO3' scheme to 31 March 2022 and 'ECO4' scheme to follow from 1 April 2022 to 31 March 2026.

We have started FY22 strongly, continuing the momentum from FY21 and we believe the future outlook for our businesses remains strong. This is underpinned by high levels of long-term contracts and frameworks for which we have continued to see high appointment levels. We are also witnessing an ongoing trend towards regulatory services. Our client base, largely of local authorities and housing associations, provides us continuity moving forward with clients whom we regard as blue chip.

It is from this solid foundation that the Board and management team are launching the refreshed strategy to drive growth from within our Social Housing Energy services. Our focus is on playing to our strengths and identifying business areas where we have an established market position, from which we can provide the maximum growth potential. We have identified the route to being the leading social housing energy services provider and our ambitions are endorsed by a strategy to grow organically and by acquisition.

Peter Smith
Chief Executive Officer

Financial Review

The Group had a strong year posting an EBITA of £14.6m (2020: £10.4m).

Group revenue increased by 24.7% to £244.0m (2020: £195.7m), reflecting a strong performance in both divisions with Energy Services increasing its revenues by 40.1% to £84.6m (2020: £60.4m) and Compliance increasing its revenues by 18.4% to £162.4m (2020: £137.2m). These divisional revenue figures include revenue from intercompany trading which accounts for a total of £3.0m (2020: £1.8m).

Group EBITA increased by 40.3% to £14.6m (2020: £10.4m), reflecting an increase in EBITA in the Compliance division of 17.8% to £13.9m (2020: £11.8m) and an increase in EBITA in Energy Services of 325.0% to £3.4m (2020: £0.8m). Central costs were £2.7m (2020: £2.2m), with the movement primarily relating to an increase in share option charges and bonuses, as well as certain one-off items.

We reported an operating profit of £14.8m (2020: £8.8m), after £0.4m (2020: £nil) exceptional credit, £0.2m (2020: £nil) of goodwill impairment and £nil amortisation charges for acquisition related intangibles (2020: £1.6m).

The net finance expense was £1.0m (2020: £1.0m), taxation was £2.4m (2020: £1.5m), with profit after tax of £11.4m (2020: £6.3m).

Finance expense

Net finance expense was £1.0m (2020: £1.0m), which represented the interest charged on our debt facilities (net of finance income), together with the amortisation of debt issue costs and other interest, which totalled £0.5m (2020: £0.8m). The 2021 figure also includes £0.5m interest on lease agreements (2020: £0.3m).

Tax

The tax charge on the profit before tax was £2.4m (2020: £1.5m), representing an effective rate of 17.6%, which compares with the statutory corporation tax rate of 19%.

Our net cash tax payment for the year was £2.4m (2020: £0.7m). During the year, the Group has received the anticipated cash tax refund of £0.2m from HMRC which formed part of the corporation tax liability as at 30 September 2020. The Group has also made tax payments on account of £2.6m during the year.

The net deferred tax asset as at 30 September 2021 was £0.3m (2020: £0.5m). The movement primarily related to a reduction in the deferred tax on accelerated capital allowances being offset by additional deferred tax on short term timing differences and share based payments. Further details are set out in note 25.

Earnings per share

The statutory profit for the year was £11.4m (2020: £6.3m). Based on the weighted average number of shares in issue during the year of 160.3m, this resulted in basic earnings per share of 7.1 pence (2020: 4.0 pence).
Adjusted earnings per share excluding amortisation of acquisition related intangibles and share based payments was 7.2 pence (2020: 4.9 pence).

Dividend
As our strategy is focused on both organic and acquisitive growth, the Board has decided that the Group's capital would be better deployed in driving our growth plans by retaining cash to invest in strategically enhancing acquisitions.

The Board believes that all of the Group's resources should be directed towards our strategic priorities which are designed to afford shareholders significantly improved capital growth within the next five years.

Cash flow performance

Our operating cash flow for the period was an inflow of £17.5m (2020: £23.9m), the cash inflow mainly relates to the EBITA in the year. The 2021 figure includes the repayment of £6.1m to HMRC in relation to the deferred VAT payment scheme.

The management of working capital is a continued focus for the Group. 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 and have ensured that we have continued to pay our suppliers to terms.

Net cash

At 30 September 2021, the Group had net cash, excluding IFRS 16 lease liabilities, of £16.5m (2020: £9.8m including deferred VAT due of £6.1m). However, this represents a snapshot in time and the revolving credit facility remained undrawn for the whole period (2020: weighted average RCF drawdown £6.4m).

The total net cash, including lease liabilities of £12.0m (2020: £6.8m), was £4.4m (2020: £3.0m).

Banking arrangements

We had drawn £nil as at 30 September 2021 (2020: £nil) 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 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 are confident that our banking facilities provide sufficient support in managing our corporate affairs and provides sufficient capacity to plan for future growth.

Statement of financial position

The principal items in our balance sheet are goodwill, right of use assets and working capital.

There was a net increase of £0.1m in goodwill, mainly due to £0.3m of additional goodwill in relation to the acquisition of Vinshire Gas Services Limited, offset by an impairment of goodwill in relation to Just Energy Services Limited.

Right of use assets has increased by £4.8m to £11.6m (2020: £6.8m) which primarily relates to investment in a new office for our K&T Heating business as well as an increased fleet size.

Net current liabilities (excluding cash, borrowings and lease liabilities) stood at £1.4m (2020: £1.6m). Net current assets stood at £11.0m (2020: £4.9m).

The principal balances in working capital are noted below and reflect a continued focus on working capital management:

	Sept 21	Sept 20
	£m	£m
Trade receivables	**18.4**	16.7
Accrued income	**17.9**	17.3
Trade payables	**(24.9)**	(19.5)
Accruals	**(11.7)**	(9.9)

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 £17.9m at the reporting date (2020: £17.3m). 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 have standardised the accrued income provision policy with our bad debt policy in the current year.

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

The Directors acknowledge the Financial Reporting Council's 'Guidance on going concern, risk and viability' issued in June 2020. The Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the Strategic Report within the 2021 Annual Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review, as part of the Strategic Report of the 2021 Annual Report. In addition, note 31 to the consolidated Financial Statements within the 2021 Annual Report includes details of the Group's approach to financial risk management, its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

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, 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 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 Annual report.

Peter Smith
Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2021

	Notes	2021 £'000	2020 £'000
Revenue	4	**244,014**	195,706
Cost of sales		**(201,340)**	(160,449)
Gross profit		**42,674**	35,257
Other operating expenses		**(29,239)**	(24,952)
Share of results of joint venture	18	**1,159**	99
Operating profit before exceptional and other items	4,5	**14,594**	10,404
Exceptional items	7	**387**	-
Amortisation of acquisition related intangibles		**-**	(1,600)
Impairment of goodwill	14	**(188)**	-
Operating profit		**14,793**	8,804
Finance expense	8	**(1,020)**	(1,047)
Finance income	8	**4**	39
Profit before tax	4	**13,777**	7,796
Taxation	11	**(2,425)**	**(1,486)**
Profit for the year attributable to the equity holders of the Group		**11,352**	**6,310**
Earnings per share			
Basic	13	**7.1p**	**4.0p**
Diluted	13	**7.0p**	**3.9p**
Adjusted earnings per share			
Basic	13	**7.2p**	**4.9p**
Diluted	13	**7.1p**	**4.8p**

The accompanying notes are an integral part of this consolidated statement of comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Goodwill	14	**42,479**	42,357
Other intangible assets	15	**820**	726
Property, plant and equipment	16	**2,009**	1,212
Right of use assets	17	**11,564**	6,757
Interests in joint ventures	18	**1,660**	501
Deferred tax assets	25	**344**	517
		58,876	52,070
Current assets			
Inventories	19	**4,199**	3,022
Trade and other receivables	20	**43,249**	40,054
Cash and cash equivalents		**16,444**	9,679
		63,892	52,755
Total assets		**122,768**	104,825
Current liabilities			
Trade and other payables	21	**47,397**	42,764
Lease liabilities	26	**4,071**	3,167
Provisions	24	**403**	825
Income tax payable		**1,003**	1,073
		52,874	47,829
Net current assets		**11,018**	4,926
Non-current liabilities			
Lease liabilities	26	**7,972**	3,669
Provisions	24	**1,596**	3,221
		9,568	6,890
Total liabilities		**62,442**	54,719
Net assets		**60,326**	50,106
Equity			
Called up share capital	27	**16,122**	15,934
Share premium account	29	**25,620**	25,408
Share-based payment reserve	29	**349**	650
Own shares	29	**-**	(290)
Merger reserve	29	**20,067**	20,067
Retained earnings		**(1,832)**	(11,663)
Equity attributable to equity holders of the Company		**60,326**	50,106

