Sureserve Group plc
Annual Report 2020

A successful platform for future growth

SureserveGroup

Committed to making a difference towards a sustainable future

Response

Focusing on the health, safety and welfare of our employees and those in the communities which we serve.

Find out more
on pages 4 –5

Resilience

Identifying market opportunities to grow and investing significantly in the talent and expertise within the business.

Find out more
on pages 16 – 17

Growth

Building significant market shares in both Compliance and Energy Services and ensuring long term growth.

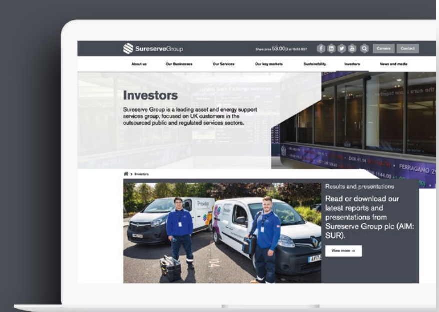
Find out more
on pages 32 – 33

Who we are

The Sureserve Group is a compliance and energy services group. We make a difference to people's lives by delivering comprehensive and high quality services in a range of sustainable markets including social housing, public buildings, education, energy services and industrial and commercial buildings.

Our Brands

AaronServices – Part of the Sureserve Group
K&THeating – Part of the Sureserve Group
Sureserve Fire&Electrical – Part of the Sureserve Group
PrecisionLifts – Part of the Sureserve Group
Everwarm – Part of the Sureserve Group
Providor – Part of the Sureserve Group
H_2ONationwide – Part of the Sureserve Group
SureMaintenance – Part of the Sureserve Group



Find more online at
www.sureservegroup.co.uk

2020 highlights

Financial highlights

- Revenue from continuing operations: £195.7m (2019: £212.1m, 7.7% reduction following significant Covid-19 impact)
- Profit before tax from continuing operations: £7.8m (2019: £5.3m, 45.9% growth)
- Earnings per share 4.0p (2019: 2.7p)
- EPS excluding amortisation of acquisition intangibles and share based payments of 4.9p (2019: 4.4p)
- Operating profit before exceptional items and amortisation of acquisition intangibles: £10.4m (2019: £9.4m, 11.2% growth despite revenue impact above)
- Year end net cash of £9.8m (pre-IFRS 16 and deferred VAT payments) (2019 net debt: £7.4m)

More details on pages 24 – 27

Operational highlights

- Compliance and Energy Services, well established, low risk divisions with good visibility and operational leverage
- Outstanding record of 128 contract wins valued at £202.8m
- Operating cash conversion from continuing operations of 126% (pre-IFRS 16) (2019: 106%). Our adjusted operating cash flow, before the IFRS 16 adjustment, was an inflow of £12.9m (2019: £9.9m)
- Implemented safety measures to ensure the wellbeing of our people and our clients' customers
- The Group achieved carbon neutral operations within the period

More details on pages 18 – 23

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Providing essential services to homes, communities and businesses

Our vision

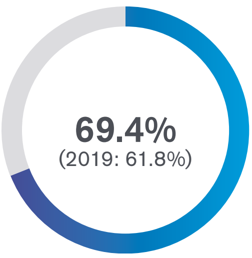
To be the supplier of choice to communities across the UK for their compliance and energy services, becoming market leaders through excellence in service delivery, innovation and customer service.

Compliance

The Compliance division comprises services in the areas of gas, fire and electrical, water and air hygiene and lifts. Services include planned and responsive maintenance, installation and repair.

Key business drivers

- Highly regulated markets
- Client requirements for multiple service lines on a national basis
- Mix of work (service, maintenance and installation)
- Seasonal influences in gas and lift markets
- Reliability and performance of service
- Productivity and manpower efficiency



2020 revenue

£137.2m*

(2019: £133.1m)

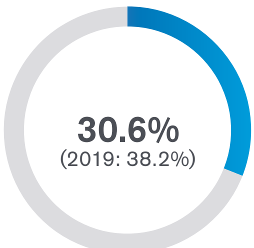
Read about our Compliance businesses
on pages 20 – 21

Energy Services

The Energy Services division comprises energy efficiency services, renewable technologies and smart metering services.

Key business drivers

- Fuel poverty
- Compliance with claims submission process
- Scheduling of manpower, especially in smart metering
- Responsiveness to market changes and opportunities
- Client service
- Understanding subsidy regimes



2020 revenue

£60.4m*

(2019: £82.1m)

Read about our Energy Services businesses
on pages 22 –23

* Divisional revenue figures include revenue from intercompany trading which accounts for a total of £1.8m in 2020 and £3.1m in 2019.

OUR INVESTMENT CASE

Our investment case is focused on delivering sustainable long term returns and creating value for our stakeholders.

1 **Differentiated through our service offering in tightly regulated sectors**
Our focus on quality differentiation and breadth of service attracts and retains core clients, positioning us for further growth in what is a fragmented and regional market.

2 **Experienced leadership**
Our management team has widespread and extensive experience in delivering successful results in our sectors, and has developed a streamlined and effective organisational structure, strengthening our operations with an ongoing focus on operational efficiency and cost savings.

3 **Strong market positions**
Leadership positions in non-volatile markets with recurring, predictable revenues, which in turn ensure long term sustainable growth. We hold long term contracts working with both the Scottish and Welsh Governments.

4 **Strong performance and operational excellence**
Overall Group performance was pleasing against the background of Covid-19 and demonstrates the resilience of the business model and the quality of services delivered by our people.

5 **Growing geographical footprint**
We have built a Group that is focused on delivering high quality services across the UK from regional offices using local workforces with continued expansion of our activities.

6 **Strong brands and established reputation**
For more than 30 years the Group has worked closely with clients, providing the services necessary for communities to thrive.

Read about our Compliance businesses
on pages 20 – 21

Read about our Energy Services
on pages 22 – 23

Our key markets

Social housing
We have a wealth of experience, delivered over many years, providing asset management services to social housing clients, working with their residents and improving their communities.

Public buildings
We work closely with our clients and partners to deliver a range of services to public buildings that fulfil the diverse needs of modern communities.

Energy
A number of our specialist businesses work within the energy market delivering vital services to local and central Government in Scotland and Wales, energy companies, businesses, landlords and homeowners.

Industrial and commercial
We are perfectly positioned to deliver a range of market leading services to clients in the industrial and commercial sectors.

Our locations

Number of employees

2,162

Number of offices

22

Response

Focusing on the health, safety and welfare of our employees and those in the communities which we serve.

Keeping essential services running

During the Covid-19 lockdown, the Group's gas, water and electrical service businesses were classed as Key Service providers to critical sectors under the UK Government Guidelines, making those operational teams in effect 'frontline workers'. While a large number of people were working from home, central services and back office teams operated at optimum capacity throughout this period, delivering innovative and bespoke solutions in order to continue providing services in unprecedented circumstances.

"K&T Heating is committed to ensuring all customer works can be carried out in a safe and secure manner with the issue of Covid-19 kits issued to engineers to allow them to attend customers with confirmed Covid-19 symptoms and who require essential works to be carried out whilst isolating. This evidenced the organisation's commitment to customers' welfare."

NQA COVID SECURE
Guideline Verification Audit Report

Gas compliance emergency call-outs
154,172

Group-wide webinar business-updates
89

Contract wins
£202.8m

Keeping our people safe

The wellbeing of our people has been at the forefront of our business activities this year, and we were quick to put in place vital resources and practices to ensure we were best placed to keep them safe.

1

Daily webinar briefings from our Chairman and Chief Executive, Bob Holt, allowing all employees across the Group to access business updates and up to date recommendations and changes to the work environment.

2

Comprehensive Covid-19 specific Risk Assessments and Safety protocols were quickly put in place and continue to be reviewed accordingly in line with any changes to Government Guidance. Consistent and clear communication to all employees is delivered on a weekly basis.

3

Significant investment in the development and distribution of technology platforms to facilitate and support new ways of working, including home working for many of our people.

4

Our Safety, Health, Environment and Quality (SHEQ) teams worked with businesses across the Group to introduce best practice and review processes in order to secure COVID SECURE accreditation.

5

The Group's Employee Assistance Program continued to support our people providing 24-hour telephone advice and counselling on a wide range of issues.

Keeping our promises

"This Council recognises the considerable efforts Aaron Services have made to ensure all our housing stock heating systems remain safe, operational and legally compliant for its tenants during the Covid-19 crisis. Aaron have ensured the safety and wellbeing of tenants through safe working systems and a dedicated service team."

Russell Shortland,
Property Services Manager,
North Kesteven District Council

Keeping our customers informed

Our relationships with our clients has been of the utmost importance through this period. Clarity and transparency in our communications and an understanding of our clients' unique requirements has meant that many of these relationships have become even stronger in the past months, and as we have demonstrated our versatility and strength in the face of unprecedented challenges, it has increased the opportunities open to us for further growth in the future.

"The UK's commitment to creating a zero-carbon economy presents a strong growth platform for our energy and gas businesses."

Bob Holt
Chairman and Chief Executive

A successful platform for future growth

Introduction

I am pleased with Sureserve's performance in what has been an extraordinary year, with results ahead of both market expectations and our own internal targets.

Our priority throughout the Covid-19 pandemic has been the safety and well-being of our people, whose hard work and commitment has allowed us to post a good performance. Even during the pandemic, we have continued to invest in our people, their training and development. The Sureserve Academy, the Group's central hub for all learning and development, is available to all staff and provides a wide range of training protocols for individuals at all levels in the business. It was a precondition of supporting our apprentices on full pay that they remain committed to completing their training during lockdown. At the end of the lockdown period we took the view that there would be very few redundancies and have continued to be an employer of choice. In line with Cabinet recommendations we have ensured that all our suppliers and other creditors have been paid in line with their agreed terms. During the first period of lockdown our Scottish Energy and Smart Metering businesses were placed on hold by their clients and only contracted to carry out emergency type services. The joint ventures with the Scottish and Welsh Governments were also subject to significant lockdown restrictions, again carrying out primarily emergency services.

Despite these operational constraints, our Energy Services businesses have continued their focus on client relationships and advancing service delivery, making sure their teams are ready when normal services have resumed. In Everwarm we have developed technical expertise in the provision of a range of alternative energy solutions where we see significant growth in future markets. A significant part of the Group's services are provided into the public sector at both local and central Government levels and the Government's announcement in November regarding plans for a green recovery and their detailed ten-point plan present the Group with substantial opportunities in this area.

With the expertise and skill-sets already in place to deliver services in the sustainability sector, our market leading position in gas testing further provides us with the platform to be at the forefront of the energy transition towards the use of more sustainable, greener energy systems in the future. These businesses performed well within the period, benefiting from key worker status and able to continue services during periods of lockdown.

Demand for the Group's services continues to be strong, operating in highly regulated public sector energy management sectors. Our water treatment, fire and electrical, and two of the gas testing businesses had record years for revenue and/or profitability.

Trading performance

The Group made excellent trading and operational progress throughout the year and exceeded both internal and external trading forecasts. At the end of July we paid off all outstanding debt to NatWest becoming debt free for the first time in our history as a public company. Our cash management in the year was excellent, generating 126% operating cash conversion against EBITA (pre-IFRS 16).

The Group has followed Government guidelines and policy during the Covid-19 pandemic. This includes access to applicable financial support where appropriate. Given the range of impacts seen across the Group following Government-imposed restrictions, we took the decision to participate in the Coronavirus Job Retention Scheme ('CJRS') where operations had been affected by Covid-19.

Our basic earnings per share from continuing operations increased to 4.0p from 2.7p in 2019 and our basic earnings per share from continuing and discontinued operations grew to 4.0p from 3.2p in 2019. Our normalised basic earnings per share from continuing operations (adjusted to exclude amortisation of acquisition intangibles and share-based payments) are 4.9p, up on 4.4p in 2019. Our bidding pipeline remains strong and we were awarded £202.8m of contracts in the year under review. The Financial Review gives a full review of all these results.

Our growth trajectory

We believe we are the leading provider of gas installation and testing services to the public sector in the UK. We also hold long term joint venture contracts with both the Scottish and Welsh Governments.

We have first class service level performance which has given the Group an enviable positioning when bidding for larger multi-location contracts for large public sector, regional and national property owners. In addition we hold a number of client relationships with clients who buy more than a single Group service.

Organic growth from continuing operations was strong during the year, with important contract wins strengthening our presence across the UK. These include a contract extension to November 2021 for the Arbed Am Byth contract with the Welsh Government, as well as two significant awards within Smart Metering.

In the year we successfully bid for and won a number of contracts in our gas services businesses with Homes for Haringey, Southern Housing, Hinckley and Bosworth Council, Stonewater, Colchester Borough Council, Clarion Housing, Ongo Homes and Harrogate Borough Council.

The UK's commitment to creating a zero-carbon economy presents a strong growth platform for our energy and gas businesses. With an already established presence in the market, our businesses benefit from continued investment in developing newer forms of energy efficiency services and strengthened bid teams to explore new prospects. The Group has also delivered carbon neutral operations in the period thanks to carbon savings delivered via work undertaken by Everwarm, underpinning our plans to help the UK achieve net zero.

The order book stands at £355.8m demonstrating a strong platform for future work and, pleasingly, the average contract length has increased to four years.

Our people

Across the Group, training is an essential platform to further develop our workforce. It allows us to bridge the skills gaps in many of our operational specialisations, as well as provide structured progression opportunities for potential managers and leaders. The Sureserve Academy consolidated its activities across the Group and throughout the Covid-19 pandemic we have invested significant resources into the training and development of the workforce.

It would be remiss of me to fail to recognise formally the excellent management of the pandemic in the first instance by our human resources and our health and safety teams. Maria McGettigan and Sarah Eddy are to be commended for their commitment to provide the business with daily updates and policy changes on legislation. Without the diligence of those individuals and their teams I do not believe we would have achieved the good trading results and as excellent a record of managing Covid-19 as we have.

Building on our strategy

During the year we have continued with our growth strategy, focused on Compliance and Energy Services to maximise the opportunities provided by a stable base of regular recurring and predictable revenues and profits.

- Operational excellence: we achieve a high level of new contract awards and keep our existing clients happy
- Geography: working in sectors which have traditionally been predominantly regional we have achieved scale and geographical coverage
- Focused divisions: in our market we believe that focus is the key. We have focused businesses in the sectors we have targeted which means we have a profitable and cash-generative business that is understood by all stakeholders
- Working together: cross-selling has proved successful in the past and we have a good track record at delivering a number of services to the same client

Dividend

In accordance with the principles of sound financial management and good governance, the Board aims to maintain a dividend that both recognises shareholder needs and expectations while retaining sufficient capital to drive future growth. The Board proposes a final dividend payment of 1 pence per share and it is the Board's intention to continue to consider future dividend payments based upon the trading performance of the Group.

Outlook

We have a solid platform for further growth, underpinned by our continued focus on regulatory-driven sustainable revenues and targeting growth both organically and through acquisition. In December we acquired Vinshire Gas Services Limited, an East Midlands gas testing business, and welcomed 100 new staff into the Group. With 77% of FY21 revenues secured and a total order book of £355.8m, we look forward to the business continuing on its current growth trajectory. We have started FY21 strongly, though we recognise the impacts of continued Covid-19 lockdowns and their potential disruption to our business.

During 2021 we are focused on making further gains across both Energy Services and Compliance, particularly given our crucial work in helping the UK reach its commitment to create a net zero carbon economy by 2050. In this vein, we are looking to repeat our performance in FY20 and report carbon neutral operations once again during FY21. We also remain committed to helping tackle fuel poverty across the UK over the years ahead.

We are focused on being a stable, growing and cash-generative Group that delivers operational excellence and builds strong relationships in highly regulated sectors that deliver significant recurring revenues from a debt free platform. We have a strong platform for growth, based on good relationships with governmental contracting organisations throughout the UK and especially with staff who are ultimately responsible for contracting the services we provide.

We will continue to invest in our growing and increasingly skilled workforce, ensuring that the residents and communities we serve are provided the best the market has to offer, as well as the comfort and safety necessary for their well-being.

I personally look forward to bringing you further good news in the future.

Bob Holt OBE
Chairman and Chief Executive
1 February 2021

Opportunities in healthy markets

Our two operating divisions serve predominantly public sector clients in the social housing, public buildings and energy services markets. We are also selectively increasing our work for clients in the industrial and commercial markets.

PRIMARY CUSTOMERS

Compliance
Social housing providers and an expanding presence among industrial and commercial clients, with a national footprint. Our Gas Compliance business is the UK market leader in its sector. We believe our wider Compliance division is the strongest in our core public sector markets.

Energy Services
Private and social housing providers, public and commercial building owners, and a mix of the largest and smaller, sometimes referred to as 'challenger', utility companies and both the Scottish and Welsh Governments. We provide energy efficiency products and services to our customers, while installing and often managing domestic smart meters for clients nationwide.

We are well positioned to take advantage of new technologies and energy systems and are exploring opportunities provided by increasing demand for battery storage and vehicle charging points, among other developments.

Social housing

We have a wealth of experience, delivered over many years, providing asset management services to social housing clients, working with their residents and improving their communities.

Market drivers

- Mandatory building compliance driven by regulation or legislation
- Continued demand for social housing due to increasing unaffordability of private housing

Working in tightly regulated markets, we help our clients to meet their legal and regulatory obligations. Gas compliance services are usually mandatory and driven by regulation or legislation. This creates predictable demand for these services, which allows us to plan and invest.

Outlook

Demand for social housing continues to grow, and the political significance of fuel poverty remains high, with a Government requirement to continue tackling this key social issue.

We expect client demand for our services to continue growing. Such demand is largely driven by regulation and legislation. Our strong position in both the compliance and energy services sectors presents us with significant growth opportunities across a range of adjacent services and geographic markets.

We believe we have a sizeable and growing market share within an extremely fragmented but growing sector. We believe our scale and national reach provide a strong base for further growth and effective client delivery.

Public buildings

We work closely with our clients and partners to deliver a range of services to public buildings that fulfil the diverse needs of modern communities.

Market drivers

- Mandatory building compliance driven by regulation or legislation
- £1bn Government boost for the energy efficiency of public buildings, including schools and hospitals through the Public Sector Decarbonisation Scheme ("PSDS")

Combined with the continued regulatory obligation of local authorities to provide safe and compliant public buildings for their communities, the introduction of the PSDS highlights the increased importance of central Government departments and their agencies, local authorities, schools and NHS Trusts to address energy efficiency and low carbon heating measures, reduced energy bills and carbon emissions.

Outlook

Government announced plans in late September for schools and hospitals across England to be greener and cheaper to run thanks to a £1.0bn fund to upgrade the nation's public buildings. This increased investment for local authorities to spend on public buildings provides further opportunity for the Group to offer complementary services where we are already working with public building clients.

Industrial and commercial

We are well positioned to deliver a range of market leading services to clients in the industrial and commercial sectors. We work with our industrial and commercial clients delivering energy efficient measures, the installation of gas systems, the installation and maintenance of lifts, and helping them fulfil their air and water hygiene obligations.

Market drivers

- A mix of drivers depending on specific service and market sector specifics

Our services are tailored to meet the unique needs of our clients, and we can offer significant savings through energy saving solutions and peace of mind when it comes to meeting health and safety requirements. Ongoing reviews and maintenance ensure that our clients experience the benefits available to them for the duration of the contract.

Outlook

We believe this is an area for potential growth within the group following recent investments and focus on additional revenue streams to supplement our existing offerings.

Energy

A number of our specialist businesses work within the energy market delivering vital services to energy companies, businesses, landlords and homeowners.

Market drivers

- Government and local authority commitment to decarbonisation targets
- Fuel Poverty in the UK a focus for Governments
- The national smart meter roll-out to install 53 million meters in homes and small businesses across Great Britain by the end of June 2025
- Green recovery following Covid-19 pandemic

The Government's Ten Point Plan for a Green Industrial Revolution and National Infrastructure Strategy, announced in November 2020, further supports these drivers and future developments towards achieving net zero.

Energy providers remain obliged to fund energy efficiency and heating measures under the Government's Energy Company Obligation ('ECO') policy. The Government's announcement of a £3.0bn plan to upgrade buildings in England as an essential part of a green recovery from Covid-19 and reaching net zero emissions by 2050 includes the Green Homes Grant, Public Sector Decarbonisation Scheme and the Social Housing Decarbonisation Fund. A number of other key funding schemes exist.

The Government and local authorities across the UK are committed to carbon emissions savings targets, which we help to deliver for them through our work for utility companies. The usage of 'climate emergency' language is becoming increasingly regular and is likely to continue to drive a focus on carbon neutrality and more recently 'net zero' policies, which should further support and grow the range of energy efficiency works we undertake.

Outlook

One of our core sources of funding is the ECO ('ECO 3') scheme, running until March 2022 under the current version of the scheme originating from October 2018. The Group has a wealth of experience in this area. We are also represented on national and regional programmes with the Scottish Government's flagship HEEPS2 programme, which has been extended to 2022, and delivery partner for the Welsh Government for its Arbed 3 programme until 2021, with the potential for a two-year extension.

Further investment in electrical infrastructure is required to realise a low carbon and emissions free energy market, with Ofgem setting £25bn against a five-year investment proposal and the potential for a further £10bn to be added. Furthermore the ban on petrol and diesel car sales from 2030 onwards has driven commitment and investment from the Government by way of £1.3bn for charging infrastructure.

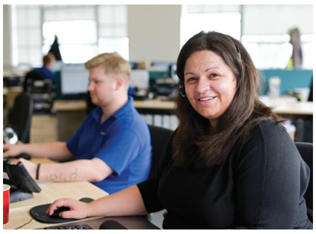
The smart meter roll-out was originally due to be completed in 2020, this has now been extended to mid-2025, which we believe is a positive for our Group as we form part of the UK's plans for a net-zero future and the means to exchange approximately 30 million meters in that time. We are confident in the future of our markets, as demand is there and funding is in place.

A business model for the long-term

Our long-term approach is reflected in the strength and depth of our relationships, based on the quality of our work with our clients, their customers, communities, financial partners, our employees, shareholders and suppliers.

With highly experienced management and an exceptionally skilled workforce, we look to build our business in regulated markets where revenues are predictable.

How we work

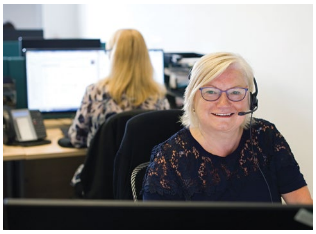


Predictable and recurring revenue streams

By their nature, compliance services generate steady revenue streams as they are frequently mandatory for many of our clients and driven by regulation. The regulatory environment has placed increasing obligations on local authorities and social housing landlords to maintain housing stock and public buildings to applicable safety standards and this, in turn, has led to the growth and development of the gas, fire, air and water, and lift safety industries from which the Compliance division continues to benefit.

Relevant industry accreditations and certifications

The eight businesses across the Group hold a number of relevant industry accreditations and certifications which are either a statutory requirement for tendering for, or carrying out, work or may be helpful in securing new contracts. Examples of our certifications and accreditations include: ISO 9001, 14001, 45001, 18001 and 50001, NQA COVID-19 Secure Verification, Gas-Safe, BAFE, EXOR, CHAS, Safe Contractor, NICEIC and Green Deal.



Careful project selection

We carefully select projects on the basis of the value we can generate through undertaking them, for ourselves, our shareholders, our clients, their customers and other stakeholders. Our strong customer relationships and market intelligence are critical, enabling us to understand our clients' challenges and requirements, which are crucial to a successful tender. This involves assessing risks, returns, strategic fit and our ability to deliver against client expectations.

Working with Governments

We support the Governments we work with in their delivery of national fuel poverty and energy efficiency schemes. We help to enhance the quality of life of those in need and improve the energy efficiency of properties, making a difference to them financially and to a wider overall consumption as we work towards Government carbon neutral and similar targets. By setting up independent joint venture entities which exist for the purpose of delivery for the Government, we engage with our clients, utilising the range of skillsets available to us and from our joint venture partners to best service our clients and those in need.

Target outcomes

Sustainable growth
With a broad service offering and extensive geographic coverage, we primarily seek to grow organically. We believe that every new contract award provides a potential case study for the next opportunity. We have invested in our bid teams and technology. We have also acquired businesses that reinforce our ability to grow organically by improving our service offering, customer base, geographic footprint or opportunities for entering new markets.

Number of employees

2,162
2020

20	2,162
19	2,061
18	1,989

Client relationships
We aim to build ever better and deeper relationships with our clients, leading to contract renewals and extensions and a continuous flow of attractive tender opportunities.

Average value for long term maintenance contracts

£4.0m
2020

20	£4.0m
19	£2.8m
18	£2.5m

Enhanced reputation
It is important to us that our clients, their customers and the communities where we work regard us in a positive light, recognising us for the quality of our work, our consideration as a contractor, our status as an employer and our role in promoting sustainable practices.

Customer excellence KPI*

95.8%
2020

* In the period a new Customer Excellence KPI was implemented to allow us to record and report on our performance and quality of works with our customers. This is the first year that these figures are available to the whole Group, so no comparisons are available.

Value we create

Our clients
We deliver high quality services with great efficiency, enabling our clients to meet their legal, regulatory and environmental obligations.

Read about how we engage with our clients on page 34

Our clients' customers
We provide safe, warm and well-maintained homes and buildings that improve their quality of life.

Read about how we engage with our clients' customers on page 35

Communities
We deliver increased employment opportunities, skills and better infrastructure and provide leadership for community initiatives.

Read about how we engage with our communities on page 35

Financial partners
Our responsible business management reflects our deep understanding of risk versus returns.

£9.8m
Year-end net cash (pre-IFRS 16 and VAT deferral)
(2019: net debt £7.4m)

Read about how we engage with our financial partners on page 36

People
We offer interesting, challenging careers in a well-managed and growing business that provides the opportunity for development and progression.

7.7%
Group employees in courses of training
(2019: 6.9%)

Read about how we engage with our people on pages 36, 39 and 40

Shareholders
We operate in non-volatile trading environments with predictable recurring cash flows that should deliver growing revenues and profits.

1p
Total dividend payable for the year
(2019: 0.5p)

Read about how we engage with our shareholders on pages 37 and 46

Suppliers
We provide opportunities for national and local suppliers to grow their business by developing strong relationships with an expanding Group.

Read about how we engage with our suppliers on pages 37 and 41

Continuous investment

It is by continuously investing in our people that we are able to deliver on our growth strategy, both organically and through acquisition where appropriate.

Our vision is to be the leader in the compliance and energy service markets

Through our strategy, we are committed to delivering highly cash-generative services to organisations in stable, non-volatile growth markets that offer secure, predictable cash flows over the long term.

In delivering against our strategy, we focus on three key areas:

Differentiation through our service offering
Unlike many of our competitors, we benefit from having specialist experience and expertise in a wide range of areas and a growing national footprint. This enables us to be selective about the tenders we pursue, focusing on those where we believe we have tangible quality and experience advantages. We have also developed a reliable supply chain comprising partner organisations on which we know we can rely for excellent technical support and high levels of client service.

Doing business the right way
We place our clients, their customers and communities at the heart of everything we do. No matter how challenging the conditions, we always focus on quality of service and delivery, and on observing the highest standards of behaviour and integrity. Our in-depth knowledge of the challenges our clients face enables us to anticipate and respond to their requirements and continuously improve our services.

Delivering operational excellence
We always aim to work with clients on terms that benefit each party. This means that we undertake to focus on operational excellence, both in service provision and in commercial management and financial discipline. We look to improve continually, in our services and in our efficiency through investments in systems, training, development and safety. A key aspect of this disciplined approach is ensuring that we focus on risks and target contracts with appropriate returns that drive profitability. We therefore aim to work with clients on terms of mutual respect, and in the understanding that being paid on time is as important as the level of profitability on each contract.

How will we achieve this?

Operational excellence

Why is this a priority?	Continuing changes in the workplace, in the markets we serve and in our clients' needs require that we maintain operational excellence through evolution and innovation to satisfy our customers and continue to win work.
Progress in 2020	The Group has been quick to address issues created by the Covid-19 pandemic, allowing the Group to continue to meet the needs of its clients whilst adhering to strict Government protocols. The health, safety and welfare of our employees and those in the communities we serve has been under intense focus, ensuring our operational and support management teams are able to perform at optimum levels.
Outlook	Despite the challenging circumstances, our operational performance has been strong, demonstrating the resilient nature of the business and the essential nature of much of the work we perform.

