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Sureserve Group PLC
21 January 2020

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Sureserve Group plc

("Sureserve" or the "Group")

Preliminary Results for the year ended 30 September 2019
Transformational year, well-positioned for predictable growth

Sureserve, the compliance and energy services Group, is pleased to announce its preliminary results for the year ended 30 September 2019.

Bob Holt, Chairman of Sureserve, commented:

"I am pleased to report an excellent year of both operational progress and improved financial performance, with our results exceeding market and internal targets.

"The focus on driving growth within our core divisions of Compliance and Energy Services has paid dividends, yielding strong increases in Group revenues and profits, while at the same time continuing to reduce our debt and improve our cash conversion.

"Sureserve has continued to demonstrate its resilience and versatility, evidenced by continued demand for our market-leading services remaining strong despite difficult UK-wide trading conditions, resulting in a year of outstanding contract wins across the country worth £147.3m.

"The Group's outlook remains positive and we are confident of continuing to deliver on our clearly-defined growth strategy, evidenced by the proposed dividend for the full-year of 0.5 pence per share. We continue to have confidence in the visibility of our predictable, non-volatile revenue streams, underpinned by our established reputation for quality market-leading services in highly-regulated sectors.

"Trading this current financial year has started strongly and, with circa 72% of FY20 revenue covered by the £333.2m order book, we look forward to continuing our strong progress and updating shareholders accordingly."

Financial overview

- Revenue from continuing operations up 11% from **£190.8m** to **£212.1m**
- Operating profit before exceptional items and amortisation of acquisition intangibles of **£9.4m (2018: £8.0m, 16% growth)**
- Profit before tax from continuing operations up 174% from **£1.9m** to **£5.3m**
- Profit before tax from continuing operations before exceptional items and amortisation of acquisition intangibles of **£8.3m (2018: £6.6m)**
- Earnings per Share (EPS) from continuing operations up 285% to **2.7p (2018: 0.7p)**
- EPS excluding amortisation of acquisition intangibles and share based payments of **4.4p (2018: 3.0p)**
- Operating cash conversion from continuing operations of **106% (2018: 60%)**
- Year-end net debt reduced to **£7.4m (2018: £11.4m)**
- Order book of **£333.2m** providing visibility of earnings with circa 72% covered in FY20
- Full-year proposed dividend of **0.5p**, an increase of 100% **(2018: 0.25p)**

Operational overview

- Core divisions of Compliance and Energy Services both delivered strong performances, with demand for services remaining solid. Continued reputation for delivery of quality services and market-leading positions in the highly-regulated public sector gas maintenance and energy management sectors
- Outstanding record of contract wins worth £147.3m during the year strengthening our position across the UK
- Strategic and operational plans implemented
- Operational improvement plan conducted through the year
- Ongoing focus on smart metering and readiness for SMETS2 roll out
- Group reporting achievement of delivering carbon neutral performance during 2019

Outlook

- Participating in a total of 96 frameworks worth a total of £592.7m at year end (2018: 110 frameworks worth £637.7m)
- 144 maintenance contracts in place worth a total of £409.6m (2018: 166 contracts worth £419.2m)
- Well-placed to deliver a clear growth strategy in our market-leading gas services division
- 72% of FY2020 revenue covered by the order book worth £333.2m, providing good visibility of non-volatile revenue streams
- The Group is well-positioned for further organic growth in a fragmented and regional market
- Strong start to trading in FY20 continuing the Group's momentum

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Notes to editors

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

The Group was founded in 1988 and is headquartered in Basildon. It currently employs some 2,061 staff from 22 offices across the UK.

Executive Chairman's statement

Introduction

This is the first year of reporting without the impact of our divested companies in Construction and Property Services. I am pleased to report excellent progress with results ahead of both market expectations and our own internal targets. Our management teams have seized the opportunity to perform and we are pleased to report profitable and cash-generative growth.

Demand for the Group's services continues to be strong, on the back of its reputation for the delivery of quality services and market leading positions in the highly regulated public sector gas maintenance and energy management sectors. We operate across both the public and private sector markets which have seen difficult UK-wide trading conditions, and our performance against this is a demonstration of our ability to win new business on a profitable and cash-generative basis.

We continue to work through the legacy of the divested businesses and having undertaken a full evaluation, believe that provisions for any outstanding liabilities which were fully provided for this time last year continue to be sufficient.

Both our Compliance and Energy Services divisions have continued to show a significant improvement year on year, and it is pleasing to see our smart meter installation business achieve profitability and we look to the future with a positive view on that business. The two operating divisions of today's streamlined and rationalised Group have strong market positions and a portfolio of leading brands built on the expertise and quality commitment of our people, ensuring our customers are willing to pay a premium for our service provision.

Trading performance

The Group made excellent trading and operational progress throughout the year and exceeded both internal and external trading forecasts. Indeed, four of our businesses, including all three of our gas businesses, reported record revenues and profits during the year. We continue to look to improve our performances across all businesses. Our cash management in the year was excellent generating 106% operating cash conversion against EBITA. Having also funded some of the fully provided legacy costs this sets up a strong platform for the strategy of reducing debt year on year and hitting our internal targets of 80% cash conversion. Our basic earnings per share from continuing operations increased to 2.7p from 0.7p in 2018 and our basic earnings per share from continuing and discontinued operations grew to 3.2p from a loss of 6.6p in 2018. If basic earnings per share from continuing operations were adjusted to exclude amortisation of acquisition intangibles and share based payments, they would be 4.4p, up on 3.0p in 2018. Our bidding pipeline remains strong and, again, the year under review demonstrated the different dynamics of where we are now positioned. The Financial Review gives a full review of these results.

Our growth trajectory

We believe we are the leading provider of gas installation and maintenance services to the public sector. In addition we 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 regional and national property owners.

As I have already indicated, organic growth from continuing operations was strong during the year, with important contract wins significantly strengthening our presence across the UK. These include a contract extension to the Warmer Homes Scotland initiative for the Scottish Government until 2022, as well as a significant smart metering win with Octopus Energy worth up to £9.4m over an initial 18-month term.

We have now also concluded the mobilisation of the Arbed 3 programme for the Welsh Government via our joint venture with the Energy Saving Trust, which focuses on improvements to those households likely to be living in severe fuel poverty, and the contract is now progressing as planned. Increasingly, such contract wins are further strengthening the national platform on which we base our ability to deliver a high quality service at a local level. Aspiring to be this kind of business means we must be the supplier or partner of choice in all the markets where we operate.

In the year we successfully bid for and won a number of contracts in our gas services businesses including those with Adur and Worthing District Council, Grand Union Housing, Thurrock, Corby, Welwyn and Hatfield and Ipswich Borough Councils. Elsewhere we were awarded contracts with Tolcross Housing Association, Optivo, Wandle Housing Association, Pure Gym and the University of Sheffield.

The order book stands at £333.2m demonstrating a strong platform for future work, although a fall of 13.5% on the 2018 figure of £385.0m. This reduction is due to the Group's targeted efforts on those long-term contracts that either currently make money or, in the case of frameworks, provide future opportunities to make money in our core areas. Alongside this, non-core, loss-making and high-risk works have not been reprocured. The average contract length increased to four years.

The Group is also very proud to announce that we have achieved carbon neutral operations. This achievement is thanks to the work undertaken by our energy services business Everwarm, and the carbon savings they delivered through the work they undertook during the period, which more than offsets the total Group carbon usage.

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 or leaders. Developing on the previous year's investments, the Sureserve Academy consolidated its activities across the Group in holding the first Sureserve Academy event and awards. We brought together 120 Group employees undertaking training of all types, along with senior management to share a day of team building and discussion regarding the Academy's aims, strategies and developments. It also hosted the Sureserve Academy Awards, rewarding training excellence across the businesses. The Overall Group Winner Award went to Liam Botting, trainee engineer at K&T Heating, who displayed 'empathy, dedication and understanding in his job' and was considered by colleagues to be an exceptional member of staff. We continue to develop our online management development programme alongside the Sureserve Academy, providing both skills and management training modules. Please see our Sustainability Report for details of this and other new training initiatives we launched during the year.

We saw a number of Board changes during the year. I would like to thank Michael McMahon, who stood down as Chief Operating Officer in October, for his commitment and invaluable contribution to the Sureserve Group over the years. I wish him every success. For the foreseeable future I have assumed the role of Chief Executive Officer.

I also welcome Peter Smith, who joined the Group as Chief Financial Officer in July following an extensive search process. Peter has held senior finance roles at companies such as MITIE, OCS Group, Balfour Beatty and British Gas over the past 13 years and I look forward to working with him as we roll out our growth strategy over the years ahead.

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 strong 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 0.5 pence per share. It is the Board's intention to continue to consider future dividend payments based upon the trading performance of the Group.

Outlook

I would like to re-emphasise my confidence that, in looking forward, we now have a considerable opportunity to achieve sustainable and consistent growth, both organically as well as through acquisition. Strong regulatory drivers continue to underpin demand, leading to a strong order book and visibility of future earnings.