The financial statements of Sureserve Group plc (registered number 09411297) were approved by the Board of Directors and authorised for issue on 24 January 2022. They were signed on its behalf by:

P D M Smith
Director

The accompanying notes are an integral part of this consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2021

	Share capital	Share premium account	Share-based payment reserve	Own shares	Merger reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2019	15,895	25,318	538	(290)	20,067	(17,237)	44,291
Profit for the year	-	-	-	-	-	6,310	6,310
Dividends paid (Note 12)	-	-	-	-	-	(795)	(795)
Issue of shares (exercise of options)	39	90	-	-	-	-	129
Share-based payments	-	-	171	-	-	-	171
Reserve transfer	-	-	(59)	-	-	59	-
At 30 September 2020	15,934	25,408	650	(290)	20,067	(11,663)	50,106
Profit for the year	-	-	-	-	-	11,352	11,352
Dividends paid (Note 12)	-	-	-	-	-	(1,595)	(1,595)
Issue of shares (exercise of options)	188	212	-	-	-	(105)	295
Equity settled share based payments, net of tax	-	-	168	-	-	-	168
Reserve transfer	-	-	(469)	290	-	179	-
At 30 September 2021	16,122	25,620	349	-	20,067	(1,832)	60,326

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 September 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Cash generated from operations	32	**17,492**	23,869
Interest paid		**(901)**	(957)
Income taxes paid		**(2,421)**	(736)
Net cash generated from operating activities		**14,170**	22,176
Cash flows from investing activities			
Purchase of shares in subsidiary, net of cash acquired		**(200)**	-
Receipt of deferred consideration from disposals in prior years		**-**	930
Purchase of property, plant and equipment		**(1,570)**	(621)
Purchase of intangible assets		**(545)**	(539)
Sale of property and equipment		**18**	31
Net cash used in investing activities		**(2,297)**	(199)
Cash flows from financing activities			
Proceeds from issue of shares		**295**	129
Dividend paid to shareholders		**(1,595)**	(795)
Repayment of bank borrowings		**-**	(10,000)
Repayment of lease liabilities		**(3,808)**	(4,084)
Net cash used in financing activities		**(5,108)**	(14,750)
Net increase in cash and cash equivalents		**6,765**	**7,227**
Cash and cash equivalents at beginning of year		**9,679**	**2,452**
Cash and cash equivalents at end of year		**16,444**	9,679

The accompanying notes are an integral part of this consolidated statement of cash flows.
Cash and cash equivalents shown above excludes capitalised loan arrangement fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2021

General Information
Sureserve Group plc is a company incorporated in England and Wales under the Companies Act. The address of the registered office is Crossways Point 15, Victory Way, Crossways Business Park, Dartford, Kent, DA2 6DT.

These results for the year ended 30 September 2021 are an excerpt from the Annual Report & Accounts 2021 and do not constitute the Group's statutory accounts for 2021 or 2020. Statutory accounts for Sureserve Group plc for the year to 30 September 2020 have been delivered to the Registrar of Companies, and the Sureserve Group plc statutory accounts for the year to 30 September 2021 will be delivered by 31 March 2022. The Auditor has reported on both those accounts; their reports were unqualified, did not draw attention on to any matters by way of emphasis and did not contain statements under Sections 498(2) or (3) of the Companies Act 2006 or equivalent preceding legislation. Whilst the financial information included in this Annual Results Release has been prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006, this announcement does not itself contain sufficient information to comply with IFRS. Full financial statements that comply with IFRS are included in the Annual Report & Accounts 2021 which will be available at www.sureservegroup.co.uk.

The consolidated Financial Statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates. The principal activities are discussed in the operational review of the annual report.

1. Basis of preparation

Basis of accounting
The Consolidated Financial Statements have been prepared on a historical cost basis. The Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The principal accounting policies adopted are set out below.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's Financial Statements except as noted below.

Adoption of new and revised standards
The accounting policies adopted are consistent with those of the previous financial year.

New standards and interpretations not applied
The International Accounting Standards Board and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations for annual periods beginning on or after the effective dates as noted below: The adoption of IFRS 17 is not expected to have a significant impact on the financial statements.

IAS/IFRS standards		Effective for accounting periods starting on or after
IFRS 17	Insurance Contracts	1 January 2023

Basis of consolidation
The consolidated Financial Statements incorporate the assets, liabilities, income and expenses of the Group. The Financial Statements of the subsidiaries are prepared for the same financial reporting period as the Company. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group. Intercompany transactions, balances and unrealised gains and losses transitions between Group companies are eliminated on consolidation.

As a consolidated statement of comprehensive income is published, a separate profit and loss account for the parent company is omitted from the Financial Statements by virtue of section 408 of the Companies Act 2006.

Going concern
The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Directors regard the foreseeable future as no less than 12 months following publication of its annual Financial Statements, so in practical terms, 16 months from the reporting date. The Directors review and approve the annual budget, three-year plan and a rolling 12 month forecast, including forecasts of cash flows, borrowing requirements and covenant headroom, taking account of reasonably possible changes in trading performance and the current state of its operating market, including the impact of Covid 19, and are satisfied that the Group should be able to operate within the level of its current facilities and in compliance with the covenants arising from those facilities. 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. At 24 January 2022, the revolving cash facility remained undrawn. Accordingly, the directors have adopted the going concern basis in preparing the financial information. Please see further statement in the strategic report.

2. Significant accounting policies

Operating segments
The Directors regard the Group's reportable segments of business to be Compliance and Energy Services. Costs are allocated to the appropriate segment as they arise with central overheads apportioned on a reasonable basis. Operating segments are presented in a manner consistent with internal reporting, with inter-segment revenue and expenditure eliminated on consolidation.

Business combinations
Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquired company and the equity interest issued by the Group in exchange for control of the acquired company. Acquisition-related costs are recognised as non-trading exceptional costs in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value. Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date

amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with IFRS 9 or IAS 37 as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Acquisition costs
Management believe that acquisition costs are exceptional in nature and they are presented as such in the income statement, so as not to distort presentation of the underlying performance of the Group.

Goodwill
Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which the goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful life for each asset type is set out below.

Computer software and capitalised development costs - three to five years

Development costs are capitalised when the asset is identifiable, the value can be measured reliably and it is probable that economic benefits will flow to the Group.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Intangible assets are recognised if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using suitable valuation techniques.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The estimated useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	*Useful economic life*	*Valuation method*
Contracted customer order book	Remaining period of the contract	Expected cash flows receivable
Customer relationships	Five years	Expected cash flows receivable
Non-compete agreements	Five years	With or without method

Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. The gain or loss from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset; is recognised in profit or loss when the asset is derecognised.

Property, plant and equipment, and right of use assets
Property, plant and equipment, and right of use assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated so as to write off the cost of a tangible asset, less its estimated residual value, over the estimated useful economic life of that asset on the following bases:

Leasehold improvements	-	over the period of the lease
Plant & equipment	-	15% to 33.33% per annum on a straight line basis
Fixtures & fittings	-	20% to 33.33% per annum on a straight line basis
Motor vehicles	-	25% per annum on a straight line basis
Right of use assets		over the period of the lease

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Right of use assets are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal, or when no future economic benefits are expected to arise from the continued use of the asset. The gains or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible and intangible assets excluding goodwill
At each reporting date, the Group reviews the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Exceptional items
Items which are significant by their size and/or nature require separate disclosure and are reported separately in the statement of comprehensive income. Details of exceptional items are explained in Note 7.

Revenue
Revenue recognition is determined according to the requirements of IFRS 15 "Revenue from contracts with customers". All revenue is considered revenue from contracts with customers as defined by IFRS 15. IFRS 15 prescribes a five-step model of accounting for revenue recognition which includes identifying the contract, identifying performance obligations, determining the transaction price, allocating the transaction price to different performance obligations and the timing of recognition of revenue in connection with different performance obligations.