Strategy in action

Ensuring the Group's vision is communicated to all of our people at every level means our long-term goals are always clear, even whilst responding to unforeseen challenges in the year.

> "Resilience has characterised our response to this year's challenges, and it is in fact the resilience of each and every one of our people, working together, that makes it possible to describe a Group of our size in that way."

Bob Holt OBE
Chairman and Chief Executive

Geography	Focused divisions	Working together
Working in sectors which have traditionally been predominantly regional we have achieved scale and geographical coverage.	We believe focus is the key in regulated growing markets. We operate through two divisions and have focused businesses in the sectors we have targeted.	Cross-selling has proved successful in the past and we have a strong track record at delivering a number of services to the same client.
Despite the significant disruption to our energy services businesses, we saw successfully mobilisation of two new large smart metering contracts in the year, extending delivery across the whole of Scotland and part of North East England. Our compliance businesses, classified as 'key worker' status during lockdown, have been very busy and were able to capitalise on the growth of identifiable opportunities and win additional work in new areas.	Our Compliance division has performed well during the year, despite the demands on businesses to respond to unprecedented operational challenges. The Energy Services division has mobilised quickly and strongly following the removal of restrictions, thanks to the preparations and forward planning undertaken whilst operations were not possible.	In the year we successfully bid for and won a number of contracts and contract extensions.
As well as holding long-term contracts with both the Scottish and Welsh Governments, we have first class service level performance which has given the Group an enviable position when bidding for the larger multi-location contracts for large regional and/or national property owners.	Continued regulatory and legislative drivers mean increased demand for our compliance services, and these businesses have leveraged their expertise and delivered a strong performance. Our Energy Services division will benefit from the Government's plans for a green recovery and increased stimulus towards energy efficiency in both public and private markets.	The Group continued to show resilience in performance and we are well positioned for further growth.

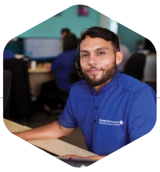
In anticipation of identifiable increased market opportunities, the bidding teams have been strengthened in both our Compliance and Energy Services divisions. This had the effect of increasing the Group's bidding strike rate of opportunities directly resulting in work by 7% to 42%, up from 35% in 2019. The strike rate is the value of tenders secured divided by the total value of tenders submitted expressed as a percentage.

Operational delivery has benefited from significant investment in apprenticeship and training schemes, fostering talent and expertise within the business and ensuring the quality of our people are the driving force behind our success.

Read about the Sureserve Academy on page 40.

The challenges faced by the Covid-19 pandemic this year have required top-down examples of swift and decisive leadership across the Group, including daily Group-wide business communications; rapid reassessments of delivery teams; and ensuring the health and wellbeing of our people is at the centre of our business decisions.

Read about our response on pages 04 to 05.



Customer Service Excellence has been an essential part of the maintenance and delivery of contracts, as solution-led collaboration has been required to develop innovative responses to very specific and localised challenges and has often led to exceeding set KPI targets across the spectrum.

Read about our non-financial KPIs on page 15.

Key performance indicators

We use the following key performance indicators to monitor the progression of the Group's strategy.

Financial indicators

Working capital (accrued income)

£17.3m

Accrued income (Group)

20 17.3
19 17.6

The key elements of working capital are trade receivables, accrued income, trade payables and accruals. Accrued income is quoted above as a key indicator of the Group's overall working capital position.

Relevance to strategy
The level of working capital demonstrates our ability both to grow and manage risk within the Group.

Performance
Trade receivables decreased by 6.7% to £16.7m (2019: £17.9m), accrued income decreased by 1.7% to £17.3m (2019: £17.6m), trade payables decreased by 7.6% to £19.5m (2019: £21.1m) and accruals rose by 23.8% to £9.9m (2019: £8.0m).

Revenue growth

(7.7)%

Revenue increase (Group)

(7.7) 20
19 11.2

We provide services to our clients under long-term contracts and measure revenue growth as a percentage.

Relevance to strategy
The level of revenue demonstrates our ability both to grow and manage portfolio risk within the Group, predominantly through organic means, but where relevant through carefully targeted acquisitions.

Performance
Group revenue decreased by 7.7% to £195.7m (2019: £212.1m), mainly reflecting a reduction in revenues in the Energy division, whose revenues decreased by 26.5% to £60.4m (2019: £82.1m). Revenues in Compliance Services increased by 3.1% to £137.2m (2019: £133.1m).

EBITA

£10.4m

Underlying EBITA increase (Group)

20 10.4
19 9.4

EBITA is earnings before amortisation of acquisition intangibles, interest, tax and discontinued activities. EBITA is stated before exceptional items.

Relevance to strategy
The increase in EBITA demonstrates our ability to grow our profitability, manage risk, deliver operational improvement and expand our margins.

Performance
Group EBITA increased by 11.2% to £10.4m (2019: £9.4m), reflecting an increase in EBITA in the Compliance division of 39.5% to £11.8m (2019: £8.5m) and a decrease in EBITA in Energy Services of 81.8% to £0.8m (2019: £4.3m).

Order book

£355.8m

Order book

20 355.8
19 333.2

The order book comprises our contracted revenues, together with prospective revenues from the frameworks we are on, where our experience of customers deploying their confirmed budgets means our revenue from the framework is foreseeable.

Relevance to strategy
The order book measures our success at securing the long term contracts and frameworks we bid for and makes our future revenue more predictable.

Performance
The order book increased 6.8% to £355.8m (2019: £333.2m).

We currently have 77% visibility for the year to 30 September 2021 (like for like prior year: 72%).

Operating cash conversion (pre-IFRS 16)

126%

Underlying operating cash conversion

20 126
19 106

Operating cash conversion is operating cash flow, adjusted for the cash impact of exceptional items, VAT payment deferral and amortisation of acquisition intangibles as a percentage of operating profit before exceptional items and amortisation of acquisition intangibles.

Relevance to strategy
A high level of operating cash conversion demonstrates the quality of the profits we earn, as well as our ability to generate funds for reinvesting in our growth and paying dividends to shareholders.

Performance
Operating cash conversion in the year was at 126% (2019: 106%). Cash conversion on a statutory basis was an inflow of 229% (2019: 59%).

We continue to target average cash conversion of 80% over the long term.

Non-financial indicators

Group accident frequency rate ('AFR')

0.20

Accident frequency rate ('AFR') RIDDOR

20	0.20
19	0.22

Accident frequency rate ('AFR') all accidents

20	1.98
19	3.2

The Group's accident and reporting data and analysis includes Near Hits, Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ('RIDDOR') data, accidents/incidents and environmental incidents. This allows us to set relevant and meaningful health and safety targets and objectives.

Relevance to strategy

The Sureserve Group has a Safety vision which is supported by the Group-wide strategy. Working in a safe environment allows our people to focus on delivering a great service to our customers and key stakeholders. Protecting our people also supports employee engagement and retention.

Performance

The AFR for RIDDOR reportable incidents is 0.20 (2019: 0.22), which is a decrease on last year's figure. The target for the Group for this period was 0.20 so we have managed to meet our target and not exceed this. The AFR for all accidents stood at 1.98 (2019: 3.2), substantially below the Group target of 5.0.

Carbon usage

7,296t

Carbon usage (tonnes)

20	7,296t
19	8,666t

We calculate our carbon footprint by considering energy use across the Group, including our vehicle fleet (both business and privately owned).

Relevance to strategy

We understand the need to protect our natural environment and reduce our carbon footprint. Our customers, particularly in the public sector, want to engage responsible suppliers. Managing our environmental impact is therefore important for our ability to win work, as well as being socially responsible and more cost efficient for us.

Performance

The decrease in carbon consumption is due to the COVID-19 pandemic and the remote working that this has resulted in, alongside a reduced workforce during the first lockdown period in March 2020. We have now started to integrate the grey fleet (our people's private vehicles when used for business travel) into our data.

Driver behaviour ratings

94

Average driver behaviour rating

20	94
19	93

Using vehicle telematics we determine driver behaviour within each business, calculating risk ratings for each driver based on speed, braking and cornering metrics recorded each time they use the vehicle.

Relevance to strategy

By monitoring and improving our drivers' performances we can affect positively the Group's fuel consumption and wear and tear on vehicles and reduce the risk of road traffic incidents.

Performance

Our average driver behaviour rating this year was 94 out of 100 (93 in 2019), an improvement on the previous year which is due to consistent reporting through management KPIs, which are followed up and actioned with the driver. Our target for the year remains at 95 and we remain committed to making improvements to fulfil our target.

Training

166

Number of trainees across the Group*

20	166
19	142

*As at 30 September 2019.

Across the Group, training initiatives, including apprenticeships, upskilling and management development, are an essential platform to further enable and progress our workforce.

Relevance to strategy

Training opportunities can have a significant impact on retention and provide a great many professionals the skills and capability to be ever more effective and motivated in the workplace, in turn having a dual positive impact on both an employee and business result.

Performance

This is the second year reporting under the new comprehensive training structure delivered via the Sureserve Academy. The number of learners across the Group within the reporting period was 166, accounting for 7.7% of our workforce, up from 6.9% for the previous year. This figure does not include self-funded trainees. We also saw the expansion of the Sureserve Academy's training provision to incorporate the Group's Joint Venture partners in the year. We continue to work towards a figure of 10% as a percentage of our workforce undergoing a course of training.

Employee turnover

8.6%

Voluntary employee turnover

20	8.6
19	14.3

This figure indicates the number of employees leaving the Group not at the Group's instigation.

Relevance to strategy

Employees giving reasons on exit, including improved remuneration, career progression, dissatisfaction at work, management issues, working hours or travel considerations, are taken to have left the business despite our best efforts to retain them. Improvements in retention will be evidenced by reductions in our voluntary employee attrition rate year on year.

Performance

Voluntary employee attrition decreased by 5.7 percentage points to 8.6%, an improvement of 39.8% on 2019's figure of 14.3%. Our commitment to developing cultural and personnel-related initiatives has continued throughout the year. However, a decrease in attrition in the year may not be entirely due to Group-wide initiatives, and we recognise that the atypical nature of the period may have influenced individual employment decisions. We will maintain our target of a 5% reduction on the previous year's attrition rate.

Resilience

Identifying market opportunities to grow and investing significantly in the talent and expertise within the business.

Opportunities for resilient growth

Ensuring our strategy and long-term goals are underpinned by a commitment to innovation, to attracting talent and to sustainable business practices, ensures we are able to move into opportunities most favourable to the Group's success, allowing us to thrive for years to come.

Gas Compliance long term contracts

£289.1m
(2019 £257.5m)

"We're supported both individually and as a team, through support networks throughout the business, and everyone you work with is friendly and inclusive."

George Taundry, **Team Leader at Providor**

Investing in talent

The performance of our business, our reputation amongst our stakeholders and Industry, our strategy going forward together with our profitability, all rest firmly with the quality and ability of our people to deliver excellent work and, in turn, our ability to find and retain them.

1

The Sureserve Academy delivers all training and upskilling undertaken within each of our Businesses, whether that's Apprenticeships, new recruits, employee development opportunities, mandatory training or our online Learning Management System.

Read more about the Sureserve Academy on page 40.

2

Our Management Excellence Programme, a modular training course created to support our Future Leaders initiative, identifies and encourages talent and potential in a variety of roles across the Business.

Read more about our training initiatives on page 40.

3

Our Equality, Diversity & Inclusion steering group works with both our Gender & Equality, and Ethnicity & Diversity working groups, delivering clear targets regarding Group-wide inclusive recruitment practices, and how to develop diversity and value in our workforce.

Read more about our Equality, Diversity and Inclusion teams on page 41.

4

Ensuring the wellbeing of our people across the Group is an essential part of our continued commitment to their talent, their ongoing development and their future with us. Creating a supportive, healthy and safe work environment, and a culture of recognition in each business provides our people with the right conditions to progress and succeed.

Read more about how we engage with our people on pages 36 and 39.

Apprenticeship Levy spend during the year

£375,669

Expanding our apprenticeship scheme

Many of our core business activities would not be possible without Apprentices and we know that those just beginning their course of learning this year are the decision makers and team leaders of tomorrow's business. It is for this reason that despite the challenges during the year, we have continued to increase investment in Apprenticeships and training across the Group.

Developing new skills for the new normal

Although some of the changes experienced within the Group may not be permanent, ensuring our processes, resources, skills and behaviours keep pace with business demand is essential. From more effective people management and flexibility in work patterns to collaborative ingenuity and the use of technology, we understand that identifying challenges early and developing responses is key to long term resilience.

"Looking to the future, we do so with enthusiasm and confidence, as we have found mutual benefits from working in an agile manner across professional disciplines, the sharing of abilities and resources across the whole realm of the Group and synergies that will ultimately benefit many on a daily basis."

Maria McGettigan, **Group HR Director**

Engagement with Group-wide employee survey

40.2%

Focusing on quality of service and delivery

Our clients and their customers are at the heart of everything we do. Even in the most challenging circumstances, we ensure we work in the right way by focusing on quality of service and delivery.

Covid-19 response

As communicated through our half year interim reporting, the unprecedented situation presented by the Covid-19 pandemic and associated Government response measures resulted in significant challenges for Group operations, as with so many others. The safety of our employees and customers has been paramount throughout and will continue to be our absolute priority. Our focus has been serving our customers in the safest manner while protecting the wellbeing of colleagues and minimising virus spread risk. Part of this response has been ensuring 'Covid-Secure' status through NQA verification standards.

Our Human Resources and Health and Safety teams have developed and delivered clear and thorough protocols for all of our people, both home-based and those colleagues out in the field along with our ICT teams having delivered the necessary technological platforms for new work systems to be available where needed. Throughout the pandemic we have witnessed repeated examples of voluntary support and assistance by our key workers to the communities we serve and the individuals within them.

The Group have implemented clear protocols and procedures to ensure that all of our employees are working in a safe and secure environment. This includes ensuring that all our premises have undertaken comprehensive Covid-19 Risk Assessments to ensure that our offices are Covid Secure. We have also had this externally verified by a third party certification body (NQA) at a number of our businesses to give our employees, clients and key stakeholders assurance.

By adhering to Government Guidance and the steps we, as a responsible collective Group have proactively taken, we advocate that all our colleagues stay alert by:

- Maintaining social distancing measures at all times – 2 metres apart where possible
- Ensuring they thoroughly wash/clean their hands regularly – adequate hand washing facilities and/or sanitising products are made available to all colleagues
- By agreement with Line Manager and HR Department, work from home where appropriate
- Limiting contact with other people, where at all possible
- Office rotas are in place to prevent too many people from being in small spaces
- Phased working time and/or hours
- One-way systems around our larger offices with different entry/exit points
- Wearing a face covering when they are in an enclosed space where it is difficult to socially distance e.g., on public transport

Our Covid-19 Risk Assessments have been developed in consultation with our colleagues and clearly establish the control measures we have put in place. Due to the nature of our organisation and its various geographical locations, each Business has undertaken this Risk Assessment in the desired format – however all assessments have been reviewed and approved by the Senior Management Teams and our Safety, Health, Environment and Quality ('SHEQ') Managers via the ongoing SHEQ Forum. We also have comprehensive RAMS (Risk Assessments/Method Statements) for all field-based works which cover all elements and potential new risks around Covid-19.

The SHEQ Forum consisting of all health and safety professionals across the Group continue to have weekly calls to share best practice, drive continual improvement and ensure that the ever-changing Government Guidance is adhered to accordingly. Weekly Safety Updates are also being communicated to all of our colleagues as part of this process, covering general safety elements alongside any Covid related elements.

While the pandemic continues to present new challenges, we remain confident in our ability to proactively manage and respond accordingly to developments. The more streamlined and focused structure of the Group following strategic action taken in previous years has undoubtedly benefited us during this time. While uncertainty continues around the worldwide response to the pandemic, we remain confident in our future with a strong order book value and good visibility on future earnings, underpinning a robust financial outlook.

Group summary

Alongside the critical Covid-19 response actions, the Group has remained focused on strengthening its position as a leading compliance and energy services group. Our cash-generative core delivery areas of Compliance and Energy Services remain well placed to deliver predictable, recurring and profitable revenue streams.

Following a stronger first half to the year including a winter season ahead of expectations, the Compliance division was then supported by the 'key worker' classification by the Government during the initial phase of the Covid-19 pandemic. Continued contract wins, the ongoing focus on efficiency, further aided by a mix of works, reduced material usage and improved fleet travel efficiency during lockdown all contributed to an EBITA margin in excess of our expectations. While unfortunately Energy Services saw reduced trading and profit contribution as it was not afforded the same 'key worker' status during the pandemic, it remained profitable for the year. The impact from non-working staff was in part mitigated by utilising the Government Coronavirus Job Retention Scheme where appropriate. We are confident that this was a short term impact due to the UK-wide lockdown from March as trading within the division returned to normalised levels in latter months of the financial year.

The overall Group performance was very pleasing against the background of Covid-19 and demonstrates the resilience of the business model, with a basis of predictable and recurring incomes in areas supported by non-discretionary and regulatory led spend. Following the robust trading performance and a continued emphasis on cash conversion, we were also delighted to announce that the business had moved into a net cash position by year end, even allowing for deferred VAT payments in line with HMRC guidelines. Given trading was impacted as a result of the Government pandemic response measures and restrictions, businesses within the Group applied for and received Government support as applicable.

"There are many opportunities for growth ahead, including the Green Homes Grant announced in July 2020 by the Government and an increased focus on the net zero target for carbon emissions by 2050."

Bob Holt OBE
Chairman and Chief Executive

Financial performance

- Operating profit before exceptional items and amortisation of acquisition intangibles: £10.4m (2019: £9.4m, 11.2% growth despite revenue impact below)
- Revenue from continuing operations: £195.7m (2019: £212.1m, 7.7% reduction following significant Covid-19 impact)
- Profit before tax from continuing operations: £7.8m (2019: £5.3m, 45.9% growth)
- Year-end net cash (pre-IFRS 16 and deferred VAT payments): £9.8m (2019 net debt: £7.4m)

We are delighted that our clear strategy and focused approach of a more streamlined structure as previously articulated is proving resilient, despite the unique challenges of the past year.

Looking forward

We remain optimistic around opportunities for continued growth within both divisions, which underpin the future strategy of the Group, though we recognise the impacts of continued Covid-19 lockdowns and potential disruption to our business.

Compliance revenues increased despite the Covid-19 pandemic and Energy Services, we believe, witnessed a temporary reduction, both suggesting a positive outlook. There are many opportunities for growth ahead, including the Green Homes Grant announced in July 2020 by the Government and an increased focus on the net zero target for carbon emissions by 2050. Both divisions remain a core focus moving forward.

The Board is encouraged by the high bidding success rates continuing to be achieved by the Group with the year-end order book of £355.8m (2019: £333.2m). This provides predictability of our future incomes and allows longer term planning to occur, which helps drive efficiency. Efforts remain targeted on longer term contracts we believe we can deliver effectively and profitably, or, in the case of frameworks, that provide future opportunities to generate returns in our core areas. The order book remains strong across our continuing business lines as we continue to focus on securing contracts with long term visibility and robust value. The investment in strengthening the senior bid team reported earlier this year is aligned to this approach, as the Group looks to maximise opportunities.

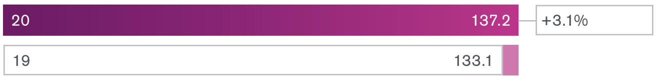
This provides us with great certainty over future workstreams and we remain confident in the growth and prospects for both of our core divisions within the Group.

Compliance division

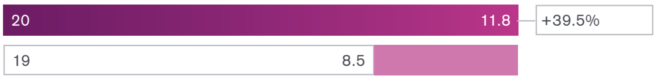
Key numbers

12 months ended 30 September

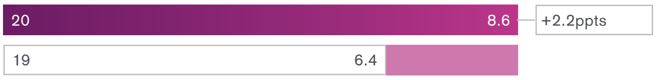
Revenue (£m)



Adjusted EBITA (£m)



Adjusted EBITA margin (%)



Our businesses

K&T Heating – Part of the Sureserve Group

Aaron Services – Part of the Sureserve Group

Sure Maintenance – Part of the Sureserve Group

Sureserve Fire & Electrical – Part of the Sureserve Group

H_2O Nationwide – Part of the Sureserve Group

Precision Lifts – Part of the Sureserve Group

Review of the year

The division comprises planned and responsive maintenance, installation and repair services delivered predominantly to local authority and housing association clients in the areas of gas, fire and electrical, water and air hygiene and lifts. These services provide for clients' social housing and public building assets, as well as industrial and commercial properties. The division is seeing the benefits of a wider pool of clients and a number of long term contract wins which underpin the revenue model, with increasing mandatory service requirements that provide significant future opportunities.

The larger component of revenue growth were the Gas Compliance businesses with K&T delivering the most significant increase and now in excess of £40m revenues, and with some growth in Sure mitigating a similar reduction in Aaron. Strong revenue growth was delivered within fire and electrical also, and with water services showing a small increase and some significant electrical wins further supporting the positive overall positioning of the division. This was achieved despite the challenges of the pandemic, without which we believe growth would have been more significant and more aligned with H1 levels (12% growth).

Overall, revenue increased by 3.1% to £137.2m (2019: £133.1m). EBITA increased by 39.5% to £11.8m (2019: £8.5m), resulting in an underlying EBITA margin of 8.6%, up by 2.2ppts. Revenues increased in all trading Compliance businesses, with the exception of our lift operations and Aaron as previously noted.

The increases continued to reflect greater volumes of work and opportunities with clients driven by contract wins and extensions in addition to increasing regulatory demands in the sector, despite the negative effects seen over the summer months due to the Covid-19 pandemic. The revenues seen are largely recurring and further growth helps to reaffirm our belief we are a market leading provider of services in the gas sector.

As previously communicated, additional revenues helped drive margin improvements through efficiencies in delivery, geographical reach and minimal change in business overhead. A continued growth in higher margin commercial works has increased overall profitability in 2020, alongside the better than expected first half of year performance and some of the mitigating factors during lockdown, including mix of works, material usage and fleet travel efficiency. Together these have resulted in this performance ahead of expectations and driving improved margins.

In relation to the Building Compliance businesses, the reduction in our lift business revenues was small and entirely due to a slowdown in project work during lockdown. Changes previously made to the senior management team have now started to positively impact performance, with the business now into profitability, despite the small decrease in revenues. The fire and water businesses have continued to show strong performance and profit contribution.

The nature of our Compliance businesses is one of core services including vital emergency repair and testing cover to our local authority and housing association customers, to ensure compliance with gas, electricity and building testing regulations. It was therefore crucial they continued to perform their essential services and this is why the Government has recognised many of our employees within their 'key worker' classification throughout the Covid-19 outbreak to date.

The division may continue to experience some delays in accessing certain residential and communal properties to undertake work as a result of the Government measures in response to Covid-19, including physical distancing and travel restrictions. Some local authority customers have, where work is considered of a lower priority or not essential, chosen to defer certain elements at points during the pandemic to date. The division received £2.3m of Coronavirus job retention scheme money from the Government in the year in order to ensure the provision of essential services and retain our workforce despite a reduction in work during the period. We remain in regular contact with all of our clients, making sure we understand their specific challenges and requirements. This has resulted in solutions being found to deliver the works as soon as is reasonably practicable, while ensuring that we do everything we can to prevent the spread of the virus during the delivery of our services.

Gas Compliance

The three Gas Compliance businesses (Aaron Services, K&T Heating and Sure Maintenance) make up 74% (2019: 74%) of divisional revenues and further built on the progress made in FY19 with another excellent year of revenue growth from recurring incomes and new works, despite Covid-19 impacts.

Aaron Services, delivering gas compliance, alternate fuel and renewable solutions across East Anglia and the Midlands, saw some reductions in revenue in comparison to the extremely successful 2019, due mainly to the Covid-19 impacts. Wins noted in our interim reporting included up to £8.4m of gas boiler upgrades and electrical testing works with Hinckley and Bosworth council, and Stonewater works of £4.0m for a repair and testing contract. Other significant wins in year include electrical testing estimated at £5.0m with Colchester Borough Council, £2.7m over five years for renewable and new technology works with Clarion Housing and a further £2.7m of ground source heat pump installation works over two years with Newcastle City Council.

K&T Heating's trading performance has been extremely strong and it maintained its position as the largest of our three gas businesses,

"The division is showing predictable and deliverable revenue growth and we remain confident that our leadership within this non-volatile sector provides a strong platform to continue our aims of further growth and cash generation."

Bob Holt OBE
Chairman and Chief Executive

with annual revenues now exceeding £40m. The business delivers gas compliance services across London and the South East. The highest single value gas contract win in the year was with Homes for Haringey for up to five years of gas servicing, repairs and installations, worth an estimated maximum of £14.0m, and with numerous other smaller wins and extensions. Wins previously reported include £4.9m with Southern Housing for gas servicing and maintenance works over a five-year term.

Sure Maintenance, which delivers gas compliance services across the UK, saw a number of sizeable wins in excess of £1.0m with Halton Borough Council for mechanical maintenance and servicing and both Ongo Homes and Harrogate Borough Council for servicing, maintenance and repair of heating systems. Sure had previously won a £3.9m award for gas service and testing works with Your Housing.

Building Compliance
Our Building Compliance businesses comprise Sureserve Fire & Electrical ('SS F&E', previously Allied Protection), H2O Nationwide and Precision Lift Services and make up 26% (FY19: 26%) of the divisional revenues.

Precision delivers lift installation and maintenance services to local authorities and social housing associations across the UK. Following a challenging 2019, the current year showed more positive progress with the business now into profitability, despite the Covid-19 challenges. The largest win in the year was a five-year lift service, maintenance and repair contract worth £0.8m with the Salvation Army Housing Association, with other smaller service-led contract wins being delivered also, in line with the strategy to grow the business with predictable recurring revenues.

SS F&E remains the Sureserve Group's specialist provider of fire, electrical and sprinkler compliance services and has followed up a successful 2019 with further progress and contract wins. These included £3.0m over four years with Crescent Purchasing Consortium for fire alarm, detection and suppression systems, Stonewater for a £3.0m firefighting equipment repair and maintenance contract and in excess of £4.0m with Newport City Homes for sprinkler installation works.

H2O is our water and air risk assessment specialist provider across the UK. Performance of the business has continued to be strong with a full order book and exceptional client delivery. The business has again driven efforts to grow despite impacts from Covid-19 and delivered a number of wins in the period. This is particularly pleasing as we believe it demonstrates an ability to find other avenues for growth, with some of our more regular clients such as restaurants, hotels and gyms not trading through periods of the pandemic. The largest individual win was a £0.8m contract for the maintenance and repair of water systems including legionella risk assessments with Southend Borough Council over four years. These newer clients, in addition to ongoing works, will continue to support the growth aspirations of the business.

Our belief remains that the ongoing move towards higher levels of compliance requirements should continue to benefit the Compliance division in future periods. Further growth should increase our buying power further and improve our ability to deliver revenues with improved margins. All businesses are performing well and we are delighted with our positive response to the many challenges presented in the current year.

Looking forward
Our growth continues to strengthen our position in the compliance sector, with a true national reach and market leading Gas Compliance business. We believe we have built the strongest compliance business of its type, well positioned to grow further in what is a fragmented and regional market. The division is showing predictable and deliverable revenue growth and we remain confident that our leadership within this non-volatile sector provides a strong platform to continue our aims of further growth and cash generation.

The continuity of key individuals and consistent growth have provided us with a stable platform to continue to deliver for our client base. In the short term we, like many others, are experiencing ongoing uncertainty caused by the Covid-19 pandemic. However, we believe that following this temporary disruption to the market our mix of customer proposition and services remains strong and longer term the demand for these works and underlying fundamentals will underpin our future prospects when conditions recover. As a market leader in gas and other testing we believe that opportunities may be forthcoming as a result of other failing contractors.

Energy Services division

Key numbers

12 months ended 30 September

Revenue (£m)

20	60.4	-26.5%
19	82.1	

Adjusted EBITA (£m)

20	0.8	-81.8%
19	4.3	

Adjusted EBITA margin (%)

20	1.3	-4.0ppts
19	5.3	

Our businesses

Everwarm
Part of the Sureserve Group

Providor
Part of the Sureserve Group

Review of the year

Our Energy Services businesses provide a range of energy efficiency services such as insulation, heating and renewable technologies for social housing and private homes through the Everwarm subsidiary. Everwarm also uses these services to deliver carbon emissions savings for utility companies enabling them to meet their legislative targets from measures delivered. The business also undertakes energy efficiency projects within non-domestic properties. 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, extended recently to 2025.