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

The Group is positioned to further build on our market leading positions in gas compliance and energy services, and our goal is to build an even stronger organisation based on predictable, non-volatile revenue streams from activities across a growing national footprint, delivering all the stability and financial returns that our shareholders expect.

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, and are provided 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
Executive Chairman

Operational review

Business performance and delivery has been exceptional, demonstrating the continued effectiveness of our more streamlined and focused structure. We are also confident in the future with a strong order book value and good visibility on future earnings.

Introduction

In the year the Group has continued to focus on strengthening its position as a focused compliance and energy services group. The strategically important move to exit our Property Services and Construction divisions has, as expected, enabled us to concentrate on our cash-generative core growth areas of Compliance and Energy Services, both of which deliver more predictable, recurring and profitable revenue streams.

It is particularly pleasing to note that both divisions delivered EBITA margin in excess of our expected 5% margin. We were also delighted to announce that net debt fell following strong trading performance and cash management and we wish to continue to build on this success as a platform for continued future growth.

The experienced senior management team is set to continue to deliver profitable growth and performance with aspirations to further enhance the Group's positive reputation for the delivery of quality services and market leading positions in the highly regulated public gas maintenance and energy management sectors.

Financial performance

- Operating profit before exceptional items and amortisation of acquisition intangibles: £9.4m (2018: £8.0m)
- Revenue from continuing operations: £212.1m (2018: £190.8m, 11% growth)
- Profit before tax from continuing operations: £5.3m (2018: £1.9m, 174% growth)
- Year-end net debt: £7.4m (2018: £11.4m)

We are extremely pleased that our clear strategy for growth and the focused approach of a more streamlined organisation as previously articulated is proving successful, with the Group having grown both revenues and profitability in its continuing operations, without the significant losses in those now discontinued operations seen in previous years.

Looking forward

During the year, we saw strong continued growth within our two key divisions which underpin the future strategy of the Group, with Compliance (revenues up 14.4%) and Energy Services (revenues up 5.6%) divisions both delivering strong performance. We will continue our focus on both moving forward.

At year end, we were participating in a total of 96 frameworks worth £592.7m (2018: 110 frameworks worth £637.7m) and had in place 144 maintenance contracts worth £409.6m (2018: 166 contracts worth £419.2m). This provides predictability of our future incomes and allows longer term planning to occur, which helps drive efficiency.

The Board is encouraged by the high bidding success rates continuing to be achieved by the Group with the year-end order book of £333.2m (2018: £385.0). The reduction in the order book is due to the Group's targeted efforts on those long-term contracts that either currently make money, or, in the case of frameworks, that provide future opportunities to make money 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.

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

Compliance division

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 largest component of revenue growth was the Gas Compliance businesses with K&T delivering the most significant increase while seeing growth within Aaron and Sure, both of which achieved revenue in excess of £30m. Strong revenue growth was also delivered within fire and water, further supporting the positive overall positioning of the division.

Compliance: 12 months ended 30 September	**2019**	2018	Change
Revenue (£m)	**133.1**	116.3	14.4%
Adjusted EBITA (£m)	**8.5**	6.1	38.8%
Adjusted EBITA margin	**6.4%**	5.2%	1.2pts

Overall, revenue increased by 14.4% to £133.1m (2018: £116.3m). EBITA increased by 38.8% to £8.5m (2018: £6.1m), resulting in an underlying EBITA margin of 6.4%, up by 1.2ppts. Revenues increased in all Compliance businesses, with the exception of our lift operation. The increases reflected increased volumes of work and opportunities with clients driven by contract wins and extensions in addition to increasing regulatory demands in the sector. These revenues are often recurring and help support the size and scale we believe we have as a market leading gas provider. Furthermore, we saw a continuation in to the second half of 2019 of some clients' focus on higher than expected installation works. These additional works provided further incomes and margin improvements through efficiencies in delivery, geographical reach and minimal change in business overhead.

The 2018 reduction in margins had reflected mobilisation costs and other items so an improvement this year was expected given the investment made. Furthermore, a growth in higher margin commercial works has increased overall profitability in 2019. Together these have resulted in better than expected performance and delivered increased margins.

In relation to the Building Compliance businesses, the reduction in our lift business revenues had been expected as we exited contracts, following a review of low margin and unprofitable work. Changes were made to the senior management team during the year; the benefit from these can take time to impact performance. Processes for costing and pricing are being improved. We are currently in that phase but remain confident for the future. The previous poor operational performance of our fire business has now turned around with strong revenue and profit delivery. The water hygiene business continued to show a pleasing performance and results significantly ahead of expectations. The senior management team is focusing on this business to ensure that its strong performance continues.

- **Gas Compliance**

The three Gas Compliance businesses (Aaron Services, K&T Heating and Sure Maintenance) make up 70% (2018: 74%) of divisional revenues and built on the progress made in FY18 with another excellent year of revenue growth from recurring incomes and new works.

Aaron Services, delivering gas compliance solutions across East Anglia and the Midlands, followed up a successful 2018 with a number of new wins, offsetting lost contracts. The largest wins were noted in our interim reporting with Thurrock Council domestic and commercial gas servicing work worth £10m over an initial three-year term (with option to extend), and a £7.5m gas service and maintenance award with Welywn Hatfield over five years. Both increased the robustness of the forward order book.

Other significant wins include a four-year domestic maintenance contract renewal worth £5.1m with Ipswich Borough Council to provide domestic gas servicing, maintenance and repairs plus installation works, and four-year awards with E.ON (£2.0m estimated value from a national framework for heating installations, which our Sure business also participates in) and Nottingham City Council (£1.2m for electrical testing works).

K&T Heating's trading performance has been improving and it is now the largest of our three gas businesses following a period of successful wins in previous years and as reported in our interim review, which continues to support its growth. The business delivers gas compliance services across London and the South East. Wins previously reported include an £8.6m HARCA five-year gas service and repair contract, a £4.5m L&Q extension and further gas contracts ranging over one to four years and worth in excess of £10m with Hammersmith, Optivo, Red Kite and Moat HA.

Subsequent contract win successes have also included multi-year wins with Adur District and Runnymede Borough Councils (£2.2m and £1.2m respectively over five years), and one-year domestic and commercial works contract with Hammersmith and Fulham for over 11,000 domestic properties, worth £2.7m over that initial period.

Sure Maintenance, which delivers gas compliance services across the UK, had the highest single value gas contract win with a 20-year, £16m value domestic and commercial heating service and maintenance contract with Clarion Housing Group. This had been a key target for the Group and expands our offering in the South West. Sure also won a four-year award worth up to £5m with Places for People for gas compliance services along with further multi-year awards with EN:Procure, with a value potential of £4m and which expanded our offering into Yorkshire; as well as a CHIC/ARK planned works contract worth an estimated £2m.

The three gas compliance businesses remain in the process of being unified on to a single operational platform. Two of the businesses are now fully or predominantly on that system, with an implementation review in progress within the third. We believe this will offer ever better internal comparability of performance and benchmarking, to allow the businesses to continue to improve their client service performance.

- **Building Compliance**

Our Building Compliance businesses comprise Allied Protection, H2O Nationwide and Precision Lift Services and make up 30% (FY18: 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 key award with Optivo gives us confidence for the future. The five-year award with Optivo is for the servicing and maintenance of 380 passenger lifts in London and the South East, with a value of £5.0m and an option to extend for a further five years.

Further wins with City West Homes (£1.7m of lift controller upgrades) and London Borough of Wandsworth (£1.0m lift refurbishment project) underpin our belief that the market opportunity remains strong and the business is in a position to deliver a range of opportunities across a number of clients.

Allied Protection remains the Sureserve Group's specialist provider of fire, electrical and sprinkler compliance services and has followed up a successful 2018 with further awards this year. These included £1.7m with Red Kite on a three-year contract with potential two-year extension for fire alarms and emergency lighting servicing, East Kent for £1.5m of fire protection works and a further £1m with Hyde Housing Association to supply, install, remove and maintain fire alarm, detection and suppression systems over a four-year term. The business focus remains on compliance and effective service delivery as the business continues to perform strongly.

H2O is our water and air risk assessments 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 continued to drive efforts to grow and delivered a number of further wins in the period, the largest being a £1.0m contract for water systems risk assessment and maintenance works with South East Consortium over four years, and a £0.7m contract with London Borough of Havering for water hygiene and Legionella services over three years (with an option to extend to five years). These 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. Our current levels of growth should increase our buying power further and improve our ability to deliver revenues with improved margins. Our H2O business is performing extremely well; management changes made in Allied over the past 12 months have resulted in a better service delivery for our clients, and there is an ongoing focus on operational improvements within Precision. Our demonstrable track record in delivering new wins gives us confidence as we continue to focus on securing contracts with long term visibility and robust value.

Compliance: 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.

Our Managing Directors continue to lead the compliance businesses and as the business grows have been increasing their focus on working together to share best practice, drive efficiencies and support clients over multiple regions and service types. Each business is represented on the Executive Management Team which reviews and discusses matters including operational excellence. We believe continuity of key individuals and consistent growth have provided us with a stable platform to continue to deliver for our client base.