For contracts with multiple components to be delivered such as lift maintenance, servicing and repairs, management applies judgement to consider whether those promised goods and services are: (i) distinct - to be accounted for as separate performance obligations; (ii) not distinct - to be combined with other promised goods or services until a bundle is identified that is distinct; or (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract. This includes the fixed price stated in the contract and an assessment of any variable consideration resulting from variation orders, discounts, rebates, refunds, performance bonuses, penalties, service credits. Variable consideration is estimated based on the expected value or the most likely outcome method and is only recognised to the extent that it is highly probable that a subsequent change in its estimate would not result in a significant revenue reversal.
Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

For each performance obligation identified in the contract, the Group determines if revenue will be recognised over time or at a point in time.

Performance obligations satisfied over time
The Group recognises revenue over time on contracts where any of the following criteria is met;

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs it; or
- The services provided creates or enhances an asset that the customer controls; or
- The services provided do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group typically recognises revenue on an over time basis for the following:

- Certain energy services
- Gas services
- Fire services
- Water and air hygiene services
- Lift services

For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant output or input method consistently to similar performance obligations in other contracts.

Performance obligations satisfied at a point in time
If the criteria for satisfying a performance obligation over time are not met, revenue is recognised at the point in time when control of the goods or services transfers to the customer. This will be at the point when the jobs are completed and there is a right to invoice.

The Group typically recognises revenue on a point in time basis for the following:

- Smart metering
- Certain energy services

(i) Schedule of Rates ("SOR") contracts
SOR contracts are set based on predetermined rates for a list of services and duties required by the customer.

For short term jobs usually completed within a few days, the right to consideration is considered to correspond directly with the value of performance completed to date as measured by the amounts specified for each job set out on the rate card. Revenue is recognised when the jobs are completed or invoiced. Where deemed appropriate, the Group will utilise the practical expedient within IFRS 15 and recognises revenue in line with amounts invoiced. Contract fulfilment costs are expensed as incurred.

For longer term jobs, the Group applies the relevant output or input revenue recognition method for measuring progress that depicts the Group's performance in transferring control of the goods or services to the customer. Contract fulfilment costs are expensed as incurred.

Certain longer term jobs use the output method based upon surveys of performance completed or milestones reached which allow the Group to recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services under the

contract.

Under the input method, revenue is recognised in direct proportion to costs incurred where the transfer of control is most closely aligned to the Group's efforts in delivering the service.

(ii) Fixed price (or lump sum) service contracts
Certain contracts, in particular for gas servicing and maintenance, are procured on a fixed price basis. Revenue qualifies for recognition over time as the customer receives and consumes the benefits from the service as it is being provided. Revenue for maintenance/reactive activities is recognised on a straight line basis over the term of the contract. Where servicing and maintenance activity is expected to take place evenly throughout the performance period, revenue is recognised on a straight-line basis over the contract term. Where activity is more aligned to periodic service events, then revenue is allocated to those events and recognised over the contract term when those events take place. Contract fulfilment costs are expensed as incurred.

(iii) Accrued income and deferred income
The Group's customer contracts include a diverse range of payment schedules which are often agreed at the inception of longer term jobs under which it receives payments throughout the term of the contracts.

Where revenue recognised at the period end date is more than amounts invoiced, the Group recognises an accrued income contract asset for this difference. Where revenue recognised at the period end date is less than amounts invoiced, the Group recognises a deferred income contract liability for this difference.

Employee benefits

Retirement benefit costs
The Group contributes to the personal pension plans of certain employees of the Group. The assets of these schemes are held in independently administered funds. The pension cost charged in the Financial Statements represents the contributions payable by the Group in accordance with IAS 19.

Share-based payments
The Company has issued equity-settled share-based awards and free shares to certain employees. The fair value of share-based awards with non-market performance conditions is determined at the date of the grant using a bi-nominal model. The fair value of share-based awards with market related performance conditions is determined at the date of grant using the Monte Carlo model. Share-based awards are recognised as expenses based on the Company's estimate of the shares that will eventually vest, on a straight line basis over the vesting period, with a corresponding increase in the share option reserve.

At each reporting date the Company revises its estimates of the number of options that are expected to vest based on service and non-market performance conditions. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. Options with market-related performance conditions will vest based on total shareholder return against a selected group of quoted market comparators. Following the initial valuation, no adjustments are made in respect of market based conditions at the reporting date.

Employee Benefit Trust
The Company established an Employee Benefit Trust upon its IPO, whose remit is to hold Sureserve Group plc shares on behalf of its employees. The trust is wholly funded by the Group and although legally independent is deemed to be controlled by the Group as the Trust relies on it for funding and the Company is able to remove and appoint the trustees. The assets and liabilities of the Trust are therefore consolidated with those of the Group.

Finance income and costs
Interest receivable and payable on bank balances is credited or charged to the statement of comprehensive income as incurred.
Finance arrangement fees and issue costs are capitalised and netted off against borrowings. All other borrowing costs are written off to the statement of comprehensive income as incurred.

Notional interest payable, representing the amortisation of loan arrangement fees, is charged to finance costs.

Costs incurred in raising finance
Costs incurred in raising finance are capitalised and amortised through the profit and loss account over the term of the funding. In the event that the associated finance product is refinanced prior to its expiring, the unamortised costs are treated as an "Other Item" on the face of the statement of comprehensive income, to the extent that they are replaced with fees and costs associated with raising the new finance.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's asset for current tax is calculated using tax rates prevailing at the year end.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences; deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, labour and overheads which have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made, where appropriate, to reduce the value of inventory to its net realisable value.

Government grants
The Group recognises a government grant when it is receivable. Government grants are offset against applicable costs where appropriate, as opposed to other income.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and where it is probable that the Group will be required to settle that obligation and the amount can be reliably estimated. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the time value of money is material). Details of material provisions are disclosed unless it is not practicable to do so or where it could be expected to prejudice seriously the position of the entity.

Contingent liabilities
Where a provision or accrual is deemed to be required it has been included within the consolidated statement of financial position. For contingent liabilities where an economic outflow is possible, it is often not practicable to estimate the financial effect due to the range of estimation uncertainty. For contingent liabilities where the possibility of economic outflow is remote, disclosure of the estimated financial effect is not required.

Contingent liabilities acquired in a business combination are initially valued at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount initially recognised.

Joint ventures
Under IFRS 11 joint ventures are accounted for under the equity method of accounting. A joint venture is a joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the arrangement. Loans receivable from joint ventures and investments in joint venture entities are reviewed for impairment at each year end.

Financial instruments
Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

(a) Trade and other receivables
Trade and other receivables are recognised initially at fair value and measured subsequently at amortised cost less any provision for impairment losses including expected credit losses. In accordance with IFRS 9 the Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and accrued income contract assets, estimated using a combination of historical experience and forward-looking information.

(b) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

(c) Trade and other payables
Trade and other payables are not interest bearing and are stated initially at fair value and subsequently held at amortised cost.

(d) Bank and other borrowings
Interest-bearing bank and other loans are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for at amortised cost and on an accruals basis in the statement of comprehensive income using the effective interest method. Interest is added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

(e) Financial liabilities and equity
Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations rather than the financial instrument's legal form. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(f) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Leases
The Group assesses whether a contract is a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

A right of use asset and corresponding lease liability are recognised at commencement of the lease. The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the group's incremental borrowing rate specific to the type of asset. The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right of use asset, when there is a change in future lease payments resulting from a rent review, or change in the Group's assessment of whether it is reasonably certain to exercise a purchase, extension or break option. The right of use asset is initially measured at cost, comprising: the initial lease liability and any dilapidation or restoration costs. The right of use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment. Leases of low value assets and short-term leases of 12 months or less are expensed to the Group income statement over the lease term.

Nature and purpose of each reserve in equity
Share capital is determined using the nominal value of shares that have been issued.

Share premium represents the difference between the nominal value of shares issued and the fair value of the total consideration receivable at the issue date.

Equity-settled share-based employee remuneration is credited to the share-based payment reserve until the related share options are exercised. Upon exercise the share-based payment reserve is transferred to retained earnings.

The merger reserve was created in relation to the Group reorganisation under IFRS 3, in which Sureserve Group plc replaced Sureserve Holdings Limited as the Group's ultimate parent company.

3. Critical accounting judgements and key sources of uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Revenue recognition
Revenue is recognised based on the stage of completion of job or contract activity. Certain types of service provision pricing mechanisms require minimal estimation and judgement; however service provision lump sum and longer term contracts do require judgements and estimates to be made to determine the stage of completion and the expected outcome for the individual contract. A sum will be recognised in relation to accrued income on the statement of financial position, details of which are described in Note 20. The accrued income balance at 30 September 2021 was £17.9m (2020: £17.3m). These assessments include a degree of uncertainty and therefore if the key judgements and estimates change, further adjustments of recoverable amounts may be necessary. Revenue is generated from a large number of contracts with customers, such that there is limited sensitivity to material revisions arising from changes in estimates on individual contracts.