The division also has an established presence in the installation of electrical vehicle charging points, solar PV works and newer technologies such as battery storage projects which all represent likely growth sectors that our experienced management team is well placed to deliver. The Green Homes Grant scheme announced in July is a further UK-wide opportunity for Everwarm and the wider group.

The Energy Services division remains within an active sector with a number of opportunities for delivery, with £171.2m (2019: £65.6m) of long term contracts to provide confidence over future prospects.

Overall, revenue decreased by 26.5% to £60.4m (2019: £82.1m). Despite revenues and profitability largely in line with prior year at 31 March 2020 as noted in the interim reporting, both were significantly impacted by the Covid-19 lockdown in the second half. EBITA consequentially decreased by 81.8% to £0.8m (2019: £4.3m), resulting in an underlying EBITA margin of 1.3%, down by 4.0ppts.

The key factor in this performance was that the Energy Services division was not afforded the same 'key worker' status as seen in our Compliance businesses. This was due to a combination of our services delivered and devolved Government approaches around continuation of works, particularly during the initial phases of lockdown. This resulted in a short term reduction in trade within both Energy businesses and joint ventures which required careful navigation. This included the application for appropriate Government support, with the division receiving £4.2m of Coronavirus job retention scheme money from the Government in the year to ensure the retention of our workforce despite a reduction in work during the period. It also included customer and supplier negotiations and the implementation of specific cost control procedures to best mitigate the impact of the Covid-19 outbreak.

Both Providor and Everwarm saw significant reductions in revenues, albeit Everwarm saw a far larger impact while Providor's was in part mitigated by contract wins and an underpin of asset management revenues which were not impacted during lockdown months.

EBITA reduced to £0.8m (2019: £4.3m), with the majority of this being seen in Everwarm due to the significant revenue reduction across all departments. The profit contribution levels of Providor and the joint ventures was largely unchanged overall, with offsetting minor variances. While all were negatively impacted by the Covid-19 pandemic and restrictions, performance across the year was pleasing for each.

Results from the Warmworks and Arbed joint ventures are reported within the Everwarm statutory position although are operated autonomously by local management teams, with group and joint venture partner support as necessary. Warmworks delivers the flagship Warmer Homes Scotland initiative for the Scottish Government and saw positive performance during the full year with an ongoing level of operational excellence, particularly satisfying in light of the challenges presented by Covid-19. This contract runs through to 2022 and brings a diversified installation portfolio for Everwarm, focusing on central heating, boiler improvements and other energy efficiency installation measures.

The Arbed 3 programme for the Welsh Government, via our joint venture with the Energy Saving Trust, is focused on improvements to households often living in severe fuel poverty. The monthly measure installation performance has been more variable for a few reasons, including the specific timings of individual area-based schemes and the Covid-19 pandemic interruption. It has however contributed a small profit for the full financial year and we have recently been informed of an additional six-month extension to November 2021, which is pleasing and allows further opportunity for positive delivery.

As we had previously reported during our interim reporting, carbon prices remained largely stable during the year. However, volumes were impacted by Covid-19 and the ongoing challenges with 'ECO3' due to measure types and qualifying properties. We continue to believe we are well placed to deliver on behalf of our utility partners based on our management team's extensive experience in this area.

Everwarm

Everwarm continues to deliver a strong record of contract wins, albeit with revenues for FY20 reduced to a little in excess of £40m. The business supports a range of clients in various energy efficiency projects. Our largest new wins include £5.4m of air source heat pump installation works for E.ON, and up to £10.7m with Argyll Community Housing Association for a mix of external wall insulation and air source heat pump installation as mentioned in our half-year review. We have also seen further wins with Falkirk Council (£4.2m) and Wise Group (£4.0m) to deliver the installation of air source heat pumps. These, along with other smaller delivery wins, support our ongoing ECO3 delivery frameworks and longer term contract works delivering for Warmworks until 2022 and Aberdeenshire on its four-year HIP works, as previously communicated.

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 Everwarm is extremely well placed to deliver work where appropriate opportunities present. The UK's commitment to creating a net zero carbon economy by 2050 will likely drive further focus on energy efficiency. Already signs are being seen with significant proposed investment through the Public Sector Decarbonisation scheme (£1bn) and Green Homes Grant (£2bn), among others. We believe further developments and commitments are likely and a focus on a 'green recovery' in the wake of the Covid-19 pandemic may further accelerate this.

Providor

Providor remains focused on existing contract delivery but, following commencement of SMETS2 meter technology giving better consistency in anticipated installation volumes, we can now assess new opportunities. We continue to work with significant Utility clients and were pleased to announce, as part of interim reporting, that we were extending our service offering with Scottish Power to include their SPOW region, with a potential to deliver significant growth. We have also more recently increased our work for EDF with an estimated contract award of up to £13m. These agreements, along with other existing contracts and potential extensions, give us confidence for Providor's future performance.

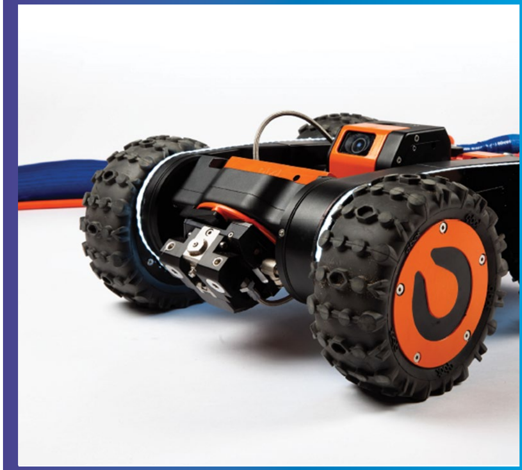
Looking forward

Everwarm's order book remains strong with future revenues underpinned by long term contractual agreements with several clients and key frameworks also supported by joint venture arrangements with Warmworks and Arbed. 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 Everwarm's significant wealth of management experience and client relationships gives our business a market leading proposition in this area. We believe our ECO3 credentials will allow us to continue to service a number of the largest utility and other clients, so we are well placed to provide a quality service to our customers and deliver effectively for our stakeholders through this phase of the scheme until it ends in March 2022. We believe the wider energy efficiency landscape and push towards net zero will create further opportunities once the uncertainty from Covid-19 has reduced.

Providor has extensive experience of the national smart meter roll-out and continues to apply careful management, both to our contractual positions and while seeking to provide strong and secure employment for our engineers. In June 2020 it was announced that the deadline for smart meter installations had been further extended to June 2025, driven by delays as a result of Covid-19. This followed consultation on the introduction of a new regulatory framework for utility retailers beyond 2020, requiring annual installation targets for the utility companies from July 2021. We believe this is positive, as the six-month extension of the rollout and annual target setting should lead to more consistent volumes which should in turn allow us to agree and plan for deliverable installation profiles with our clients. Where existing contracts require extension as a result of the new deadlines, we will continue to evaluate efficiency and cost factors in our pricing going forward, which should allow the business to grow into a sustained phase of profitable delivery. The UK Government has confirmed that it remains committed to the smart meter rollout and aligns with their net zero commitment mentioned above.

Bob Holt OBE
Chairman and Chief Executive
1 February 2021

AT THE FOREFRONT OF THE ENERGY TRANSITION



Green innovation is at the heart of Energy Services solutions

The Government's Green Homes Grant ('GHG') and Energy Company Obligation ('ECO') have ensured that energy efficient homes are at the centre of the UK's green recovery, and a combination of investment and innovation over the long term means that operationally the business is positioned to maximise the opportunities available.

Our Everwarm business has delivered underfloor insulation works using the innovative Q-Bot system for the Warmworks joint venture, as well as for local authorities including Aberdeenshire, Dumfries and Galloway, Edinburgh City Council and Scottish Borders. The system works by inserting a robot under wooden floors, which would traditionally have had to be pulled up entirely to install insulation works. The robot then sprays an expanding insulation foam to the underside of the floor and finally records the install to verify the area and depth of insulation applied.

Everwarm is an approved installer for market leading battery storage suppliers, having delivered works through the Warmworks joint venture as well as for Local Authority clients. On a commercial scale they are able to work with consultants who develop large-scale battery storage solutions for commercial use and considering the potential for energy storage solutions to improve renewable energy self-consumption and reduce utility bills, the management team constantly monitor market developments and are quick to identify product innovation with business applications.

Q-Bot underfloor insulation installs	Battery storage installations
114	**93**

"The Group's cash performance during the period has been strong and, as at 30 September 2020, net cash stood at £9.8m before IFRS 16, and allowing for deferred VAT payments."

Peter Smith
Chief Financial Officer

Strong performance despite impacts

The Financial Review covers aspects of the consolidated statements of comprehensive income, financial position and cash flows.

The Group had a strong year posting an EBITA of £10.4m from continuing activities (2019: £9.4m).

Group revenue decreased by 7.7% to £195.7m (2019: £212.1m), mainly reflecting a reduction in revenues in the Energy division, whose revenues decreased by 26.5% to £60.4m (2019: £82.1m). Revenues in Compliance Services increased by 3.1% to £137.2m (2019: £133.1m). These divisional revenue figures include revenue from intercompany trading which accounts for a total of £1.8m (2019: £3.1m).

Group EBITA increased by 11.2% to £10.4m (2019: £9.4m), reflecting an increase in EBITA in the Compliance division of 39.5% to £11.8m (2019: £8.5m) and a decrease in EBITA in Energy Services of 81.8% to £0.8m (2019: £4.3m). Central costs were £2.2m (H1 2019: £3.5m), of which the substantive movement is related to a reduction in share option charges and a number of one-off items.

We reported an operating profit of £8.8m (2019: £6.4m), after £nil exceptional costs (2019: £0.2m) and £1.6m of amortisation charges for acquisition intangibles (2019: £2.7m).

Net finance expense was £1.0m (2019: £1.1m), taxation was £1.5m (2019: £1.2m) and post-tax profit within discontinued operations was £nil (2019: £0.8m). The statutory profit after tax was £6.3m (2019: £5.0m).

During the year, the Group adopted IFRS 16, using the modified retrospective approach which means that comparatives are not required to be restated.

Whilst Group revenue and cash are unaffected by the adoption of IFRS 16, the following areas are impacted:

- Operating profit before exceptional and other items has increased by £0.15m. Lease payments are now reflected as a reduction in the lease liabilities. Conversely there is an increase in depreciation, and interest on finance lease obligations
- Operating expenses (lease costs) have decreased by £4.3m
- Depreciation charges increased by £4.1m
- Finance costs increased by £0.25m such that the overall impact on profit before tax of adopting IFRS 16 has been a decrease of £0.1m
- The statement of financial position recognises £8.2m right of use assets and £8.2m lease liabilities on transition
- Total indebtedness therefore increases, although this does not have an impact on the Group's covenants, which are measured on an historic GAAP basis

The impact on the income statement are noted in the table below, with comparability to 2019.

A reconciliation of EBITA and adjusted EBITA pre-IFRS 16 to profit before tax for the period is provided below:

	Year ended 30 September 2020			Year ended 30 September 2019
	As reported	IFRS 16 impact	Pre-IFRS 16	
	£'000	£'000	£'000	£'000
Operating profit before exceptional items and amortisation of acquisition intangibles	10,404	162	10,242	9,354
Exceptional items	—	—	—	(225)
Amortisation of acquisition intangibles	(1,600)	—	(1,600)	(2,735)
Operating profit	8,804	162	8,642	6,394
Finance expense	(1,047)	(248)	(799)	(1,051)
Investment income	39	—	39	—
Profit before tax	7,796	(86)	7,882	5,343

COMMITTED TO MAKING A DIFFERENCE

Working for our communities

Recognising the devastating impact Covid-19 continues to have within the local communities we serve, many of our businesses have responded during the year by connecting with local organisations to help deliver essential services outside of the businesses' operational scope. The work that we deliver in communities across the UK means that in many cases our operatives have been a resident's only connection to the outside world. Our local delivery teams have reported first-hand concerns about residents struggling, particularly during lockdown.

Our businesses have responded by authorising donations and offering labour to assist with a range of client partnered programmes. The list of incredible stories from our teams has been overwhelming, from individual acts of empathy and kindness, to business-wide drives to utilise assets and resources in order to deliver help to those in need of it. Our people have volunteered as NHS responders, assisting with deliveries, prescription pick-ups and organised food shopping for vulnerable people. Our businesses have covered the cost of fuel where deliveries were made out of hours using our fleet of vehicles.

David Lummis, MD of Aaron Services said "Residents' struggles have prompted us to launch our Covid-19 Support Fund which will see us work with our clients by donating to their nominated food banks. We have been only too pleased to give back by donating food and with our team volunteering their time and vans to assist deliveries."

Coronavirus Job Retention Scheme ("CJRS")

The Group has followed Government guidelines and policy during the Covid-19 pandemic. This includes access to applicable financial support where appropriate. Given the range of impacts seen across the Group following Government-imposed restrictions, we took the decision to participate in the CJRS where operations had been affected by Covid-19.

At the height of lockdown measures, the Group saw a peak of approximately 40% of our total workforce on furlough leave. These individuals were predominantly within our Energy Services division, where a mix of both sector and local Government restrictions impacted most significantly. A proportion of colleagues furloughed included our Apprentices, who were not allowed by physical distancing restrictions to work with others in enclosed spaces. Apprentices received 100% of their pay during furlough to recognise their early stage of career development and ability to continue learning through remote self-study during this period. All other furloughed employees received 80% of their normal earnings, in line with the Government policy. Further details are included in the Operational Review.

Exceptional items

There were no exceptional items in the year (2019: costs of £0.2m).

Amortisation of acquisition intangibles

Amortisation charges for acquisition intangibles was £1.6m for the year (2019: £2.7m); the reduction in amortisation reflected the fact that we have taken amortisation charges in prior periods, meaning we are amortising a reduced base of intangible assets.

Finance expense

Net finance expense was £1.0m (2019: £1.1m), which represented the interest charged on our debt facilities (net of finance income), together with the amortisation of debt issue costs, which totalled £0.8m (2019: £1.1m). The 2020 figure includes £0.25m interest in relation to the adoption of IFRS 16 (2019: £nil).

Discontinued operations

Profits from discontinued operations amounted to £nil (2019: £0.8m).

Discontinued activities represent 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. The result for the year to 30 September 2020 on disposal of discontinued operations comprise:

- £0.3m profit on sale of Orchard (Holdings) UK Limited from final reassessment of the fair value of consideration receivable
- £0.3m of additional costs relating to legacy transactions

On 20 December 2019, Mapps Group Limited, the acquirer of Lakehouse Contracts Limited and Foster Property Maintenance Limited, went into liquidation. We are in active dialogue with the liquidators and our advisers.

Further details of discontinued operations are in note 11.

Tax

The tax charge on the profit before tax was £1.5m (2019: £1.2m), representing an effective rate of 19.1%, which compares with the statutory corporation tax rate of 19%.

Our net cash tax payment for the year was £0.7m for continuing operations (2019: £34,000). During the year, the Group has received the anticipated cash tax refund from HMRC which formed part of the corporation tax liability as at 30 September 2019. The Group has also made tax payments on account during the year.

The net deferred tax asset as at 30 September 2020 was £0.5m (2019: £0.5m), with the movement mainly relating to acquisition intangibles and accelerated capital allowances. Further details are set out in note 26.

Earnings per share

Basic earnings per share from continuing operations were 4.0 pence (2019: 2.7 pence), based on profit after tax from continuing operations of £6.3m (2019: £4.2m).

Adjusted earnings per share from continuing operations excluding amortisation of acquisition intangibles and share based payments were 4.9 pence (2019: 4.4 pence), based on adjusted profit after tax from continuing operations excluding amortisation of acquisition intangibles and share based payments of £7.7m (2019: £6.9m).

Our statutory profit for the year was £6.3m (2019: £5.0m). Based on the weighted average number of shares in issue during the year of 159.0m, this resulted in basic earnings per share of 4.0 pence (2019: 3.2 pence).

Dividend

The Board has proposed a final dividend for the year of 1 pence per share. This represents a total dividend payable for the year of 1 pence (2019: 0.5 pence).

Subject to approval at the AGM on 18 March 2021, the final dividend will be paid on 30 April 2021 to shareholders on the register at the close of business on 19 February 2021.

Cash flow performance

Our adjusted operating cash flow, before the IFRS 16 adjustment, for the period was an inflow of £12.9m (2019: £9.9m), discussed in note 34, reflecting an operating cash conversion of 126% (2019: 106%). We calculate operating cash conversion as cash generated from continuing operations, excluding the cash impact of exceptional items, including VAT payment deferral, and amortisation of acquisition intangibles, divided by operating profit before exceptional items and amortisation of acquisition intangibles. We believe this measure provides a consistent basis for comparing cash generation consistently over time.

Impact of IFRS 16 on FY20 cash flow	Year ended 30 September 2020		
	Post IFRS 16 £'000	IFRS 16 impact £'000	Pre-IFRS 16 £'000
Operating profit	8,805	162	8,643
Adjustments for:			
Depreciation	4,793	4,111	682
Other operating activities	10,271	—	10,271
Net cash generated from operating activities	23,869	4,273	19,596
Interest paid	(957)	(248)	(709)
Taxation	(736)	—	(736)
Net cash generated from operating activities	22,176	4,025	18,151
Cash flows from operating activities	(199)	—	(199)
Cash flows from financing activities			
Repayments of lease liabilities	(4,084)	(4,025)	(59)
Other financing activities	(10,666)	—	(10,666)
Net cash used in financial activities	(14,750)	(4,025)	(10,725)
Net increase in cash and cash equivalents	7,227	—	7,227

On a statutory basis, including the effect of IFRS 16, we saw an operating cash inflow of £23.9m (2019: £5.5m), representing a cash conversion of 229% (2019: 59%).

As we highlighted last year, the timing of revenues, method of contract delivery and customer contractual terms can all have an impact on working capital and, consequently, cash conversion.

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

Net debt

At 30 September 2020, the Group had net cash excluding the effect of IFRS 16 of £9.8m (2019: net debt of £7.4m), which includes deferred VAT payments of £6.1m, in line with Covid-19-related support. However, this represents a snapshot in time and the weighted average revolving credit facility drawdown in the year was £6.4m (2019: £14.5m).

The total net cash including the effect of IFRS 16 was £3.0m. This is based upon £6.8m adjustment for IFRS 16 relating to lease liabilities.

Banking arrangements

We had drawn £nil as at 30 September 2020 (2019: £10.0m) under our revolving credit facility (excluding borrowing costs). At the date of issuing this report we had drawn £nil (excluding borrowing costs); National Westminster Bank ('NatWest') continues to be an excellent and supportive partner.

In December 2018, the Group renewed its bank facilities to provide an overdraft facility of £5,000,000 together with a revolving credit facility of £25,000,000, which runs to 31 January 2022. We will commence the formal refinancing of the RCF, after the preliminary announcement. Initial discussions have taken place with NatWest and we do not anticipate any challenges.

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

Statement of financial position

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

There was a reduction of £1.4m in goodwill and other intangibles, mainly due to a £1.6m amortisation charge of acquisition intangibles. As at 30 September 2020, there are £nil acquisition intangibles remaining on the statement of financial position.

Net current liabilities (excluding cash, borrowings and lease liabilities) stood at £1.6m (2019: net current assets of £7.8m), with the movement mainly relating to £6.1m deferral of VAT payments. Net current assets stood at £4.9m (2019: £10.2m).

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

Working capital	2020 £'000	2019 £'000
Trade receivables	16.7	17.9
Accrued income	17.3	17.6
Trade payables	(19.5)	(21.1)
Accruals	(9.9)	(8.0)

Risks

The Board considers strategic, financial and operational risks and identifies actions to mitigate those risks. Key risks and their mitigation are disclosed on pages 28 to 31.

Our year-end review included an assessment of accrued income, of which the balance was £17.3m at the reporting date (2019: £17.6m). As a Group we review regularly for impairment. Accrued income represents a balance sheet risk in our industry and we continue to ensure a balanced approach between risk and possible outcome on final invoicing.

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

In preparing our 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.

Accounting standards

During the year we adopted IFRS 16 under the modified retrospective approach.

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 2020 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 2020 Annual Report. In addition, note 32 to the consolidated Financial Statements within the 2020 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 supportive of the Group and in December 2018, the Group renewed its banking facilities to provide an overdraft facility of £5,000,000 together with a revolving credit facility of £25,000,000, which runs to 31 January 2022. We will commence the formal refinancing of the RCF, after the preliminary announcement. Initial discussions have taken place with NatWest and we do not anticipate any challenges. 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 Financial Officer
1 February 2021

COMMITTED TO MAKING A DIFFERENCE

H2O Nationwide mobilises to deliver essential healthcare services

In March last year work began to convert Glasgow's SEC Centre into a temporary NHS hospital as part of the UK's response to the coronavirus outbreak. A collaborative effort from the NHS, partners and suppliers was required for it to achieve operational readiness by the target date of 19 April 2020.

H2O Nationwide were contacted to provide essential ductwork cleaning and disinfection services to the centre, prior to it being re-opened as the NHS Louisa Jordan coronavirus field hospital.

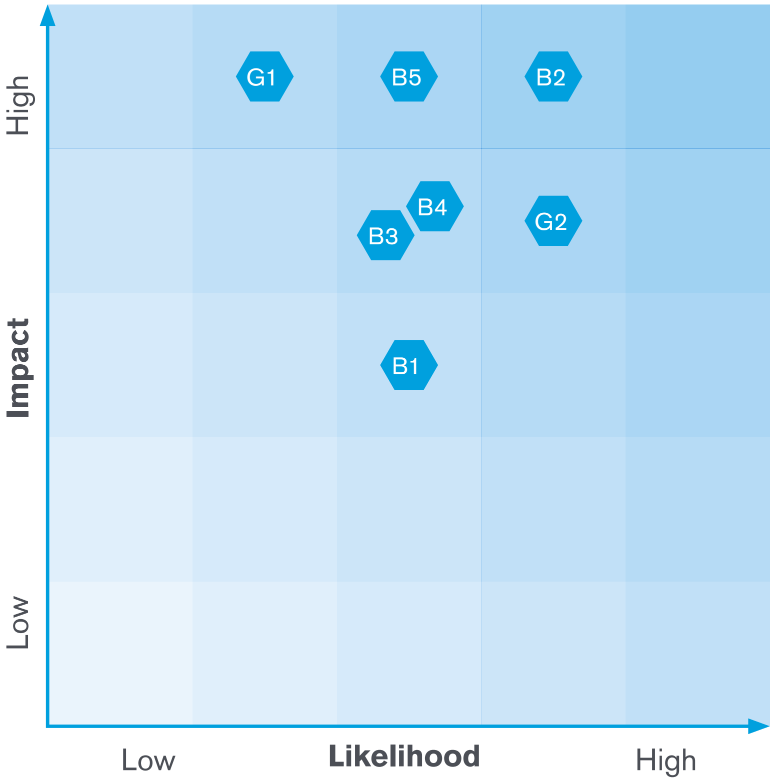
Within 24 hours of being notified, the operations team in Basildon had put together a unit of experienced ductwork cleaners to immediately attend the site to undertake the decontamination works. All members of the team worked day and night for the next 10 days to deliver the agreed services on schedule and ensure that, along with all other delivery partners on site, they played their part in making sure the temporary hospital opened in time.

During her visit to the site in July, the First Minister Nicola Sturgeon said: "I am pleased that while it stands ready to treat patients with the virus at just a few days' notice, the NHS Louisa Jordan is making a valuable contribution to our health service now, even while the virus remains under control."

Proactive and pragmatic

We have a detailed and comprehensive risk management process, covering all aspects of business and operational risk.

A key focus of our strategy is to reduce risk and build a sustainable and profitable business, with predictable revenues and increasing margins. We constantly review our control and monitoring processes and our systems and work closely with our clients to understand how our marketplace is changing and how it is likely to change in the future. The table herewith details the main risks we currently face, their potential impact on our business and how we mitigate them. The schematic sets out to the potential impact of each risk on our business prior to mitigation and its likelihood of occurring.



Key

'B' items represent business risks.
'G' items represent general corporate risks.
Blue items represent existing risks.
More information about how we manage risk can be found in the Corporate Governance Report on pages 46 to 62.

B1

Changes in Government policy

The public sector and regulated industries provide some 98% of our revenue, so our business is heavily dependent on policies and programmes adopted by the UK, devolved national and local Governments.

Explanation of risk

Significant changes to policy, particularly in energy services around carbon pricing, could have a material impact on our results.

Policy, however, extends beyond legislation into client procurement methods; this includes the sudden withdrawal of confirmed budgets, changes in client staffing leading to alterations in priorities and difficulties in settling disputes and accounts for payment.

There is also governmental focus on housebuilding and a post-Grenfell prioritisation of budgets on infrastructure and remedial works.

As a UK-focused business, we are not exposed to the trade risks of international businesses, but there is a potential Brexit impact around the increases in commodity prices as suppliers pass on the costs of a weakened Pound and distraction within Government from core domestic policy. There is a risk to the organisation if there is not quality, consistent and accurate information received from the Government with regards to Covid-19 and associated statutory bodies. This needs to be appropriately disseminated to the Group.

Mitigation

Our diverse business has enabled us to manage the risks and focus our efforts on those markets where we feel there is the opportunity of earning a more predictable return.

We recognise the importance of operational delivery in giving confidence to clients and maintain high standards of service that allow us to set ourselves apart whilst generating a reasonable return on capital. We are proactive in seeking affordable solutions to budget challenges that enable us to work with clients to help them deliver the services expected of them.

We have also continued to invest in business development, through talented senior managers and experienced local leaders, aimed at building sustainable relationships with clients and securing long term contracts.

B2

Tendering for new work

We compete for work by tendering or negotiating directly with our clients. We are reliant upon our credibility as an organisation, so our reputation, experience, accreditations, pricing and relationships all affect our ability to win work.

We compete with local and international companies, some of which could have greater resources and capabilities.

Explanation of risk

This is an inherent business risk and if we do not compete effectively we may not be able to win enough work or retain existing contracts, affecting our revenues, profits and cash.

Mitigation

Our commitment to health and safety and a responsible business model and our focus on operational delivery are key to ensuring we submit high quality scores in our bid submissions.

We have an experienced internal bidding function, so we can submit the best possible bids and maximise our chance of success.

We listen to our clients and offer solutions that suit their needs, meaning we can be directly selected under existing frameworks or we can negotiate work that they are not required to put out to tender.

B3

Poor operational delivery

Poor operational delivery could lead to a local loss in trust and reputation with a client or customer, or financial loss in the event of a disputed contract settlement. A material loss of service or event could result in the loss of a framework.

Explanation of risk

Poor operational performance leads to reputational damage and weaker financial performance.

Mitigation

We mitigate this risk by having qualified, trained managers and operatives who are experienced in their roles. We closely monitor quality, progress and service using industry standard products and divisional KPIs to benchmark similar services. We have accredited processes and systems which are audited both internally and externally and reported to the accountable management teams. We have a robust approach to risk management from project level to Board, providing support and scrutiny to mitigate the risk. We have regular project audits and support visits by trained staff. Where we use supply chain partners, we work with the teams, monitoring performance and ensuring rapid resolution of issues as they arise.

B4

People

The success of our business depends on recruiting, retaining, motivating and developing the right people at all levels of our organisation.

Explanation of risk

If we do not have enough suitably skilled, experienced and engaged people we may not be able to deliver the service quality we have promised to our clients and customers or grow our business as quickly as we had planned.

There has been a potential risk of a different nature this year through the emergence of the coronavirus pandemic which, if we had not swiftly implemented appropriate action through guidance, controls, measures, communication and practical support where needed, we may have experienced a depleted workforce within the Business which may have rendered us unable to appropriately serve our clients. However, through expediting clear and transparent communication and appropriate measures to ensure the health, safety and well-being of all our people, we are thankful to have largely remained robust and enabled to serve our clients well and will continue in this proactive approach.

Mitigation

We invest significant resources in developing our managers and training our employees including through the Sureserve Academy. We have an Employee Representative Council with members elected from all parts of the Group, ensuring that all of our people have a voice.

