This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Group's obligations under Article 17 of MAR.

22 September 2022

Safestyle UK plc
("Safestyle" or the "Group")

Interim Results 2022

Strong balance sheet and strategic investment programme will position Group for long-term growth

Safestyle UK plc (AIM: SFE), the leading UK-focused retailer and manufacturer of PVCu replacement windows and doors for the homeowner market, today announces its interim results for the six months ended 3 July 2022[1] (**H1**).

Financial and operational highlights

	H1 2022	H1 2021	H1 22 v H1 21 % change
Revenue	78.3	73.0	7.2%
Gross Profit	19.4	23.5	(17.7%)
Gross margin %	24.75%	32.23%	(748bps)
Underlying (loss) / profit before taxation[2]	(1.4)	5.1	n/a
Non-underlying items[3]	(1.4)	(0.8)	(86.5%)
(Loss) / profit before taxation	(2.8)	4.3	n/a
EPS - Basic	(1.5)p	2.6p	n/a
Net cash[4]	13.0	14.4	n/a
Interim dividend per share	0.4p	-	n/a

1) The interim financial statements are presented for the period ended on the closest Sunday to the end of June. This date was 3 July 2022 for the current reporting period and 4 July 2021 for the prior period. All references made throughout to H1 2022 are for the period 3 January 2022 to 3 July 2022 and references to H1 2021 are for the period 4 January 2021 to 4 July 2021.
2) Underlying (loss) / profit before taxation is defined as reported (loss) / profit before taxation before non-underlying items and is included as an alternative performance measure in order to aid users in understanding the ongoing performance of the Group.
3) Non-underlying items consist of non-recurring costs, share-based payments and the Commercial Agreement amortisation.
4) Net cash is cash and cash equivalents less borrowings.

A reconciliation between the terms used in the above table and those in the financial statements can be found in the Financial Review.

Headlines

- H1 revenue growth of 7.2%, order intake (sales) growth of 11.7% and order book growth of 17.7%.
- Return to dividend payments, with an interim dividend declared of 0.4p per share.
- Net cash increased to £13.0m from £12.1m at year-end.
- H1 underlying profit reduction due to the c.£4m impact of a cyber-attack in Q1.
- The business initiated a £5m strategic investment programme (versus 2021) that includes TV advertising, new business development, the Safestyle Academy (for new fitters) and a range of actions to improve our customer experience and reduce our cost of quality.
- Order book investment of £1.7m plus cost push on materials and lead generation spend have reduced H1 gross margins; price increases expected to mitigate these in H2.
- We continue to make progress on our ESG agenda and remain on track to achieve our 2025 targets with a further 1% reduction in CO_2 per frame and waste to landfill decreasing to 4% in this first half.

Outlook

- The business expects its strong value proposition, consumer finance options and its products' energy efficiency benefits to mitigate what may be an uncertain consumer market in H2 and beyond.
- Softer sales at the height of an unusually hot summer in the UK drove a decision to invest in an earlier return to TV, with a focused message on value and energy efficiency.
- Record temperatures in late July also caused some disruption to our factory fulfilment performance for c.2 weeks which impacted customer service and installation volumes during Q3; the factory is now operating normally.
- H2 revenues are forecast to accelerate to double-digit growth and will support gross margin percentages back above 30%.
- Our strategic investment programme will be sustained through H2 and covered at our forthcoming Capital Markets Day (detailed below).
- The Board forecasts that the Group's underlying performance will still be profitable for H2 and for the full year. After the impact of the factors above, although we anticipate revenue exceeding expectations, we now expect full year underlying profit will be no lower than £1.0m. The Board have, however, decided not to reduce the pace or quantum of our investment following delays caused by a prolonged period of turbulence.
- As the national value player in our industry, we believe we are well placed to attract consumers in tougher economic times and have traded resiliently through previously difficult economic periods.
- Having returned to a dividend payment at the half year, the Group targets a progressive dividend policy in line with its capital allocation policy.

Commenting on the results, Mike Gallacher, CEO said:

"The business has delivered a good trading performance in the first half, achieving revenue growth of 7.2% against an increasingly difficult economic backdrop. Despite the obvious financial impact of the cyber-attack, it is pleasing to see our net cash position remains strong, increasing to £13.0m at period end with the Group's order book also growing by 17.7% over the first half, representing a closing position that was 17.6% ahead of the prior period. This supports our ability to act on our long-standing intent to return to paying dividends to shareholders.