Provisions for legal and other claims
The Group continues to manage a number of potential risks and uncertainties, including claims and disputes, which are common to other similar businesses and 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 statement of comprehensive income. In quantifying the likely outturn for the Group, the key judgements and estimates will typically include:

- The scope of the Group's assessed responsibility
- An assessment of the potential likelihood of economic outflow
- An estimation of economic outflow (including potential likelihood)
- A commercial assessment of potential further liabilities

Estimates of amounts provided take account of legal advice where sought. Details of specific cases are not disclosed due to potential commercial sensitivity. Provisions at 30 September 2021 includes £1.1m (2020: £0.8m) in respect of the disposal of Lakehouse Contracts Limited and Foster Property Maintenance Limited - see Notes 7 and 24 for details of the basis of estimation used.

The total carrying value of provisions at 30 September 2021 was £2.0m (2020: £4.0m) - see Note 24 for further details.

Impairment of intangible assets and goodwill
The Group assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. These cash flows are based on the Board approved annual budget and three year plan. Further details are given in Note 14.

4. 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:

- 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

- 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.

The accounting policies of the reportable segments are the same as those described in the accounting policies section.

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 exceptionals and amortisation of acquisition intangibles. Operating profit before exceptionals and amortisation of acquisition intangibles is defined as operating profit before deduction of exceptional items and amortisation of acquisition intangibles, as outlined in Note 7 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 exceptional and amortisation of acquisition intangibles by reportable segment:

	2021	**2020**
	£'000	**£'000**
Revenue		
Compliance	**162,429**	137,155
Energy Services	**84,563**	60,363
Total segment revenue	**246,992**	197,518
Inter-segment elimination	**(2,978)**	(1,812)
Total revenue	**244,014**	195,706

	Revenue recognised		
Revenue	**Over time**	**At a point in time**	**Total**
2021	**£'000**	**£'000**	**£'000**
Gas services	**127,405**	**-**	**127,405**
Fire and electrical services	**18,965**	**-**	**18,965**
Water and hygiene services	**7,588**	**-**	**7,588**
Lift services	**8,471**	**-**	**8,471**
Compliance segment revenue	**162,429**	**-**	**162,429**
Energy services	**41,491**	**14,817**	**56,308**
Smart metering	**-**	**28,255**	**28,255**
Energy segment revenue	**41,491**	**43,072**	**84,563**
Inter-segment elimination	**(2,978)**	**-**	**(2,978)**
Total revenue	**200,942**	**43,072**	**244,014**

	Revenue recognised		
Revenue	**Over time**	**At a point in time**	**Total**
2020	**£'000**	**£'000**	**£'000**
Gas services	102,014	-	102,014
Fire and electrical services	17,419	-	17,419
Water and hygiene services	7,031	-	7,031
Lift services	10,691	-	10,691
Compliance segment revenue	137,155	-	137,155

Compliance segment revenue

Energy services	33,112	10,043	43,155
Smart metering	-	17,208	17,208
Energy segment revenue	33,112	27,251	60,363
Inter-segment elimination	(1,812)	-	(1,812)
Total revenue	168,455	27,251	195,706

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

	2021 £'000	2020 £'000
Operating profit before exceptional and other items by segment		
Compliance	**13,896**	11,813
Energy Services	**3,447**	788
Central Costs	**(2,749)**	(2,197)
Total operating profit before exceptional and other items	**14,594**	10,404
Amortisation of acquisition intangibles	**-**	(1,600)
Exceptional items	**387**	-
Impairment of goodwill	**(188)**	-
Finance income	**4**	39
Finance costs	**(1,020)**	(1,047)
Profit before taxation	**13,777**	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.

None of the Group's major clients account for more than 10% of Group revenue for 2021 or 2020.

5. Profit before taxation

	2021 £'000	2020 £'000
Profit before taxation is stated after charging/(crediting):		
Amount of inventories recognised as an expense (Note 19)	**63,289**	50,615
Depreciation of property, plant and equipment (Note 16)	**681**	682
Depreciation of right of use assets (Note 17)	**4,403**	4,111
Amortisation of intangible assets (Note 15)	**451**	1,984
Staff costs (Note 9)	**92,800**	75,632
Profit on disposal of property, plant and equipment	**(208)**	(10)

6. Auditor's remuneration

	2021 £'000	2020 £'000
The analysis of the auditor's remuneration is as follows:		
Fees payable to the Company's auditor and their associates for audit services to the Group:		
- The audit of the Company's and Group's annual accounts	**100**	90
- The audit of the Company's subsidiaries	**250**	215
Total audit fees	**350**	305
Fees payable to the Company's auditor and their associates for other services to the Group:		
- Agreed upon procedures on interim results	**35**	28
Total non-audit fees	**35**	28

7. Exceptional and other items

	2021 £'000	2020 £'000
Profit on disposal of Orchard (Holdings) UK Limited	**-**	303
Release of provision for potential legal settlement costs	**1,187**	-
Costs on disposal of Lakehouse Contracts Limited and Foster Property Maintenance Limited	**(800)**	(303)
	387	-

Exceptional items are considered non-trading because they are not part of the underlying trade of the Group.

The Group's Construction and Property Services divisions which were sold on 17 August 2018 and Orchard (Holdings) UK Limited which was sold in September 2017 were previously disclosed as discontinued operations. The Board has reviewed the nature and time elapsed in classifying these and determined they are exceptional items.

The result for the year of exceptional items comprises:

- £0.8m (2020: £0.3m) of additional costs provided for in the year, relating to legacy transactions
- £1.2m (2020: £nil) release of provisions for potential legal settlement costs, (see further details in note 30)
- £nil (2020: £0.3m) profit on sale of Orchard (Holdings) UK Limited from reassessment of the fair value of consideration receivable

On 20 December 2019, Mapps Group Limited, the acquirer of Lakehouse Contracts Limited and Foster Property

Maintenance Limited, went into liquidation. We held meetings during the year with the Liquidators and advisers to both Mapps Group Limited and Lakehouse Contracts Limited in an effort to progress and resolve any outstanding claims. We are still awaiting the provision of necessary information from the Liquidators in order to progress matters. £0.8m of additional costs have been provided for during the year. At 30 September 2021, the group has provisions for liabilities relating to the disposal of £1.1m (2020: £0.8m). In addition to the amounts provided for above, there are a number of potential contingent liabilities arising from the disposal including:

- Potential claims under parent company guarantees and bonds for projects. The value of bonds and guarantees is disclosed in Note 30

- Potential claims under clauses in the sale and purchase agreement including working capital adjustments and warranties/indemnities. Resolution of these outstanding claims is in the hands of the Liquidators of Mapps Group Limited and Lakehouse Contracts Limited

Whilst a claim has been received from the Liquidators of Lakehouse Contracts Limited, the Group has claims against Lakehouse Contracts Limited and Mapps Group Limited for amounts that exceed their best estimate of any amounts that may potentially be due to Lakehouse Contracts Limited and Mapps Group Limited under clauses in the sale and purchase agreement. The Board are in continuing dialogue with all parties.

Further details are not disclosed on the basis that such disclosure would be seriously prejudicial.

8. Finance income and finance expenses

	2021	**2020**
	£'000	**£'000**
Finance income		
Other interest receivable	**4**	39
Finance expenses		
Interest payable on bank overdrafts and loans	**378**	652
Loan arrangement fee amortisation	**109**	109
Interest on lease agreements (Note 26)	**475**	258
Other interest payable	**58**	28
	1,020	1,047

9. Information relating to employees

The average number of employees, including Directors, employed by the Group during the year was:

	2021	**2020**
	Number	**Number**
Direct labour and contract management	**1,641**	1,487
Administration and support	**713**	573
	2,354	2,060

The aggregate remuneration was as follows:	**2021**	**2020**
	£'000	**£'000**
Wages and salaries	**81,981**	66,932
Social security	**8,517**	6,811
Pension costs - defined contribution plans	**2,017**	1,718
Equity-settled share-based payments	**285**	171
	92,800	75,632

10. Retirement benefit obligations

The Group contributes to the personal pension plans of certain employees of the Group. The assets of these schemes are held in independently administered funds. From 1 February 2014, the Group contributes to a new workplace pension scheme for all employees in compliance with the automatic enrolment legislation. The Group paid £2,008,000 in the year ended 30 September 2021 (2020: £1,718,000). At the reporting date, £442,000 of contributions were payable to the funds (2020: £341,000).