We work hard to make Sureserve a group that people want to be part of, with a positive culture and opportunities to develop and learn.

We are constantly assessing our training needs, listening to staff and developing innovative solutions such as our in-house online training products. We actively seek out rising stars in the business and recognise and celebrate achievement.

B5

Major health and safety incident

We provide our services in a range of potentially high risk environments: in homes, in public buildings, at height, with water, in lifts, with electrical and gas services and as lone operatives in vans.

Explanation of risk

There is potential for a major health and safety incident within the environment in which we work which could have significant impact on a person or people either directly, indirectly or not involved with the works we are undertaking.

A significant health and safety incident could cause a serious injury or potential loss to our people, incur reputational loss or civil and criminal costs. We are also faced with a significant rise in the perceived risk of the sector, with an increased nervousness of the insurance market around social housing contracting.

In light of the Covid-19 pandemic, the Group are faced with a new risk which poses potential ill-health to employees and key stakeholders if not managed in accordance with Government Guidance.

Mitigation

As a business we continually review our investment in high quality staff and our performance in health and safety. This is underpinned by internal auditing and accident incident analysis. The AFR is an important Group KPI, and all accidents and incident statistics are reported to the Board on a monthly basis. We have a health and safety culture which is owned by the Managing Directors of the divisions and driven by our skilled health and safety team.

Each business has a dedicated health and safety resource which has an open remit to attend any site at any time to offer support or audit. We have a robust UKAS-accredited health and safety management system which is administered by an independent centralised team with support provided at all stages.

We adhere to strict internal mandatory training standards driven by job roles with persons in place to monitor and maintain training standards. This is supported by our Online Learning Academy which acts as a base for our core mandatory health and safety training courses.

The SHEQ Forum is well established across the Group and meets annually to review overall business performance and drive new safety initiatives, all of which are supported by our senior management team. The response to COVID-19 is led by the HR/SHEQ teams and includes external COVID-19 Secure verification alongside comprehensive risk assessments and safety protocols across all of our businesses.

G1

Financial liquidity

We rely on the continuous support of our financial partners to ensure we have the necessary funds to trade on a day to day basis and pursue the Group's growth strategy. We have periods in the year where there is a peak in working capital needs, typically in the winter and around the timing of work instructed by our clients and/or arising from the circumstances of our contracts, which require short term funding.

Explanation of risk

Were funding support to be withdrawn, we could face cash shortfalls and a limitation of our ability to grow in the immediate term and, ultimately, an inability to settle our liabilities as they fell due if we could not secure funding from alternative sources. This risk would be exacerbated by poor financial performance of the Group.

If we were unable to provide financial bonds, we would be limited in our ability to tender for new work.

Mitigation

We maintain excellent relationships with our banking partners, maintaining regular dialogue on matters pertaining to trading and risk in the Group. We maintain a strict internal review process on covenant compliance to ensure we remain in line with the requirements of our banking documents. In December 2018 the Group renewed its banking facilities to provide an overdraft of £5,000,000 together with a revolving credit facility of £25,000,000 which runs to 31 January 2022. We will commence the formal refinancing of the RCF, after the preliminary announcement. Initial discussions have taken place with NatWest and we do not anticipate any challenges.

We continue to maintain contact with a number of bonds providers to ensure we are in a position to satisfy the contractual needs of clients. Working capital is a key focus for senior management.

G2

ICT failure

Our business is 24/7 and relies on a robust ICT infrastructure and service.

Explanation of risk

An ICT failure could cause business interruption or loss of services which could impact local delivery and our reputation and ultimately have financial consequences.

Mitigation

We maintain a Group ICT strategy which is designed to support the existing business needs and provide an ICT infrastructure which is fit for purpose and supports the business' strategic direction.

We invest in resource and technology to ensure that the Group is protected, such as back-up and disaster recovery processes to ensure minimum disruption. The systems are reviewed continually and processes audited on a regular basis.

We have a dedicated security team in place to not only prevent the potential loss or misuse of data, but also to ensure compliance with the General Data Protection Regulation.

AT THE FOREFRONT OF THE ENERGY TRANSITION

Air Source Heat Pumps (ASHPs) are a renewable alternative to heating homes, and a crucial part of the Government's 2050 net-zero emissions goal

ASHPs convert outside air into heat and hot water providing a consistent, ambient temperature to your home. This means that a home's thermostat along with the individual Thermostatic Room Valve (TRV) will keep every room at a set temperature throughout the day. This helps ensure households are kept comfortable and warm as well as saving money on energy bills and reducing the building's carbon footprint compared to a gas or electric heating system.

Buildings in the UK which are off the gas grid utilise a large proportion of the most polluting heating systems from oil and coal. These types of property will not benefit from any measures to green the gas grid. In 'UK housing: Fit for the future?', published in 2019, the Climate Change Committee reported 1.3 million homes were heated by coal or oil in Great Britain, as well as 0.2 million by LPG. Considering the necessary changes required to bring greenhouse gas emissions to net zero by 2050, heat pumps provide a route to almost completely decarbonising heat alongside the decarbonisation of electricity generation. In the Government's 'The Future Support for Low Carbon Heat' consultation, conducted between April and July 2020, ASHPs were recognised as one of the primary technologies for decarbonising heat, and that the UK will need to increase deployment of heat pumps significantly in the 2020s to deliver interim carbon budgets, replace high carbon fossil fuel systems off gas grid and set the UK on course for net zero. This was confirmed in the Government's Ten Point Plan for a Green Revolution, published in November 2020 and which set an ambition of 600,000 heat pumps installations per year by 2028.

The Group's Gas Compliance and Energy Services businesses deliver ASHP installations to clients across the UK, having installed 380 in the year, and our teams continue to invest in systems and training to further grow their capacity for work and ensure operational excellence in the delivery. The Green Homes Grant, announced by the Government in November 2020 to promote the uptake of energy efficient measures such as ASHPs has proven very popular, and our Energy Services business Everwarm has already received a very high number of enquiries for installation work.

ASHP installations

380

Growth

Building significant market shares in both Compliance and Energy Services, creating new partnerships and embracing new technologies to ensure long term growth.

A genuine alternative for heating homes on a large scale

District energy systems are a highly efficient way to heat and cool many buildings in a given locale from a central plant. The Department of Energy and Climate Change (DECC)'s Heat Strategy, published in 2013, firmly placed district heating as the preferable source of sustainable heating in urban areas by 2050. Most recently the Government's 'Clean Growth Strategy' has reaffirmed its commitment to build and extend heat networks underpinned with public funds. It is also predicted that, by 2050, 17-24% of UK heating will be supplied via district heating.

The Group's Energy Services business, Everwarm, are at the forefront of this type of technology and are currently working on a number of live contracts whilst also carrying out numerous proposals for various councils and Housing Associations.

Energy storage technology in partnership with Tesla

As well as installing battery storage units for a number of clients, Everwarm has recently commissioned its own Tesla Powerwall battery at their offices in Bathgate, reducing their reliance on the grid whilst saving money. The measure ensures carbon savings for the business as well as guarding vital IT and telephone systems in the event of a power outage.

Battery Storage Energy Capacity

13.5kWh

Building partnerships

We understand the value of partnerships as an essential part of the Group's growth. Through harnessing the strengths and abilities of both internal and external partners we can scale our innovation and ensure we have the ability to solve complex challenges in the future.

1

We actively seek to form partnerships with organisations to work with us to improve processes and learn best practice. One such partnership within the year has been with TPAS, the not-for-profit tenant engagement organisation who are helping us improve and develop our relationships with local authorities and help realise many of our community engagement targets.

2

Value driven collaborations across businesses and departments are essential for the continued development of the Group. Our HR and IT teams upgrading Group-wide employee data systems; the delivery of Group-wide wellbeing reviews and an employee survey in collaboration with the ERC, Marketing and the Sureserve Academy; and the Equality, Diversity and Inclusion steering group identifying key stakeholder partnerships through which essential projects will be delivered.

3

Partnerships with leading manufacturers mean that we can offer clients unique and streamlined approaches to contract delivery, especially when utilising innovative technology in the project scope. Working with manufacturers we are able to combine our capabilities and offer a bespoke journey from manufacturing through to delivery, service management and aftercare.

Electrical vehicle charging units installed

381

Electric vehicle charging stations

Growth in electric vehicle sales, charging infrastructure and energy management is transforming the energy market, and we have invested heavily in our electric vehicle services division, reflecting the evolving needs of our clients.

New technology and research partnerships

Everwarm, in collaboration with the Construction Scotland Innovation Centre and Edinburgh Napier University, is responsible for developing an improved delivery system for Injected Internal Wall Insulation, specifically responding to the challenges of delivering cavity wall insulation to multi-storey residential blocks and to buildings with architecturally significant facades. Their unique system has become a popular delivery method for Local Authorities with a mixture of building types.

Section 172 Statement

It is vital to our success that we build and maintain a strong reputation as a responsible business and trusted partner to all our stakeholders.

Our stakeholders help to shape our strategy, and understanding our engagement with these groups ensures we are able to continue to do business the right way, keeping our promises, building positive relationships within our marketplace, and minimising our impact on the environment.

Recognising and understanding our stakeholders enables the Group's Directors to satisfy their duties under Section 172 of the Companies Act 2006, and to take into consideration the interests of stakeholders and other matters in their decision making. When making decisions the Directors consider the potential impact on these stakeholder groups, on communities, the environment and the Group's reputation, when determining what is most likely to promote the success of the Group and its members.

Our clients

We deliver high quality services with great efficiency, enabling our clients to meet their legal, regulatory and environmental obligations.

Why we engage:

Strong client relationships through exceptional contract delivery are essential for the Group's financial stability, continued growth and long-term strategy. Our reputation as a service provider of choice is also important in developing new opportunities.

How we engage:

- Ongoing management of client relationships by Senior Leadership
- Press releases
- Website and social media
- Collaborative awards submissions
- Meetings and briefings
- Charitable support via the Sureserve Foundation
- Local community-support projects in collaboration with clients

Areas of influence:

- Customer satisfaction is an important driver in determining the quality of experience for our clients and their customers
- Our operational and financial performance, along with the brand reputation, are all indicators to new and existing clients as to how the Group operates and can determine perceptions of the Group
- Strong working relationships and effective leadership underpin aspects of trust and confidence especially during challenging periods of contract delivery
- The quality of our people across the Group, their access to training and support as well as the necessary resources and equipment to fulfil their role, is ultimately responsible for the successful delivery of our contracts and influences our clients' experience
- Our delivery of social value during the lifetime of a project is increasingly creating added value in our relationships with those clients

Outcomes in 2019/20:

- During the pandemic specific consideration has been given to issues which may have affected our clients and their customers
- Ongoing management of client relationships by Senior Leadership continues to be essential to maintain good working relationships and respond quickly to local challenges, thus in many cases continuing services to our clients' customers and minimising negative impact of Covid-19 pandemic on revenue
- Strong relationships with many of our clients made it possible to collaborate on a range of community assistance projects across the UK

Read more about our clients on pages

08 09 10 11 18 19 20 21 22 23 29 41 48

"Clarity and transparency in our communications and an understanding of our clients' unique requirements has demonstrated our versatility and strength in the face of unprecedented challenges."

Bob Holt OBE
Chairman and Chief Executive

Our clients' customers

We provide safe, warm and well-maintained homes and buildings that improve quality of life for residents, employees and business owners across the UK.

Why we engage:

It is essential the Group deliver operational excellence and exceptional customer services to our clients' customers, thus ensuring their wellbeing, health, safety, and peace of mind.

How we engage:

- Customer Journey programmes
- Sureserve Foundation
- Website and social media
- Community events
- Customer service
- Community assistance projects
- Social Value incorporated into contract delivery

Areas of influence:

- Brand recognition and reputation are important in the delivery of our contracts, and trust and confidence in our services in turn positively affect our community focused opportunities in the scope of works
- Residents, home owners, businesses, and public bodies benefit from the measures we install and maintain through reduced fuel poverty, improved safety and wellbeing, and increased community cohesion via improvements to homes and places of work

Outcomes in 2019/20:

- The Group has this year recorded a Group-wide Customer Excellence KPI of 95.8%
- The Sureserve Foundation has identified and supported eight organisations with fuel poverty projects during the year, awarding £17,000 of funding
- The benefits delivered through our compliance and energy services contracts have helped households across the UK reduce fuel and energy consumption and impacted carbon emissions, as well as ensuring safe systems and their users' health and wellbeing
- Businesses across the Group engaged with clients to identify and deliver assistance to residents within many of the Group's projects

Read more about our clients' customers on pages

04 05 10 11 18 20 23 29 48

Communities

We are determined to play our part in making our communities sustainable places to live and work, and we embrace making a positive difference and aim to leave behind a strong, lasting legacy.

Why we engage:

The communities in which we work are also our communities, and the Group is committed to building positive relationships and helping support them at a local level, creating opportunities for work and development, combating fuel poverty and working with local organisations to raise awareness and funds.

How we engage:

- Website and social media
- Sureserve Foundation
- Sureserve Academy
- Social Value incorporated into contract delivery
- Local community-support projects in collaboration with clients
- School and University information events

Areas of influence:

- Fuel poverty is experienced by a large number of households across the UK and the economic challenges during the Covid-19 pandemic have worsened the situation for many. Work undertaken by the Group, our people independently volunteering, and the Sureserve Foundation can all have a direct effect on community health and wellbeing in this regard
- Environmental considerations in the delivery of projects as well as in the Group's overarching activities have a direct, profound and long-lasting effect on communities across the UK
- The delivery of social value projects during the delivery of contracts benefits a variety of groups in the communities we work within, improving health and cohesion of the community, and offering employment opportunities to a local pool of job seekers

Outcomes in 2019/20:

- Together with the Board the Group Head of Responsible Business has developed a Responsible Business Strategy for the Group
- For the second year, the Group have achieved carbon neutral operations and reduced its overall carbon usage thanks to improved systems and improvements in its fleet of vehicles, emphasising our commitment to environmental sustainability
- Many of our people have volunteered this year in support of local, community focused causes, with many seeking and receiving financial or logistical support from their businesses
- The Directors have continued to highlight and encourage a range of fundraising and volunteering work across the Group during the year

Read more about our communities on pages

04 07 08 09 10 11 12 18 25 39 41 47 48

Financial partners

Our responsible business management reflects our deep understanding of risk versus returns.

Why we engage:

We rely on the continued support of our financial partners to ensure we have the necessary funds to trade on a day to day basis and pursue the Group's growth strategy.

How we engage:

- Ongoing management of client relationships by Senior Leadership
- Annual Report and Accounts
- Annual General Meeting
- Investors section of the Group website
- Results presentations

Areas of influence:

- The Group's financial performance, Governance and transparency in its activities influence the ongoing relationship with its Financial Partners

Outcomes in 2019/20:

- We maintain excellent relationships with our banking partners, maintaining regular dialogue on matters pertaining to trading and risk in the Group
- We maintain a strict internal review process on covenant compliance to ensure we remain in line with the requirements of our banking documents

Read more about our financial partners on pages

10 11 30 48

Our people

We make sure that Sureserve is an enjoyable and motivating place to work and we work hard to engage with our employees; listen and learn from the opinions and insight that they provide and help them to progress their careers in line with our business goals. Our investment in training and development incorporates all types of professional skills, and our employees are actively encouraged to propose their own ideas for personal development.

Why we engage:

The Directors recognise that the Group's employees are fundamental to the success of the business and as such, are committed to ensuring the alignment of the Group's culture and strategy. The future of the Group depends on attracting, retaining and motivating our people, ensuring we remain a responsible employer, regarding pay, benefits, wellbeing and ensuring a safe and diverse workplace.

How we engage:

- Sureserve Academy
- Sureserve Apprenticeship programme
- Employee upskilling
- Group-wide Staff Survey
- Graduate recruitment
- ERC
- Equality, Diversity & Inclusion steering and working groups
- Sureserve Legends
- Star of Customer Excellence Awards
- Long Service Awards
- SHEQ forum
- Mental Health working group
- Employee Assistance Programme
- Website, newsletters, emails and social media
- Group-wide webinars

Areas of influence:

- Our people expect the Group to be committed to their wellbeing in both their professional and personal lives
- It is important that our people are valued in the delivery of their work, with their efforts being recognised and rewarded
- Training and development is an essential aspect of the Group's ability to recruit and retain talent, as well as an important part of succession planning
- Open and honest communication is important to workplace culture with Leadership and Management offering clear strategic direction, accountability and accessibility should employees have issues they want to bring forward
- The Group has a duty as a responsible business to ensure our workplace is safe and healthy for all our people, free from discrimination and visibly working towards improvements in equality, diversity and inclusion

Outcomes in 2019/20:

- In the period the Group has put in place an overarching Equality, Diversity & Inclusion steering group, who together with two focused working groups is developing plans and a strategy for Group-wide improvements in these areas
- The recent Group-wide staff survey resulted in 40.2% engagement, and subsequent follow-up action plans will be considered in 2021
- The Group reports a higher percentage of our staff in training, and further development of the Sureserve Academy underpins planned improvements over the coming year
- During the pandemic the Directors have made themselves visible and available to all staff, including via daily webinars during the first period of lockdown, consistently communicating messages regarding employee wellbeing, health and safety protocols, business updates and Group-wide collaboration

Read more about our people on pages

04 07 10 11 12 13 15 16 18 29 30 39 40 41 42 60

COMMITTED TO MAKING A DIFFERENCE

Within the year we took steps to broaden the scope of our Women in Business working group activities, and look more widely at issues of equality, diversity and inclusion as a whole.

Our people remain the Group's most valuable asset, and all of our businesses are dedicated to making sure that both our present and future employees are given the opportunity to fully participate at all levels of the business, and work in an environment that encourages them to realise their full potential.

As such, a high-level, overarching Equality, Diversity & Inclusion steering group was created in early September with sponsorship from the Board and with external support from Mariam Sani, Head of Securitisation and Asset Control at Legal and General Affordable Homes.

This group delivered a report on the existing equality, diversity and inclusion data for the Group, and made recommendations regarding key targets for Group-wide improvements. It also set about creating two working groups which would manage the actions necessary for meaningful change in the areas of Ethnicity and Diversity, and Gender and Equality. Each working group is made up of volunteers from each business, representing a wide range of perspectives and experiences and placed within key business functions across the Group. With the crucial sponsorship of both the Board and the Executive Management Team, we look forward to driving change across the business in 2021 and developing brand new channels of engagement with all our stakeholders.

More information on the Equality, Diversity & Inclusion Steering Group can be found within the Sustainability section on page 41

Shareholders

We operate in non-volatile trading environments with predictable recurring cash flows that should deliver growing revenues and profits.

Why we engage:

It is important for our shareholders to understand our strategy, and how through it we aim to deliver sustainable growth and create long-term sustainable value in line with Group policies and standards.

How we engage:

- Investor meetings
- Annual Report and Accounts
- Annual General Meeting
- Investors section of the Group website
- Results presentations
- Stock exchange announcements and press releases

Areas of influence:

- The Directors engage with senior management at Group level, delivering operational and performance updates to committees and ensuring the Directors have a clear understanding of their role and contribution as part of the wider Group
- Key ongoing considerations concerning our shareholders are the Group's financial performance, governance and transparency, new contract wins, technological innovation and its reputation
- Consistent and clear communication to our shareholders throughout the year and especially around key reporting periods is essential

Outcomes in 2019/20:

- The Chairman and Chief Financial Officer have delivered investor meetings throughout the year and were also available at the Annual General Meeting which provided shareholders the opportunity to directly engage with the Board
- Directors have worked closely with our advisers and brokers throughout the year, ensuring they are aware of our investors' views.
- The Group has delivered publicly available information to shareholders via the Group's website, Regulatory News updates, results and presentations as well as a number of other online resources
- The Groups' total dividend was 1 pence for the year

Read more about our shareholders on pages

10 11 46 47 48 49 50 52 53 54 55 56 57 58 59 62

Suppliers

We provide opportunities for national and local suppliers to grow their business by developing strong relationships with an expanding group.

Why we engage:

In order to meet the needs of our clients and their customers, we ensure we utilise high quality materials and resources, delivered by suppliers of choice who meet our ethical standards and are compliant with our Code of Conduct, governance policies and supply chain best practices.

How we engage:

- Supplier conferences and workshops
- Website
- Annual Report and Accounts
- The Sureserve Foundation

Areas of influence:

- Supply risk must be managed in relation to data security, corporate responsibility and the financial, operational, contractual and reputational damage which may be caused by failures in the supply chain
- The Group is committed to being a responsible business and as such it is important that legal, ethical and environmental business standards are maintained, including fair payment terms to our supply chain's employees

Our response in 2019/20:

- During the Covid-19 pandemic the Group has engaged with key suppliers to review and further establish processes for the management of supply chain risks and issues, with escalation to Directors as and when was necessary
- The Directors have reviewed the actions taken by the business to prevent modern slavery at any stage of our supply chain and approved our Modern Slavery Statement

Read more about our suppliers on pages

06 10 11 41 42 47 48

As the UK moves to an increasingly renewable energy sector, we are diversifying our business

We go to great lengths to do business the right way, keeping our promises to our stakeholders, building positive relationships within our marketplace and minimising our impact on the environment.

Social value

We place the communities in which we work at the heart of everything we do, and this means being involved beyond our immediate role as an energy and compliance services provider.

Community

Sureserve Legends nominated this year

78

Employees with Long Service Awards (more than 5 years)

26.1%

Employee survey engagement

40.2%

Funds awarded by the Sureserve Foundation to organisations fighting fuel poverty

£17k

We are dedicated to creating desirable, successful and cohesive communities. This means playing our part in making them sustainable places to live and work.

Our people

The Sureserve Group is made up of 2,162 people, working in towns and cities across the UK, and each contributing to improvements and changes in almost half a million homes this year. Our people, their abilities and talents along with their effect on our customers' lives is central to our ongoing success and in realising our positive vision for the future of the Group.

Employee Assistance Programme

The safeguarding of our peoples wellbeing is an essential part of our value proposition, and to help them access quick, affective and free assistance should they need it a Group-wide service is available supporting employees with a range of personal or work related issues. The service is available at all times, day or night, online or on the phone.

Mental Health Awareness Week

This year Mental Health Awareness Week occurred just as the influence of COVID-19 was affecting employees across the Group, many of whom were on furlough or working in a limited capacity. The Group collaborated with People At Work to create the 'Tree of self-care', an interactive online resource which was made available to all employees and introduced a calendar of supportive daily wellbeing messages and activities.

Employee survey

In early November we launched a Group-wide employee survey to ask our employees important questions about their experiences of the Group, their businesses, their teams, colleagues and work, and finally the Group's response to the COVID-19 pandemic. A collaborative project between HR, Marketing and the Sureserve Academy, the Group was pleased to note an engagement figure of 40.2%. The results will provide us with valuable information to improve our businesses, our workplace and our culture; and which will help make a real difference to our colleagues Group-wide.

Long-service awards

We take great pride that so many of our people have grown and developed with us over the years, and we were able to celebrate Long Service Awards for over 109 employees during the year.

Sureserve Legends

Each quarter the Group celebrates the Sureserve Legends Awards, when we ask our people to nominate the exceptional colleagues that they work with and tell us why they make such a difference to their working day. The overall winner is invited to attend working group meetings being held during that quarter, allowing them an opportunity to have their voice heard and be at the centre of decision making in the Group. Not only do we celebrate the overall winner, but each and every nominee too, publishing an excerpt from each person's nomination providing everyone a chance to read about some of the amazing things that colleagues think and say about each other and providing an opportunity for all our Sureserve Legends to be celebrated.

Star of Customer Excellence Awards

Annually we run the Sureserve Star of Customer Excellence Awards which is an opportunity for people from across the Group to nominate a colleague who has excelled in their customer services during the year. Suong Nguyen, a Gas Engineer with K&T Heating, was chosen as this year's winner. Darren Holder, Regional Manager at K&T said, "Suong provides the perfect example of how we all wish to be treated as a customer, even though he was faced with a challenging situation, he showed compassion, empathy, understanding, courage, and a commitment to see the job through to the end!". Well done Suong!

ERC

The Group's Employee Representative Council (ERC) undertook local elections for many of its representatives during the year, and has continued to provide a valuable communication pathway for colleagues across all Businesses' directly to the Group's Executive Management Team.

Sureserve Foundation

Since the Foundation began last year, we have supported a number of local community organisations. Through the recent Covid-19 crisis, we have been able to offer grants to client and community Hardship Funds in order to support local individuals and families that have been experiencing financial crisis, helping households with food and energy costs during the ongoing situation. In addition to this we have supported a number of organisations through the provision of grants for projects that are tackling fuel poverty and fuel inefficiency in low income and vulnerable households. We have also promoted the Foundation's online advice and guidance guide to encourage affordable energy efficiency measures in the home to combat fuel poverty. We're proud to have awarded £17,000 of funds to organisations this year, and will continue to support the amazing work of so many individuals and organisations across the UK in 2021.

TPAS

We were pleased to announce that during the year we became members of TPAS, the not-for-profit tenant engagement organisation. Utilising their experience and knowledge we will benefit from their training and consultancy services, developing our businesses with the help of their tenant involvement policies and practices and ensuring we maintain a strong reputation as a responsible business and a trusted partner to our stakeholders.

CASE STUDY

Covid-19 Emergency Fuel Voucher Fund

In October, the Foundation was awarded grant funding from the Energy Redress Scheme, managed by the Energy Saving Trust to deliver emergency fuel vouchers to individuals and households in need, across the UK. The Foundation are currently working with a number of the Sureserve Group's housing and local authority clients to identify households who are at risk of self-disconnection and who have been adversely affected by the Covid-19 pandemic, either economically or socially. The project has realised its target of providing in excess of 750 emergency vouchers by January 2021.

To find out more about the foundation and their work visit
www.thesureservefoundation.org

Recruitment and retention

Voluntary employee turnover	Number of employees in a full course of training in the year
8.6%	**166**
Online courses completed this year	**Online courses available**
8,685	**140**

We are committed to investing in our employees to ensure a diverse and capable workforce, now and for the future. The performance of our business, our reputation amongst our stakeholders and Industry, our strategy going forward together with our profitability, all rest firmly with the quality and ability of our people to deliver excellent work and, in turn, our ability to find and retain them.

The Sureserve Academy

The Sureserve Academy ties together all learning and development for the Group with the aim to prepare the Company to meet both today's training demands and tomorrow's operational challenges. We are committed to developing and identifying talent within our Business, to generate exciting career opportunities and a consistent quality talent pipeline to meet the market's growing demands and ensure the long term sustainability of our Business. During the year the Academy expanded their training provision to incorporate the Group's joint venture partners, Warmworks and Arbed.

Apprentices

The Sureserve Group has a long and proud history of recruiting and supporting apprentices into the Business. Many of our people now in Senior Management began their careers as Apprentices and the opportunity to learn whilst working alongside experienced professionals ensures that colleagues have pertinent up to date industry experience as soon as they pass the necessary qualifications.

Management training

Our Management Excellence Programme is a modular training course created to support our Future Leaders initiative, identifying and encouraging talent and potential in a variety of roles across the Business. A combination of on-line and classroom-based training was specifically created to deliver focused learning to participants in areas such as our legal risk, fraud prevention, corporate strategy and influencing and communication. The Programme will continue to expand in scope and engagement and provide our people with a further route to advancement in their careers, as well as providing the Group with a valuable talent pool in the development of our Management teams.

Upskilling

Making training available to our people at all levels of the organisation is essential to avoid skill shortages in the midst of industry developments and advancements in technology. The Group is committed to remaining competitive in challenging markets, and via the Sureserve Academy, we have invested in creating bespoke training solutions for our businesses' particular needs, utilising educational institutions, external training partners, mentors and online courses to fulfil those learning needs.

Armed Forces Covenant

The Sureserve Group is delighted to announce that it has signed the Armed Forces Covenant, a commitment to support reservists and veterans in our employment, as well as encourage those who serve, or have served, into employment with the Group.

Working with Defence Relationship Management (DRM) who provide support on employing Reservists, veterans, Cadet Force Adult Volunteers and military spouses, the Group recognises the great variety of transferable skills and qualities that the armed forces community are able to bring to the workplace, developed throughout their careers. We are proud to be signatories of the Covenant and look forward to working towards the mutual benefit of both our armed forces community as well as the Group's business needs.