Energy Services division

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 now well established as one of the market leaders and is experienced in the ongoing UK-wide Government roll-out, extended recently to 2024. The division also has an established presence in the installation of electrical vehicle charging points, a further growth sector in which our experienced management team is well placed to deliver. Along with ongoing solar PV work the company has now commenced work involving newer technologies such as battery storage projects.

The Energy Services division remains within an active sector with a number of opportunities for delivery, with £371.4m of frameworks and £65.6m of long-term contracts to provide confidence over future prospects.

Energy Services:	**2019**	2018	Change

12 months ended 30 September			
Revenue (£m)	**82.1**	77.7	5.6%
Adjusted EBITA (£m)	**4.3**	4.0	7.9%
Adjusted EBITA margin	**5.3%**	5.2%	0.1pts

Overall, revenue increased by 5.6% to £82.1m (2018: £77.7m). EBITA increased by 7.9% to £4.3m (2018: £4.0m), resulting in an underlying EBITA margin of 5.3%, up by 0.1ppts.

Providor saw a reduction in revenues based on a reduction in meter installation work due to the previously mentioned transition period in the UK-wide roll-out, which was more than offset by increased revenues in Everwarm. The increase in Everwarm's revenues was due to a mix of factors but predominantly reflected increased activity within all departments of the business with the notable exception of insulation, which has continued to be impacted by ECO3 challenges as we had noted in our interim reporting earlier in the year.

EBITA improved again to £4.3m (2018: £4.0m), with Providor recording profits, but with the Everwarm business seeing a regression in profit levels despite increased revenues. The challenges in the insulation department following the introduction in ECO3 measures have been sizeable and resulted in reduced profit from previous levels. Other elements of the business delivered largely offsetting results with our external wall insulation business subject to pressures on margin generally from pricing impacts and an increase in the levels of kitchen and bathroom work which has negatively impacted overall margin. Everwarm's gas and electrical services department has shown strong revenue growth in the year, which is pleasing and has positively impacted on profitability to mitigate some of the variances in other areas.

Results from the Warmworks and Arbed joint ventures are included within the Everwarm position. Warmworks delivers the flagship Warmer Homes Scotland initiative for the Scottish Government and saw continued strong performance during the full year with an ongoing level of operational excellence. As previously reported we were delighted that in April 2019 our contract was extended to 2022. This contract brings a diversified installation portfolio for Everwarm, focusing on central heating, boiler improvements and other energy efficiency installation measures.

During the year the mobilisation of the Arbed 3 programme for the Welsh Government, via our joint venture with the Energy Saving Trust, was concluded. That operation is now fully focused on improvements to households likely to be living in severe fuel poverty. While monthly measure installation performance can be more variable depending on the specific timings of individual area schemes, the joint venture has now contributed a small profit for the full financial year and we expect volumes to continue into 2020 as we focus on positive delivery.

As we had previously reported at H1, carbon prices remained largely stable during the year. However, volumes were and remain impacted by the transition to ECO3, which has proved challenging due to changes in measure types and qualifying property. We continue to work through these challenges and believe we are well placed to deliver on behalf of our utility partners despite the initial difficulties, particularly given the volumes we are seeing in more recent months.

- **Everwarm**

Everwarm continues to deliver strong trading performance with revenues for FY19 in excess of £60m. The business supports a range of clients in various energy efficiency projects. Our largest new win has been a £3.6m award with City of Edinburgh Council for a range of insulation and other measures. In addition to the Glasgow City (£1.9m) and Fife (£1.7m) wins mentioned in our half-year review, we have seen further wins with Tollcross Housing (£2.1m) over three years minimum period and Moray Council (£1.4m) for gas heating works. In addition we won circa £2.1m of works with East Lothian Council for a combination of bathroom and shower installations plus external wall insulation works, under two separate awards, and £1.8m of insulation measures with Waverley Housing. 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.

Furthermore, the business continues to seek and explore new prospects as the sector continues to develop more efficient and newer forms of energy efficiency technology. These remain at earlier stages but we believe Everwarm is extremely well placed to deliver work where appropriate opportunities are present. Smaller wins in these new areas within the period include battery storage projects both with Warmworks (£0.2m) and Sheffield University (£0.1m), plus £0.2m of electric vehicle charging points with Scottish Fire and Rescue. We also look at areas where we can support our clients via services that can be delivered through other parts of the Sureserve Group, with some activity ongoing in fire protection using the expertise of Allied in delivery.

- **Providor**

Providor remains focused on existing contract delivery; however, the intention as clarity was provided on the Government smart meter roll-out was that we would be in a position to assess new opportunities. This was important, particularly following commencement of SMETS2 meter technology installations, as volumes are expected to increase going forward. As reported at H1, we were and still are seeing a range of interest from a mix of 'Big six' and smaller/'challenger' utilities companies. We were therefore pleased to win a contract with Octopus Energy for the delivery of SMETS2 installations and asset management earlier this year, with a total value estimated at £9.4m. Since then we have won a significant iSupply contract, for which initial estimates suggest a maximum potential value of £20.6m over the coming years through to the end 2021, including installation and asset management services. We have also followed up the Octopus installation contract win above with a further £1.7m value asset management award. These agreements and other existing contracts and potential extensions give us confidence for Providor's future performance.

Energy Services: Looking forward

Everwarm's order book remains strong with future revenues underpinned by long term contracts, strong contractual agreements with several clients and key frameworks and also supported by joint venture arrangements with Warmworks and Arbed. Although carbon pricing remains very important, we believe that the Government will remain committed to addressing funding for fuel poverty in this highly regulated sector. Everwarm's significant wealth of management experience and client relationships gives our business a market leading proposition in this area. We believe we have navigated the ECO3 transition positively and continue to service a number of 'Big six' 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.

Providor experienced continued delays to the national smart meter roll-out, which has impacted installation volumes. The associated impact on engineer efficiency requires careful management, both with workforce and our contractual positions, and we continue to learn from our past experience in the sector and negotiate appropriate commercial protections, whilst continuing to seek to provide strong and secure employment for our engineers.

In September 2019 it was announced that the deadline for smart meter installation had been extended to 2024 to allow a more realistic timeframe for delivery. While an expected impact is that overall roll-out costs for the industry may continue to rise, we believe a benefit from this revised timetable will be seen in more consistent volumes which should allow us to agree deliverable installations with our client base. 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. Our investment supporting the roll-out has been significant, but we are hopeful a new glidepath should allow the business to continue into a sustained phase of profitable delivery. This remains an area we will continue to monitor closely as we proceed.

Bob Holt OBE
Executive Chairman

Financial Review

The Group had a strong year posting an underlying EBITA of £9.4m from continuing activities (2018: £8.0m).

Group revenue increased by 11.2% to £212.1m (2018: £190.8m), mainly reflecting an increase in underlying revenues in the Compliance division, whose underlying revenues increased by 14.4% to £133.1m (2018: £116.3m). Underlying revenues in Energy Services increased by 5.6% to £82.1m (2018: £77.7m). These divisional revenue figures include revenue from intercompany trading which accounts for a total of £3.1m.

Group underlying EBITA increased by 16.4% to £9.4m (2018: £8.0m), reflecting an increase in underlying EBITA in the Compliance division of 38.8% to £8.5m (2018: £6.1m) and an increase in underlying EBITA in Energy Services of 7.9% to £4.3m (2018: £4.0m). Central costs were £3.5m (2018: £2.1m), of which the substantive movement related to share option charges and bonuses provided for in the year.

Underlying operating expenses rose to £24.0m in the year (2018: £19.6m) reflecting the growth in the business and associated central costs noted above.

We exclude exceptional items in calculating underlying EBITA to provide a more appropriate view of underlying operating performance.

We reported an operating profit from continuing operations of £6.4m (2018: £3.4m), after £0.2m of net exceptional costs (2018: £0.3m) and £2.7m of amortisation charges for acquisition intangibles (2018: £4.3m).

Interest expense was £1.1m (2018: £1.5m), taxation was £1.2m (2018: £0.8m) and post-tax profit within discontinued operations was £0.8m (2018: post-tax loss of £11.5m). The statutory profit after tax was £5.0m (2018: loss of £10.4m).

Exceptional items in the year reduced the Group's profit before tax by £0.2m (2018: £0.3m) and related to the following items:

	2019	**2018**
	£m	**£m**
Acquisition costs	**-**	0.1
Restructuring and other costs	**0.2**	1.0
Exceptional costs	**0.2**	1.1
Release of provisions for deferred consideration	**-**	(0.8)
Net exceptional costs	**0.2**	0.3

Restructuring and other costs of £0.2m (2018: £1.0m) reflects restructuring costs during the year. The 2018 figure also includes a small number of legacy clean-up costs.

Release of provisions for deferred consideration was £nil (2018: £0.8m).

Amortisation of acquisition intangibles

Amortisation of acquisition intangibles was £2.7m for the year (2018: £4.3m); the reduction reflected the fact that we have taken amortisation charges in prior periods, meaning we are amortising a reduced base of intangible assets.