In 2022 we emerged from a sustained period of turbulence and have now initiated a multi-year strategic investment programme. For 2022, this represents a £5m investment versus 2021 and it encompasses a full year return to TV advertising (£2.5m), the initiation of an important new business development project (£0.7m), the launch of the new Safestyle Academy which has prioritised training new window fitters (£0.8m), the roll out of Standard Operating Procedures ('SOPs') across our depot network and a range of investments behind improving our customer experience and reducing our quality costs. This programme is designed to modernise the business, drive growth and build sustainable competitive advantage over the medium term. More details will be shared at our Capital Markets Day which is scheduled to take place on 16th November 2022. We remain committed to sustaining these strategic investments through the coming years.

Looking ahead, notwithstanding the challenging macro-economic conditions, we still expect the business to deliver both an (underlying) profitable full year and positive cashflow from operations. As a result of the challenges in Q3 caused by the unusually hot weather and the Board's commitment to our strategic investment programme, we now expect full year underlying profit will be no lower than £1.0m. As ever, the Group remains keenly focused on advancing our strategic priorities and believe these investments will leave us well positioned to deliver sustainable long-term performance for our shareholders."

Enquiries:

Safestyle UK plc Mike Gallacher, Chief Executive Officer Rob Neale, Chief Financial Officer	via FTI Consulting
Zeus (Nominated Adviser & Joint Broker) Dan Bate / James Edis (Investment Banking) Dominic King (Corporate Broking)	Tel: 0203 829 5000

Liberum Capital Limited (Joint Broker) Tel: 0203 100 2100
Neil Patel / Jamie Richards

FTI Consulting (Financial PR) Tel: 0203 727 1000
Alex Beagley / Sam Macpherson / Amy Goldup

About Safestyle UK plc

The Group is the leading retailer and manufacturer of PVCu replacement windows and doors to the UK homeowner market. For more information, please visit www.safestyleukplc.co.uk or www.safestyle-windows.co.uk.

CEO's Statement

H1 saw the delivery of strong revenue growth, increasing by 7.2% with order intake (sales) up 11.7% versus the prior period. As a result, our order book grew by 17.7% in H1 and our net cash position moved to £13.0m. As indicated previously our financial performance in H1 was materially impacted by a cyber-attack at the end of January. This was predominantly caused by the delay to a planned pricing move designed to keep pace with inflationary cost push coming through. As a result, the business saw planned profits for H1 reduced by c.£4.0m to a loss of (£1.4m), albeit profitability recovered rapidly to planned levels in May and into June.

Input costs in H1 reflect the highest levels of inflation in many years, increasing year on year by over 20% in some cases. The main causes were due to rising energy costs being passed on by our suppliers as well as higher raw material, staffing and fuel costs. As we have demonstrated in the last few years, we have moved promptly to mitigate the impact of these costs on our margins through proactive price changes alongside careful cost management. Whilst the cyber-attack caused a delay, we implemented our Q1 price increase early in Q2 and the effect of this began to come through in our revenues in the latter part of the quarter. Our systems are now operating normally. We expect to continue to respond to cost pressures as necessary while also ensuring that our offering maintains its value proposition for our customers.

The growth in the order book through H1 represents an investment of £1.7m. The business also initiated a multi-year strategic investment programme in H1 equating to a £2.1m increase in operating expenses versus H1 2021. This spend consisted of £0.9m of TV spend, alongside further growth in people costs, IT, training and customer service investment. The strong cash position of the business has supported this growth in line with our strategic priorities.

Trading & Operations

The 11.7% growth in order intake (sales) delivered during H1 reflected the success of our largest TV campaign since 2017. The campaign communicated a new, modernised brand proposition and a strong value message and was fronted by David Seaman MBE. The £0.9m investment in H1 allowed us to sustain the campaign and ensure its impact was maximised across the market and was supported by an aligned digital marketing campaign.

We continue to make significant progress leveraging our scale in digital marketing, supported by the excellent agency we appointed in 2020. Increasing the use of Artificial Intelligence ('AI') and other optimisation strategies will continue to be essential to help offset the rising levels of digital marketing rate inflation.