Equality, diversity & inclusion

Female representation in the Group's SMT

31.6%

Number of people across the Group that completed equal opportunities training this year

433

The Sureserve Group is committed to championing equality, diversity and inclusion in the way we work and in the communities in which we work, making sure that every one of our people, clients and customers has the opportunity and support to fulfil their professional and personal potential.

The Group welcomed Sarah Eddy to the Executive Management Team post year-end, who has stepped into the role of Governance and Compliance Director. Sarah joined the Group in 2014 and has been a key figure behind the Groups continued focus on environmental targets, compliance and health and safety, and has overseen the Covid-19 protocols implemented this year.

Equality, Diversity & Inclusion steering group

The Sureserve Group now has in place a high-level, overarching Equality, Diversity & Inclusion Steering Group which is sponsored and supported at Board level. This group is responsible for making key recommendations and setting the agenda for equality, diversity and inclusion Group-wide and will work with two further working groups that will look specifically at: Gender & Equality and Ethnicity & Diversity. Each working group is made up of representatives from each business and key business functions and has an EMT chair and sponsor.

First steps for the steering group have been to begin work on a Group level Equality, Diversity and Inclusion policy; initiate a project reviewing recruitment practices across the businesses, and begin work on a Strategy document which will determine activities for the coming year.

Ethnicity & Diversity working group

Our Ethnicity & Diversity working group is made up of 13 employees from across the Group, from a variety of geographies and business functions, and is Chaired by Maria McGettigan, Group HR Director. The group took part in a CPD course of training on Equality and Diversity at work, along with the Gender & Equality working group, and has undertaken activities around protected characteristics in the workplace and how to advocate for and create a safe working environment.

Gender & Equality working group

The Gender & Equality working group has identified a number of targets around which to base their activities in 2021 including increased female representation in operational job roles, improved engagement from some stakeholder groups within the businesses, and a formalised flexible working policy to encourage a wider talent pool and more women into the Group.

Corporate inductions

In the year we have delivered improvements to our induction and onboarding processes. We ensure new starters are provided with a clear understanding of what the Group has to offer them and the variety of support systems in place to ensure their experience working for us is a rewarding and healthy one. Online courses are available via the Sureserve Academy to make sure our people can access the information no matter where they are.

Accessibility tools for online material

This year the Group has undertaken the review and redevelopment of those websites specific to Sureserve Group plc as well as many of the Group's business sites. A key feature of the improvements has been the integration of an online accessibility tool which allows online users to customise the websites in a way that works for them. Website users with impairments or disabilities may often face barriers when utilising online environments which are not designed for them. The new websites will be launched in early 2021 and our commitment to inclusion for our people, customers and clients ensures these environments will be accessible to everyone.

Governance

Our clients

Client Excellence KPI

95.8%

Every year we serve hundreds of thousands of end customers when we are contracted to deliver work schemes for Public Sector clients across the UK. As we know, providing our services means more than the installation and maintenance work we do in homes, public buildings and businesses, and an enormous part of our success is in the manner in which we interact with our customers and clients and how their experience and perception is formed on the quality of support they receive.

This year has highlighted the importance of both effective leadership and clear communication when working with our clients, and their confidence and trust in our ability to deliver work successfully and safely has been essential in being able to carry out contracts.

Supply chain

Ethical purchasing is a priority for the Group, and we seek always to take social, environmental and economic factors into account when deciding what, where and how to buy. Our procurement team is highly skilled at achieving best value while positively discriminating in favour of suppliers with policies that complement our beliefs.

Whenever we can, we use our procurement activities to have a positive influence on communities by enabling local businesses to grow. An example of this is our Warmworks joint venture, which manages the Scottish Government's Home Energy Efficiency Programmes (HEEPs). This includes fair payment terms and free or subsidised training for suppliers, helping to ensure that local businesses can access our supply chain and encouraging innovation among our suppliers. Every year, we provide training to around 700 of our suppliers' employees.

Health and safety

HSQE data and statistics are reported monthly to the Plc Board, based on the following criteria:

- Near Hits
- Minor Accidents/Incidents
- RIDDORs
- Gas RIDDORs
- Environmental Incidents
- Carbon Consumption

The Group AFR ('Accident Frequency Rate') is calculated monthly; this is one of the standard safety measures used to identify and analyse the number of occupational accidents which take place in the workplace. Any accident which is reported in the workplace will formulate a part of the resulting AFR number. This allows the Group to track the number of accidents/incidents which occur and provides a means for comparison to drive improvements and set effective Safety targets and objectives.

The Group recently released a Group-wide Health & Safety strategy which incorporates the safety vision; "To provide a safe and secure work environment promoting a positive culture by continuously improving the Health, Safety and Well-being of our people and the communities we serve". This strategy also underpins key aims and objectives which focus on the following:

- Reducing the number of Accidents/Incidents across the Group
- Reviewing and updating our training providers both internally/externally
- Increasing engagement and awareness amongst our people to provide a positive Safety culture
- Reviewing and researching technologies that will help enhance performance and our internal systems

Across the Sureserve Group our highest priority is to protect the health, safety and well-being of our employees, customers, suppliers and pertinent members of the public. This is one of the core values that underpin our culture as a Group.

We are committed to continual improvement and do everything we can to ensure anybody affected by our work is kept safe, both during our operations and into the future. We operate an Integrated Management System which includes certification to ISO:9001, ISO:14001, ISO:45001 and ISO:50001 which underpins and supports core business values.

When it comes to looking after our people, we have robust procedures in place to ensure that our employees are competent and supported in their roles. This is done via both internal and external industry specific training and is tailored dependent on the type of role and business. Supporting this is our Online Academy which provides a suite of mandatory Safety courses tailored to suit our needs for Health & Safety essentials, which enables our employees to undertake core training on the go.

The SHEQ Forum is well established and consists of our highly skilled and trained Health & Safety professionals across the Group. In line with the Covid-19 pandemic, the SHEQ Forum have been having weekly team meetings to ensure that our Safety protocols remain robust and adaptable to the ever-changing environment. We believe the ongoing health and well-being of our people is as important as their on-site safety and we are continually developing and delivering initiatives to support this. The Forum released a new 'Spot the Hazard' Safety initiative this year, which is a quarterly Group-wide competition that aims to get colleagues engaged in Health & Safety and promotes identifying potential hazards.

Every year we look for new ways to improve our Health and Safety performance across the Group, and this is underpinned by the Health & Safety Strategy. These improvements include reward and incentive schemes, raising awareness, participation and consultation and improving Near-Hit/Close-Call reporting.

Environmental impact

When planning, undertaking and delivering our work, how best to protect the natural environment and help sustain it for the future is always a key consideration for Sureserve. We believe that every business should carefully manage and measure its impacts and doing so is a key part of our own Group strategy.

As part of this, we continuously monitor potential impacts, promote awareness and do everything we can to reduce risks. Our Environmental Management System, underpinned by our ISO 14001 accreditation, ensures that we go further than simply meeting legal requirements and ensures that we are consistently driving continual improvements.

As a Group we ensure that all environmental risks and opportunities are taken into consideration and carefully managed. As part of this risk management, the number of Environmental Incidents is reported the Plc Board on a monthly basis and in 2020 we have had only 1 incident.

The Sureserve Group understand the importance of reducing our carbon footprint, reducing our waste consumptions and conserving wildlife. The key environmental areas on which we focus are energy efficiency, carbon management and waste diversion. We monitor and analyse all these aspects and set local targets to ensure continual improvement.

Our vehicles

Over the past few years we have continued to replace our existing fleet with the most efficient Euro 6 vehicles available, which now account for 82% of the fleet. All of our commercial vehicles are tracked, speed restricted and fitted with start/stop technology to help reduce any idling time. As of 2020 we are now including additional driver safety features to our commercial fleet including:

- Safety Pack: Active Lane Departure Warning, Speed Limit Recognition and Recommendation, Active Safety Brake and Distance Alert System
- Drive Assist Pack: Adaptive cruise control and collision alert, Active Safety Brake
- Forward facing Dashcams

Driver behaviour

All of our commercial vehicles are fitted with telematics which enable us to track our on-road driver behaviour through driver scorecards and league tables. This identifies any High-Risk drivers through Speeding, Harsh Braking and Cornering metrics. By monitoring and improving our driver's performance, this will have a positive effect on our fuel consumption, the wear and tear on the vehicle and reduce the possibility of being involved in a road traffic incident.

The Sureserve Group's average driver score has improved to 94 (out of 100) since the adoption of the telematics systems, with 95 being our group target.

SECR

Achieving a substantial reduction in our use of energy is one of our core priorities as we strive to reduce our carbon footprint, both at a local level within each business unit and across the Group as a whole.

We hold the ISO 50001 accreditation and have a robust energy management system which enables us to monitor energy performance and drive continual improvements. We apply its guidance across the Group, not only to ensure we comply with all legal and other requirements but also to help us improve our performance and reduce our carbon consumption. We collate energy data on a monthly basis focusing on our SEUs (Significant Energy Uses) which have been defined as:

- The fleet for business use
- Electricity
- Gas

The Group has implemented the Streamlined Energy and Carbon Reporting ("SECR") requirements in the year and the results are shown below.

Total consumption of energy supplies

Utility	Scope	2019/20 kWh	2019/20 tonnes of CO_2
Grid-supplied electricity	2	1,361,099	567
Natural gas	1	4,314,060	792
Transportation	1	3,120,8791	5,937
Total		**3,688,3950**	**7,296**

Action taken to improve energy efficiency

Our Energy Management System underpins our core business values and enables us to identify the required actions needed to improve our energy consumption and efficiencies. This has included:

- Replacing existing fleet vehicles with the most efficient Euro 6 vehicles available, which now account for 82% of the fleet
- Utilising telematics to identify high-risk drivers through idling, speeding, harsh braking and cornering metrics. This enables us to track fuel consumption and look at driver behaviours to drive improvements
- Enhancing staff awareness with training modules on our internal Online Training Academy
- Undertaking Energy Audits at each of our Head Office locations to look at the SEUs and what changes can be made to reduce electricity and gas consumption

Energy intensity metric 2020

37.2t

of CO_2e per million pounds revenue

Energy intensity metric 2019

40.8t

of CO_2e per million pounds revenue

Workings for your reference

	2020	2019
Tonnes of CO_2 /revenue	7,296 / 195.7 = 37.2	8,666 / 212.1 = 40.8

An energy intensity metric has been calculated using the number of tonnes of CO_2 emitted per million pound of revenue to provide a metric against which the Group will measure current and future energy usage performance. This measure takes account of the differing consumption between divisions and the respective revenue of those divisions.

Carbon reduction target

Taking into consideration that this year energy consumption has been lowered due to the ongoing Covid-19 pandemic as a result of lockdown periods and remote working the Group are setting relatively low targets to ensure these are realistic:

- To reduce the Energy consumption of the office premises via electricity and gas by 1%
- To reduce the Energy consumption of the fleet (business and grey) by 1%

We monitor energy consumption at all our offices and utilise a fuel card system to monitor our fleet consumptions. By analysing data, we use it to set stretching but realistic annual reduction targets. We report Group consumption to the Plc Board each month and create annual energy reviews and baseline reports to identify and highlight annual performance and improvement opportunities.

Our carbon usage for this reporting year was 7,296 tonnes of CO_2, which shows a decrease of 15.8% on the 8,666 tonnes usage in 2019.

The expertise and experience to deliver growth

An established Board providing strong leadership and governance.

Executives

Non-Executives

1. Bob Holt OBE
Chairman and Chief Executive

Appointment
Bob was appointed as a Director and Chairman in July 2016. He took on the role of Chief Executive in September 2019.

Committee membership
Member of the Nomination Committee.

Key strengths
Bob is an experienced manager and developer of service businesses. In a career in the service sector spanning over 36 years he has an extensive track record of growing businesses and turning around underperforming companies. Bob provides experienced executive leadership to navigate the business through challenging market conditions whilst setting a clear strategic direction for the Group for the medium term.

Experience, skills and qualifications
Bob currently serves as Chairman of Totally plc, and is a Director of a number of other businesses. Bob was awarded an OBE in January 2016.

2. Peter Smith
Chief Financial Officer

Appointment
Peter was appointed to the Board in July 2019.

Committee membership
None.

Key strengths
Peter has more than 15 years' experience in finance at Director level with widespread and successful experience in delivering results in areas such as facilities management, services, third party logistics, specialist recruitment, procurement, food service and manufacturing.

Experience, skills and qualifications
Some recent (non-board level) roles have included Finance Director of the Cleaning & Environmental Services division of Mitie Group, interim Finance Director of the Specialist Services division at OCS Group, interim Commercial Finance Director at the Post Office and interim Chief Financial Officer of Support Services at Balfour Beatty as well as Head of Finance Shared Services, Finance Systems and Process Improvement at British Gas.

3. Robert Legget
Senior Independent Director

Appointment
Robert was appointed to the Board in April 2016.

Committee membership
Chairman of the Nomination Committee, Chairman of the Remuneration Committee and a member of the Audit Committee.

Key strengths
Robert has extensive business and finance experience.

Experience, skills and qualifications
Robert co-founded Progressive Value Management Limited in 2000 and is Chairman. Progressive Value Management specialises in creating value and liquidity for institutional investors from illiquid holdings in underperforming companies. In this role he has had significant engagement with public company boards. Robert was formerly a Director of Quayle Munro Holdings plc and Foreign & Colonial Private Equity Trust plc and is currently a Director of Downing Strategic Micro-cap Investment Trust plc. Robert is a member of the Institute of Chartered Accountants of Scotland.

4. Derek Zissman
Non-Executive Director

Appointment
Derek was appointed to the Board in November 2017.

Committee membership
Chairman of the Audit Committee and a member of the Remuneration Committee.

Key strengths
Derek has extensive business and finance experience.

Experience, skills and qualifications
Derek is currently a Director of three AIM listed companies and one fully listed on the Frankfurt Stock Exchange. He spent many years with KPMG, where he was a co-founder of the firm's Private Equity Groups in the UK and USA, and was Vice Chairman of KPMG UK. Derek is a Fellow of the Institute of Chartered Accountants in England and Wales.

5. Christopher Mills
Non-Executive Director

Appointment
Christopher was appointed to the Board in March 2019.

Committee membership
None.

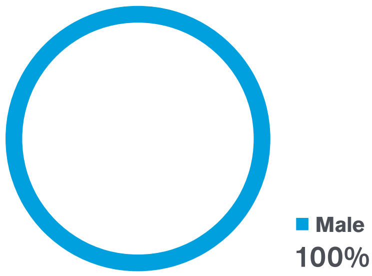
Key strengths
Christopher has extensive business and finance experience.

Experience, skills and qualifications
Christopher is Chief Executive and Investment Manager of North Atlantic Smaller Companies Investment Trust ('NASCIT'), appointed in 1984. He is currently a member and Chief Executive of Harwood Capital Management.

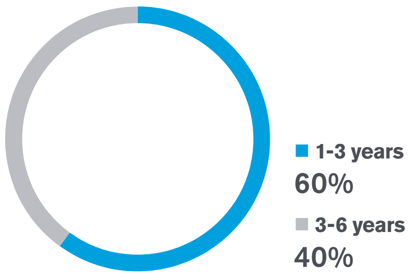
In addition he is a Non-Executive Director of numerous UK companies which are either now or have in the past five years been publicly quoted.

Diversity, independence and experience

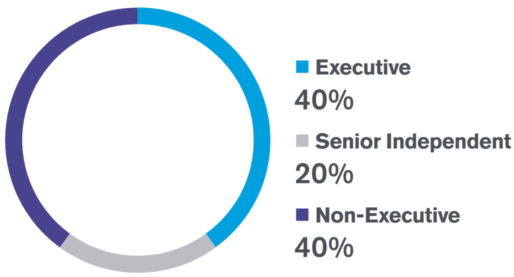
Gender



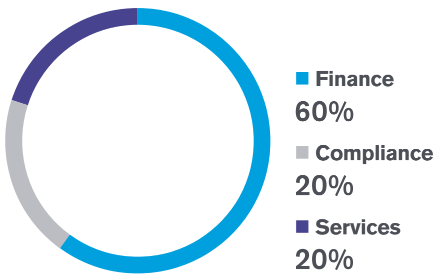
Tenure



Board composition



Sector experience



Bob Holt OBE
Chairman and Chief Executive

I am pleased to introduce the Company's 2020 Corporate Governance Report.

Whilst 2020 has been a difficult year given the impact of the Covid-19 pandemic, I am happy to report that the Company has ended the financial year in robust good health, both financially and with the full engagement of our employees, communities and other stakeholders.

Sound Corporate Governance is fundamental to effective management of the business, delivery of long term shareholder value and engagement with all stakeholders. It forms a core part of Group strategy and enables and supports the continued growth and future success of the business.

The Company applied the governance principles of the Quoted Companies Alliance Corporate Governance Code 2018 ('QCA Code'), on the basis that it is the most appropriate governance code for the Group, having regard to its strategy, size, stage of development and resources. The QCA Code is based around 10 principles and a set of disclosures. Details of how the Group complies with each of the 10 principles of the QCA Code may be found in the explanations below, within the Board Committee reports, throughout this Report and on the Company's website at www.sureservegroup.co.uk/investors/corporate-governance.

Board composition has remained stable during the year and has allowed the business to focus on our strategic plan and move the business forward in its primary areas of Compliance and Energy Services. Future structure of the Board will be further reviewed in the coming months.

Stakeholder engagement remains a priority and further details as to how we engage with stakeholders can be found on pages 34 to 37 and engagement with shareholders on page 50.

As we look ahead we do so with confidence in our people, systems and stakeholders.

Bob Holt OBE
Chairman and Chief Executive
1 February 2021

Statement of compliance with the QCA Corporate Governance Code

The Board has adopted the QCA Corporate Governance Code and in the table below we set out how we comply with the principles of the Code.

Deliver growth

Principle 1

Establish a strategy and business model which promote long term value for shareholders

Pages 10 – 11 and 12 – 13

www.sureservegroup.co.uk

Sureserve is a leading compliance and energy support services group that performs critical functions in homes and public and commercial buildings, with a focus on clients in the UK public sector and regulated markets, which remain our key sustainable target markets. Services are delivered through two divisions: Compliance and Energy Services. Details of the Group's strategy, business model and principal risks and uncertainties to the business, together with mitigating factors that the Board has identified, can be found in the Strategic Report.

Principle 2

Seek to understand and meet shareholder needs and expectations

Pages 34 – 37

www.sureservegroup.co.uk/investors/corporate-governance

The Board recognises the importance of active shareholder dialogue with both institutional and private shareholders, and this is led by the Chairman and Chief Financial Officer.

Following both the annual and interim results announcements, meetings are held with analysts, private investors and institutional investors of the Company, in London, Edinburgh and regionally. The Company's website also has details of all public announcements, Annual and Interim Reports and investor presentations.

The Annual General Meeting of the Company gives the Directors the opportunity to meet with shareholders and to provide an opportunity to give an update on the Company's performance. It also provides shareholders with the opportunity to ask questions of the Directors, either in the formal AGM proceedings or informally after the event.

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long term success

Pages 38 – 43

www.sureservegroup.co.uk/sustainability and www.sureservegroup.co.uk/news-media/press-releases

The Board is conscious of the impact that the Company's business activities may have on the environment and society more generally. The Company acknowledges its responsibilities to all stakeholders and encourages all feedback via the Contact Us section of the Company website at www.sureservegroup.co.uk.

Employee engagement is fostered by regular Group-wide communication with all employees and enhanced by the work of the ERC ('Employee Relationship Council'), which meets on a regular basis throughout the year. A full Employee survey was undertaken during the year. Following on from work undertaken by the Company's Women in Business forum the Company produced a detailed Equality, Diversity and Inclusion Report during the year. Working Groups were also established with Executive sponsorship covering Gender and Equality and Ethnicity and Diversity.

The Sureserve Academy acts as a central hub for all learning and development activities across the Group, including for the 166 apprenticeships which are in place across the Group.

Regular dialogue is maintained with suppliers, including to ensure that compliance is maintained with all central legislation around Bribery and Corruption and Modern Slavery.

The Company held a Customer Service Week focusing on championing best practice and recognising excellent customer service.

The Sureserve Foundation made initial grants to support local communities and to reinforce the Group's support for those communities in which the business operates. The Foundation's focus is particularly on alleviating fuel poverty.

Principle 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation

Pages 28 – 31

Full details of the risks and uncertainties faced by the Group, and their mitigation, can be found in the Principal Risks and Uncertainties section of this Report and Accounts on pages 28 – 31.

The Board has responsibility for ensuring that effective risk management is in place across the Group. Clear strategic goals are set and risks to the achievement of these objectives are monitored through regular dialogue with operational management in each of the businesses. Risk management reporting forms a key aspect of Board discussion, supported by input from relevant external and regulatory bodies.

Formal risk registers are in place at plc and operating company level and are reviewed and monitored by the Audit Committee.

Given the Covid-19 pandemic impact during the year enhanced risk review systems have been put in place by the Group Health and Safety teams. The Chairman and Chief Executive has held weekly calls, available to all staff, to support colleagues and address any operational concerns during this period.

A Risk Committee was re-established during the year and met three times during the year. This Committee reports to the Audit Committee as does the Internal Audit function which has also undertaken a number of specific reviews during the year at the request of the Committee.

The Group maintains appropriate levels of insurance cover.

Maintain a dynamic management framework

Principle 5

Maintain the Board as a well functioning, balanced team led by the Chair

Pages 44 – 45

www.sureservegroup.co.uk/about-us/board-directors

The Company has a strong and experienced Board of Directors with strong sector and financial experience.

The Chairman is responsible for the overall management of the Group including the approval and implementation of the Group's objectives and strategy, budgets and operational performance along with the maintenance of sound internal control, corporate governance and risk management procedures. The Board continually reviews these responsibilities and will look to split the role of Chairman and Chief Executive when the appropriate opportunity arises. Whilst the Board may delegate day to day management to the Executive Directors, subject to formal delegated authority limits, certain matters are reserved for full Board approval. Details of matters reserved for the Board may be found at www.sureservegroup.co.uk/investors/corporate-governance.

Board composition has been stable during the year and the Board consists of two Executive Directors and three Non-Executive Directors. Details of the Directors, including brief biographies, Committee membership, key strengths and experience, skills and qualifications, can be found on pages 44 and 45 of this Report and Accounts.

All Directors are subject to re-election at each Annual General Meeting of the Company.

Robert Legget and Derek Zissman are both considered to be Independent Non-Executive Directors of the Group. Because of his management responsibility for Harwood Capital Management, the Group's largest shareholder (19.2%), Christopher Mills is not considered to be independent as a Non-Executive Director of the Group.

Directors during the year	Role	Independent/ non-independent	Date of appointment
Bob Holt	Chairman and Chief Executive	Not independent	July 2016
Peter Smith	Chief Financial Officer	Not independent	July 2019
Robert Legget	Non-Executive Director Senior Independent Director	Independent	April 2016
Derek Zissman	Non-Executive Director	Independent	November 2017
Christopher Mills	Non-Executive Director	Not independent	March 2019

The Board is supported in its work by Audit, Remuneration and Nomination Committees which are chaired by the Independent Non-Executive Directors. All Non-Executive Directors are required to commit sufficient time to their roles in order to adequately discharge their duties.

Principle 5 continued

Maintain the Board as a well functioning, balanced team led by the Chair continued

The table below summarises the membership of the Board, the Board Committees and the attendance record of Directors.

Director	Board scheduled meetings	Audit	Remuneration	Nomination
Executive Directors				
Bob Holt	8/8			1/1
Peter Smith	8/8			
Non-Executive Directors				
Robert Legget	8/8	4/4	4/4	1/1
Derek Zissman	8/8	4/4	4/4	
Christopher Mills	8/8			

Principle 6

Ensure that between them the Directors have the necessary up to date experience, skills and capabilities

Pages 44 – 45

www.sureservegroup.co.uk/about-us/board-directors

The Board of Directors has substantial and relevant experience – both in terms of the sectors in which the Company operates and in financial, operational and public company experience. Details of each Director, including a brief biography, Committee membership, key strengths and experience, skills and qualifications, are detailed on pages 44 and 45 of the Report and Accounts.

The Directors are mindful of the importance of diversity within the workforce and have set this as a focus in the Nomination Committee's action plan for 2020/21.

All Directors are required to commit sufficient time to their roles in order to adequately discharge their duties. Training is maintained through regular business updates from the Executive Directors and briefings from external advisers.

Supporting the work of the Board are three Board Committees, all with formally delegated powers – an Audit Committee, a Remuneration Committee and a Nomination Committee. All are chaired by and comprise the Non-Executive Directors.

Each of the Directors is subject to either an Executive Service Agreement or a letter of appointment. The Company's Articles of Association require all of the Directors to retire at every Annual General Meeting.

Non-Executive Directors are appointed for terms of three years, which may be renewed, subject to the particular Director being re-elected by shareholders.

During the year advice was received from external professional advisers regarding legacy matters from the former construction division, establishment of a new Executive Share Option Scheme (Remuneration Committee). In addition advice was taken regarding the establishment of a further SAYE Scheme for employees.

Principle 7

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Pages 44 – 62

As previously reported in order to ensure the effective operation of the Board and the Committees, and in line with QCA Code Guidelines, an evaluation of the Board was undertaken by an external, independent consultant. The process of appointing an external consultant was overseen by the Senior Independent Director and the Company Secretary.

The initial evaluation and the results of the Board evaluation were presented to the Board on 10 January 2019. The Board evaluation process included an observed Board meeting, confidential questionnaires and individual interviews of Board members. The questionnaire included sections relating to the compliance principles of the Quoted Companies Alliance Code.

The Board undertook to implement the recommendations and invited the evaluator to return in late 2019 to form a view on progress. The Follow Up Review was concluded in December 2019. Again, a process of an observed Board meeting and individual interviews of Board members was undertaken. The evaluator concluded that most of the recommendations had been successfully implemented. The Follow Up review identified further areas for development and the Board has agreed to implement them. The conclusions of the Follow Up Review were presented to the Board in January 2020.

In summary, these were:

- The business was seen to have transitioned well following the disposal of its construction activities and had recovered well to growth
- Board members are entirely focused on driving shareholder value
- Corporate Governance was healthy

The Board was unanimous in its agreement with the evaluation assessment that the Board, its Committees and individuals continue to be effective. The Board valued the independence of the external evaluator and the approach taken.

Principle 8

Promote a corporate culture that is based on ethical values and behaviours

Pages 01 – 43

www.sureservegroup.co.uk

The Company maintains regular dialogue with our employees, clients, customers, communities, financial partners, shareholders and suppliers all in furtherance of our shared value of driving performance and engagement. Our Group Responsible Business Lead is key to delivering this agenda, which is driven by the Board.

Employee engagement is supported by the Employee Relations Council, regular staff communications and an annual staff survey. Since the start of the Covid-19 pandemic in March 2020 the Chairman and Chief Executive has held regular, weekly calls available to all employees to address any employee concerns and to provide updates on Government guidance and support measures.

The Sureserve Foundation, which is focused on the alleviation of fuel poverty has distributed grants to eight organisations during the financial year.

Whistleblowing

The Company has established procedures by which employees may, in confidence, raise concerns relating to danger, fraud, or other illegal or unethical conduct in the workplace. The whistleblowing policy applies to all employees of the Group, and also consultants, casual workers and agency workers. The Audit Committee is responsible for monitoring the Group's whistleblowing arrangements and the policy is reviewed periodically by the Board.

Compliance with laws

The Group has systems in place designed to ensure compliance with all relevant laws, new regulations and all relevant codes of business practice. This includes:

- Taking all appropriate steps to comply with the provisions of the Market Abuse Regulation
- A copy of the Group's anti-slavery and human trafficking policy statement in relation to the Modern Slavery Act 2015, which can be found on the Company website
- The Company's Code of Conduct – available on the Company website
- An anti-corruption policy and Group whistleblowing policy, both of which relate to compliance with the Bribery Act 2010, can also be found on the Company website
- The Group has complied with the provision of statutory information relating to the gender pay gap legislation and payment practices regime
- The Energy Savings Opportunity Scheme ('ESOS'), offering full cooperation during audits of the Group's energy use
- The Company has adopted a share dealing code for the Directors and applicable employees of the Group for the purpose of ensuring compliance by such persons with the provisions of the AIM Rules relating to dealings in the Company's securities (including, in particular, Rule 21 of the AIM Rules).The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM

Principle 9

Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

Pages 44 – 62

www.sureservegroup.co.uk/investors/corporate-governance

Details of how the Board and its Committees' structure operates can be found at page 51.