Finance expense

The total finance expense for the year represented the interest charged on our debt facilities (net of finance income), together with the amortisation of debt issue costs, which totalled £1.1m (2018: £1.4m).

The total finance expense of £1.1m (2018: £1.5m) included the unwinding of discounts on deferred consideration figure of £nil (2018: £0.1m).

Discontinued operations

Profits from discontinued operations amounted to £0.8m (FY18: loss of £11.5m) on associated revenues of £nil (FY18: £71.9m). This comprised losses up to date of disposal of £nil (2018: £5.2m) and profits on disposal of £0.8m (2018: losses on disposal of £6.3m). The associated cash outflow for the year was £nil (2018: £8.0m).

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 2019 profits on disposal of discontinued operations comprise:

- £0.4m tax credit from settlement of amounts provided on disposal
- £0.4m profit on sale of Orchard (Holdings) UK Limited from reassessment of the fair value of consideration receivable

Lakehouse Contracts Limited went into administration and subsequent liquidation on 11 March 2019 and 6 August 2019 respectively. The Board have reviewed the position in detail and have not recognised any amounts potentially recoverable from Lakehouse Contracts Limited under the sale and purchase agreement. Post year end Mapps Group Limited, the acquirer of Lakehouse Contracts Limited and Foster Property Maintenance Limited, also went into liquidation.

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.

Further details of discontinued operations are in note 11.

Tax

The tax charge on the profit before tax was £1.2m (2018: £0.8m), representing an effective rate of 21.6%, which compares with the statutory corporation tax rate of 19%. The difference was due to a combination of factors and relates in part to movements in provisions together with share option adjustments.

Our net cash tax payment for the year was £34,000 for continuing operations (2018: £0.2m). During the year, the Group has received part of the anticipated cash tax refund from HMRC which formed the corporation tax receivable on the 30 September 2018 balance sheet, with the remaining amount being received in December 2019. The Group has also made tax payments on account during the year.

The net deferred tax asset as at 30 September 2019 was £0.5m (2018: liability of £37,000), with the movement mainly relating to acquisition intangibles and short-term timing differences. Further details are set out in note 25.

Earnings per share

Basic earnings per share from continuing operations were 2.7 pence (2018: 0.7 pence), based on profit after tax from continuing operations of £4.2m (2018: £1.2m).

Our statutory profit for the year was £5.0m (2018: loss of £10.4m). Based on the weighted average number of shares in issue during the year of 158.0m, this resulted in basic earnings per share of 3.2 pence (2018: loss per share of 6.6 pence).

Further details are contained in note 14.

Dividend

The Board has proposed a final dividend for the year of 0.5 pence per share. This represents a total dividend payable for the year of 0.5 pence (2018: 0.25 pence).

Subject to approval at the AGM on 18 March 2020, the final dividend will be paid on 30 April 2020 to shareholders on the register at the close of business on 31 January 2020.

Cash flow performance

Our adjusted operating cash flow from continuing operations for the year was an inflow of £9.9m (2018: £4.8m), discussed in note 33 and reflecting an operating cash conversion of 106% (2018: 60%). We calculate continuing operating cash conversion as cash generated from continuing operations, excluding the cash impact of exceptional items 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. On a statutory basis, we saw an operating cash inflow of £5.5m (2018: outflow of £5.7m), representing a cash conversion of 59% inflow (2018: outflow of 71%).

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 around year end.

We expect to continue to target an average annual operating cash conversion of 80% over the long term.

Net debt

At 30 September 2019, the Group had net debt of £7.4m (2018: £11.4m). However, this represents a snapshot in time and the weighted average revolving credit facility drawdown in the year was £14.5m (2018: £18.7m).

Banking arrangements

We had drawn £10.0m (2018: £13.0m) under our revolving credit facility at the year end (excluding borrowing costs). At the date of issuing this report we had drawn £7.5m (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 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.

Financial position

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

There was a reduction of £3.3m in goodwill and other intangibles, due to £2.7m in amortisation of acquisition intangibles and a £0.6m decrease in goodwill in relation to the acquisition of Just Energy Solutions, discussed in notes 15 and 16.

Net current assets (excluding cash and borrowings) stood at £7.8m (2018: £3.2m). We are continuing to focus on reducing working capital.

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

Working capital

	2019 **£m**	**2018** **£m**
Trade receivables	**17.9**	19.0
Accrued income	**17.6**	15.7
Trade payables	**(21.1)**	(24.6)
Accruals	**(8.0)**	(7.9)

Provisions

Provisions as at 30 September 2019 stood at £3.6m (2018: £7.7m). During the year, £2.5m was paid for costs of disposal of Lakehouse Contracts and Foster Property Maintenance. A further £1.6m was also paid to the bond providers, which is being held on account while the claims are reviewed.

Risks

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

Our year-end review included an assessment of accrued income, of which the balance was £17.6m at the reporting date (2018: £15.7m). 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 pursuing all claims in full, such that we have a collectively balanced position of risk across all such matters.

Accounting standards

During the year we adopted IFRS 9 and IFRS 15. We will adopt IFRS 16 from 1 October 2019 under the modified retrospective approach. An implementation project has been carried out, with further details in note 1.

Going concern statement

The Directors acknowledge the Financial Reporting Council's 'Guidance on the going concern basis of accounting and reporting on solvency and liquidity risks' issued in April 2016. 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 2019 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 2019 Annual Report. In addition, note 31 to the consolidated Financial Statements within the 2019 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 and three-year plan, particularly for the 16 months following year end, 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, 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. 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 and Accounts.

Peter Smith
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2019

	Notes	2019	2018
		£'000	£'000
Continuing operations			
Revenue	4	**212,066**	190,750
Cost of sales		**(179,188)**	(163,380)
Gross profit		**32,878**	27,370
Other operating expenses		**(23,953)**	(19,558)
Share of results of joint venture		**429**	226
Operating profit before exceptional items and amortisation of acquisition intangibles	4,5	**9,354**	8,038
Exceptional costs	7	**(225)**	(1,048)
Exceptional income	7	**-**	757
Amortisation of acquisition intangibles	16	**(2,735)**	(4,325)
Operating profit		**6,394**	3,422
Finance expense	8	**(1,051)**	(1,475)
Profit before tax from continuing operations	4	**5,343**	1,947
Taxation	12	**(1,154)**	(782)
Profit after taxation from continuing operations		**4,189**	1,165
Discontinued operations			
Profit / (loss) for the year from discontinued operations	11	**848**	(11,520)
Profit / (loss) for the year attributable to the equity holders of the Group		**5,037**	(10,355)
Earnings per share from continuing operations			
Basic	14	**2.7p**	0.7p
Diluted	14	**2.6p**	0.7p
Earnings / (loss) per share from continuing and discontinued operations			
Basic	14	**3.2p**	(6.6p)
Diluted	14	**3.2p**	(6.6p)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Goodwill	15	**42,357**	42,923
Other intangible assets	16	**2,171**	4,927
Property, plant and equipment	17	**1,344**	1,474
Interests in joint venture	18	**732**	865
Deferred tax asset	25	**467**	-
		47,071	50,189
Current assets			
Inventories	19	**3,059**	4,222
Trade and other receivables	20	**42,068**	42,618
Corporation tax receivable		**-**	769
Cash and cash equivalents		**2,452**	1,705
		47,579	49,314
Total assets		**94,650**	99,503
Current liabilities			
Trade and other payables	21	**36,698**	39,334
Loans and borrowings	22	**-**	12,926
Finance lease obligations	26	**54**	83
Provisions	24	**415**	5,102
Income tax payable		**242**	-
		37,409	57,445
Net current assets / (liabilities)		**10,170**	(8,131)
Non-current liabilities			
Trade and other payables	21	**-**	269
Loans and borrowings	22	**9,755**	-
Finance lease obligations	26	**-**	60
Provisions	24	**3,195**	2,593
Deferred tax liability	25	**-**	37
		12,950	2,959
Total liabilities		**50,359**	60,404
Net assets		**44,291**	39,099
Equity			
Called up share capital	27	**15,895**	15,753
Share premium account	29	**25,318**	25,314
Share-based payment reserve	28, 29	**538**	776
Own shares	29	**(290)**	(290)
Merger reserve	29	**20,067**	20,067
Retained earnings	29	**(17,237)**	(22,521)
Equity attributable to equity holders of the Company		**44,291**	39,099

The financial statements of Sureserve Group plc (registered number 09411297) were approved by the Board of Directors and authorised for issue on 20 January 2020. They were signed on its behalf by:

P D M Smith
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2019

	Attributable to equity holders of the Group						
	Share capital	Share premium account	Share-based payment reserve	Own shares	Merger reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2017	15,753	25,314	776	(290)	20,067	(11,378)	50,242
Loss for the year	-	-	-	-	-	(10,355)	(10,355)
Dividends paid (Note 13)	-	-	-	-	-	(788)	(788)
At 30 September 2018	15,753	25,314	776	(290)	20,067	(22,521)	39,099
Profit for the year	-	-	-	-	-	5,037	5,037
Dividends paid (Note 13)	-	-	-	-	-	(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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 September 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from / (used in) operations	33	**5,539**	(5,682)
Interest paid		**(914)**	(1,058)
Taxation		**(34)**	(152)
Net cash generated from / (used in) operating activities		**4,591**	(6,892)
Cash flows from investing activities			
Payment of deferred consideration on prior year acquisitions		**-**	(1,245)
Proceeds of prior year disposals		**910**	-
Purchase of property, plant and equipment		**(631)**	(430)
Purchase of intangible assets		**(403)**	(449)
Sale of property, plant and equipment		**86**	65
Net cash used in investing activities		**(38)**	(2,059)
Cash flows from financing activities			
Proceeds from issue of shares		**5**	-
Dividend paid to shareholders		**(394)**	(788)
Repayment of bank borrowings		**(3,000)**	(14,500)
Repayments to finance lease creditors		**(89)**	(183)
Finance issue costs		**(328)**	(2)
Net cash used in financing activities		**(3,806)**	(15,473)
Net increase / (decrease) in cash and cash equivalents		**747**	(24,424)
Cash and cash equivalents at beginning of year		**1,705**	26,129
Cash and cash equivalents at end of year		**2,452**	1,705

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

General Information

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

These results for the year ended 30 September 2019 are an excerpt from the Annual Report & Accounts 2019 and do not constitute the Group's statutory accounts for 2019 or 2018. Statutory accounts for Sureserve Group plc for the year to 30 September 2018 have been delivered to the Registrar of Companies, and the Sureserve Group plc statutory accounts for the year to 30 September 2019 will be delivered by 25 February 2020. The Auditor has reported on both those accounts; their reports were unqualified, did not draw attention on to any matters by way of emphasis and did not contain statements under Sections 498(2) or (3) of the Companies Act 2006 or equivalent preceding legislation. Whilst the financial information included in this Annual Results Release has been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union (EU), this announcement does not itself contain sufficient information to comply with IFRS. Full financial statements that comply with IFRS are included in the Annual Report & Accounts 2019 which will be available at www.sureservegroup.co.uk.

The consolidated Financial Statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates.

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 Financial Reporting Standards ("IFRS") as adopted by the European Union. 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. Their adoption has not had any significant impact on the amounts reported in these financial statements.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 2 Classification and Measurement of Share-Based Payment Transactions

IFRS 9 "Financial Instruments" became effective for the Group from 1 October 2018 and replaces the requirements of IAS 39 "Financial Instruments: Recognition and Measurement". The main changes introduced by the new standard are new classification and measurement requirements for certain financial assets, an "expected credit loss" ("ECL") model for the impairment of financial assets, revisions to the hedge accounting model and amendments to disclosures.

With regard to impairment of financial assets, IFRS 9 replaced the "incurred loss" model in IAS 39 with an "ECL" model. The Group from 1 October 2018, measures loss allowances for trade receivables and accrued income contract assets at an amount equal to lifetime expected credit losses, estimated using a combination of historical experience and forward-looking information.

The adoption of IFRS 9 has not had a material impact on the Group's Financial Statements, comparatives have not been restated and there is no adjustment required to opening retained earnings.

Implementation of IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 "Revenue from Contracts with Customers" with effect from 1 October 2018. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers. It focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations are satisfied.

The Group has applied IFRS 15 using the Cumulative Catch-Up method (adopting all practical expedients); therefore, comparative information has not been restated. IFRS 15 did not have a material impact on the amount or timing of recognition of reported revenue and there is no adjustment required to opening retained earnings.

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 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2019

1. Basis of Preparation (continued)

Basis of Preparation 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 will be applied by the

Group from 1 October 2019 under the modified retrospective approach, applying the short term and low value lease exemption.

Under IFRS 16, leases will be recognised as a right of use asset, and a financial liability. This will have a material impact on the Group's consolidated statement of financial position.

In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. By applying the new standard and using a discount rate of 4.01%, the Group will see an increase in right of use assets and lease liability of circa £8.2 million. The discount rate used was calculated as the borrowing rate for the Group as at 1 October 2019.

Under IFRS 16 the Group expects to see a reduction in operating costs related to lease rentals, as payments of principles will instead be reflected as a reduction in the corresponding lease liability. There will conversely be an increase in depreciation and interest on finance lease obligations. The Group estimates in FY20 the result will be an increase in operating profit of circa £0.2 million, and an increase in finance expenses of circa £0.3million, resulting in a net decrease in profit in the year of application of the standard of £0.1million.

The debt covenants on the Group's borrowing facility will be unaffected by the application of IFRS 16 as the covenant calculations are based on the accounting principles in place at the date the agreement was entered into.

2. Significant accounting policies

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, 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. Accordingly, they have adopted the going concern basis in preparing the financial information. Please see further information in the strategic report.

Operating segments

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

Business combinations

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

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value. Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

2. Significant accounting policies (continued)

Business combinations (continued)

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, or

(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 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.

2. Significant accounting policies (continued)

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 & equipment	-	15% to 33% per annum on a straight line basis
Fixtures & 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. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Exceptional items

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

2. Significant accounting policies (continued)

Revenue

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

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

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract. This includes the fixed price stated in the contract and an assessment of any variable consideration resulting from variation orders, discounts, rebates, refunds, performance bonuses, penalties, service credits. Variable consideration is estimated based on the expected value or the most likely outcome method and is only recognised to the extent that it is highly probable that a subsequent change in its estimate would not result in a significant revenue reversal.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

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

Performance obligations satisfied over time

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

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

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

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

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

Performance obligations satisfied at a point in time

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

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

- Smart metering
- Certain energy services

2. Significant accounting policies (continued)

Revenue (continued)

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

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

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 as a trading item. 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.

2. Significant accounting policies (continued)

Taxation

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

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

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

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

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

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

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

Inventories

Inventories 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.

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 joint ventures are accounted for under the equity method of accounting. A joint venture is a joint arrangement whereby the parties have joint control of the arrangement 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.

2. Significant accounting policies (continued)

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.

Operating leases

Amounts due under operating leases are charged to the statement of comprehensive income in equal annual installments over the period of the lease.

Finance leases

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

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 has been 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 20. The accrued income balance as at 30 September 2019 was £17.6m (2018: £15.7m).

The group recognises revenue from maintenance contracts on a straight-line basis over the life of the contract. The Directors consider that this is the most appropriate basis for these contracts that contain a 'stand-ready' obligation as the timing of the provision of the underlying service cannot be reliably estimated.

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 the prior year, 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 2019 includes £0.8m (2018: £4.9m) in respect of the disposal of Lakehouse Contracts Limited and Foster Property Maintenance Limited - see Notes 11 and 24 for details of the basis of estimation used.

The total carrying value of provisions as at 30 September 2019 was £3.6m (2018: £7.7m) - see Note 24 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2019

3. Critical accounting judgements and key sources of uncertainty (continued)

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.

Critical accounting judgements
The Group did not in the year make any critical accounting judgements, other than the judgements involving estimates set out above within key sources of estimation and uncertainty.

4. Operating segments

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

The Board 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 "big six" utility suppliers and many of the leading utility challengers. We also provide metering services involving the installation, servicing and administration of devices and associated data.

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

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

The profit measure the Board used to evaluate performance is operating profit before 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 items and amortisation of acquisition intangibles by reportable segment:

	2019	2018
	£'000	£'000
Revenue		
Compliance	**133,051**	116,275
Energy Services	**82,081**	77,734
Total segment revenue	**215,132**	194,009
Inter-segment elimination	**(3,066)**	(3,259)
Total continuing revenue	**212,066**	190,750

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2019

4. Operating segments (continued)

Revenue	**Revenue recognised;**		
2019	**Over time**	**At a point in time**	**Total**
	£'000	**£'000**	**£'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**

Revenue	**Revenue recognised;**		
		At a point in	
2018	**Over time**	**time**	**Total**
	£'000	**£'000**	**£'000**
Gas services	87,452	-	87,452
Fire and electrical services	11,538	-	11,538
Water and hygiene services	5,074	-	5,074
Lift services	12,211	-	12,211
Compliance segment revenue	116,275	-	116,275
Energy services	40,735	14,575	55,310
Smart metering	-	22,424	22,424
Energy segment revenue	40,735	36,999	77,734
Inter-segment elimination	(3,259)	-	(3,259)
Total continuing revenue	153,751	36,999	190,750

4. **Operating segments** (continued)

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

	2019	2018
	£'000	£'000
Operating profit before exceptional and amortisation of acquisition intangibles by segment		
Compliance	**8,470**	6,104
Energy Services	**4,341**	4,025
Central	**(3,457)**	(2,091)
Total operating profit before exceptional and amortisation of acquisition intangibles	**9,354**	8,038
Amortisation of acquisition intangibles	**(2,735)**	(4,325)
Exceptional costs	**(225)**	(1,048)
Exceptional income	**-**	757
Finance costs	**(1,051)**	(1,475)
Profit before taxation from continuing operations	**5,343**	1,947

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 2019 or 2018.