Our processing, installations and customer service levels were impacted by the cyber-attack in the early part of the year. Despite this, revenue increased 7.2% in H1 with a return to volume growth of 2% in Q2. The business now operates 14 depots, an increase of 2 since 2020 in order to support both a broader footprint and improved medium-term fit capacity.

Dividend

We are pleased to report a return to dividend payments with the Board approving an interim dividend of 0.4p per share (H1 2021: £nil) and an intention to adopt a progressive dividend policy going forward. Further details of the dividend including a dividend timetable are included in the Financial Review further below.

Strategic Priorities

After a number of years of turbulence, 2022 saw us initiate an ambitious £5m (versus 2021) strategic investment programme aimed at supporting the medium and long-term performance of the business. It remains important to share our strategic roadmap at our Capital Markets Day scheduled for 16th November 2022.

For H1 2022 the strategic investment programme included the following specific activities:

Delivering Profitable Growth: Rebuilding our brand is a key element of our growth strategy. Between 2018 and 2021, brand investment was significantly scaled back, driving up digital marketing costs and impacting our national brand awareness. Our return to national TV in 2022 is therefore a strategic investment that, when sustained, will drive awareness, reduce cost and drive volume growth. In addition, we have modernised the brand, leveraging proprietary industry market research which was conducted during 2020-2021.

Transforming our Customer Experience: Delivering a consistent and good customer experience across the regions has been a consistent barrier to scale across our industry. Our approach is based on designing and implementing robust business processes, supported by modern IT systems and effective training. This is a phased multi-year initiative, with an early focus on customer service levels through investing in modernising our call centre and implementing Net Promoter Score (NPS) across the installations network.

A key element of this programme is the launch of the Safestyle Academy, initially focused on training new window fitters. Our 12-month programme is the largest such programme in the UK and will deliver regular cohorts of well-trained window fitters to the business, addressing the current skill shortages across the UK and embedding the Safestyle approach to customer service. The first cohort from this programme will graduate before the end of the year.

Levelling up our Depots and Branches: As our business grows, we need to ensure that we develop and implement SOPs that close the range of performance across our network. During H1 we rolled out our new SOPs across installations and developed our first training programme for depot management. This training will be deployed across our installations management population during H2.

IT as an Enabler: Early modernisation of our systems helped to mitigate the impact of the sophisticated cyber-attack we experienced in Q1. Over the next two years, our focus will be to modernise our legacy systems, including implementing a modern CRM system, which will transform our customer experience.

Our ESG agenda: The business takes its broader responsibilities seriously and has introduced a temporary monthly cost of living allowance was announced for Q4 2022 and Q1 2023 for selected groups of staff to mitigate some of the impact of the current cost of fuel increases.

I am delighted that we have also sustained progress in our environmental agenda and can confirm that we are on track to achieve our 2025 targets with a further 1% reduction in CO_2 per frame versus FY 2021 and waste to landfill decreasing further to 4%. The key remaining breakthrough to reduce our carbon emissions further is electrifying the Group’s vehicle fleet which requires both the vehicle technology and infrastructure. We have also commenced our Scope 3 audits of our 10 largest suppliers and we will be able to share more details on this in our 2022 Annual Report next year.

Business Outlook

The economic and consumer outlook will remain challenging in H2, with consumer confidence levels at a 40-year low and inflation at a corresponding high. Against this context, we are confident in leveraging both our clear value proposition and the relevance of our product at a time of high household energy costs. This proposition is supported by market leading finance options and a credible 10-year warranty.

Following a strong H1, order intake performance in Q3 slowed at the height of an unusually hot summer although our order book mitigated the impact on revenue. Record temperatures in late July caused some disruption to our critical manufacturing equipment and subsequently to our order fulfilment levels for c.2 weeks into mid-August. As referenced above, the factory is back to operating normally and measures are in place to ensure that if we experience similar temperature levels in the future, it will not have the same impact.

Our response to the softer market was to bring forward the second phase of our 2022 TV campaign into August with a key message around energy efficiency. Early signs are that this has helped stimulate demand and we have returned to value growth in August, although volumes are still marginally behind the prior year. If we do see weakening consumer demand across the industry in the months ahead, it will be even more critical to sustain our TV campaign investment.

We continue to forecast double-digit revenue growth in H2 due to a combination of volume delivery and price progression which in turn we forecast to drive gross margin percentages back above 30% with a return to underlying profits for both the second half of the year and also for the full year. This performance will be despite protecting our investment agenda, including further investment in new business development. These activities and initiatives will be covered during our Capital Markets Day.