11. Tax on profit on ordinary activities

	2021	**2020**
	£'000	**£'000**
Current tax		
Current year	**2,268**	1,637
Current tax - prior year	**101**	(101)
Total current tax	**2,369**	1,536
Deferred tax (Note 25)	**56**	(50)
Total tax on profit on ordinary activities	**2,425**	1,486

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2021	**2020**
	£'000	**£'000**
Profit before tax	**13,777**	7,796

Effective rate of corporation tax in the UK	**19%**	19%
Profit before tax at the effective rate of corporation tax	**2,618**	1,481
Effects of:		
Expenses not deductible for tax purposes	**(174)**	(15)
Adjustment of deferred tax to closing tax rate	**(102)**	(34)
Current tax - prior year	**101**	(101)
Deferred tax - prior year	**(18)**	155
Tax charge for the year	**2,425**	1,486

Factors that may affect future charges

The closing deferred tax provision has been calculated at 25% in accordance with the rate enacted at the statement of financial position date.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 24 May 2021.

12. Dividends

The Board did not recommend the payment of a dividend for the year ended 30 September 2021.

The final dividend for the year ended 30 September 2020 of 1 pence per share amounting to £1.6m was paid in the year.

13. Earnings per share

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

	2021 Number	**2020 Number**
Weighted average number of ordinary shares for the purposes of basic earnings per share	**160,267,970**	159,025,339
Diluted		
Effect of dilutive potential ordinary shares:		
Share options	**2,910,442**	3,200,981
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**163,178,412**	162,226,320
Earnings for the purpose of basic and diluted earnings per share being net profit after tax attributable to the owners of the Company (£'000's)	**11,352**	6,310
Basic earnings per share	**7.1p**	4.0p
Diluted earnings per share	**7.0p**	3.9p
Adjusted earnings for the purpose of basic and diluted earnings per share being net profit after tax adjusted for share based payments and amortisation of acquisition related intangibles attributable to the owners of the Company (£'000's)	**11,583**	7,745
Basic earnings per share	**7.2p**	4.9p
Diluted earnings per share	**7.1p**	4.8p

The number of shares in issue at 30 September 2021 was 161,213,788 (2020: 159,335,259).

The weighted average number of ordinary shares in issue during the year excludes those accounted for in the own shares reserve (Note 29).

14. Goodwill

	£'000
At 1 October 2019 and 30 September 2020	42,357
Acquisition of Vinshire Gas Services Limited	310
Other adjustments to goodwill - Just Energy Solutions Limited	(188)
At 30 September 2021	**42,479**

Goodwill arising on consolidation represents the excess of the fair value of the consideration transferred over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill is not amortised but is reviewed for impairment on an annual basis or more frequently if there is an indication that goodwill may be impaired. Goodwill acquired in a business combination is allocated to cash-generating units ("CGUs") according to the level at which management monitors that goodwill.

Goodwill is carried at cost less accumulated impairment losses.

The carrying value of goodwill is allocated to the following CGUs:

CGU	**Segment**	**2021 £'000**	**2020 £'000**
K&T Heating Services Limited	Compliance	**3,774**	3,774
Sureserve Fire and Electrical Limited	Compliance	**3,717**	3,717
Everwarm Limited	Energy services	**17,476**	17,476
H2O Nationwide Limited	Compliance	**2,209**	2,209

Providor Limited	Energy services	**3,037**	3,037
Sure Maintenance Limited	Compliance	**4,225**	4,225
Aaron Services Limited	Compliance	**3,977**	3,667
Precision Lifts Limited	Compliance	**4,064**	4,064
Just Energy Solutions Limited	Compliance	**-**	188
		42,479	42,357

An asset is impaired if its carrying value exceeds the unit's recoverable amount which is based upon value in use. At each reporting date impairment reviews are performed by comparing the carrying value of the CGU to its value in use. At 30 September 2021 the value in use for each CGU was calculated based upon the cash flow projections of the latest Board approved three-year forecasts together with a further two years estimated and an appropriate terminal value to perpetuity.

Future forecasted profits are estimated by reference to the average operating margins achieved in the period immediately before the start of the forecast period.

The estimated growth rates are based on past experience and knowledge of the individual sector's markets. The Directors believe that the compliance and energy service markets will continue to present strong growth opportunities for the CGUs outlined above. Management believe that future growth in these markets is underpinned by a number of factors including:

- A pipeline of new tenders
- Further opportunities to work with other Group companies
- Client demand for safe buildings
- Adjacent market opportunities

The assumptions used in the impairment reviews are outlined below.

The growth rate applied to the cash flows in years four and five of the impairment review performed at 30 September 2021 was 4% (2020: 4%). A terminal growth rate of 2% (2020: 2%) was applied. The pre-tax discount rate applied was 7.3% (2020: 7.2%). Three different types of sensitivity analysis have been performed on entities that showed potential indicators of impairment, including a 20% reduction in revenue, a reduction in the operating profit margin of between 1% and 2% and an increase in the discount rate by between 1.5% and 3%. Additional sensitivity has been completed regarding the potential effect of Covid-19 in 2022 and 2023 for the Energy Services division. The Directors consider that any reasonable possible change in the key assumptions would not cause the carrying amount to exceed its recoverable amount.

The goodwill in Just Energy Solutions has been written down to zero as it is no longer a trading CGU.

15. Other intangible assets

		Acquisition intangibles			
	Computer software	**Contracted customer order book**	**Customer relationships**	**Non-compete agreements**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 October 2019	1,349	18,606	14,655	1,670	36,280
Additions	539	-	-	-	539
Disposals	(15)	-	-	-	(15)
At 30 September 2020	1,873	18,606	14,655	1,670	36,804
Additions	545	-	-	-	545
Disposals	(272)	-	-	-	(272)
At 30 September 2021	2,146	18,606	14,655	1,670	37,077
Amortisation					
At 1 October 2019	778	18,522	13,139	1,670	34,109
Amortisation charge	384	84	1,516	-	1,984
Disposals	(15)	-	-	-	(15)
At 30 September 2020	1,147	18,606	14,655	1,670	36,078
Amortisation charge	451	-	-	-	451
Disposals	(272)	-	-	-	(272)
At 30 September 2021	1,326	18,606	14,655	1,670	36,257
Carrying value					
At 30 September 2021	820	-	-	-	820
At 30 September 2020	726	-	-	-	726

Contracted customer order book
The value placed on the order book was based upon the cash flow projections over the contracts in place when a business is acquired. Due to uncertainties with trying to forecast revenues beyond the contract term, the Directors have valued contracts over the contractual term only. The value of the order book was amortised over the remaining life of each contract which typically range from one to five years.

Customer relationships
The values placed on the customer relationships were based upon the non-contractual expected cash inflows forecast on the base business over and above contracted revenues. The value of customer relationships was amortised over five years.

Non-compete agreements
The value placed on the non-compete agreements was based upon the non-compete clause and knowledge and know-how of the former owners of the acquired businesses. The value of non-compete was amortised over five years.

16. Property, plant and equipment

	Leasehold improvements	Plant & equipment	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 October 2019	686	1,224	1,640	379	3,929
Additions	10	373	238	-	621
Disposals	(20)	(208)	(118)	(203)	(549)
At 30 September 2020	676	1,389	1,760	176	4,001
Additions	635	586	349	-	1,570
Disposals	(71)	(223)	(307)	(61)	(662)
At 30 September 2021	1,240	1,752	1,802	115	4,909
Depreciation					
At 1 October 2019	272	737	1,275	301	2,585
Charge for the year	207	236	228	11	682
Disposals	(19)	(208)	(107)	(144)	(478)
At 30 September 2020	460	765	1,396	168	2,789
Charge for the year	99	355	227	-	681
Disposals	(2)	(208)	(307)	(53)	(570)
At 30 September 2021	557	912	1,316	115	2,900
Net book value					
At 30 September 2021	683	840	486	-	2,009
At 30 September 2020	216	624	364	8	1,212