5. Profit before taxation

	2019	2018
	£'000	£'000
Profit before taxation is stated after charging / (crediting):		
Amount of inventories recognised as an expense	**57,532**	57,133
Depreciation of property, plant and equipment (Note 17)		
- owned	**602**	678
- held under finance leases	**91**	180
Amortisation of intangible assets (Note 16)	**3,159**	4,668
Staff costs (Note 9)	**78,665**	84,822
Operating lease rentals:		
- land and buildings	**816**	933
- other	**3,778**	4,027
Profit on disposal of property, plant and equipment	**(40)**	(52)

6. Auditor's remuneration

	2019	2018
	£'000	£'000
The analysis of the auditor's remuneration is as follows:		
Fees payable to the Company's auditor and their associates for audit services to the Group:		
- The audit of the Company's annual accounts	**88**	54
- The audit of the Company's subsidiaries	**172**	186
Total audit fees	**260**	240
Fees payable to the Company's auditor and their associates for other services to the Group:		
- Agreed upon procedures on interim results	**28**	23
Total non-audit fees	**28**	23

7. Exceptional items

	2019	2018
	£'000	£'000
Acquisition costs	**-**	34
Restructuring and other costs	**225**	1,014
Total exceptional costs	**225**	1,048
Release of provision for deferred consideration	**-**	(757)
Total net exceptional costs	**225**	291

Exceptional items in the year decreased the Group's profit after tax by £0.2m (2018: £0.3m) and relate to the following items:

Restructuring and other costs of £0.2m (2018: £1.0m) reflects restructuring costs during the year. The 2018 figure also includes a small number of legacy clean-up costs.

Release of provisions for deferred consideration of £nil (2018: £0.8m) reflects in 2018 the release of provision on the final settlement remaining of deferred consideration due to Aaron Heating Services Limited and Precision Lift Services Limited.

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

8. Finance expenses

	2019	2018
	£'000	£'000
Interest payable on bank overdrafts and loans	**1,044**	1,355
Unwinding of discount on financial liabilities	**-**	82
Other interest payable	**7**	38
	1,051	1,475

9. Information relating to employees

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

	2019 Number	2018 Number
Direct labour and contract management	**1,554**	1,716
Administration and support	**570**	612
	2,124	2,328

The aggregate remuneration was as follows:	2019 £'000	2018 £'000
Wages and salaries	**69,486**	75,586
Social security	**7,112**	8,012
Pension costs - defined contribution plans	**1,523**	1,224
Equity-settled share-based payments	**544**	-
	78,665	84,822

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 £1,523,000 in pension contributions in the year ended 30 September 2019 (2018: £1,224,000). At the reporting date, £460,000 of contributions were payable to the funds (2018: £252,000).

11. Discontinued operations

Discontinued activities represent the Group's Construction and Property Services divisions (the 'Activities') which were sold on 17 August 2018. In determining the classification of the Activities as discontinued at 30 September 2019, the Board had regard to the conditions that needed to be met under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

	2019 £000's	2018 £000's
Revenue	**-**	71,949
Expenses	**-**	(78,371)
Loss before tax	**-**	(6,422)
Taxation	**-**	1,220
Loss after tax from discontinued operations	**-**	(5,202)
Profit / (loss) on disposal of Lakehouse Contracts Limited and Foster Property Maintenance Limited	**470**	(7,476)
Profit on disposal of Orchard (Holdings) UK Limited	**378**	1,158
	848	(11,520)

Profit from discontinued operations amounted to £0.8m (2018: loss of £11.5m) on associated revenues of £nil (2018: £71.9m). The associated cash outflow for the year was £nil (2018: £8.0m), discussed also in Note 33.

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

The 2018 result from discontinued operations comprised:

• Disposal costs of Lakehouse Contracts Limited and Foster Property Maintenance Limited (including professional fees) of £1.0m

• Provisions for liabilities relating to the disposal of £4.5m net of tax of £0.4m

• £2m loss on disposal of Lakehouse Contracts Limited and Foster Property Maintenance Limited representing net assets at date of disposal - no consideration receivable has been recognised

• Losses of Lakehouse Contracts Limited, Foster Property Maintenance Limited and Orchard (Holdings) UK Limited prior to disposal of £5.2m

• £1.2m profit on sale of Orchard (Holdings) UK Limited from reassessment of the fair value of consideration receivable

Lakehouse Contracts Limited went in to administration and subsequent liquidation on 11 March 2019 and 6 August 2019 respectively. The Board have reviewed the position in detail and have not recognised any amounts potentially recoverable from Lakehouse Contracts Limited under the sale and purchase agreement. Post year end Mapps Group Limited, the acquirer of Lakehouse Contracts Limited and Foster Property Maintenance Limited, also went into liquidation.

As at 30 September 2019, the group has provisions for liabilities relating to the disposal of £0.6m, net of tax of £0.2m (2018: £4.5m net of tax of £0.4m).

In addition to the amounts provided for above, there are a number of potential contingent liabilities arising from the disposal including:

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

• Potential claims under clauses in the sale and purchase agreement including working capital adjustments and warranties/indemnities.

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.

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

12. Tax on profit on ordinary activities

	2019 £'000	2018 £'000
Current tax		
Current year	**1,492**	1,656
Current tax - prior year adjustment	**22**	(67)
Total current tax	**1,514**	1,589
Deferred tax (Note 25)	**(360)**	(807)
Total tax on profit on ordinary activities	**1,154**	782

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

	2019 £'000	2018 £'000
Profit before tax from continuing operations	**5,343**	1,947
Effective rate of corporation tax in the UK	**19%**	19%
Profit before tax at the effective rate of corporation tax	**1,015**	370
Effects of:		
Expenses not deductible for tax purposes	**224**	537
Adjustment of deferred tax to closing tax rate	**2**	65
Current tax - prior year adjustment	**22**	(67)
Deferred tax - prior year adjustment	**(13)**	(96)
Deferred tax asset not recognised	**(96)**	(27)
Tax charge for the year	**1,154**	782

Factors that may affect future charges

The Finance Act 2016, which provides for a reduction in the UK corporation tax rate from 19% to 17% with effect from 1 April 2020, was substantively enacted on 6 September 2016.

The closing deferred tax asset at 30 September 2019 has been calculated at 17% reflecting the tax rate at which the deferred tax asset is expected to be utilised in future periods.

13. Dividends

The final dividend for the year ended 30 September 2018 of 0.25 pence per share amounting to £0.4m was paid in the year.

The Board has proposed a final dividend for the year of 0.5 pence per share amounting to £0.8m and representing a total dividend of 0.5 pence for the full year (2018: 0.25 pence per share).

Subject to approval at the Annual General Meeting on 18 March 2020 the final dividend will be paid on 30 April 2020 to shareholders on the register at the close of business on 31 January 2020 and has not been included as a liability in these Financial Statements.

14. Earnings per share

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

	2019 Number	2018 Number
Weighted average number of ordinary shares for the purposes of basic earnings / loss per share	**158,049,310**	157,527,103
Diluted		
Effect of dilutive potential ordinary shares:		
Share options	**595,869**	7,316,715
Weighted average number of ordinary shares for the purposes of diluted earnings / loss per share	**158,645,179**	164,843,818
Earnings / (loss) for the purpose of basic and diluted earnings per share being net profit / (loss) after tax attributable to the owners of the Company from continuing and discontinued operations (£'000's)	**5,037**	(10,355)
Basic earnings / (loss) per share	**3.2p**	(6.6p)
Diluted earnings / (loss) per share	**3.2p**	(6.6p)
Earnings for the purpose of basic and diluted earnings per share being net profit after tax attributable to the owners of the Company from continuing operations (£'000's)	**4,189**	1,165
Basic earnings per share from continuing operations	**2.7p**	0.7p
Diluted earnings per share from continuing operations	**2.6p**	0.7p

The number of shares in issue at 30 September 2019 was 158,947,467 (2018: 157,527,103).

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

15. Goodwill

	2019 £'000
At 1 October 2017	42,169
Acquisition of Just Energy Solutions Limited	754
At 30 September 2018	42,923
Adjustments to goodwill - Just Energy Solutions Limited	(566)
At 30 September 2019	**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.

The adjustment to goodwill relates to management reassessment of the fair value of consideration payable and the assets, and liabilities acquired within the 12 month measurement period after the acquisition of Just Energy Solution Limited on 15 May 2018. The adjustments were made based on information available post acquisition. The trade of Just Energy Solutions has been transferred to Aaron Services Limited.

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. There is currently no impairment contributed against the goodwill.

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

CGU	Segment	2019 £'000	2018 £'000
K&T Heating Services Limited	Compliance	**3,774**	3,774
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**	754
		42,357	42,923

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 2019 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.

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 2019 was 2% (2018: 2%). We have reviewed the appropriateness of the assumptions used in the model resulting in a terminal growth rate of 2% (2018: 1%) based on historic trends. A pre-tax discount rate of 8.2% (2018: 10.3%) was applied based on a reduction in the average borrowing rates and a lower risk profile for the Group. 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%. There is significant headroom in all but one of the CGUs based on the review model. PLS Holdings headroom is £2.1m. A reduction in operating profit of a third over each of the next three years would result in a breakeven position.