Overall, we still expect to deliver both a full year underlying profit and positive cashflow from operations despite the £4m impact of the cyber-attack and the strategic investment programme. Although we anticipate revenue exceeding expectations, we now expect full year underlying profit will be no lower than £1.0m after the Q3 challenges and the increased new business development investment described above.

Our view, supported by our current performance, remains that as the national value player in our industry we are well placed to attract consumers in tougher economic times while still progressing our financial performance and investing for the medium-term.

Mike Gallacher
Chief Executive Officer
22 September 2022

Financial Review

Financials	H1 2022			H1 2021			H1 22 v H1 21 change in underlying %
	Underlying	**Non-underlying items[3]**	**Total**	Underlying	Non-underlying items[3]	Total	
	£000	**£000**	**£000**	£000	£000	£000	
Revenue	**78,250**		**78,250**	72,980		72,980	7.2%
Cost of sales	**(58,886)**		**(58,886)**	(49,456)		(49,456)	(19.1%)
Gross Profit	**19,364**		**19,364**	23,524		23,524	(17.7%)
Other operating expenses[1]	**(19,943)**	**(1,429)**	**(21,372)**	(17,838)	(766)	(18,604)	(11.8%)
Operating (loss) / profit	**(579)**	**(1,429)**	**(2,008)**	5,686	(766)	4,920	n/a
Finance costs	**(833)**		**(833)**	(628)		(628)	(32.6%)
(Loss) / profit before taxation[2]	**(1,412)**	**(1,429)**	**(2,841)**	5,058	(766)	4,292	n/a
Taxation			**807**			(729)	
(Loss) / profit for the period			**(2,034)**			3,563	
Basic EPS (pence per share)			**(1.5)p**			2.6p	
Diluted EPS (pence per share)			**(1.5)p**			2.5p	
Cash and Cash equivalents			**17,327**			18,600	
Borrowings			**(4,305)**			(4,193)	
Net Cash[4]			**13,022**			14,407	

KPIs for the period	**H1 2022**	H1 2021	H1 22 v 21 change
Gross margin %[5]	**24.75%**	32.23%	(748bps)
Average Order Value (£ inc VAT)	**4,300**	4,020	7.0%
Average Frame Price (£ ex VAT)	**832**	764	8.9%
Frames installed – units	**94,525**	96,241	(1.8%)
Orders installed	**21,946**	21,958	(0.1%)
Frames per order	**4.31**	4.38	(1.6%)

Some of the Group's KPIs have been further broken down in the table below into quarterly measures to aid the understanding of performance trends within the period.

KPIs by quarter	**Q1 2022**	Q1 2021	Q1 22 v Q1 21 change	**Q2 2022**	Q2 2021	Q2 22 v Q2 21 change
Revenue	**36.7**	34.7	5.8%	**41.6**	38.3	8.5%
Average Order Value (£ inc VAT)	**4,149**	3,874	7.1%	**4,443**	4,164	6.7%
Average Frame Price (£ ex VAT)	**820**	741	10.7%	**843**	787	7.0%
Frames installed – units	**44,875**	47,542	(5.6%)	**49,650**	48,699	2.0%
Orders installed	**10,641**	10,907	(2.4%)	**11,305**	11,051	2.3%
Frames per order	**4.22**	4.36	(3.3%)	**4.39**	4.41	(0.3%)

H1 2022's financial performance was significantly impacted by the consequences of the cyber-attack which caused a delay to the implementation of a planned January price increase and also reduced installation volumes during the period when the Group's normal processes were curtailed. The price increase was implemented in late April which, alongside a return to normal processing capacity levels, resulted in installation volume returning to year on year growth in Q2 with the Group also returning to an underlying profit before taxation in May and June.

Alongside the financial impact of the cyber-attack, H1 also includes a number of material investments that underpin the Group's medium-term strategic priorities. These include a £0.9m spend on the H1 TV campaign alongside further investment in customer service resource, installations capacity, training and IT.

Finally, as described in the CEO's statement, order intake grew by 11.7% over the prior period which resulted in the order book increasing by 17.7%, closing the half 17.6% higher versus the end of H1 2021. The costs associated with this growth in the order book totalled £1.7m and gross margins are expected to increase in H2 as the order book unwinds over the coming months.