The PLC Board held eight meetings during the year.

Within the annual calendar of Board meetings there is normally an annual budget presentation at which the Executive team presents its budget for the forthcoming year. The Non-Executive Directors are encouraged to attend visits to the individual operating businesses to discuss performance and other issues with the management teams.

The Company Secretary works closely with the Chairman and the Chairmen of the Board Committees to ensure that Board procedures, including setting agendas and the timely distribution of papers, are complied with and that there are good communication flows between the Board and its Committees, and between senior management and Non-Executive Directors.

There is a formal agenda at each Board meeting which includes an operational update from the Chief Executive and financial updates from the Chief Financial Officer. Both reports cover all business units within the Group and also cover new business opportunities.

Health and Safety and strategic issues are dealt with at each Board meeting by the Chairman and Chief Executive.

During the course of the year, other matters considered by the Board include annual and half-year results announcements, principal risks and uncertainties, corporate social responsibility, AGM resolutions, shareholder communications and management incentivisation.

Board papers are circulated to the Directors at least three clear business days in advance of meetings to enable proper consideration of the content of the papers.

The Chairman maintains regular contact with the Non-Executive Directors outside of formal Board meetings.

The roles of all Board members during the year were as detailed below:

Position	Name	Responsibilities
Chairman and Chief Executive[1]	Bob Holt	Leads the Board and sets Company strategy. Ensures an effective link between shareholders and the Board. Implements policies and strategies agreed by the Board and manages the business.
Chief Financial Officer	Peter Smith	Develops, implements and monitors financial strategy of the business.
Non-Executive Directors	Robert Legget, Derek Zissman and Christopher Mills	Provide constructive challenge to the Executive Directors. Monitor delivery of agreed strategy.

1. Following the resignation of Michael McMahon as Chief Operating Officer at 30 September 2019, Bob Holt assumed the role of Chairman and Chief Executive.

All Directors have access to the support and advice of the Company Secretary as required. Directors are also able to take independent professional advice at the Company's expense in the furtherance of their duties where considered necessary.

Position	Name	Responsibilities
Group Company Secretary	John Charlton	Provides guidance on all matters of Corporate Governance. Ensures a good flow of information within the Board and its Committees.

Board Committees

The Board has established three Board Committees, all with formally delegated powers – an Audit Committee, a Remuneration Committee and a Nomination Committee. All are chaired by and comprise the Non-Executive Directors; Bob Holt also attends Nomination Committee.

The terms of reference for all Board Committees are reviewed regularly and can be found on the Company website at www.sureservegroup.co.uk/investors/corporate-governance.

Committee Chairmen attend the Company AGM and are available to answer any questions from shareholders regarding the activities of the Committees.

Build trust

Principle 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Pages 34 – 37

www.sureservegroup.co.uk/investors/regulatory-news and www.sureservegroup.co.uk/investors/results-and-presentations

In the year to 30 September 2020 the Executive Directors and members of the Board met and had dialogue with a large number of shareholders and investors.

The Company aims to maintain an active dialogue with key stakeholders, including institutional investors, to discuss issues relating to the performance of the Group, including strategy and new developments. The Senior Independent Director is available to discuss any matter shareholders might wish to raise and attends meetings with investors as required.

The Company’s website includes an investor relations section containing all RNS announcements, share price information, annual documents available for download and similar materials at www.sureservegroup.co.uk/investors. The website also provides details for contacting the Company on any issues.

The AGM remains a valuable opportunity for the Board to engage with shareholders and to answer any questions which shareholders may have. This year’s AGM will be held on 18 March 2021 and full details of the venue and resolutions proposed may be found in the Notice of Meeting enclosed with these accounts or on the Company website. In the interests of maintaining the safety of our shareholders, colleagues and staff, as well as the public, this year’s AGM will be a virtual meeting, full details of which are contained in the notice convening the Annual General Meeting.

Approved by order of the Board

Bob Holt OBE
Chairman and Chief Executive
1 February 2021

Board and Committee composition

Three Non-executive Directors

The three Non-Executive Directors provide independent oversight and constructive challenge to the Executive Directors.

Two Executive Directors

Executive Management Team

Key responsibilities

Assist the Chairman in the performance of his duties including development and implementation of the strategic plan. Deal with all executive business of the Group not specifically reserved to the Board or its Committees, including operational management of the business and the implementation of appropriate systems and controls.

Members

- Chairman and Chief Executive
- Chief Financial Officer
- Managing Directors of Compliance and Energy Services businesses
- Company Secretary
- Group Human Resources Director
- Commercial Director
- Group Financial Controller
- Group Commercial Finance Director
- Group Governance and Compliance Director*

The Board

Committees

The Board has delegated specific responsibilities to the Nomination, Audit and Remuneration Committees. Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities. Copies of the Committee terms of reference are available in the Group's website. These terms of reference are kept under review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice.

Nomination Committee

Key responsibilities

- Providing a formal, rigorous and transparent procedure in respect of appointments to the Board
- Evaluating the structure, size and composition of the Board
- Reviewing leadership of the Group and giving consideration to succession planning

Nomination Committee Report
page 52

Audit Committee

Key responsibilities

- Reviewing and monitoring the integrity of the Financial Statements
- Ensuring an effective system of internal controls is maintained
- Monitoring accounting policies
- Liaison/oversight of internal and external auditors

Audit Committee Report
pages 53 – 54

Remuneration Committee

Key responsibilities

- Proposing the overarching principles, parameters and governance framework of the Group's remuneration policy
- Determining the remuneration and benefits packages of the Executive Directors

Remuneration Committee Report
pages 55 – 58

Risk Committee

Key responsibilities

- To maintain the PLC Risk Register
- Monitor new risks and advise Group Board on current risk exposures and future risk strategy
- To co-ordinate and review subsidiary company risk matters

* The role was appointed to the EMT post year end.

Nomination Committee report

Robert Legget
Senior Independent Director
Chairman of the Nomination Committee

Committee members

Robert Legget **Independent Non-Executive Director**	**Chair**
Bob Holt OBE **Chairman and Chief Executive**	**Member**

This is the Nomination Committee Report for the year to 30 September 2020.

Key responsibilities

The key responsibilities of the Nomination Committee are to:

- Review the structure, size and composition of the Board, including the skills, knowledge, experience and diversity of Directors
- Give full consideration to succession planning for Directors and other senior Executives
- Keep under review the leadership needs of the organisation
- Identify and nominate for the approval of the Board candidates to fill Board vacancies

The terms of reference of the Nomination Committee are available to view at www.sureservegroup.co.uk/investors/corporate-governance.

Membership of the Nomination Committee and attendance during the year

The Nomination Committee comprises Non-Executive Directors of the Company and the Chairman. Robert Legget, Derek Zissman and Bob Holt were the members of the Committee during the year. Details of attendance records during the period can be found on page 48.

Composition of the Board has been stable during the year for the first time since 2015. Following the departure of the previous Chief Operating Officer at the end of the last financial year Bob Holt took on the role of both Chairman and Chief Executive. This along with the appointment of Peter Smith as Chief Financial Officer in July 2019, after a period without a Finance lead, has allowed the business to focus on its core strategy with an effective executive team in place.

The Board acknowledges that diversity extends beyond the boardroom and supports the management efforts to build a diverse organisation. The Group has made great strides during the year with embedding a strong Equality and Diversity Policy within the business. When considering the optimum composition of the Board, it is believed all appointments should be made on merit, whilst ensuring an appropriate balance of skills and experience within the Board. The Committee keeps Board structure under continual review.

The Senior Independent Director and the Company Secretary concluded the Board evaluation process undertaken by an external evaluator during this financial year. The initial evaluation report was presented to the Board on 10 January 2019 and following that it was agreed that a follow up review be undertaken by the evaluator. This took place by way of an observed Board Meeting and individual interviews during November 2019. The conclusions from the Follow up Board Review were that:

- Sureserve had successfully transitioned to a growth phase following the disposal of its construction interests and the associated risks
- The Board was fully focused on driving shareholder value
- Group Governance was healthy

The report was presented in December 2019, and adopted at the January 2020 Board meeting.

Action plan for 2020/21

The focus for the Committee during the coming financial year will be:

- To monitor progress made to implementing the improvements recommended in the external Board Review evaluation and Follow Up Review
- To review succession planning within the Company and the membership of the Executive Management Team which supports the Executive Directors
- To review the Executive/Non-Executive balance of the Board
- The Board is mindful of the requirement to evidence diversity in the workforce

Approved on behalf of the Board by:

Robert Legget
Senior Independent Director
Chairman of the Nomination Committee
1 February 2021

Derek Zissman
Non-Executive Director
Chairman of the Audit Committee

Committee members

Derek Zissman Independent Non-Executive Director	Chair
Robert Legget Independent Non-Executive Director	Member

Allocation of time

Review of Final Audit Findings Report for the year ended September 2019 and accounting judgements
40%

Key accounting considerations for the Interim Results to 31 March 2020
20%

Review of Risk Registers and reports from Risk Committee
15%

Setting of programme and review of Reports from Internal Auditor
15%

Consideration of external auditor's plan for the September 2020 Audit
10%

This is the Audit Committee Report for the year ended 30 September 2020.

Committee meetings

The Committee met four times during the year. The meetings are attended by Committee members and, by invitation, the Chief Financial Officer, senior management and representatives from the external and internal auditors. Once a year, the Committee meets separately with the external auditor without management being present.

Roles and responsibilities

The primary function of the Audit Committee is to assist the Board in discharging its responsibilities with regard to financial reporting and the external and internal controls, including:

- Reviewing and monitoring the integrity of the Group's annual and interim financial statements and accompanying reports to shareholders and Corporate Governance statements
- Reporting to the Board on the appropriateness of the accounting policies and practices
- In conjunction with the Board, reviewing and monitoring the effectiveness of the Group's internal control and risk management systems, including reviewing the process for identifying, assessing and reporting all key risks (see the Principal Risks and Uncertainties on pages 28 to 31)
- Reviewing the effectiveness of the Group's internal audit process and approving the forward audit plan
- To make recommendations to the Board in relation to the appointment and removal of the external auditor and to approve its remuneration and terms of engagement
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements
- Reviewing and monitoring the extent of the non-audit work undertaken by the Group's external auditor, taking into account relevant professional and regulatory requirements
- Reviewing the adequacy and effectiveness of the whistleblowing and anti-bribery policy and procedures
- Reviewing the Group's risk management procedures and monitoring actions taken in the year

The Committee's terms of reference are available to view at www.sureservegroup.co.uk/investors/corporate-governance.

The Committee is comprised of financially literate members with the requisite ability and experience to enable the Committee to discharge its responsibilities. Derek Zissman and Robert Legget were the members of the Committee during the period under review. The Chairman of the Audit Committee during this period, Derek Zissman, is a Fellow of the Institute of Chartered Accountants in England and Wales whilst Robert Legget is a member of the Institute of Chartered Accountants of Scotland.

Activities of the Committee

During the course of the year the Committee undertook the following activities:

- Considered the Final Audit Findings Report for the year ended September 2019
- Reviewed the key accounting considerations and judgements reflected in the Group's results for the six-month period ended 31 March 2020

Activities of the Committee continued

- Reviewed and agreed the external auditor's audit plan in advance of its audit for the year ended 30 September 2020
- Post year end discussed the report received from the external auditor regarding its audit in respect of the year ended 30 September 2020, which includes comments on its findings on internal control and a statement on its independence and objectivity
- Assessed the impact of the Covid -19 pandemic on Group reporting requirements in discussions with the external auditors and management
- Reviewed the Risk Management Framework of the business including internal controls, the risk registers and the work of the Internal Auditor
- Supported the creation of the Risk Committee, which meets on a quarterly basis and reports to Audit Committee
- Reviewed and approved the non-audit assignments undertaken by the external auditor in the year to 30 September 2020
- Considered, together with the Board, the Principal Risks and Uncertainties Review

External auditor

The Group's external auditor – RSM UK Audit LLP – is subject to annual reappointment by shareholders.

The Board is very aware that the effectiveness and independence of the external auditor is central to ensuring the integrity of the Group's published financial information. During the year the Audit Committee took the following steps to ensure that auditor independence was not compromised:

- The Committee annually reviews the Company's relationship with its auditor and assesses the level of controls and procedures in place to ensure the required level of independence and that the Company has an objective and professional relationship with RSM
- The Audit Committee reviews all fees paid for the audit and all non-audit fees with a view to assessing the reasonableness of fees, and any independence issues that may have arisen or may potentially arise in the future

The Board is satisfied with the effectiveness and independence of RSM UK Audit LLP as our external auditor.

Financial reporting and statutory audit

The Committee reviewed with the external auditor the Annual financial statements and the Interim Report focusing on truth and fairness of the results and financial position. Factors reviewed included:

- Compliance with best practice requirements
- Clarity of disclosures
- Appropriateness of accounting policies
- Review of significant accounting judgements made

Areas which were the subject of review from the Audit Findings report included:

- Adoption of new leasing standard IFRS 16
- Annual impairment review on goodwill and intangibles
- Provision for contract disputes and legal claims

Risk management and internal controls

One of the key priorities of the Audit Committee is the safeguarding of the Group's assets, both physical, such as inventory and intangible and trade and other receivables. This is achieved through implementation of policies and procedures and regular checks to ensure these are in operation. The Audit Committee has primary responsibility for oversight of the Group's system of internal controls, including the risk management framework and the work of the Internal Audit function. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and the Board can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established a clear organisational structure with defined authority levels. The day to day running of the Group's business is delegated to the Executive Directors of the Group, who meet with both operational and financial management in each business area on a monthly basis. Key financial and operational measurements are reported on a monthly basis and are measured against both budget and reforecasts.

Risk Registers are maintained at both subsidiary company and Group level and these outline the key risks faced by the Group, including their impact and likelihood and relevant mitigation controls and actions. The Group and business risk registers are reviewed and updated by management quarterly and further reviewed by Risk Committee, before being presented to Audit Committee for review at least semi-annually.

The principal risks and uncertainties which are judged currently to have the most significant impact on the Group's long term performance and prospects are set out on pages 28 to 31.

Internal audit

In November 2019 the Internal Audit function was re-established and during the year a number of operational reviews have been undertaken by the Internal Auditor. These included a review of the Group IT function, accrued income levels within the Energy Services division and a review of the operation of specific contracts and an analysis of CJRS claims.

Areas for review by the Committee in the current financial year

These will include:

- Review of the delivery of the new integrated Finance system across the operating businesses
- Continuing to focus on operational reviews across the Group

Following the year end, the Committee has met to approve the Group's Annual Report and Financial Statements.

Derek Zissman
Non-Executive Director
Chairman of the Audit Committee
1 February 2021

Directors' remuneration report
Remuneration Committee Chairman's annual statement

Robert Legget
Senior Independent Director
Chairman of the Remuneration Committee

Committee members

Robert Legget Independent Non-Executive Director	**Chair**
Derek Zissman Independent Non-Executive Director	**Member**

Allocated time

Incentivisation of Senior management team and the Executive Management Team through a new Company's Performance Share Plan (PSP) and Company Share Option Plan (CSOP)

45%

Management and review of the Special Incentive Award Plan for Executive Directors

25%

Review of proposed 2020 remuneration for Executive Directors

20%

Review of wider Group remuneration

10%

This is the Directors' Remuneration Report for the year to 30 September 2020.

The Annual Report on Remuneration on pages 55 to 58 provides details of each Director's pay and benefits in the year to 30 September 2020.

The Committee is chaired by Robert Legget with Derek Zissman as a member. Both are Independent Non-Executive Directors of the Group.

Responsibilities and role of the Remuneration Committee

The primary function of the Remuneration Committee is to review the remuneration of the Executive Directors and to monitor the remuneration of the Group's senior managers. The remuneration strategy and policy for all staff is also reviewed annually by the Committee.

The full terms of reference of the Committee are available on the Company website at www.sureservegroup.co.uk/investors/corporate-governance.

The Remuneration Committee tries to ensure that a Director's remuneration encourages, reinforces and rewards the growth of shareholder value and promotes the long-term success of the Company. The Directors' Remuneration Policy for Executive Directors is intended to support the business needs of the Company and to ensure it has the ability to attract, motivate and retain senior leaders of a high calibre, remains competitive and provides appropriate incentive for good performance. The Executive Directors' remuneration should also:

- Align executives with the best interests of the Company's shareholders and other relevant stakeholders through a significant weighting on performance-related pay
- Be consistent with regulatory and Corporate Governance requirements
- Be straightforward and transparent and support the delivery of strategic objectives
- Be consistent with the Group's risk policies and systems to guard against inappropriate risk taking

The Committee reviews the Company's executive remuneration arrangements taking external advice on current market practice, as appropriate, and implements incentive arrangements to align the interests of executives with shareholder value.

Membership of the Committee

Membership of the Committee during the financial year comprised two Independent Non-Executive Directors, with the Executive Chairman in attendance as required:

- Robert Legget
- Derek Zissman

The Committee met three times during the year with both members attending each meeting. As the members of the Committee are the Independent Non-Executive Directors, they are recognised by the Board as bringing independent judgement to the matters considered by the Committee.

This report is split into:

- Components of Executive remuneration for 2019/20
- Proposed remuneration for 2020/21
- Details of the Company's remuneration policy

Components of Executive remuneration

The following section summarises how remuneration arrangements operated during the 2019/20 financial year.

Remuneration and benefits

The table below sets out the annual salary of each of the Executive Directors in the year to 30 September 2020 and the proposed 2020/21 salary for each of their current roles.

	2019/20 salary	**2020/21 salary**	% change in basic salary
Bob Holt[1]	£375,000	**£375,000**	0%
Peter Smith[2]	£180,000	**£200,000**	11%

Notes

1. In addition to a salary of £75,000, Bob Holt is available to provide consultancy services to the Company and other Group companies. These services are provided by a consultancy company of which Bob Holt is a shareholder. Such services were originally provided for two days per week over 47 weeks per year at a total cost of up to £150,000 p.a. (plus VAT). During the current year, and following the resignation of Michael McMahon, Bob Holt has also taken on the role of Chief Executive Officer. These additional services are also provided through the consultancy company and represent a further two days per week at an additional cost of up to £150,000 p.a (plus VAT).
2. In addition to base salary Peter Smith has elected to receive his contractual pension entitlement by way of additional salary and this is reflected the Directors Remuneration Schedule.

Annual bonus

As reported previously, a performance bonus of £200,000 was paid to Michael McMahon at the end of March 2020 in respect of performance for the financial year 2018/19. This reflected agreed bonus arrangements in respect of EBITA target performance for the financial year 2018/19. Payment was made following publication of the Group's audited annual accounts for the period and is subject to standard clawback arrangements for a three-year period, including in respect of any financial misstatement of accounts.

Peter Smith was appointed as Chief Financial Officer on 29 July 2019. In the current financial year he was awarded a contractual bonus of £15,000 in respect of his appointment and a further £25,000 in respect of the 2019 performance, paid on a pro-rata basis in respect of the EBITA performance since appointment for the financial year in question and was paid following release of the audited accounts.

An agreed contractual bonus for Peter Smith in respect of Group financial performance for the year to 30 September 2020 of £90,000 will be paid, post year end on publication of the Group Annual report and Accounts.

Special Incentive Award Plan ('SIAP')

The Sureserve Group plc Special Incentive Award Plan (2019) was established in May 2019 having been approved by shareholders at the AGM in March 2019. Full details of the Plan may be found in the 2019 Notice of Annual General Meeting at www.sureservegroup.co.uk. Awards under the Plan were made to Bob Holt and Michael McMahon, both of whom were awarded options over 800,000 shares each. The options awarded to Michael McMahon lapsed on his resignation from the business. There is the ability to make further awards to eligible employees under the Plan of no more than 180,000 shares, and an award of that amount was made to Peter Smith, following satisfaction of contractual requirements, on 13 November 2020.

A summary of SIAP share awards granted to Executive Directors

The table below sets out details of the Executive Directors' outstanding option awards under the SIAP plan.

Name of Director	Scheme	Number of options at 1 October 2019	Granted during the period	Lapsed during the period	Exercised during the period	**Number of options at 30 September 2020**	Date from which exercisable	Expiry date
Bob Holt	SIAP[1]	800,000	—	—	—	**800,000**	15 November 2020	15 May 2021
	Total	800,000	—	—	—	**800,000**		
Peter Smith	SIAP	See Note 1 below					15 November 2020	15 May 2021

Note

1. The Sureserve Group plc Special Incentive Award Plan (2019) was established during the previous year and approved by shareholders at the AGM in March 2019. Full details of the Plan may be found in the 2019 Notice of Annual General Meeting at https://www.sureservegroup.co.uk/investors/shareholder-information/meeting-and-voting. An award under the Plan was made during the previous year to Bob Holt of an option over 800,000 shares subject to the achievement of certain performance conditions. There was the ability to make further awards to eligible employees under the Scheme and an award of an option over 180,000 shares was granted to Peter Smith post the year end.

   Awards under this Scheme vested on 15 November, post financial year end. After application of the performance conditions relating to the Scheme, an award capable of exercise was made to Bob Holt in respect of 860,874 Ordinary shares and the award to Peter Smith is capable of exercise in respect of 193,676 Ordinary shares.

Proposed remuneration for 2021

For the current financial year to 30 September 2021 the Remuneration Committee is proposing the following elements for the remuneration of the Chairman and Chief Executive and the Chief Financial Officer:

- No change in respect of the Chairman and Chief Executive
- An increase in annual salary has been agreed, for the Chief Financial Officer in his current role for the new financial year, taking his base salary to £200,000
- Annual bonus arrangements for the Chief Financial Officer have yet to be concluded for the 2020/21 Financial year, but will include targets around EPS growth, cash conversion and satisfaction with the audit process. There will be clear financial targets based around increasing shareholder value. The Committee is satisfied that these will be challenging and, in order for the maximum bonus to be earned, will demonstrate significant improvement in the profit performance of the business.

Single total figures of remuneration (audited information)

The table below reports the total remuneration received in respect of qualifying services by each Director during the year.

Details of the Company's remuneration policy

2020	Total salary and fees[1] £'000	Taxable benefits[2] £'000	Annual bonus[3] £'000	Long Term Incentive[4] £'000	Pensions related benefits £'000	Compensation for loss of office £'000	Total £'000	2019 Total remuneration £'000
Executive Directors								
Bob Holt[5]	356	4	—	—	1	—	361	555
Michael McMahon[6]	6	—	—	—	1	—	7	744
Jeremy Simpson[7]	—	—	—	—	—	—	—	12
Peter Smith[8]	203	12	90	—	5	—	310	94
Non-Executive Directors								
Robert Legget	48	—	—	—	—	—	48	50
Derek Zissman	43	—	—	—	—	—	43	45
Christopher Mills	19	—	—	—	—	—	19	11

Notes

1. Total salary and fees — the amount of salary/fees received in the year.
2. Taxable benefits — the taxable value of benefits received in the year (i.e. car allowance and private medical insurance).
3. Annual bonus — the cash value of the bonus earned in respect of the year.
4. Share gain in respect of 2019 LTIP award granted and exercised during the financial year.
5. In addition to a salary of £75,000, Bob Holt is available to provide consultancy services to the Company and other Group companies. These services are provided by a consultancy company of which Bob Holt is a shareholder. Such services were originally provided for two days per week over 47 weeks per year at a total cost of up to £150,000 p.a. (plus VAT). During the current year, and following the resignation of Michael McMahon, Bob Holt has also taken on the role of Chief Executive Officer. These additional services are also provided through the consultancy company and represent a further two days per week at an additional cost of up to £150,000 p.a (plus VAT). A total of £285,000 was paid in respect of these services during the year. Total payments made in the current financial year reflect a voluntary salary reduction taken by all Board members for a 3 month period during the first phase of the Covid-19 pandemic. For comparative purposes we have restated the 2019 total remuneration to £555,000. This comprises a salary of £75,000, a consultancy fee of £150,000, a Long Term Incentive of £329,000 and a pension of £1,000.
6. Michael McMahon resigned from the Board with effect from 30 September 2019.
7. Jeremy Simpson resigned from the Board with effect from 14 October 2018.
8. In addition to his base salary, Peter Smith elected during the year to take his contracted pension payments by way of additional salary.

All Board Directors and the Company Secretary elected to take a voluntary salary reduction for 3 months during the first phase of the Covid-19 pandemic. With regards to Bob Holt this reduction also applied to the consultancy fees he received.

Long term incentive vesting

There were no awards capable of vesting during the year.

Other directorships

The Chairman, Bob Holt, was also a Director of Totally plc during the period. This appointment was held prior to Bob Holt joining the Company.

Work of the Committee during the year

During the year the Committee reviewed the incentivisation of the Senior management team who are members of the Executive Management Team, and also recommendations from the operating MDs in respect of incentivisation of the key members of their operational teams.

Awards were made to members of the Executive Management Team under the Company's Performance Share Plan (PSP). Awards over options totalling 680,000 shares were made to 13 individuals. The exercise price is £Nil and the vesting period is three years, during which time the holder must remain within the employment of the Group. Any award is subject to the achievement of the performance conditions contained in the Scheme documents which relate to achievement of improvements in earnings per share performance during the period.

In order to incentivise key members of the operating businesses awards were also made under the Group's Company Share Option Plan (CSOP). Awards over options totalling 1,880,000 shares were made to 87 individuals. The exercise price for the options is 44p, being the closing quoted market price at the date of grant. The vesting period is three years, during which time the holder must remain in the employment of the Group. Any award is subject to the achievement of the performance conditions contained in the Scheme documents which relate to achievement of improvements in earnings per share performance during the period.

Shareholder dilution

In accordance with the investor guidelines and the rules of the Company's share schemes, the Company can issue a maximum of 10% of its issued share capital in a rolling 10-year period to employees to satisfy vesting under all its share plans. Of this 10%, the Company can issue 5% to satisfy awards under discretionary or Executive plans such as the Performance Share Plan. The Sureserve Group operates all its share plans within these guidelines.

Illustrations of application of remuneration policy

The Sureserve Group remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of short term and long-term goals that are aligned with the Company's key strategic objectives and the creation of sustainable returns to shareholders.

The Committee has considered the potential amount payable to Executive Directors in different performance scenarios and is comfortable that the amounts payable are appropriate in the context of the performance delivered and the value added for shareholders.

Service contracts and letters of appointment

The table below summarises the service contracts of the Executive Directors and Non-Executive Directors.

Name	Date of contract/ letter of appointment	Notice period by Company	Notice period by Director
Executive Directors			
Bob Holt	21 July 2016	6 months	6 months
Peter Smith	29 July 2019	6 months	6 months
Non-Executive Directors			
Robert Legget	19 April 2016	1 month	1 month
Derek Zissman	27 November 2017	1 month	1 month
Christopher Mills	18 March 2019	1 month	1 month

Non-Executive Directors

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual reappointment at the AGM. Appointments are terminable by either party on one month's written notice. The appointment letters for the Non-Executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses.

All Executive Directors' service agreements and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office at Unit 1, Yardley Business Park, Luckyn Lane, Basildon, Essex SS14 3BZ.

Remuneration in the wider Group

Throughout the Group, base salary and benefit levels are set taking into account prevailing market conditions. Differences between Executive Director pay policy and other employee terms reflect the seniority of the individuals and the nature of responsibilities. The key difference in policy is that for Executive Directors a greater proportion of total remuneration is based on performance-related incentives. The Committee has oversight of incentive plans operated throughout the Group. The incentive arrangements for the senior management immediately below Board level align with the long-term interests of the business and, where appropriate, objectives may be tailored to individual business areas.

When setting the policy for the remuneration of the Executive Directors, the Committee pays regard to the pay and employment conditions of employees within the Group. However, the Committee does not use comparison metrics or consult directly with employees when formulating the remuneration policy for Executive Directors. The Committee reviews salary increases and pay conditions within the business as a whole to provide context for decisions in respect of Executive Directors.

Shareholder engagement

We are committed to active engagement with our shareholders. As and when necessary, the Committee will consult with leading shareholders prior to any material change in the way we operate the Directors' Remuneration Policy or when a new policy is being proposed.