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 2017	2,030	24,334	18,360	1,670	46,394
Disposal of Lakehouse Contracts Limited and Foster Property Maintenance Limited	(1,533)	(5,728)	(3,705)	-	(10,966)
Additions	449	-	-	-	449
At 30 September 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
Amortisation					
At 1 October 2017	1,457	22,596	11,968	1,140	37,161
Disposal of Lakehouse Contracts Limited and Foster Property Maintenance Limited	(1,446)	(5,728)	(3,705)	-	(10,879)
Amortisation charge	343	1,243	2,563	519	4,668
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
Carrying value					
At 30 September 2019	571	84	1,516	-	2,171
At 30 September 2018	592	495	3,829	11	4,927
At 30 September 2017	573	1,738	6,392	530	9,233

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 agreements is amortised over five years.

The remaining amortisation period of the current acquisition intangibles is one year.

17. Property, plant and equipment

	Leasehold improvements £'000	Plant & equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 2017	1,415	935	2,218	1,320	5,888
Disposal of Lakehouse Contracts Limited and Foster Property Maintenance Limited	(936)	(147)	(791)	(514)	(2,388)
Acquisition of Just Energy Solutions	-	32	49	-	81
Additions	52	237	141	-	430
Disposals	-	(12)	(11)	(299)	(322)
At 30 September 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
Depreciation					
At 1 October 2017	1,026	469	1,595	893	3,983
Disposal of Lakehouse Contracts Limited and Foster Property Maintenance Limited	(893)	(150)	(751)	(524)	(2,318)
Charge for the year	77	217	310	254	858
Disposals	-	(5)	(11)	(292)	(308)
At 30 September 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
Net book value					
At 30 September 2019	414	487	365	78	1,344
At 30 September 2018	321	514	463	176	1,474
At 30 September 2017	389	466	623	427	1,905

Included within the net book value of property, plant and equipment is £54,000 (2018: £143,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £91,000 (2018: £180,000).

18. 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
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
H2O 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 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 Limited whose registered office is 3 - 5 Melville Street, Edinburgh, EH3 7PE.

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

18. Group entities (continued)

Details of joint ventures

	2019 £'000	2018 £'000
Carrying value of investment in Arbed am Byth	**294**	200
Carrying value of investment in Warmworks	**438**	665
	732	865

Warmworks, a joint venture with Changeworks and the Energy Saving Trust, commenced trading in September 2015, the income for 2019 was £135,000 (2018: £226,000). 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 2019 was £294,000 (2018: £nil). The registered office of Arbed am Byth is Unit 2 Cefn Coed, Nantgarw, Cardiff, Wales, CF15 7QQ.

19. Inventories

	2019 £'000	2018 £'000
Raw materials and consumables	**3,059**	2,581
Work in progress	**-**	1,641
	3,059	4,222

There are no inventories at 30 September 2019 or 30 September 2018 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.

£57,532,000 (2018: £57,133,000) of inventories were recognised as an expense in the year.

20. Trade and other receivables

	2019 £'000	2018 £'000
Current		

Trade receivables	**17,858**	19,018
Deferred consideration receivable	**626**	1,158
Social security and other taxes	**239**	965
Other receivables	**3,685**	3,192
Prepayments	**2,081**	2,580
Accrued income	**17,579**	15,705
	42,068	42,618

Other receivables includes sales retentions of £2,396,000 (2018: £2,222,000) and rebates receivable of £677,000 (2018: £796,000)

	2019	2018
	£'000	£'000
Trade receivables		
Trade receivables not due	**15,074**	15,273
Trade receivables past due 1-30 days	**1,988**	2,748
Trade receivables past due 31-60 days	**104**	227
Trade receivables past due 61-90 days	**161**	363
Trade receivables past due over 90 days	**1,150**	886
Gross trade receivables	**18,477**	19,497
Provision for bad debt brought forward	**(479)**	(477)
Debtor provision recognised upon acquisition	**-**	(79)
Disposal of investments	**-**	27
Amounts written off receivables ledger	**75**	50
Debtor provision charged to profit or loss in the year	**(215)**	-
Provision for bad debt carried forward	**(619)**	(479)
Net trade receivables	**17,858**	19,018

The entire provision for bad debts of £619,000 (2018: £479,000) relates to amounts 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 included in administrative expenses in the financial statements. The Group's maximum exposure on credit risk is the fair value of trade receivables as presented above. The Group has no pledge as security on trade receivables.

At the end of the year no single client represented 5% of the total balance of trade receivables (2018: £1,122,000 - one client).

21. Trade and other payables

	2019	2018
	£'000	£'000
Current		
Trade payables	**21,098**	24,607
Sub-contractor retentions	**1,256**	1,068
Accruals	**7,981**	7,873
Deferred income	**233**	38
Social security and other taxes	**5,132**	4,690
Other payables	**998**	1,058
	36,698	39,334
Non-current		
Accruals	**-**	269
	-	269

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 61 days (2018: 76 days).

Included in accruals is deferred consideration arising from business combinations analysed as follows:

	2019	2018
	£'000	£'000
Non-current	**-**	269

The fair value of the consideration has been assessed in accordance with the Sale & Purchase Agreements.

22. Borrowings

	2019	2018
	£'000	£'000
Bank loans and credit facilities at amortised cost:		
Current	-	12,926
Non-current	9,755	-
	9,755	12,926

Maturity analysis of bank loans and credit facilities falling due:		
In one year or less, or on demand	-	12,926
Between two and five years	9,755	-
	9,755	12,926

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.

23. Net debt

	2019	2018
	£'000	£'000
Cash and cash equivalents	2,452	1,705
Bank loans and credit facilities	(9,755)	(12,926)
Finance lease obligations	(54)	(143)
	(7,357)	(11,364)

24. Provisions

	Legal and other £'000
At 1 October 2017	4,030
Identified on acquisition	27
Additional provision	5,490
Utilised in the year	(344)
Disposal of Lakehouse Contracts Limited	(1,508)
At 30 September 2018	7,695
Additional provision	172
Utilised in the year	(4,257)
At 30 September 2019	**3,610**
Current provisions	**415**
Non-current provisions	**3,195**

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 three years.

During the year, £2.5m for costs of disposal of Lakehouse Contracts and Foster Property Maintenance were paid. A further £1.6m that was previously included in the provision was paid to the bond providers in relation to certain projects that were in progress at the date of disposal of the businesses. These amounts are being held on account while the claims are reviewed.

25. Deferred taxation

	Accelerated capital allowances	Short term timing differences	Share based payments	Acquisition intangibles	Unutilised losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Asset / (provision) bought forward as at 1 October 2017	309	653	36	(1,472)	2,559	2,085
Disposals in the year	(206)	(183)	(36)	-	(2,504)	(2,929)
Credit / (debit) to P&L	104	(34)	-	735	2	807

Asset / (provision) carried forward as at 30 September 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**
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
At 30 September 2018						
Non-current asset	207	436	-	-	57	700
Non-current liability	-	-	-	(737)	-	(737)
Net deferred tax asset / (liability)	207	436	-	(737)	57	(37)

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

26. Finance lease obligations

	Future minimum lease payments £'000	Interest £'000	Present value of minimum lease payments £'000
At 1 October 2017	405	(79)	326
Repayments	(220)	37	(183)
At 30 September 2018	185	(42)	143
Repayments	(107)	18	(89)
At 30 September 2019	**78**	**(24)**	**54**

Future lease payments are due as follows:

	Future minimum lease payments £'000	Interest £'000	Present value of minimum lease payments £'000
Less than one year	78	(24)	54
Between two and five years	-	-	-
At 30 September 2019	**78**	**(24)**	**54**
Less than one year	106	(23)	83
Between two and five years	79	(19)	60
At 30 September 2018	185	(42)	143

27. Called up share capital

Allotted, called-up and fully paid;

2019 Number	2018 Number		2019 £	2018 £
158,947,467	157,527,103	Ordinary shares of £0.10 each	15,894,747	15,752,710

Details of options granted under the Group's share scheme are contained in Note 28. The Group issued 1,420,364 shares during the year relating to exercised share options.

Voting rights

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

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

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

28. Share-based payments

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

The net charge recognised for share based payments in the year was £544,000 (2018: £nil).

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 totaling 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.