The Group made an underlying loss before taxation[3] of £(1.4)m for the period due to the above factors. Net cash[4] grew by £0.9m from the year end position to £13.0m.

Financial and KPI headlines

- Revenue increased to £78.3m, growth of 7.2% on H1 21.
- Frames installed declined by 1.8% versus H1 21 to 94,525, albeit frames installed in Q2 grew by 2.0% over 2021 as the business recovered from the disruption caused by the cyber-attack.
- Average frame price has continued to increase this year, with growth of 8.9% achieved versus H1 21 to £832. This increase largely signals the carry through of price actions in 2021. As referenced in the CEO's statement, planned price increases this year were delayed until Q2 as a result of the cyber-attack. The Group has continued to increase its prices to keep pace with cost inflation. Higher-priced composite guard doors reduced year on year from 7.4% to 6.6% which represents a mild negative mix effect on the average frame price.
- Gross profit reduced by 17.7% versus H1 21 to £19.4m. Gross margin percentage[5] reduced by 748bps to 24.75%. H1 21 represents a strong comparative with the gross margin percentage positively influenced by lower lead generation costs due to favourable market conditions alongside a benefit of the order book reducing during the period. This year, lead generation costs have returned to more normalised (and thus higher) levels and the order book grew through the first half with the associated costs of delivering this expensed in H1. In addition, the delay to the price increase described above adversely impacted gross margin percentage in H1 as inflation of input costs came through. The gross margin percentage is expected to increase back above 30% as the order book unwinds and recent price increases feed through into the Group's revenues.
- Underlying other operating expenses[1] for the period increased by £2.1m (11.8%) over H1 21 due to a £0.9m investment in the H1 TV campaign, wage inflation and increased investment in customer service resource, installations capacity, training and IT.
- Underlying (loss) / profit before taxation was a loss of £(1.4)m for the period (H1 21: profit of £5.1m) due to the impact on H1 financial performance of the cyber-attack, order book growth and the Group's investment agenda.
- Non-underlying items[1] totalled £1.4m (H1 21: £0.8m) with the increase a result of the non-recurring costs associated with recovery from the cyber-attack. Consequently, after non-underlying items, reported (loss) / profit before taxation was a loss of £(2.8)m versus a profit of £4.3m in H1 21.
- Net cash improved to £13.0m compared to £12.1m at the end of the prior year. The improved cash position at the end of the period is a result of working capital timing partially offset by the loss for the year to date.

[1] Underlying other operating expenses are defined in the 'Underlying performance measures' section below and the reconciliation between this measure and the GAAP measure is shown in the 'Financials' table at the front of this Financial Review
[2] Underlying (loss) / profit before taxation is defined in the 'Underlying performance measures' section below and the reconciliation between this measure and the GAAP measure is shown in the 'Financials' table at the front of this Financial Review
[3] See the non-underlying items section in this Financial Review
[4] Net cash is cash and cash equivalents less borrowings
[5] Gross margin % is gross profit divided by revenue

Underlying performance measures

In the course of the last four years, the Group has faced a series of unprecedented and unusual challenges. These gave rise to a number of significant non-underlying items starting in 2018 with consequential items in 2019 as the Group addressed the impact of these challenges, predominantly as part of its Turnaround Plan. The impact of COVID-19 in 2020 also gave rise to a material non-underlying item in the form of a holiday pay accrual. The costs of recovering from the cyber-attack in H1 22 are also treated as non-underlying costs. Further details are provided below in this Financial Review.

As a consequence of these items, adjusted measures of underlying other operating expenses and underlying (loss) / profit before taxation have been presented as the measures of financial performance. Adoption of these measures results in non-underlying items being excluded to enable a meaningful evaluation of the performance of the Group compared to prior periods.

These alternative measures are entirely consistent with how the Board monitors the financial performance of the Group and the underlying (loss) / profit before taxation is the basis of performance targets for incentive plans for the Executive Directors and senior management team.

Non-underlying items consist of non-recurring costs, share based payments and Commercial Agreement amortisation. Non-recurring costs are excluded because they are not expected to repeat in future years. These costs are therefore not included in these alternative performance measures as they would distort how the performance and progress of the Group is assessed and evaluated.

Share based payments are subject to volatility and fluctuation and are excluded from these alternative performance measures as such changes would again potentially distort the evaluation of the Group's performance year to year.