17. Right of use assets

	Leasehold property	Commercial Vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 October 2019	2,989	5,171	8,160
Additions	246	2,750	2,996
Disposals	-	(887)	(887)
At 30 September 2020	3,235	7,034	10,269
Acquisition of Vinshire Gas Services Limited	-	283	283
Additions	3,325	6,025	9,350
Disposals	(130)	(1,006)	(1,136)
At 30 September 2021	6,430	12,336	18,766
Depreciation			
At 1 October 2019	-	-	-
Charge for the year	1,111	3,000	4,111
Disposals	-	(599)	(599)
At 30 September 2020	1,111	2,401	3,512
Charge for the year	1,074	3,329	4,403
Disposals	(130)	(583)	(713)
At 30 September 2021	2,055	5,147	7,202
Net book value			
At 30 September 2021	4,375	7,189	11,564
At 30 September 2020	2,124	4,633	6,757

18. Group entities

Subsidiaries

The Group's subsidiary undertakings are;

	Country of incorporation	Class of capital	%	Principal activity
Aaron Services Limited	England	Ordinary	100	Maintenance and installation of domestic gas heating systems
Sureserve Fire and Electrical Limited	England	Ordinary	100	Fire alarm engineers
Bury Metering Services Limited	England	Ordinary	100	Non-trading
Everwarm Limited	Scotland	Ordinary	100	Energy and insulation services
H20 Nationwide Limited	England	Ordinary	100	Water hygiene
Just Energy Solutions Limited	England	Ordinary	100	Non-trading
K & T Heating Services Limited	England	Ordinary	100	Plumbing and heating engineers
Precision Lift Services Limited	England	Ordinary	100	Lift installation, modernisation and maintenance services

Providor Limited	England	Ordinary	100	Smart Metering
Smart Metering Limited	England	Ordinary	100	Non-trading
Sure Maintenance Limited	England	Ordinary	100	Maintenance and installation of domestic gas heating systems
Sureserve Compliance Services Limited	England	Ordinary	100	Intermediate holding company
Sureserve VGS Limited (formerly known as Sureserve Construction Services Limited)	England	Ordinary	100	Intermediate holding company
Sureserve Design and Build Limited	England	Ordinary	100	Non-trading
Sureserve Energy Services Limited	England	Ordinary	100	Intermediate holding company
Sureserve Holdings Limited (*)	England	Ordinary	100	Intermediate holding company
Vinshire Gas Services Limited	England	Ordinary	100	Maintenance and installation of domestic gas heating systems

* Directly held investment

The registered office of all entities above is Crossways Point 15, Victory Way, Crossways Business Park, Dartford, Kent, DA2 6DT except for Everwarm Limited whose registered office is 3 Inchcorse Place, Whitehill Industrial Estate, Bathgate, Scotland, EH48 2EE.

Joint ventures

The Group's joint ventures are:

	Country of incorporation	**Class of capital**	**%**	**Principal activity**
Warmworks Scotland LLP	Scotland	Ordinary	33.33	Energy and insulation services
Arbed am Byth	Wales	Ordinary	50	Energy and insulation services

Details of joint ventures

	2021	**2020**
	£'000	**£'000**
Carrying value of investment in Arbed am Byth	**536**	390
Carrying value of investment in Warmworks Scotland LLP	**1,124**	111
	1,660	501

Warmworks, a joint venture with Changeworks Resources for Life and the Energy Saving Trust Enterprises Limited, commenced trading in September 2015, and the profit for 2021 was £1,013,000 (2020: loss of £62,000). The registered office of Warmworks Scotland LLP is 1 Carmichael Place, Leith, Edinburgh, Midlothian, EH6 5PH.

Arbed am Byth, a joint venture with the Energy Saving Trust Enterprises Limited, commenced trading in August 2018, and the profit for 2021 was £146,000 (2020: £161,000). The registered office of Arbed am Byth is Unit 2 Cefn Coed, Nantgarw, Cardiff, Wales, CF15 7QQ.

19. Inventories

	2021	**2020**
	£'000	**£'000**
Raw materials and consumables	**4,199**	3,022

There are no inventories at 30 September 2021 or 30 September 2020 carried at fair value less costs to sell. The Directors consider that the replacement value of inventories is not materially different from their carrying value. There was no specific security held at either reporting date over inventory.

£63,289,000 (2020: £50,615,000) of inventories were recognised as an expense in the year.

20. Trade and other receivables

	2021	**2020**
	£'000	**£'000**
Current		
Trade receivables	**18,414**	16,667
Social security and other taxes	**-**	7
Other receivables	**3,698**	3,708
Prepayments	**3,219**	2,336
Accrued income	**17,918**	17,336
	43,249	40,054

Other receivables include sales retentions of £2,920,000 (2020: £2,461,000), rebates receivable of £516,000 (2020: £714,000), and finance issue costs of £27,000 (2020: £136,000).

	2021	2020
	£'000	**£'000**
Trade receivables		
Trade receivables not due	**16,386**	15,231
Trade receivables past due 1-30 days	**1,666**	1,088
Trade receivables past due 31-60 days	**84**	255
Trade receivables past due 61-90 days	**93**	64
Trade receivables past due over 90 days	**433**	475
Gross trade receivables	**18,662**	17,113

Provision for credit losses brought forward	**(446)**	(619)
Amounts written off	**208**	312
Provision charged to profit or loss in the year	**(10)**	(139)
Provision for credit losses carried forward	**(248)**	(446)
Net trade receivables	**18,414**	16,667

The provision for credit losses of £248,000 (2020: £446,000) includes £148,000 (2020: £446,000) of trade receivables over 90 days past their due date.

The Directors consider that the carrying amount of trade receivables approximates to their fair value. Debts provided for and written off are determined on an individual basis and included in other operating expenses in the financial statements. The Directors believe the credit risk is low due to the majority of the Group's customer base being either public sector or regulated bodies. The Group's maximum exposure on credit risk is fair value on trade receivables as presented above. The Group has not pledged any trade receivables as security.

At the end of the year one client represented over 5% of the total balance of trade receivables (2020:one client).

21. Trade and other payables

	2021	**2020**
	£'000	**£'000**
Current		
Trade payables	**24,937**	19,547
Sub-contract retentions	**727**	833
Accruals	**11,727**	9,918
Deferred income	**980**	920
Social security and other taxes	**7,524**	10,508
Other payables	**1,502**	1,038
	47,397	42,764

The Directors consider that the carrying amount of trade payables approximates to their fair value for each reported period. Trade payables are non-interesting bearing. Average settlement days are 68 days (2020: 65 days).

22. Borrowings

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.

23. Net cash

	2021	**2020**
	£'000	**£'000**
Cash and cash equivalents	**16,444**	9,679
Unamortised finance costs (included in other receivables)	**27**	136
Net cash pre lease liabilities	**16,471**	9,815
Lease liabilities	**(12,043)**	(6,836)
Total net cash	**4,428**	2,979

24. Provisions

	Legal and other
	£'000
At 1 October 2019	3,610
Additional provision	632
Utilised in the year	(196)
At 30 September 2020	4,046
Additional provision	746
Released during the year	(1,187)
Utilised in the year	(1,606)
At 30 September 2021	**1,999**
Current provisions	**403**
Non-current provisions	**1,596**

Legal and other

Provisions relate to property dilapidation obligations, potential contract settlement costs and other potential legal settlement costs.

These are expected to result in an outflow of economic benefit over the next one to five years. See notes 7 and 30 for further details.

25. Deferred taxation

	Accelerated capital allowances	**Short term timing differences**	**Share based payments**	**Acquisition intangibles**	**Unutilised losses**	**Total**

	£'000	£'000	£'000	£'000	£'000	£'000
Asset / (provision) bought forward as at 1 October 2019	**233**	**290**	**92**	**(272)**	**124**	**467**
Credit / (debit) to P&L	(140)	(61)	(36)	272	15	50
Asset / (provision) carried forward as at 30 September 2020	93	229	56	-	139	517
Credit / (debit) to P&L	(260)	72	89	-	43	(56)
Deferred tax on share-based payments recognised in equity	-	-	(117)	-	-	(117)
(Liability) / asset carried forward as at 30 September 2021	**(167)**	**301**	**28**	**-**	**182**	**344**
At 30 September 2021						
Non-current asset	-	301	28	-	182	511
Non-current liability	(167)	-	-	-	-	(167)
Net deferred tax (liability) / asset	**(167)**	**301**	**28**	**-**	**182**	**344**
At 30 September 2020						
Non-current asset	93	229	56	-	139	517
Non-current liability	-	-	-	-	-	-
Net deferred tax asset	**93**	**229**	**56**	**-**	**139**	**517**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

26. Lease liabilities

	Present value of minimum lease payments £'000
At 1 October 2019	8,160
Repayments	(4,289)
Interest	258
New obligations	2,996
Obligations cancelled	(289)
At 30 September 2020	**6,836**
Repayments	(4,283)
Interest	475
New obligations on acquisition	283
Variation in terms	18
New obligations	9,332
Obligations cancelled	(618)
At 30 September 2021	**12,043**

Future lease payments are due as follows:

	Present value of minimum lease payments £'000
Less than one year	4,071
Between two and five years	7,972
At 30 September 2021	**12,043**
Less than one year	3,167
Between two and five years	3,669
At 30 September 2020	**6,836**

27. Called up share capital

Allotted, called-up and fully paid;

2021 Number	2020 Number		2021 £	2020 £
161,213,788	159,335,259	Ordinary shares of £0.10 each	16,121,379	15,933,526

Details of options granted under the Group's share scheme are contained in Note 28.