28. 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. One employee is 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 2017	165,166	2,421,776	2,177,690	1,983,413	4,615,385	-
Granted	-	1,634,136	-	-	2,000,000	-
Lapsed	(82,555)	(814,917)	(613,439)	(1,074,284)	-	-
At 30 September 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	-
Weighted average exercise price (p)						
At 1 October 2018	0.00p	34.51p	40.75p	0.00p	0.00p	0.00p
Granted	-	25.00p	-	-	0.00p	0.00p
Lapsed	0.00p	35.92p	40.75p	0.00p	0.00p	0.00p
Exercised	-	33.27p	-	-	-	0.00p
Outstanding at 30 September 2019	0.00p	29.49p	40.75p	0.00p	0.00p	0.00p
Outstanding at 30 September 2018	0.00p	34.51p	40.75p	0.00p	0.00p	0.00p
Fair value of options granted						
Weighted fair value of one option	87.61p	12.30p	12.13p	28.43p	6.00p	27.10p
Assumptions used in estimating the fair value						
Share price at date of grant	99.75p	36.99p	40.00p	40.00p	27.10p	27.10p
Exercise price	-	29.49p	40.75p	0.00p	0.00p	-
Expected dividend yield	4.60%	4.28%	7.37%	7.37%	1.00%	-
Risk free rate	1.21%	0.53%	0.07%	0.07%	0.71%	-
Expected volatility	40.37%	50.11%	54.50%	83.00%	34.90%	-
Expected life	3 years	3.34 years	3 years	3 years	1.5 years	-

In the year ended 30 September 2019, options were granted in May 2019 in respect of the SIAP and LTIP, and options were granted in June 2019 in respect of the SAYE.

The weighted average remaining contractual life of outstanding options at 30 September 2019 was 1.9 years (2018: 2.5 years).

The SIP and SAYE options were valued using a Black-Scholes model and the CSOP and PSP using a combination of Black-Scholes and Monte Carlo models, weighted according to the performance conditions of both.

The LTIP options were valued using the share price on the grant date of 27.1 pence.

The SIAP options were valued using a Monte Carlo model.

28. Share-based payments (continued)

The inputs into the Black-Scholes model for options issued in the year are as follows:	**2019**	**2018**
Share price (p)	29.25	40.0
Exercise price (p)	25.00	34.00
Expected volatility (%)	48.45	48.63
Expected life (years)	3.43	3.00
Risk-free rate (%)	0.65	0.94
Expected dividend yield (%)	2.83	2.63

The inputs into the Monte Carlo model for options issued in the year are as follows:	**2019**	**2018**
Share price (p)	27.10	42.00
Exercise price (p)	0.00	0.00
Expected volatility (%)	34.90	40.88
Expected life (years)	1.50	1.17
Risk-free rate (%)	0.71	0.46
Expected dividend yield (%)	1.00	6.33

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

29. Reserves

Share premium reserve

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

Own shares reserve

At IPO, each employee was given £200 of free shares, to be held for their benefit in an Employee Benefit Trust. Shares totalling 325,842 were transferred directly to the Employee Benefit Trust on 23 March 2015. The own shares reserve at 30 September 2019 represents the cost of 325,842 (2018: 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.

30. Guarantees and contingent liabilities

The Company and certain subsidiaries have, in the normal course of business, given guarantees and performance bonds relating to the Group's contracts totalling £5,420,000 (2018: £7,292,000). A subsidiary of the Group has provided a guarantee of £750,000 (2018: £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.

31. Financial instruments

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

The principal financial assets in the Group comprise trade, loans and other receivables and cash and cash equivalents. The principal financial liabilities in the Group comprise borrowings which are categorised as debt at amortised cost, together with trade and other payables, other long term liabilities 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	
	2019	2018
Financial assets	**£'000**	**£'000**
Current financial assets		
Trade receivables, loans and other receivables	39,748	39,073
Cash and cash equivalents	2,452	1,705
	42,200	40,778

31. Financial instruments (continued)

	Financial liabilities measured at amortised cost	
	2019	2018
Financial liabilities	**£'000**	**£'000**
Current financial liabilities		
Trade and other payables	31,333	34,606
Borrowings	-	12,926
Finance lease obligations	54	83
Total current financial liabilities	31,387	47,615
Non-current financial liabilities		
Trade and other payables	-	439
Borrowings	9,755	-
Finance lease obligations	-	60
Total non-current financial liabilities	9,755	499
	41,142	48,114

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 is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivables and accrued income contract assets.

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. The Group continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available external credit ratings and/or reports on counterparties are obtained and used. The Group's policy is to only deal with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The amounts presented in the statement of financial position in relation to the Group's trade receivables and accrued income contract assets balances are presented net of loss allowances. The Group measures loss allowances at an amount equal to lifetime expected credit losses (ECLs) using both quantitative and qualitative information and analysis based on the Group's historical experience and forward-looking information.

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.

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 22.

31. Financial instruments (continued)

(a) Interest rate of borrowings

The interest rate exposure of the Group's borrowings is shown below:

	2019 £'000	2018 £'000
Floating rate Sterling borrowings with a capped interest rate	9,755	12,926

At 30 September 2019, the Group had no interest rate caps in place (2018: A cap of 2.5% on up to £15m, which expired on 9 December 2018). The Group's average interest rate was 4.4% (2018: 4.5%) 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 £14.5m of debt in the year, a half per cent increase in the floating interest rate would have increased annual interest payable by £72,000 (2018: £93,000).

32. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019		2018	
	Land and buildings £'000	Other items £'000	Land and buildings £'000	Other items £'000
Within one year	**1,059**	**2,758**	815	2,961
Between two and five years	**1,874**	**2,419**	1,447	2,584
Over five years	**102**	**-**	227	-
	3,035	**5,177**	2,489	5,545

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.

33. Cash generated from operations

	2019 £'000	2018 £'000
Operating profit	6,394	3,422
Adjustments for:		
Depreciation	693	858

Share-based payments	544	-
Amortisation of intangible assets	3,159	4,668
Profit on disposal of property, plant and equipment	(40)	(52)
Changes in working capital:		
Inventories	1,157	305
Amounts owed by clients under construction contracts	-	6,269
Amounts owed to clients under construction contracts	-	(1,786)
Trade and other receivables	199	18,010
Trade and other payables	(2,491)	(29,185)
Provisions	(4,076)	3,638
Adjustment of loss from discontinued operations	-	(11,829)
Cash generated from / (used in) operations	5,539	(5,682)
Adjusted operating cash conversion calculation		
Cash generated from / (used in) operations	5,539	(5,682)
Exceptional costs paid in the year	4,364	2,448
Cash impact of net change in working capital from discontinued operations	-	8,042
Adjusted cash generated from continuing operations	9,903	4,808
Operating profit before exceptional items and amortisation of acquisition intangibles	9,354	8,038
Operating cash conversion %	106%	60%
Statutory operating cash conversion calculation		
Cash generated from / (used in) operations	5,539	(5,682)
Statutory operating profit before exceptional items and amortisation of acquisition intangibles	9,354	8,038
Statutory operating cash conversion %	59%	(71%)

34. Summary of consideration paid and payable in respect of acquisitions

	Just Energy Solutions Limited £'000
At 1 October 2018	269
Revalued in the year	(269)
At 30 September 2019	-

The fair value of the consideration has been assessed in accordance with the Sale & Purchase Agreements.

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, leases premises in Bathgate, West Lothian, from Xafinity Pension Trustees Limited (as corporate trustee of the Everwarm Group SIPP). Mr M McMahon, a previous director of the Company, is a beneficiary of the Everwarm Group SIPP. The lease was set up on an arm's length basis with annual rentals determined based on an independent rental valuation. £129,000 of rents were paid by the Group in 2019 (2018: £131,000). The lease terminates in six years.

The Company's subsidiary, Everwarm Limited, provides services to Warmworks, a joint venture with Everwarm. £5,932,000 of services were provided in 2019 (2018: £6,818,000). £651,000 was charged to Everwarm Limited from Warmworks for services provided in 2019 (2018: £1,645,000).

As at 30 September 2019 Everwarm Limited had a receivable owing from Warmworks amounting to £392,000 (2018: £364,000).

As at 30 September 2019 Arbed am Byth had a loan owed to Everwarm Limited amounting to £400,000 (2018: £200,000). As at 30 September 2019 Everwarm Limited had a receivable owing from Arbed am Byth amounting to £38,000 (2018: £92,000).

Bob Holt provides consultancy services to Sureserve Group plc and other Group companies in relation to advice about the turnaround management strategy of the Group. These consultancy services are provided by a consultancy 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 two days per week over 47 weeks per year at a total cost of £150,000 per annum (plus VAT). The total value of services provided to the Group was £150,000 (2018: £150,000).

The Company's subsidiary, Sure Maintenance Limited, provides services to Mears Group PLC, an entity Bob Holt was director of during the period from 1 October 2018 to 31 December 2018. £13,000 of services were provided during that period (2018: £30,000). As at 30 September 2019 Sure Maintenance Limited had a receivable owing from Mears Group PLC amounting to £nil (2018: £1,000).

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;

	2019 Number	**2018 Number**
Number of members of the Group Management Board at each year end	16	13

	2019 £'000	**2018 £'000**
Short-term employee benefits	**2,150**	1,804
Share based payment - LTIP	**400**	-
Post-employment benefits	**156**	114
Compensation for loss of office	**158**	315
	2,864	2,233

In addition to the above, dividends of £14,000 (2018: £28,000) were paid to directors.

36. Events after the reporting date

There are no material post balance sheet events that require adjustment or disclosure in the annual report.