Finally, Commercial Agreement amortisation is also excluded from these alternative performance measures because the Board believes that exclusion of this enables a better evaluation of the Group's underlying performance year to year.

Revenue

Revenue for the period was £78.3m compared to £73.0m for H1 21, representing an increase of 7.2%. In the first quarter of the year, year on year revenue growth was 5.8% increasing to 8.5% growth in Q2 with this improving revenue trajectory reflecting the recovery from the January cyber-attack.

Frames installed volumes reduced by 1.8% versus H1 21 to 94,525 with the impact of the cyber-attack reducing volumes between January and April although the Group returned to volume growth in the second quarter of 2%, as it recovered fully from the disruption this caused. As with the prior year, the revenue growth exceeds the volume performance as a result of the following:

- The average frame price increased by 8.9% year on year to £832 (H1 2021: £764). The price performance in H1 largely represents the exit rate of price from 2021. The Group had to delay implementation of planned list price increase from January to April and thus the full effect of this will only come through in the second half results.

- The project to reduce the Group's finance subsidy costs which are incurred as part of its consumer finance offering over the last 18 months is now complete. The ongoing expectation is that finance subsidy costs are expected to be minimal as we go forward, whilst we also strive to ensure that we have a market-leading set of affordable payment options available to our customers.

- The average number of frames per order has remained broadly the same year on year at 4.31 with the Group continuing to drive a healthy average order size which, alongside the average frame price growth described above, has resulted in an increase in the average order value over H1 21 of 7.0% to £4,300.

Gross profit

Gross profit was £19.4m, a reduction of 17.7% over H1 21. The Group's gross margin percentage reduced by 748bps to 24.75% versus H1 21's strong comparative of 32.23%.

This reduced year on year gross margin percentage is despite the higher average price described above and is a result of the slightly lower installation volume with the other significant elements being as follows:

- Despite the operational disruption on installations and customer service as a result of the cyber-attack, the Group achieved order intake growth of 11.7% over H1 21. The Group's order book increased by 17.7% over H1, representing a closing position that was 17.6% ahead of the prior period. The cost associated with driving this growth totals £1.7m within gross margin for H1 22 which will unwind as the order book is fitted out in future periods.

  The order intake growth, investment and consequential impact on gross margin in the period is in contrast to the movement in the order book in H1 21 which was reduced by 8.3% from its record opening high levels at the start of 2021 and equated to a £0.4m gross margin benefit in H1 21. These order book changes alone represent a year on year swing in gross profit of £2.1m which is c.50% of the total year on year reduction in gross profit.

- Alongside the order book changes described above, H1 22 represented a more normalised cost for lead acquisition costs versus a comparative in H1 21 that was buoyed by a strong consumer response following the restart of all selling activities when the third national COVID lockdown was ended in early 2021. The consequential rate increase back to these normalised levels represents a cost of £1.8m versus H1 2021 levels across the first half.

  The focus within the sales and marketing teams remains to ensure that the balance between good conversion, volume, discount levels and cancellation rates is optimised.

- Finally, the rising cost push linked to rising input costs including PVCu profile, glass, installation materials, scaffolding, fuel and contractor costs represent a year on year rate increase of £5.5m. This is marginally higher than the £5.3m benefit of the increased average frame rate and highlights the pace at which cost increases have come through this year. The price actions enacted in April and also into H2 22 are to ensure the Group mitigates this cost headwind whilst also striving to deliver value to its customers.

Underlying other operating expenses

Underlying other operating expenses were £19.9m which includes TV investment of £0.9m and is an increase of £2.1m (11.8%) over H1 21. Excluding the TV spend, the increase of other operating expenses was £1.2m (6.7%). The key factors behind this increase are as follows:

- Wage inflation represents the largest single driver of the year on year cost increase. The costs of a 3% annual payrise for most staff have been incurred alongside higher % increases for a number of colleagues to underpin attraction and retention of people at all levels of the organisation.

- Furthermore, commensurate with the Group's strategic priorities, we have continued to grow our customer service resource levels and invest in installations capacity in the last 18 months. The opening of the Milton Keynes depot in August 2021 alongside increased operational headcount are the other main drivers of the year on year increase in operating expenses.

- Finally, the Group continues its ongoing investment in IT, recruitment and training as key enablers of the Group's strategic priorities. The ongoing investment in upgrading and implementing new IT systems is part of the technology roadmap. This has already delivered benefits including the continuation of operations throughout the pandemic and critically helped to mitigate the full potential impact of the cyber-attack in January 2022.