Robert Legget
Senior Independent Director
Chairman of the Remuneration Committee
1 February 2021

The Directors present their Annual Report and the audited Financial Statements for the Group for the year ended 30 September 2020.

General information

The Company was incorporated as a public company limited by shares in England and Wales on 28 January 2015 with registered number 09411297 and traded as Lakehouse plc until the Company changed its name to Sureserve Group plc on 1 October 2018, following the divestment of the Group's Construction and Property Services divisions. It is domiciled in the UK. The Company is listed on the AIM market of the London Stock Exchange. The Company's registered address is Unit 1, Yardley Business Park, Luckyn Lane, Basildon, Essex SS14 3BZ.

Principal activities

Sureserve is a leading compliance and energy support services group that performs critical functions in homes, public and commercial buildings, with a focus on clients in the UK public sector and regulated markets. Services are delivered through two divisions: Compliance and Energy Services. The principal activity of the parent company is the holding of investments.

Results and dividends

The results for the year are set out in the consolidated statement of comprehensive income on page 68. The Directors recommend the payment of a final dividend of 1 pence per share on 30 April 2021 subject to approval at the Annual General Meeting on 18 March 2021 with a record date of 19 February 2021.

Directors and Directors' interests

The Directors who held office during the year and to date were as follows:

Bob Holt OBE
Peter Smith
Robert Legget
Derek Zissman
Christopher Mills

Biographical details and Committee membership details for Directors appear on pages 44 and 45.

All Directors are required to retire annually, in line with the Articles of Association.

The Directors who held office during the financial year had the following interests in the shares of the Company:

	Beneficial/ non-beneficial	At 1 October 2019 (or date of appointment)	Movement in year	**At 30 September 2020**	**At 30 September 2020 Percentage**
Bob Holt	Beneficial	1,253,846	44,422	**1,298,268**	**0.81%**
Peter Smith	Beneficial	—	—	**—**	**0.00%**
Robert Legget	Beneficial	—	—	**—**	**0.00%**
Derek Zissman	Beneficial	100,000	—	**100,000**	**0.06%**
Christopher Mills[1]	Non-beneficial	30,565,000	27,500	**30,592,500**	**19.2%**

Note

1. Christopher Mills is a Director and shareholder of Harwood Capital LLP and entities for which Harwood LLP acts as investment manager.

Details of Directors' emoluments and interests in share options are disclosed in the report of the Board to the shareholders on Directors' remuneration on pages 55 to 58.

No Director has had a material interest in any contract of significance in relation to the business of the Company, or any of its subsidiary undertakings, during the financial year or had as such at the end of the financial year.

Substantial shareholdings and share capital

As at 15 January 2021, being the latest practical date prior to the publication of this document, the Company has been advised of the following interests in 3% or more of the Company's ordinary share capital:

	Number of shares	Percentage held %
Harwood Capital LLP	30,592,500	19.18
Slater Investments	23,918,325	14.99
Estate of Steve Rawlings	17,409,196	10.91
Downing LLP	8,517,457	5.34
Chelverton Asset Management	7,750,000	4.86
Carol King	4,937,929	3.10
Sean Birrane	4,777,914	3.00

The Company has one class of share in issue, being ordinary shares with a nominal value of 10 pence each. As at 30 September 2020, there were 159,335,259 shares in issue.

Directors' indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company and the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liability relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company and the Group.

Directors' and officers' liability insurance cover is in place in respect of all the Company's Directors.

Directors' powers

As set out in the Company's Articles of Association, the business of the Company is managed by the Board which may exercise all powers of the Company.

Our people

The Group's policy is to consider all job applications on a fair basis free from discrimination in relation to age, sex, race, ethnicity, religion, sexual orientation or disability not related to job performance. Every consideration is given to applications for employment from disabled persons, where the requirement of the job may be adequately covered by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development wherever appropriate.

The Group places considerable value on the involvement of its employees and encourages the development of employee involvement in each of its operating companies through formal and informal meetings. It is the Group's policy to ensure that all employees are made aware of significant matters affecting the performance of the Group through the operation of employee forums, information bulletins, informal meetings, team briefings, internal newsletters and the Group's website and intranet.

Key performance indicators

Details of the Group's key performance indicators can be found on pages 14 and 15.

Principal risks and uncertainties

Details of the risks and uncertainties faced by the Group can be found in the Strategic Review on pages 28 to 31.

Financial instruments

An explanation of the Group's treasury policies and existing financial instruments is set out in note 2 of the Financial Statements.

Donations

The Group made charitable donations in the year of £15,139. Information on the Group's resources, relationships and sustainability is set out on pages 1 to 43. The Group made no political donations during the year.

Annual General Meeting

A separate notice convening the Annual General Meeting of the Company to be held at Sureserve Group plc, Crossways Point 15, Victory Way, Crossways Business Park, Dartford DA2 6DT on 18 March 2021 will be sent out with this Annual Report and Financial Statements. In line with current Covid-19 restrictions this year's AGM will be a virtual meeting, full details of which are contained in the notice convening the Annual General Meeting.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 44 to 62. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

Section 172 statement

The required statement under section 172 of the Companies Act 2006 is contained within the Strategic Report on pages 34 to 37.

Independent auditor

The auditor, RSM UK Audit LLP, has indicated its willingness under section 489 of the Companies Act 2006 to continue in office and a resolution that it be reappointed will be proposed at the Annual General Meeting.

Statement as to disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- In so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By order of the Board

John Charlton
Group Company Secretary
1 February 2021

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and have also chosen to prepare the parent company Financial Statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for the period.

In preparing the parent company Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the Financial Statements
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance
- Make an assessment of the Group's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- The Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

This responsibility statement was approved by the Board of Directors on 1 February 2021 and is signed on its behalf by:

Bob Holt OBE
Chairman and Chief Executive

Peter Smith
Chief Financial Officer

Independent auditor's report

To the members of Sureserve Group plc

Opinion

We have audited the financial statements of Sureserve Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2020 which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company balance sheet, Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Summary of our audit approach

Key audit matters	**Group** ▶ Revenue recognition ▶ Goodwill and intangible asset impairment ▶ Provisions for contract disputes and legal claims ▶ The impact of Covid-19 **Parent Company** ▶ Subsidiary investment impairment
Materiality	**Group** ▶ Overall materiality: £948k (2019: £863k) ▶ Performance materiality: £711k (2019: £633k) **Parent Company** ▶ Overall materiality: £500k (2019: £400k) ▶ Performance materiality: £375k (2019: £300k)
Scope	Our audit procedures covered 100% of revenue, 100% of net assets and 100% of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters continued

Revenue recognition

Key audit matter description	The Group's revenue in the year was £195.7m (2019: £212.1m). The accounting policies applied by the Group in respect of revenue are described in Note 2 on pages 74 to 75 of the consolidated financial statements. The policies and associated audit risks vary by division and sector depending on how the various businesses in the group contract with their customers. There is a risk that the financial statements could be misstated if the appropriate revenue recognition policies are not selected and applied appropriately and consistently, including judgements in relation to the stage of completion on individual contracts and accrued income to recognise as a result. This matter also has a significant impact on the allocation of audit resources and as a result was considered to be one of most significance in the group audit and therefore determined to be a key audit matter.
How the matter was addressed in the audit	Our response to the risk included: ▶ Audit of revenue recognition policies and discussion of the policies with management to check that they are appropriate based on the service supplied, contractual terms and relevant accounting standards ▶ Performance of procedures including analytical review, data analytics on invoiced and settled revenue in the year, tests of control and tests of detail on revenue transactions and orders to supporting documentation. ▶ Specific testing of cut-off through the selection of a sample of revenue transactions recognised either side of the year end and corroboration of the period in which the service was provided. ▶ Audit of the disclosures in the financial statements and consideration of their completeness, accuracy and appropriateness

Goodwill impairment

Key audit matter description	At 30 September 2020 the Group had goodwill totalling £42.4m (2019: £42.4m) as disclosed in Note 15 in the consolidated financial statements. Management assess goodwill for impairment using discounted cash flow ("DCF") models to estimate the value in use of the group's cash generating units ("CGUs") and compare this to the goodwill, acquisition intangibles and other assets of the relevant CGU. The use of DCF models requires management to make estimates involving judgement, including forecasts of revenue and profitability and application of appropriate discount rates and as a result the matter was considered to be one of most significance in the group audit and therefore determined to be a key audit matter.
How the matter was addressed in the audit	Our response to the risk included: ▶ Audit of management's models including a check of arithmetic and integrity ▶ Corroboration of inputs to the DCF models to relevant financial information and challenge of management assumptions ▶ Comparison of forecast financial performance to post year end trading to assess reliability of forecasting ▶ Comparison of growth and discount rate assumptions to comparable companies ▶ Challenge of forecasts focused on the CGU for which the DCF models showed lowest headroom including a review of management's sensitivity analysis in this regard ▶ Audit of the disclosures in the financial statements and consideration of their completeness, accuracy and appropriateness

Provisions for contract disputes and legal claims

Key audit matter description	The financial statements include provisions for legal and other costs of £4.0m (2019: £3.6m) as disclosed in Note 25 of the consolidated financial statements. The amounts provided, and the completeness of provisions are areas that involve a high degree of management judgement and as a result the matter was considered to be one of most significance.
How the matter was addressed in the audit	Our response to the risk included: ▶ Obtaining confirmation from management of the completeness of all actual and potential claims, including judgement as to whether the likelihood of claims is remote, possible or probable ▶ Requesting confirmation from the group's solicitors regarding the status of known claims and completeness of claims ▶ Reviewing correspondence from the group's solicitors in respect of actual and potential claims and holding discussions with management regarding their judgement over the existence and valuation of required provisions, or lack thereof ▶ Corroboration of key assertions made by management to supporting documentation ▶ Audit of the disclosures made in respect of provisions and of contingent liabilities for which no provision has been made

Key audit matters continued

The impact of Covid-19

Key audit matter description	The Group, along with other businesses and the wider UK and global economy, has been impacted by the Covid-19 pandemic this year with the impact varying across the group on a divisional basis. Due to the impact of the outbreak, the Group was able to make use of Government grant schemes available to UK businesses in the year and also amended cashflow forecasts to reflect the ongoing effect of the pandemic and related restrictions. The presentation, appropriateness and accuracy of the accounting and narrative reporting in relation to these issues involves a high degree of management judgement and as a result the matter was considered to be one of most significance in the group audit and therefore determined to be a key audit matter.
How the matter was addressed in the audit	Our response to the risk included: ▶ Reviewing the accuracy of narrative reporting to supporting documentation ▶ Discussion with management of the nature and extent of Government grants obtained and the relative significant and impact on the divisions of the Group ▶ Review of the Coronavirus Job Retention Scheme claims on a sample basis across the year ▶ Audit of updated cashflow forecasts, considering the known Government restrictions and likely impact on the Group ▶ Audit of the disclosures in relation to going concern and the Covid-19 reliefs in the financial statements and consideration of their completeness, accuracy and appropriateness

Subsidiary investment impairment

Key audit matter description	At 30 September 2020 the parent company had investments in subsidiaries totalling £12.4m (2019: £12.4m), as set out in note 40, and group receivables totalling £4.0m (2019: £6.2m) as set out in note 44.
How the matter was addressed in the audit	Our response to this risk is as set out in the goodwill and intangible assets impairment key audit matter above, where relevant to the balances in the in the parent company balance sheet.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£948k (2019: £863k)	£500k (2019: £400k)
Basis for determining overall materiality	9% (2019: 9%) of EBITA	1% (2019: 1%) of net assets
Rationale for benchmark applied	EBITA considered to be appropriate benchmark as key KPI reported in the consolidated financial statements.	Net assets considered appropriate benchmark for holding company.
Performance materiality	£711k (2019: £633k)	£375k (2019: £300k)
Basis for determining performance materiality	75% of overall materiality (2019: 75% of overall materiality)	75% of overall materiality (2019: 75% of overall materiality)
Reporting of misstatements to the Audit Committee	Misstatements in excess of £47k (2019: £42k) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £25k (2019: £20k) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 25 components, all of which are based in the UK.

The coverage achieved by our audit procedures was:

Full scope audits were performed for 15 components, the remaining 10 components were dormant in the current and prior years.

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	15	100%	100%	100%
Total	**15**	**100%**	**100%**	**100%**

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 62, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

GRAHAM RICKETTS (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
1 February 2021

Consolidated statement of comprehensive income

For the year ended 30 September 2020

	Notes	2020 £'000	2019 £'000
Continuing operations			
Revenue	4	**195,706**	212,066
Cost of sales		**(160,449)**	(179,188)
Gross profit		**35,257**	32,878
Other operating expenses		**(24,952)**	(23,953)
Share of results of joint venture		**99**	429
Operating profit before exceptional items and amortisation of acquisition intangibles	4,5	**10,404**	9,354
Exceptional costs	7	**—**	(225)
Amortisation of acquisition intangibles		**(1,600)**	(2,735)
Operating profit		**8,804**	6,394
Finance expense	8	**(1,047)**	(1,051)
Investment income	8	**39**	—
Profit before tax from continuing operations	4	**7,796**	5,343
Taxation	12	**(1,486)**	(1,154)
Profit after taxation from continuing operations		**6,310**	4,189
Discontinued operations			
Profit for the year from discontinued operations	11	**—**	848
Profit for the year attributable to the equity holders of the Group		**6,310**	5,037
Earnings per share from continuing operations			
Basic	14	**4.0p**	2.7p
Diluted	14	**3.9p**	2.6p
Earnings per share from continuing and discontinued operations			
Basic	14	**4.0p**	3.2p
Diluted	14	**3.9p**	3.2p

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

Consolidated statement of financial position

At 30 September 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Goodwill	15	42,357	42,357
Other intangible assets	16	726	2,171
Property, plant and equipment	17	1,212	1,344
Right of use assets	18	6,757	—
Interests in joint ventures	19	501	732
Deferred tax asset	26	517	467
		52,070	47,071
Current assets			
Inventories	20	3,022	3,059
Trade and other receivables	21	40,054	42,068
Cash and cash equivalents		9,679	2,452
		52,755	47,579
Total assets		104,825	94,650
Current liabilities			
Trade and other payables	22	42,764	36,698
Lease liabilities	27	3,167	54
Provisions	25	825	415
Income tax payable		1,073	242
		47,829	37,409
Net current assets		4,926	10,170
Non-current liabilities			
Loans and borrowings	23	—	9,755
Lease liabilities	27	3,669	—
Provisions	25	3,221	3,195
		6,890	12,950
Total liabilities		54,719	50,359
Net assets		50,106	44,291
Equity			
Called up share capital	28	15,934	15,895
Share premium account	30	25,408	25,318
Share-based payment reserve	29, 30	650	538
Own shares	30	(290)	(290)
Merger reserve	30	20,067	20,067
Retained earnings	30	(11,663)	(17,237)
Equity attributable to equity holders of the Company		50,106	44,291

The financial statements of Sureserve Group plc (registered number 09411297) were approved by the Board of Directors and authorised for issue on 1 February 2021. 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.

Financial statements

Consolidated statement of changes in equity

For the year ended 30 September 2020

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Own shares £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 October 2018	15,753	25,314	776	(290)	20,067	(22,521)	39,099
Profit for the year	—	—	—	—	—	5,037	5,037
Dividends paid	—	—	—	—	—	(394)	(394)
Issue of shares (exercise of options)	142	4	—	—	—	(141)	5
Share-based payments	—	—	544	—	—	—	544
Reserve transfer	—	—	(782)	—	—	782	—
At 30 September 2019	15,895	25,318	538	(290)	20,067	(17,237)	44,291
Profit for the year	—	—	—	—	—	6,310	6,310
Dividends paid (Note 13)	—	—	—	—	—	(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**

Consolidated statement of cash flows

For the year ended 30 September 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations	34	23,869	5,539
Interest paid		(957)	(914)
Taxation		(736)	(34)
Net cash generated from operating activities		22,176	4,591
Cash flows from investing activities			
Receipt of deferred consideration from disposals in prior years		930	910
Purchase of property, plant and equipment		(621)	(631)
Purchase of intangible assets		(539)	(403)
Sale of property and equipment		31	86
Net cash used in investing activities		(199)	(38)
Cash flows from financing activities			
Proceeds from issue of shares		129	5
Dividend paid to shareholders		(795)	(394)
Repayment of bank borrowings		(10,000)	(3,000)
Repayment of lease liabilities		(4,084)	(89)
Finance issue costs		—	(328)
Net cash used in financing activities		(14,750)	(3,806)
Net increase in cash and cash equivalents		7,227	747
Cash and cash equivalents at beginning of year		2,452	1,705
Cash and cash equivalents at end of year		9,679	2,452

The accompanying notes are an integral part of this consolidated statement of cash flows.

General information

Sureserve Group plc is a company incorporated in England and Wales under the Companies Act. The address of the registered office is Unit 1 Yardley Business Park, Luckyn Lane, Basildon, Essex SS14 3BZ.

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 Group's consolidated Financial Statements have been prepared and approved by the Directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The Financial Statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 except for the following new and revised Standards and Interpretations which have been adopted in the current year. Apart from IFRS 16 their adoption has not had any significant impact on the amounts reported in these financial statements.

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments

IFRS 16 'Leases' was issued in January 2016 and is effective for accounting periods beginning on or after 1 January 2019. It has been applied by the Group from 1 October 2019 under the modified retrospective approach, applying the short term and low value lease exemptions.

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:

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

IFRS 16 Leases

IFRS 16 'Leases' was issued in January 2016 and is effective for accounting periods beginning on or after 1 January 2019. It has been applied by the Group from 1 October 2019 under the modified retrospective approach, applying the short term and low value lease exemptions. Under IFRS 16, leases have been recognised as a lease liability and a right of use asset. These lease liabilities were measured at the present value of the remaining lease payments based on a range of values approximating the Group's incremental borrowing rate as at 1 October 2019 of 4.01%. The range that is being used is between 3.01% and 4.51% depending on the type of asset. The associated right of use assets for all leases were measured at the amount equal to the lease liability. A practical expedient was taken to use a single discount rate for a portfolio of leases with similar characteristics.

The following is a reconciliation of total operating lease commitments at 30 September 2019 (as disclosed in the financial statements to 30 September 2019) to the lease liabilities recognised at 1 October 2019:

	Land	Vehicles	Total
Operating lease commitments at 30 September 2019	3,035	5,177	8,212
Effect of discount factor	(179)	(249)	(428)
Additional lease costs identified	133	189	322
Finance leases recognised at 30 September 2019	—	54	54
IFRS 16 lease liability at 1 October 2019 (Note 27)	2,989	5,171	8,160

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 have considered the Group's working capital forecasts and projections, taking account of reasonably possible changes in trading performance and the current state of its operating market, including the potential 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 2018, the Group renewed its bank facilities to provide an overdraft facility of £5,000,000 together with a revolving credit facility of £25,000,000, which runs to 31 January 2022. We will commence the formal refinancing of the RCF after the preliminary announcement. Initial discussions have taken place with NatWest and we do not anticipate any challenges. Accordingly, the directors have adopted the going concern basis in preparing the financial statements. Please see further information 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.

2. Significant accounting policies continued

Business combinations continued

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.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

(a) Represents a separate major line of business or geographical area of operations

(b) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations

(c) Is a subsidiary acquired exclusively with a view to resale

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	—	three to five years

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

Property, plant and equipment 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 and equipment	—	15% to 33% per annum on a straight line basis
Fixtures and fittings	—	20% to 33% per annum on a straight line basis
Motor vehicles	—	25% per annum on a straight line basis

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.

2. Significant accounting policies continued

Property, plant and equipment continued

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
- The services provided creates or enhances an asset that the customer controls
- 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.

2. Significant accounting policies continued

(i) Schedule of Rates ("SOR") contracts continued

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 Black-Scholes 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 unwinding of the discount on long term liabilities, 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.

2. Significant accounting policies continued

Taxation continued

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 and work in progress 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 and work in progress 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 venture

Under IFRS 11 we account for joint ventures under the equity method of accounting. A joint venture is a joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the arrangement. Loans receivable 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) Derivative financial instruments

Derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently re-measured in future periods at their fair value. They are held at fair value through profit or loss and are re-measured at each reporting date with the movement being recognised in the statement of comprehensive income.

(f) 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.

(g) 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.

2. Significant accounting policies continued

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 if 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 and profit 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 21. The accrued income balance as at 30 September 2020 was £17.3m (2019: £17.6m). These assessments include a degree of uncertainty and therefore if the key judgements and estimates change, further adjustments of recoverable amounts may be necessary. Following the disposal of Lakehouse Contracts Limited and Foster Property Maintenance in 2018, the Directors consider the risk of material adjustments arising from a revision of estimates to have reduced. Revenue from continuing operations 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 2020 includes £0.8m (2019: £0.8m) in respect of the disposal of Lakehouse Contracts Limited and Foster Property Maintenance Limited – see note 11 and 25 for details of the basis of estimation used.

The total carrying value of provisions as at 30 September 2020 was £4.0 (2019: £3.6m) – see Note 25 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. Further details are given in note 15.

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.

4. Operating segments continued

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:

	2020 £'000	2019 £'000
Revenue		
Compliance	137,155	133,051
Energy Services	60,363	82,081
Total segment revenue	197,518	215,132
Inter-segment elimination	(1,812)	(3,066)
Total revenue	195,706	212,066

Revenue 2020	Revenue recognised Over time £'000	At a point in time £'000	Total £'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
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 continuing revenue	168,455	27,251	195,706

Revenue 2019	Revenue recognised Over time £'000	At a point in time £'000	Total £'000
Gas services	99,929	—	99,929
Fire and electrical services	15,098	—	15,098
Water and hygiene services	6,913	—	6,913
Lift services	11,111	—	11,111
Compliance segment revenue	133,051	—	133,051
Energy services	50,934	11,594	62,528
Smart metering	—	19,553	19,553
Energy segment revenue	50,934	31,147	82,081
Inter-segment elimination	(3,066)	—	(3,066)
Total continuing revenue	180,919	31,147	212,066

Reconciliation of Operating profit before exceptional items and amortisation of acquisition intangibles to profit before taxation from continuing operations

	2020 £'000	2019 £'000
Operating profit before exceptional items and amortisation of acquisition intangibles by segment		
Compliance	11,813	8,470
Energy Services	788	4,341
Central	(2,197)	(3,457)
Total operating profit before exceptional items and amortisation of acquisition intangibles	10,404	9,354
Amortisation of acquisition intangibles	(1,600)	(2,735)
Exceptional costs	—	(225)
Investment income	39	—
Finance costs	(1,047)	(1,051)
Profit before taxation from continuing operations	7,796	5,343

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 2020 or 2019.

5. Profit before taxation

	2020 £'000	2019 £'000
Profit before taxation is stated after charging/(crediting):		
Amount of inventories recognised as an expense (Note 20)	50,615	57,532
Depreciation of property, plant and equipment (Note 17)	682	693
Depreciation of right of use assets (Note 18)	4,111	—
Amortisation of intangible assets (Note 16)	1,984	3,159
Staff costs (Note 9)	75,632	78,665
Operating lease rentals:		
– land and buildings	—	816
– other	—	3,778
Profit on disposal of property, plant and equipment	(10)	(40)

6. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2020 £'000	2019 £'000
Fees payable to the Company's auditor and their associates for audit services to the Group:		
– The audit of the Company's annual accounts	90	88
– The audit of the Company's subsidiaries	215	172
Total audit fees	305	260
Fees payable to the Company's auditor and their associates for other services to the Group:		
– Agreed upon procedures on interim results	28	28
Total non-audit fees	28	28

7. Exceptional and other items

	2020 £'000	2019 £'000
Restructuring costs	—	225

Exceptional items in the year reduced the Group's profit before tax by £nil (2019: £0.2m) and related to restructuring costs of £nil (2019: £0.2m).

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

8. Investment income and finance expenses

	2020 £'000	2019 £'000
Investment income		
Other interest receivable	39	—
Finance expenses		
Interest payable on bank overdrafts and loans	652	887
Unwinding of discount on financial liabilities	109	157
Interest on lease agreements (Note 27)	258	—
Other interest payable	28	7
	1,047	1,051

9. Information relating to employees

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

	2020 Number	2019 Number
Direct labour and contract management	1,487	1,554
Administration and support	573	570
	2,060	2,124

The aggregate remuneration was as follows:

	2020 £'000	2019 £'000
Wages and salaries	66,932	69,486
Social security	6,811	7,112
Pension costs – defined contribution plans	1,718	1,523
Equity-settled share-based payments	171	544
	75,632	78,665

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 £1,718,000 in the year ended 30 September 2020 (2019: £1,523,000). At the reporting date, £341,000 of contributions were payable to the funds (2019: £460,000).

11. Discontinued operations

Discontinued activities represent 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. In determining the classification of the Activities as discontinued at 30 September 2020, the Board had regard to the conditions that needed to be met under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

	2020 £'000	2019 £'000
(Loss) / profit on disposal of Lakehouse Contracts Limited and Foster Property Maintenance Limited	(303)	470
Profit on disposal of Orchard (Holdings) UK Limited	303	378
	—	848

Profits from discontinued operations amounted to £nil (2019: £0.8m).

The result for the year to 30 September 2020 on disposal of discontinued operations comprise:

- £0.3m of additional costs relating to legacy transactions
- £0.3m profit on sale of Orchard (Holdings) UK Limited from final reassessment of the fair value of consideration receivable

The 2019 profits on disposal of discontinued operations comprise:

- £0.5m tax credit from settlement of amounts provided on disposal of Lakehouse Contracts Limited and Foster Property Maintenance Limited
- £0.4m 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 have held meetings during the year with Liquidator's 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. As at 30 September 2020, the group has provisions for liabilities relating to the disposal of £0.8m (2019: £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 31
- 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 Liquidator's of Mapps Group Limited and Lakehouse Contracts Limited

No claims have been received from the Liquidators to date and the Group has claims against Mapps for amounts that exceed their best estimate of any amounts that may potentially be due to Mapps under clauses in the sale and purchase agreement. The Board are in continuing dialogue with all parties.

12. Tax on profit on ordinary activities

	2020 £'000	2019 £'000
Current tax		
Current year	1,637	1,492
Current tax – prior year adjustment	(101)	22
Total current tax	1,536	1,514
Deferred tax (Note 26)	(50)	(360)
Total tax on profit on ordinary activities	1,486	1,154

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

	2020 £'000	2019 £'000
Profit before tax from continuing operations	7,796	5,343
Effective rate of corporation tax in the UK	19%	19%
Profit before tax at the effective rate of corporation tax	1,481	1,015
Effects of:		
Expenses not deductible for tax purposes	(15)	224
Adjustment of deferred tax to closing tax rate	(34)	2
Current tax – prior year adjustment	(101)	22
Deferred tax – prior year adjustment	155	(13)
Deferred tax asset not recognised	—	(96)
Tax charge for the year	1,486	1,154

Factors that may affect future charges
The closing deferred tax provision has been calculated at 19% in accordance with the rate enacted at the statement of financial position date.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

13. Dividends

The final dividend for the year ended 30 September 2019 of 0.5 pence per share amounting to £0.8m was paid in the year.

The Board has proposed a final dividend for the year of 1 pence per share amounting to £1.6m and representing a total dividend of 1 pence for the full year (2019: 0.5p per share).

Subject to approval at the Annual General Meeting on 18 March 2021 the final dividend will be paid on 30 April 2021 to shareholders on the register at the close of business on 19 January 2021 and has not been included as a liability in these Financial Statements.

14. Earnings per share

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

	2020 Number	2019 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	159,025,339	158,049,310
Effect of dilutive potential ordinary shares:		
Share options	3,200,981	595,869
Weighted average number of ordinary shares for the purposes of diluted earnings per share	162,226,320	158,645,179
Earnings for the purpose of basic and diluted earnings per share being net profit after tax attributable to the owners of the Company from continuing and discontinued operations (£'000)	6,310	5,037
Basic earnings per share	4.0p	3.2p
Diluted earnings per share	3.9p	3.2p
Earnings for the purpose of basic and diluted earnings per share being net profit after tax attributable to the owners of the Company from continuing operations (£'000)	6,310	4,189
Continuing basic earnings per share	4.0p	2.7p
Continuing diluted earnings per share	3.9p	2.6p

The number of shares in issue at 30 September 2020 was 159,335,259 (2019: 158,947,467).

The weighted average number of ordinary shares in issue during the year excludes those accounted for in the own shares reserve (Note 30).