Voting rights

The holders of ordinary shares are entitled to receive notice of, attend or participate in any general meeting of the Company and to receive any notice of a written resolution proposed to be passed by the Company.

On a show of hands at a meeting the holders of any such shares shall be entitled to one vote for all such shares held.

On a poll at a meeting, for a written resolution, the holder of such shares shall be entitled to such number of votes as corresponds to the nominal value (in pence) or the relevant shares held.

28. Share-based payments

The Company has established a Share Incentive Plan (SIP), Sharesave Scheme (SAYE), Company Share Option Plan (CSOP), Performance Share Plan (PSP) and a Special Incentive Award Plan (SIAP).

The charge recognised for share based payments in the year was £285,000 (2020: £171,000) gross of tax.

Share Incentive Plan (SIP)

The SIP is an HMRC-approved scheme plan open to all UK employees at the date of the IPO, 23 March 2015. Each employee was given £200 of free shares; there were no performance conditions apart from remaining in employment for three years from the date of award. Shares totalling 325,842 were transferred directly to the SIP trust and on 29 April 2015, 236,213 share allotted in relation to the initial award of shares under the SIP. No further awards have been made under the SIP.

Sharesave Scheme (SAYE)

The SAYE is open to all employees who satisfy certain criteria, particularly relating to period of employment. The exercise price is equal to the average of the closing quoted market price for the preceding three days less a discretionary discount approved by the Board of not less than 80% of the market value of a share. The Scheme is for three years, during which the holder must remain in the employment of the Group. The shares can be exercised within six months from the maturity of the Scheme.

Company Share Option Plan (CSOP)

The CSOP is open to all employees at the discretion of the Remuneration Committee. The exercise price is equal to the average of the closing quoted market price at the date of grant. The vesting period is for three years, during which the holder must remain in the employment of the Group and is conditional on the achievement of a mix of market and non-market performance conditions from the date of granting the option to the date of potential exercise.

Performance Share Plan (PSP)

The PSP is open to certain employees at the discretion of the Remuneration Committee at a limit not exceeding 150% of the individual's base salary at the date of grant. The exercise price is £nil. The vesting period is for three years, during which the holder must remain in the employment of the Group and is conditional on the achievement of a mix of market and non-market performance conditions from the date of granting the option to the date of potential exercise.

Special Incentive Award Plan (SIAP)

Awards granted under the SIAP take the form of options to acquire Sureserve Shares for nil consideration. The awards will have no beneficial tax status. Only employees who are also Directors of the Company may be granted an award under the SIAP. The Remuneration Committee will have absolute discretion to select the persons to whom awards may be granted and in determining the number of shares to be subject to each award.

	SIP	SAYE	CSOP	PSP	SIAP
Number					
At 1 October 2019	65,867	2,963,436	1,248,153	160,000	800,000
Granted	-	1,818,896	1,880,000	680,000	-
Lapsed	-	(583,656)	(15,000)	-	-
Exercised	(65,867)	(387,792)	-	-	-
At 30 September 2020	-	3,810,884	3,113,153	840,000	800,000
Granted	-	-	-	-	180,000
Lapsed	-	(769,129)	(137,870)	-	-
Exercised	-	(551,336)	(272,643)	-	(980,000)
At 30 September 2021	-	2,490,419	2,702,640	840,000	-
Weighted average exercise price (p)					
At 1 October 2020	0.00p	30.22p	42.71p	0.00p	0.00p
Granted	-	-	-	-	0.00p
Lapsed	-	30.72p	44.00p	-	-
Exercised	0.00p	33.24p	40.75p	-	0.00p
Outstanding at 30 September 2021	0.00p	29.40p	42.84p	0.00p	0.00p
Outstanding value at 30 September 2020	0.00p	30.22p	42.71p	0.00p	0.00p
Fair value of options granted					
Weighted fair value of one option	-	8.32p	17.85p	39.42p	6.00p
Assumptions used in estimating the fair value (weighted average)					
Share price at date of grant	-	31.17p	42.58p	43.24p	27.10p

Exercise price	-	29.40p	42.84p	0.00p	0.00p
Expected dividend yield	-	2.18%	3.81%	2.90%	1.00%
Risk free rate	-	0.39%	0.04%	(0.03%)	0.71%
Expected volatility	-	40.45%	56.76%	57.10%	34.90%
Expected life	-	3.42 years	5.26 years	3.00 years	1.50 years

In the year ended 30 September 2021, options were granted in respect of the SIAP schemes.

The weighted average remaining contractual life of outstanding options at 30 September 2021 was 1.2 years (2020: 1.7 years).
The SAYE, CSOP and PSP options were valued under the binomial methodology.

The SIAP options were valued using a Monte Carlo model.

The inputs into the Binomial model are as follows:	**2021**	**2020**
Share price (p)	-	32.00 - 44.00
Exercise price (p)	-	0.00 - 44.00
Expected volatility (%)	-	35.00 - 58.00
Expected life (years)	-	3 - 6.5
Risk-free rate (%)	-	(0.05) - 0.20
Expected dividend yield (%)	-	1.75 - 1.85

The inputs into the Monte Carlo model are as follows:	**2021**	**2020**
Share price (p)	27.1	-
Exercise price (p)	0.00	-
Expected volatility (%)	34.90	-
Expected life (years)	1.50	-
Risk-free rate (%)	0.71	-
Expected dividend yield (%)	1.00	-

Expected volatility was based upon the historical volatility over the expected life of the schemes. The expected life is based upon scheme rules and reflect management's best estimates for the effects of non-transferability, exercise restrictions and behavioral considerations.

29. Reserves

Share premium reserve

The share premium account represents amounts received in excess of the nominal value of shares on issue of new shares, net of the direct costs associated with issuing those shares.

Own shares reserve

At IPO, each employee was given £200 of free shares, to be held for their benefit in an Employee Benefit Trust. Shares totalling 325,842 were transferred directly to the Employee Benefit Trust on 23 March 2015. The own shares reserve at 30 September 2020 represented the cost of 325,842 shares in Sureserve Group plc. At 30 September 2021, the shares had been transferred to employees and the reserve balance was £nil.

Merger reserve

On 23 March 2015 Sureserve Group plc (then Lakehouse plc) was listed on the Premium Listing segment of the Official List and trading on the Main Market of the London Stock Exchange. As part of a restructuring accompanying the Initial Public Offering ("IPO") of the Group on 23 March 2015, Sureserve Group plc replaced Sureserve Holdings Limited as the Group's ultimate parent company by way of a share exchange agreement. Under IFRS 3 this has been accounted for as a group reconstruction under merger accounting.

Merger accounting principles for this combination gave rise to a merger reserve of £20,067,000.

Share based payment reserve

See note 28 for further details.

30. Guarantees and contingent liabilities

The Company and certain subsidiaries have, in the normal course of business, given guarantees and performance bonds relating to the Group's contracts totalling £5,463,000 (2020: £4,621,000). A subsidiary of the Group has provided a guarantee of £750,000 (2020: £750,000) to the Warmworks Scotland LLP joint venture.

Contingent liabilities in respect of the disposal of Lakehouse Contracts Limited and Foster Property Maintenance Limited are disclosed in Note 7.

The £1.2m provisions release (note 24) relates to a past event which in the directors' judgement has a lower risk likelihood and is now considered possible rather than probable, and hence is disclosed as a contingent liability in the current year.

31. Financial instruments

Financial instruments comprise both financial assets and financial liabilities. The carrying value of these financial assets and liabilities are assumed to approximate their fair values.

The principal financial assets in the Group comprise trade, loans and other receivables and cash and cash equivalents. The principal financial liabilities in the Group comprise borrowings which are categorised as debt at amortised cost, together with trade and other payables, other long-term liabilities, which are classified as other

financial liabilities.