Underlying (loss) / profit before taxation

Underlying (loss) before taxation was £(1.4)m versus a profit in H1 21 of £5.1m. This loss is before the non-underlying items described below.

Non-underlying items

A total of £1.4m has been separately treated as non-underlying items for the year (H1 2021: £0.8m). The current period's total consists of £0.9m of non-recurring costs (H1 21: £0.1m), a £0.3m share based payment charge (H1 21: £0.5m) and £0.2m (H1 21: £0.2m) of Commercial Agreement (Intangible Asset) amortisation. The table below shows the full breakdown of these items:

	H1 2022	H1 2021
	£000	£000
Holiday pay accrual (release)	**(72)**	(88)
RSA related costs	**12**	-
Restructuring and operational costs	**96**	96
Litigation Costs	**23**	33
Cyber incident-related costs	**945**	-
Impairment of right-of-use assets	**27**	-
Modification of right-of-use assets and liabilities	**(112)**	12
Total non-recurring costs (note 4)	**919**	**53**
Commercial Agreement amortisation	**226**	226
Equity-settled share based payment charges	**284**	487
Total non-underlying items	**1,429**	**766**

The holiday pay accrual arose as a result of the impact of the shutdown of operations and resultant extension of 2020 leave entitlement which, for some employees, is up to March 2023. The release in the current reporting period represents a partial-unwinding of the original accrual booked in 2020 due to the deferred holiday subsequently taken in the year.

The Group incurred £0.1m (H1 21: £0.1m) of restructuring and non-recurring operational costs which reduced the Group's overheads in some areas. £0.9m of separately identifiable cyber incident-related costs are included in non-recurring costs in relation to the incremental costs incurred as part of the recovery from the cyber-attack. Finally, a credit of £0.1m has been recognised in relation to the early termination of leases on six properties identified as right-of-use assets in the period.

As reported in the last four years, the Commercial Agreement arose as a result of an agreement entered into in 2018 with Mr M. Misra which encompassed a five year non-compete agreement and the provision of services by Mr Misra in support of the continued recovery of Safestyle. The Group agreed consideration with Mr Misra subject to the satisfaction of both clear performance conditions by him over five years and Safestyle's trading performance in 2019.

The non-compete element of the Commercial Agreement was accounted for as an intangible asset on the basis that it is an identifiable, non-monetary item without physical substance, which is within the control of the entity and is capable of generating future economic benefits for the entity. The intangible asset was measured based on the fair value of the consideration that the Group expects to issue under the terms of the agreement and is being amortised over five years which matches the term of the non-compete arrangement.

Share based payment charges reduced versus H1 21 with this year representing a more normalised charge with the prior period higher due to charges in relation to the Restricted Share Award granted in October 2020 that vested in June 2021.

The items classified as non-recurring costs in the Consolidated Income Statement, the share based payment charges and the amortisation of the intangible asset created as a result of the Commercial Agreement reached in 2018 have all been excluded from the underlying (loss) / profit before taxation performance measure to enable a meaningful evaluation of the performance of the Group from year to year.

Earnings per share

Basic earnings per share for the period were a loss of (1.5)p for the period compared to a profit of 2.6p in H1 21. Diluted earnings per share were a loss of (1.5)p (H1 21: profit of 2.5p). The basis for these calculations is detailed in note 5.

Net cash and cashflow

The Group has increased its net cash during the period, closing at £13.0m compared to £12.1m at the end of 2021. £4.5m of the Group's £7.5m facility, being that of the term loan, remains drawn with the remaining £3.0m revolving credit facility undrawn. The current facility expires in October 2023.

Net cash inflow from operating activities, including the cashflow impact of non-underlying items, was £3.7m (H1 2021: £9.2m). The inflow for the period, although reduced versus the prior period which reflects the reduction in H1 profits as described above, reflects the strong operating cashflow model of the Group. In addition, H1 each year typically contains a timing benefit within working capital, most notably related to the timing of quarterly VAT payments.

Partially offsetting this positive profit net cash inflow was capital investment of £0.6m (H1 21: £0.2m), representing the ongoing investment in the Group's infrastructure and systems as well as some maintenance capex for the manufacturing facility.