15. Goodwill

	£'000
At 1 October 2018	42,923
Adjustments to goodwill – Just Energy Solutions Limited	(566)
At 30 September 2019 and 30 September 2020	**42,357**

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	2020 £'000	2019 £'000
K&T Heating Services Limited	Compliance	3,774	3,774
Sureserve Fire and Electrical Limited (formerly known as Allied Protection 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 Group Limited	Compliance	4,225	4,225
Aaron Heating Services Limited	Compliance	3,667	3,667
PLS Holdings Limited	Compliance	4,064	4,064
Just Energy Solutions Limited	Compliance	188	188
		42,357	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 2020 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 based on perpetuity.

15. Goodwill continued

This is discussed further below.

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

The estimated growth rates are based on past experience and knowledge of the individual sector's markets. The Directors believe that the heating, fire safety and the renewable energy and insulation 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 2020 was 4% (2019: 2%). The growth rate has increased in line with trading over the recent years. A terminal growth rate of 2% (2019: 2%) was applied. The pre-tax discount rate applied was 7.2% (2019: 8.2%). The discount rate has reduced in line with reduction in the Group's borrowing rate. 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 5% and an increase in the discount rate by 1.5%. The Directors consider that reasonably possible changes in the key assumptions would not cause the carrying amount to exceed its recoverable amount.

There is significant headroom in all but one of the CGUs based on the review model. PLS Holdings headroom is £4.5m (2019: £2.1m). A reduction in operating profit of 55% (2019: 33%) over each of the next three years would result in a breakeven position for this CGU.

16. Other intangible assets

		Acquisition intangibles			
	Computer software £'000	Contracted customer order book £'000	Customer relationships £'000	Non-compete agreements £'000	Total £'000
Cost					
At 1 October 2018	946	18,606	14,655	1,670	35,877
Additions	403	—	—	—	403
At 30 September 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**
Amortisation					
At 1 October 2018	354	18,111	10,826	1,659	30,950
Amortisation charge	424	411	2,313	11	3,159
At 30 September 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**
Carrying value					
At 30 September 2020	**726**	**—**	**—**	**—**	**726**
At 30 September 2019	571	84	1,516	—	2,171
At 30 September 2018	592	495	3,829	11	4,927

Contracted customer order book
The value placed on the order book is 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 is 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 are based upon the non-contractual expected cash inflows forecast on the base business over and above contracted revenues. The value of customer relationships is amortised over five years.

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

17. Property, plant and equipment

	Leasehold improvements £'000	Plant and equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 2018	531	1,045	1,606	507	3,689
Additions	155	268	190	18	631
Disposals	—	(89)	(156)	(146)	(391)
At 30 September 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**
Depreciation					
At 1 October 2018	210	531	1,143	331	2,215
Charge for the year	62	269	261	101	693
Disposals	—	(63)	(129)	(131)	(323)
At 30 September 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**
Net book value					
At 30 September 2020	**216**	**624**	**364**	**8**	**1,212**
At 30 September 2019	414	487	365	78	1,344
At 30 September 2018	321	514	463	176	1,474

Included within the net book value of property, plant and equipment is £nil (2019: £54,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £nil (2019: £91,000).

18. Right of use assets

	Leasehold property £'000	Commercial vehicles £'000	Total £'000
Cost			
At 30 September 2019	—	—	—
Adoption of IFRS 16	2,989	5,171	8,160
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**
Depreciation			
At 30 September 2019	—	—	—
Adoption of IFRS 16	—	—	—
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**
Net book value			
At 30 September 2020	**2,124**	**4,633**	**6,757**
At 30 September 2019	—	—	—

19. Group entities

Subsidiaries

The Group's subsidiary undertakings are:

	Country of incorporation	Class of capital	%	Principal activity
Aaron Heating Services Limited	England	Ordinary	100	Intermediate holding company
Aaron Services Limited	England	Ordinary	100	Maintenance and installation of domestic gas heating systems
Sureserve Fire and Electrical Limited (formerly known as Allied Protection 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
F J Jones Holdings Limited	England	Ordinary	100	Non-trading
F J Jones Heating Engineers Limited	England	Ordinary	100	Non-trading
H20 Nationwide Limited	England	Ordinary	100	Water hygiene
Just Energy Solutions Limited	England	Ordinary	100	Maintenance and installation of domestic gas heating systems
K & T Heating Services Limited	England	Ordinary	100	Plumbing and heating engineers
PLS GRP Limited	England	Ordinary	100	Intermediate holding company
PLS Holdings Limited	England	Ordinary	100	Intermediate holding company
PLS Industries Limited	England	Ordinary	100	Non-trading
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
Speedfit Limited	England	Ordinary	100	Non-trading
Sure Maintenance Limited	England	Ordinary	100	Maintenance and installation of domestic gas heating systems
Sure Maintenance Group Limited	England	Ordinary	100	Intermediate holding company
Sureserve Compliance Services Limited	England	Ordinary	100	Intermediate holding company
Sureserve VGS Limited (formerly known as Sureserve Construction Services Limited)	England	Ordinary	100	Non-trading
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
Sureserve Property Investments Limited	England	Ordinary	100	Non-trading

* Directly held investment.

The registered office of all entities above is Unit 1 Yardley Business Park, Luckyn Lane, Basildon, Essex, SS14 3BZ except for Everwarm 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

19. Group entities continued

Details of joint ventures

	2020 £'000	2019 £'000
Carrying value of investment in Arbed am Byth	390	294
Carrying value of investment in Warmworks	111	438
	501	732

Warmworks, a joint venture with Changeworks and the Energy Saving Trust, commenced trading in September 2015, the loss for 2020 was £62,000 (2019: income £135,000). 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, commenced trading in August 2018, the income for 2020 was £161,000 (2019: £294,000). The registered office of Arbed am Byth is Unit 2 Cefn Coed, Nantgarw, Cardiff, Wales, CF15 7QQ.

20. Inventories

	2020 £'000	2019 £'000
Raw materials and consumables	3,022	3,059

There are no inventories at 30 September 2020 or 30 September 2019 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.

£50,615,000 (2019: £57,532,000) of inventories were recognised as an expense in the year.

21. Trade and other receivables

	2020 £'000	2019 £'000
Current		
Trade receivables	16,667	17,858
Deferred consideration receivable	—	626
Social security and other taxes	7	239
Other receivables	3,708	3,685
Prepayments	2,336	2,081
Accrued income	17,336	17,579
	40,054	42,068

Other receivables includes sales retentions of £2,461,000 (2019: £2,396,000), rebates receivable of £714,000 (2019: £677,000), and finance issue costs of £136,000 (2019: £245,000 offset against borrowings).

	2020 £'000	2019 £'000
Trade receivables		
Trade receivables not due	15,231	15,074
Trade receivables past due 1–30 days	1,088	1,988
Trade receivables past due 31–60 days	255	104
Trade receivables past due 61–90 days	64	161
Trade receivables past due over 90 days	475	1,150
Gross trade receivables	17,113	18,477
Provision for credit losses brought forward	(619)	(479)
Amounts written off receivables ledger	312	75
Debtor provision charged to profit or loss in the year	(139)	(215)
Provision for credit losses carried forward	(446)	(619)
Net trade receivables	16,667	17,858

The entire provision for bad debts of £446,000 (2019: £619,000) is past due over 90 days.

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 administrative 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 no pledge as security on trade receivables.

At the end of the year one client represented over 5% of the total balance of trade receivables (2019: none).

22. Trade and other payables

	2020 £'000	2019 £'000
Current		
Trade payables	19,547	21,098
Sub-contract retentions	833	1,256
Accruals	9,918	7,981
Deferred income	920	233
Social security and other taxes	10,508	5,132
Other payables	1,038	998
	42,764	36,698

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 65 days (2019: 61 days).

23. Borrowings

	2020 £'000	2019 £'000
Bank loans and credit facilities at amortised cost:		
Current	—	—
Non-current	—	9,755
	—	9,755
Maturity analysis of bank loans and credit facilities falling due:		
In one year or less, or on demand	—	—
Between two and five years	—	9,755
	—	9,755

In December 2018, the Group renewed its bank facilities to provide an overdraft facility of £5.0m together with a revolving credit facility of £25.0m, which runs to 31 January 2022.

24. Net cash / (debt)

	2020 £'000	2019 £'000
Cash and cash equivalents	9,679	2,452
Bank loans and credit facilities	—	(9,755)
Finance lease obligations	—	(54)
Unamortised finance costs (included in other receivables)	136	—
Pre-IFRS 16 net cash / (debt)	9,815	(7,357)
Finance lease obligations	(6,836)	—
Total net cash / (debt)	2,979	(7,357)

25. Provisions

	Legal and other £'000
At 1 October 2018	7,695
Additional provision	172
Utilised in the year	(4,257)
At 30 September 2019	3,610
Additional provision	632
Utilised in the year	(196)
At 30 September 2020	**4,046**
Current provisions	825
Non-current provisions	3,221

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.

26. Deferred taxation

	Accelerated capital allowances £'000	Short term timing differences £'000	Share based payments £'000	Acquisition intangibles £'000	Unutilised losses £'000	Total £'000
Asset / (provision) bought forward as at 1 October 2018	207	436	—	(737)	57	(37)
Pre-acquisition adjustment	—	—	—	—	144	144
Credit / (debit) to P&L	26	(146)	92	465	(77)	360
Asset / (provision) carried forward as at 30 September 2019	233	290	92	(272)	124	467
Credit / (debit) to P&L	(140)	(61)	(36)	272	15	50
Asset carried forward as at 30 September 2020	**93**	**229**	**56**	**—**	**139**	**517**
At 30 September 2020						
Non-current asset	93	229	56	—	139	517
Non-current liability	—	—	—	—	—	—
Net deferred tax asset	**93**	**229**	**56**	**—**	**139**	**517**
At 30 September 2019						
Non-current asset	233	290	92	—	124	739
Non-current liability	—	—	—	(272)	—	(272)
Net deferred tax asset / (liability)	233	290	92	(272)	124	467

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

27. Lease liabilities

	Present value of minimum lease payments £'000
At 1 October 2018	143
Repayments	(89)
At 30 September 2019	54
Adoption of IFRS 16	8,106
At 1 October 2019	8,160
Repayments	(4,289)
Interest	258
New obligations	2,996
Obligations cancelled	(289)
At 30 September 2020	**6,836**

27. Lease liabilities continued

Future lease payments are due as follows:

	Present value of minimum lease payments £'000
Less than one year	3,167
Between two and five years	3,669
At 30 September 2020	**6,836**
Less than one year	54
Between two and five years	—
At 30 September 2019	54

28. Called up share capital

Allotted, called-up and fully paid:

2020 Number	2019 Number		**2020 £**	2019 £
159,335,259	158,947,467	Ordinary shares of £0.10 each	**15,933,526**	15,894,747

Details of options granted under the Group's share scheme are contained in Note 29.

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.

29. Share-based payments

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

The net charge recognised for share based payments in the year was £171,000 (2019: £544,000).

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.

Deferred Share Bonus Plan (DSBP)

The DSBP will be operated in conjunction with the Company's (and its subsidiaries') annual discretionary bonus arrangements from time to time and will provide a means by which a proportion of an employee's annual discretionary non-contractual bonus can be deferred. The number of shares placed under an award granted will be such number of shares as has a market value (measured at the grant date) as near to, but not exceeding, the amount of bonus that has been granted under such award. No award was made under the DSBP in the year.

29. Share based payments continued

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. Two employees are currently participating in the SIAP.

Long Term Incentive Plan (LTIP)

Awards granted under the LTIP take the form of options to acquire Sureserve Shares either at a price equal to the nominal share price or for nil consideration. The awards will have no beneficial tax status. All employees of the Company and any of its subsidiaries ("Group") may be granted an award under the LTIP. 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. Awards were granted to two Directors of the Company during the year. Awards were capable of exercise from grant date and were exercised during the year.

	SIP	SAYE	CSOP	PSP	SIAP	LTIP
Number						
At 1 October 2018	82,611	3,240,995	1,564,251	909,129	6,615,385	—
Granted	—	1,574,064	—	—	1,600,000	1,403,846
Lapsed	(16,744)	(1,835,105)	(316,098)	(749,129)	(7,415,385)	—
Exercised	—	(16,518)	—	—	—	(1,403,846)
At 30 September 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**	**—**
Weighted average exercise price (p)						
At 1 October 2019	0.00p	29.49p	40.75p	0.00p	0.00p	0.00p
Granted	—	32.00p	44.00p	0.00p	—	—
Lapsed	—	30.03p	40.75p	—	—	—
Exercised	0.00p	33.21p	—	—	—	—
Outstanding at 30 September 2020	**0.00p**	**30.22p**	**42.71p**	**0.00p**	**0.00p**	**0.00p**
Outstanding value at 30 September 2019	0.00p	29.49p	40.75p	0.00p	0.00p	0.00p
Fair value of options granted						
Weighted fair value of one option	87.61p	9.55p	17.49p	39.42p	6.00p	—
Assumptions used in estimating the fair value (weighted average)						
Share price at date of grant	99.75p	33.62p	42.42p	43.24p	27.10p	—
Exercise price	—	30.22p	42.71p	0.00p	0.00p	—
Expected dividend yield	4.60%	2.78%	4.04%	2.90%	1.00%	—
Risk free rate	1.21%	0.42%	0.05%	(0.03%)	0.71%	—
Expected volatility	40.37%	42.68%	56.61%	57.10%	34.90%	—
Expected life	3 years	3.4 years	5.1 years	3 years	1.5 years	—

In the year ended 30 September 2020, options were granted in respect of the CSOP, PSP and SAYE schemes.

The weighted average remaining contractual life of outstanding options at 30 September 2020 was 1.7 years (2019: 1.9 years).

The SAYE, CSOP and PSP options were valued under the binomial methodology.

The SIAP options were valued using a Monte Carlo model.

29. Share-based payments continued

The inputs into the Binomial model are as follows:

	2020	2019
Share price (p)	32.00 – 44.00	29.25
Exercise price (p)	0.00 – 44.00	25.00
Expected volatility (%)	35.00 – 58.00	48.45
Expected life (years)	3 – 6.5	3.43
Risk-free rate (%)	(0.05) – 0.20	0.65
Expected dividend yield (%)	1.75 – 1.85	2.83

The inputs into the Monte Carlo model are as follows:

	2020	2019
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 behavioural considerations.

30. 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 represents the cost of £325,842 (2019: £325,842) shares in Sureserve Group plc.

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.

31. 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 £4,621,000 (2019: £5,420,000). A subsidiary of the Group has provided a guarantee of £750,000 (2019: £750,000) to the Warmworks joint venture.

Contingent liabilities in respect of the disposal of Lakehouse Contracts Limited and Foster Property Maintenance Limited are disclosed in Note 11.

32. 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 and provisions for 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	
Financial assets	2020 £'000	2019 £'000
Current financial assets		
Trade receivables, loans and other receivables	37,711	39,748
Cash and cash equivalents	9,679	2,452
	47,390	42,200

	Financial liabilities measured at amortised cost	
Financial liabilities	2020 £'000	2019 £'000
Current financial liabilities		
Trade and other payables	31,336	31,333
Lease liabilities	3,167	54
Total current financial liabilities	34,503	31,387
Non-current financial liabilities		
Borrowings	—	9,755
Lease liabilities	3,669	—
Total non-current financial liabilities	3,669	9,755
	38,172	41,142

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.

32. Financial instruments continued

Credit risk continued

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 maturity analysis of bank borrowings at each period end is contained in Note 23.

(a) Interest rate of borrowings

The interest rate exposure of the Group's borrowings is shown below:

	2020 £'000	2019 £'000
Floating rate Sterling borrowings with a capped interest rate	—	9,755

The Group's average interest rate was 3.7% (2019: 4.4%) which included LIBOR and margin.

(b) Interest rate risk

Due to the floating rate of interest on the Group's principal borrowings, the Group is exposed to interest rate risk.

(c) Interest rate sensitivity analysis

The Group's principal borrowings attract floating rate interest. On a weighted average of £6.4m (2019: £14.5m) of debt in the year, a half per cent increase in the floating interest rate would have increased annual interest payable by £32,000 (2019: 72,000).

33. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2020		2019	
	Land and buildings £'000	Other items £'000	Land and buildings £'000	Other items £'000
Within one year	—	—	1,059	2,758
Between two and five years	—	—	1,874	2,419
Over five years	—	—	102	—
	—	—	3,035	5,177

Operating lease payments represent rentals payable by the Group for its properties and equipment. For property, leases are negotiated for an average term of five years and rentals are fixed for an average of five years, with an option to extend for a further period at the then prevailing market rate. For equipment, leases are negotiated for a term of between three and four years and on completion the equipment is returned to the lessor.

34. Cash generated from operations

	2020 £'000	Pre-IFRS 16 2020 £'000	2019 £'000
Operating profit	8,805	8,643	6,394
Adjustments for:			
Depreciation	4,793	682	693
Share-based payments	171	171	544
Amortisation of intangible assets	1,984	1,984	3,159
Profit on disposal of property, plant and equipment	(10)	(10)	(40)
Changes in working capital:			
Inventories	37	37	1,157
Trade and other receivables	1,618	1,618	199
Trade and other payables	6,035	6,035	(2,491)
Provisions	436	436	(4,076)
Cash generated from operations	23,869	19,596	5,539
Adjusted operating cash conversion calculation			
Cash generated from operations	23,869	19,596	5,539
VAT deferral	(6,072)	(6,072)	—
Exceptional (income received) / costs paid in the year	(605)	(605)	4,364
Adjusted cash generated from continuing operations	17,192	12,919	9,903
Operating profit before exceptional items and amortisation of acquisition intangibles	10,404	10,242	9,354
Operating cash conversion %	165%	126%	106%
Statutory operating cash conversion calculation			
Cash generated from operations	23,869	19,596	5,539
Statutory operating profit before exceptional items and amortisation of acquisition intangibles	10,404	10,242	9,354
Statutory operating cash conversion %	229%	191%	59%

35. 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, a joint venture with Everwarm. £5,285,000 of services were provided in 2020 (2019: £5,932,000). £484,000 was charged to Everwarm Limited from Warmworks for services provided in 2020 (2019: £651,000).

As at 30 September 2020 Everwarm Limited had a receivable owing from Warmworks amounting to £1,166,000 (2019: £392,000).

As at 30 September 2020 Arbed am Byth had a loan owed to Everwarm Limited amounting to £nil (2019: £400,000). As at 30 September 2020 Everwarm Limited had a receivable owing from Arbed am Byth amounting to £18,000 (2019: £38,000). £359,000 was charged by Everwarm Limited to Arbed am Byth for services provided in 2020 (2019: £nil).

Bob Holt provides consultancy services via a company of which he is a shareholder. The daily fee payable for such consultancy services is £1,595 plus VAT. Such services are provided for four days per week over 47 weeks per year at a total cost of £300,000 per annum (plus VAT). The total value of services provided to the Group was £285,000 (2019: £150,000). Sureserve Group plc had an amount owing to the company of £nil (2019: £45,000).

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 Group Management Board. Further information about the remuneration of individual Group Directors is provided in the audited part of the remuneration report.

	2020 Number	2019 Number
Number of members of the Group Management Board at each year end	15	16

	2020 £'000	2019 £'000
Short-term employee benefits	2,383	2,150
Share-based payment / LTIP	—	400
Post-employment benefits	142	156
Compensation for loss of office	—	158
	2,525	2,864

In addition to the above dividends were paid to directors of £7,000 (2019: £14,000).

36. Events after the reporting date

On the 3 December 2020, the Group acquired Vinshire Gas Services Limited for a consideration of £200,000. This has allowed to Group to increase its provision for gas servicing and presence in the Midlands. Further disclosures have not been included as the Directors do not consider them to be material to the Group.

Company balance sheet

At 30 September 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Investments in subsidiaries	40	12,392	12,392
Intangible fixed assets	41	598	357
Tangible fixed assets	42	201	223
Right of use asset	43	223	—
		13,414	12,972
Current assets			
Debtors – due within one year	44	4,506	6,814
Debtors – due after more than one year	44	59,284	61,077
Income tax receivable		903	1,591
		64,693	69,482
Trade and other payables	45	(22,235)	(19,239)
Lease liabilities	47	(74)	—
Creditors: Amounts falling due within one year		(22,309)	(19,239)
Net current assets		42,384	50,243
Total assets less current liabilities		55,798	63,215
Creditors: Amounts falling due after more than one year			
Lease liabilities	47	(152)	—
Loans and borrowings	45	—	(9,755)
Provisions for liabilities	46	(2,059)	(2,213)
Net assets		53,587	51,247
Capital and reserves			
Called up share capital	48	15,934	15,895
Share premium account	49	25,408	25,318
Own shares		(290)	(290)
Share-based payment reserve	50	650	538
Profit and loss account		11,885	9,786
Shareholders funds		53,587	51,247

As a consolidated statement of comprehensive income is published, a separate statement of comprehensive income for the parent company is omitted by virtue of the exemption available in section 408 of the Companies Act 2006. The Company's profit and total comprehensive income for the year was £2,835,000 (2019: profit of £5,260,000).

The financial statements of Sureserve Group plc (registered number 09411297) were approved by the Board of Directors and authorised for issue on 1 February 2021. They were signed on its behalf by:

P D M Smith
Director

The accompanying notes are an integral part of this company balance sheet.

Company statement of changes in equity

For the year ended 30 September 2020

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Own shares £'000	Profit and loss account £'000	Total equity £'000
At 1 October 2018	15,753	25,314	616	(290)	4,439	45,832
Profit for the year	—	—	—	—	5,260	5,260
Dividends paid (Note 13)	—	—	—	—	(394)	(394)
Issue of shares (exercise of options)	142	4	—	—	(141)	5
Share-based payment	—	—	544	—	—	544
Reserve transfer	—	—	(622)	—	622	—
At 30 September 2019	15,895	25,318	538	(290)	9,786	51,247
Profit for the year	—	—	—	—	2,835	2,835
Dividends paid	—	—	—	—	(795)	(795)
Issue of shares (exercise of options)	39	90	—	—	—	129
Share-based payment	—	—	171	—	—	171
Reserve transfer	—	—	(59)	—	59	—
At 30 September 2020	**15,934**	**25,408**	**650**	**(290)**	**11,885**	**53,587**

Company only

The following notes 37 to 52 relate to the Company only position for year ended 30 September 2020.

37. Accounting policies

Statement of compliance and basis of preparation

The separate Financial Statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly the Financial Statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of a cash flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated Financial Statements.

The Financial Statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in Note 2 to the consolidated Financial Statements except as noted below:

Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

Cost is defined as the consideration transferred and is measured at fair value. Fair value is calculated as the sum of the acquisition-date fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquired company and the equity interest issued by the Company in exchange for control of the acquired company. Acquisition-related costs are recognised in profit or loss as incurred.

When the consideration transferred by the Company 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. Changes in fair value of the contingent consideration are adjusted when identified with corresponding adjustments dependent upon on how the contingent consideration is classified. Where contingent consideration is classified as equity any change in fair value 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: Financial instruments, or IAS 37: Provisions, contingent liabilities and contingent assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Impairment of investments

At each balance sheet date, the Company tests the carrying amounts of investments to determine whether those investments have suffered an impairment loss. 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.

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 is estimated to be less than its carrying amount, the carrying amount of the asset 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 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 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.

38. Critical accounting judgements and key sources of uncertainty

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

Impairment of investments

The Company reviews the valuation of all its investments for impairment annually or if events and changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. See Note 15 for further information.

39. Staff numbers and costs

	2020 Number	2019 Number
Office and administration	**50**	45

	2020 £'000	2019 £'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**3,059**	2,883
Social security costs	**308**	350
Other pension costs	**89**	129
Equity-settled share-based payments	**171**	544
	3,627	3,906

40. Investment in subsidiaries

	£'000
Cost	
At 1 October 2019 and 30 September 2020	**12,392**
Net book value	
At 1 October 2019 and 30 September 2020	**12,392**

Further information is provided in Note 19.

41. Intangible fixed assets

	Computer software £'000
Cost	
At 1 October 2018	271
Additions	335
At 30 September 2019	606
Additions	443
At 30 September 2020	**1,049**
Amortisation	
At 1 October 2018	17
Amortisation charge	232
At 30 September 2019	249
Amortisation charge	202
At 30 September 2020	**451**
Carrying value	
At 30 September 2020	**598**
At 30 September 2019	357
At 30 September 2018	254

42. Property, plant and equipment

	Leasehold Improvements £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 October 2018	—	73	—	73
Additions	154	39	24	217
At 30 September 2019	154	112	24	290
Additions	—	24	—	24
At 30 September 2020	**154**	**136**	**24**	**314**
Depreciation				
At 1 October 2018	—	2	—	2
Depreciation charge	7	56	2	65
At 30 September 2019	7	58	2	67
Depreciation charge	15	26	5	46
At 30 September 2020	**22**	**84**	**7**	**113**
Carrying value				
At 30 September 2020	**132**	**52**	**17**	**201**
At 30 September 2019	147	54	22	223
At 30 September 2018	—	71	—	71

43. Right of use assets

	Leasehold property £'000	Commercial vehicles £'000	Total £'000
Cost			
At 30 September 2019	—	—	—
Adoption of IFRS 16	387	3	390
At 1 October 2019	387	3	390
Additions	—	11	11
Disposals	—	(3)	(3)
At 30 September 2020	**387**	**11**	**398**
Depreciation			
At 30 September 2019	—	—	—
Adoption of IFRS 16	—	—	—
At 1 October 2019	—	—	—
Charge for the year	174	3	177
Disposals	—	(2)	(2)
At 30 September 2020	**174**	**1**	**175**
Carrying value			
At 30 September 2020	**213**	**10**	**223**
At 30 September 2019	—	—	—

44. Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year		
Amounts owed by Group undertakings	4,039	6,243
Prepayments	227	150
Deferred tax asset	77	270
Other debtors	163	107
Tax receivable	—	44
	4,506	6,814
Amounts falling due after more than one year		
Amounts owed by Group undertakings	59,284	61,077

The Directors consider that the carrying amount of trade receivables approximates to their fair value. There is no provision against amounts receivable and no amounts are past due or are impaired.

45. Creditors

	2020 £'000	2019 £'000
Creditors: Amounts falling due within one year		
Bank loans and overdrafts	9,160	9,480
Trade creditors	341	295
Amounts owed to Group undertakings	10,551	7,052
Accruals and deferred income	2,037	2,245
Social security and other taxes	134	167
Other creditors	12	—
	22,235	19,239
Creditors: Amounts falling due after more than one year		
Loans and borrowings	—	9,755

46. Provisions for liabilities

	Legal and other £'000
At 1 October 2019	2,213
Utilised in the year	(154)
At 30 September 2020	**2,059**

Further information is provided in Note 25.

47. Lease liabilities

	Present value of minimum lease payments £'000
At 30 September 2018	—
Adoption of IFRS 16	390
At 1 October 2019	390
Repayments	(183)
Interest	9
New obligations	11
Obligations cancelled	(1)
At 30 September 2020	**226**

Future lease payments are due as follows:

	Present value of minimum lease payments £'000
Less than one year	74
Between two and five years	152
At 30 September 2020	**226**

48. Share capital

Allotted, called-up and fully paid:

	Number	£
Ordinary shares of £0.10 each	**159,335,259**	**15,894,747**

Details of the movements in share capital together with the key rights and preferences of the share capital are disclosed in Note 28.

49. Share premium account

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.

50. Share based payments

During the year ended 30 September 2020 the Company had five share based payment arrangements, which are described in Note 29.

51. Operating lease commitments

	2020		2019	
	Land and buildings £'000	Other items £'000	Land and buildings £'000	Other items £'000
Within one year	—	—	180	—
Between two and five years	—	—	224	—
	—	—	404	—

52. Events after the reporting date

Details of events after the reporting date are disclosed in note 36.

Financial statements

Corporate directory

Company registration number
09411297

Directors
Bob Holt OBE (Chairman and Chief Executive)
Peter Smith (Chief Financial Officer)
Robert Legget (Senior Independent Director)
Derek Zissman (Non-Executive Director)
Christopher Mills (Non-Executive Director)

Company Secretary
John Charlton

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Corporate calendar
Annual General Meeting
18 March 2021

Announcement of Interim Results
June 2021

Announcement of Final Results
1 February 2021

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