Financial risk management

The Group's objectives when managing finance and capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to any externally imposed capital requirements.

The main financial risks faced by the Group are liquidity risk, credit risk and market risk (which includes interest rate risk). Currently the Group only operates in the UK and only transacts in Sterling. It is therefore not exposed to any foreign currency exchange risk. The Board regularly reviews and agrees policies for managing each of these risks.

Categories of financial instruments

	Financial assets measured at amortised cost	
	2021	**2020**
Financial assets	**£'000**	**£'000**
Current financial assets		
Trade receivables, loans and other receivables	**40,030**	37,711
Cash and cash equivalents	**16,444**	9,679
	56,474	47,390

	Financial liabilities measured at amortised cost	
	2021	**2020**
Financial liabilities	**£'000**	**£'000**
Current financial liabilities		
Trade and other payables	**38,027**	31,336
Lease liabilities	**4,071**	3,167
Total current financial liabilities	**42,098**	34,503
Non-current financial liabilities		
Lease liabilities	**7,972**	3,669
	50,070	38,172

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group does not enter into derivatives to manage its credit risk.

The maximum exposure to credit risk at the reporting date is represented by the carrying value of the financial assets in the statement of financial position. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

There has been a minimal history of bad debts as the majority of its sales are to local government councils or housing trust partnerships and as a consequence the Directors do not consider that the Group has a material exposure to credit risk.

Market risk

As the Group only operates in the UK and only transacts in Sterling, the Group's activities expose it primarily to the financial risks of changes in interest rates only and as a consequence of being debt free the Directors do not consider that the Group has a material exposure to interest rate risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the Group's short,medium and long term funding and liquidity management requirements. The Group's policy on liquidity is to ensure that there are sufficient committed borrowing facilities to meet the Group's long to medium-term funding requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

(a) Interest rate risk

Due to the floating rate of interest on the Group's principal borrowings, the Group is exposed to interest rate risk. The Group's average interest rate was 3.3% (2020: 3.7%) which included LIBOR and margin.

(b) Interest rate sensitivity analysis

The Group's principal borrowings attract floating rate interest. On a weighted average of £nil (2020: £6.4m) of debt in the year, a half per cent increase in the floating interest rate would have increased annual interest payable by £nil (2020: 32,000).

32. Cash generated from operations

	2021	**2020**

	£'000	£'000
Operating profit	**14,793**	8,805
Adjustments for:		
Depreciation	**5,084**	4,793
Share-based payments	**285**	171
Amortisation of intangible related assets	**451**	1,984
Impairment of goodwill and acquisition intangibles	**188**	-
Profit on disposal of property, plant and equipment	**(208)**	(10)
Changes in working capital:		
Inventories	**(1,158)**	37
Trade and other receivables	**(3,661)**	1,618
Trade and other payables	**3,765**	6,035
Provisions	**(2,047)**	436
Cash generated from operations	**17,492**	23,869

33. 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:

	£'000
Assets	
Non-current	
Property, plant and equipment	283
Current	
Inventories	19
Trade and other receivables	693
Cash	-
Total assets	**995**
Liabilities	
Current	
Provisions	(20)
Trade and other payables	(1,085)
Total liabilities	**(1,105)**
Net liabilities acquired	**(110)**
Satisfied by:	
Cash consideration	**200**
Goodwill	**310**

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 30 September 2021, are:

	£'000
Revenue	4,278
Operating profit	154
Interest payable	(6)
Profit before tax	148
Taxation	(29)
Profit for the period	**119**

There is no difference between the revenue and profit for the period and for the period starting 1 October 2020

34. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note.

Trading transactions

The Company's subsidiary, Everwarm Limited, provides services to Warmworks Scotland LLP, a joint venture with Changeworks Resources for Life and Energy Saving Trust Enterprises Limited. £9,609,000 of services were provided

in 2021 (2020: £5,285,000). £848,000 was charged to Everwarm Limited from Warmworks Scotland LLP for services provided in 2021 (2020: £484,000).

At 30 September 2021 Everwarm Limited had a receivable owing from Warmworks amounting to £1,601,000 (2020: £1,166,000), and a payable of £138,000 (2020: £23,000).

The Company's subsidiary, Everwarm Limited, provides services to Arbed am Byth, a joint venture with Energy Saving Trust Enterprises Limited. As at 30 September 2021 Everwarm Limited had a receivable owing from Arbed am Byth amounting to £3,000 (2020: £18,000). £243,000 was charged by Everwarm Limited to Arbed am Byth for services provided in 2021 (2020: £359,000).

Bob Holt provided consultancy services via a company of which he is a shareholder. The daily fee payable for such consultancy services was £1,595 plus VAT. Such services were provided at a total cost of £150,000 (2020: £285,000) (plus VAT). A further £150,000 compensation for loss of office (2020:£nil), was also paid. Sureserve group plc had an amount owing to the company of £nil (2020: £nil).

Remuneration of key management personnel

The remuneration of the Directors and members of the Board, together with other key management personnel of the Group, is set out below in aggregate for each of the categories specified in *IAS 24 - Related Party Disclosures*. The key management personnel are the members of the Executive Management Team. Further information about the remuneration of individual Group Directors is provided in the audited part of the remuneration report;

	2021 Number	**2020 Number**
Number of members of the Executive Management Team at each year end	15	15

	2021 £'000	**2020 £'000**
Short-term employee benefits	**2,766**	2,383
Share-based payment charge	**113**	-
Post-employment benefits	**211**	142
Compensation for loss of office	**187**	-
	3,277	2,525

In addition to the above dividends were paid to directors of £1,000 (2020: £7,000). Gains on exercise of share options were £860,000 (2020: £nil).

35. Events after the reporting date

On 4 November 2021, Peter Smith was appointed as the new CEO.

Arbed am Byth

The Arbed 3 programme for the Welsh Government is delivered via our joint venture with the Energy Saving Trust. The original three-year contract term had seen a six-month extension to November 2021 as previously announced. While we are disappointed the scheme has now concluded, we were satisfied with the delivery volumes achieved despite the challenges Covid-19 has presented during the term. The Welsh Government has not yet announced details of any successor scheme. We will monitor this alongside other appropriate opportunities. The joint venture has now concluded the installation programme and is currently undertaking remaining post installation obligations. We are delighted the Group continues to install energy efficiency measures in Wales through our recently awarded energy refrofit scheme with Pobl Group in Swansea. Other Group works in Wales include our fire business SS F&E is undertaking ongoing sprinkler installations in Newport.

CorEnergy Limited

On 7 December 2021, the Group, acquired the entire issued share capital of CorEnergy Limited, a business focused on delivering sustainable energy solutions for public and private sector organisations.

The maximum total consideration payable for CorEnergy is £7.5 million, plus any working capital adjustments with an initial £5.9 million payable on completion, satisfied through £2.9m in cash and the issue of 3,281,879 new ordinary shares of 10p each in Sureserve. The Consideration Shares were issued at an effective price of 89.4p each. Further deferred consideration of up to a maximum of £1.6 million may be payable, split equally between cash and shares, depending on CorEnergy's full year results to December 2021. The transaction is to be achieved on a debt free / cash free basis.

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

	Provisional fair value £'000
Assets	
Non-current	
Deferred tax asset	91
Current	
Trade and other receivables	671
Cash	1,651
Total current assets	2,322
Total assets	**2,413**

Liabilities	
Current	
Provisions	(40)
Trade and other payables	(1,258)
Total liabilities	**(1,298)**
Net assets acquired	**1,115**
Goodwill and intangible assets acquired	**6,494**
	7,609
Satisfied by:	
Cash consideration	**2,934**
Deferred cash consideration	**300**
Share consideration	**2,934**
Deferred share consideration	**300**
Working capital adjustment (paid in cash)	**1,141**
	7,609

Contingent deferred consideration has been calculated based on the expectations of future performance of the entity compared to the calculation methodology set out in the Share Purchase Agreement. The contingent deferred consideration may vary depending on the underlying trading performance of the business.

The CorEnergy Limited intangible assets and goodwill represent the expected value to be derived from the acquired customer-related contracts and acquired customer relationships. The value of the customer-related contracts and customer relationships will be based on expected post-tax cash inflows over the estimated remaining life of the contract. The estimated life for customer contracts is assumed to be the remaining life of the contract, and the customer relationships are expected to have a life of up to three years.

The Directors consider the value assigned to goodwill will represent 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.

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