Dividends and capital allocation policy

The Board has approved an interim dividend of 0.4p per share (H1 2021: £nil) signalling a return to the dividend list for the first time since 2017 as part of the Group's capital allocation policy. As reported previously, the Board's policy is to firstly utilise surplus cash to fund forthcoming strategic initiatives. Subsequent to that, the policy is to return surplus cash to shareholders through the restoration of a progressive dividend followed by buyback programmes and latterly, special dividends in order to maximise returns to our shareholders.

The return to a dividend signals the Board drawing a line under the turbulence of the past few years and the intention for a progressive dividend policy from here. The interim dividend will be paid on 28 October 2022 to shareholders on the register on 30 September 2022 and will have an ex-dividend date of 29 September 2022.

Rob Neale
Chief Financial Officer
22 September 2022

Consolidated Income Statement

	Note	**Unaudited 6 months ended 3rd Jul 2022 £000**	Unaudited 6 months ended 4th Jul 2021 £000	Audited 12 months ended 2nd Jan 2022 £000
Revenue		**78,250**	72,980	143,251
Cost of sales		**(58,886)**	(49,456)	(99,496)
Gross profit		**19,364**	23,524	43,755
Expected credit losses expensed		**(348)**	(269)	(362)
Other operating expenses		**(21,024)**	(18,335)	(35,807)
Operating (loss) / profit		**(2,008)**	4,920	7,586
Finance costs	*6*	**(833)**	(628)	(1,623)
(Loss) / profit before taxation		**(2,841)**	4,292	5,963
Underlying (loss) / profit before taxation before non-recurring costs, Commercial Agreement amortisation and share based payments		**(1,412)**	5,058	7,613
Non-recurring costs	*4*	**(919)**	(53)	(511)
Commercial Agreement amortisation		**(226)**	(226)	(452)
Share based payments		**(284)**	(487)	(687)
(Loss) / profit before taxation		**(2,841)**	4,292	5,963
Taxation		**807**	(729)	(1,188)
(Loss) / profit for the period		**(2,034)**	3,563	4,775
Earnings per share				
Basic (pence per share)	*5*	**(1.5)p**	2.6p	3.5p
Diluted (pence per share)	*5*	**(1.5)p**	2.5p	3.4p

There is no other comprehensive income for the period.

All operations were continuing throughout all periods.

Consolidated Statement of Financial Position

	Note	**Unaudited 6 months ended 3rd Jul 2022 £000**	Unaudited 6 months ended 4th Jul 2021 £000	Audited 12 months ended 2nd Jan 2022 £000
Assets				
Intangible assets - Trademarks		**504**	504	504
Intangible assets - Goodwill		**20,758**	20,758	20,758
Intangible assets - Software		**1,103**	856	870
Intangible assets - Other		**606**	1,058	832
Property, plant and equipment		**10,589**	11,089	10,811
Right-of-use assets		**10,578**	11,119	11,146
Deferred taxation asset		**1,847**	1,433	1,053
Non-current assets		**45,985**	46,817	45,974
Inventories		**5,457**	4,785	5,298
Trade and other receivables		**6,985**	5,828	4,880
Cash and cash equivalents		**17,327**	18,600	16,351
Current assets		**29,769**	29,213	26,529
Total assets		**75,754**	76,030	72,503
Equity				
Called up share capital		**1,389**	1,384	1,386
Share premium account		**89,495**	89,495	89,495
Profit and loss account		**9,127**	9,258	10,893
Common control transaction reserve		**(66,527)**	(66,527)	(66,527)
		33,484	33,610	35,247
Liabilities				
Trade and other payables	*7*	**23,400**	23,576	18,052
Lease liabilities		**4,332**	3,814	4,104
Corporation taxation liabilities		**159**	177	159
Provision for liabilities and charges		**1,333**	1,102	1,274
Current liabilities		**29,224**	28,669	23,589
Provision for liabilities and charges		**2,219**	2,079	2,109
Lease liabilities		**6,522**	7,479	7,327
Borrowing facility		**4,305**	4,193	4,231
Non-current liabilities		**13,046**	13,751	13,667
Total liabilities		**42,270**	42,420	37,256
Total equity and liabilities		**75,754**	76,030	72,503

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Profit and loss account	Common control transaction reserve	**Total equity**
	£000	£000	£000	£000	**£000**
Balance at 3 January 2021	**1,368**	**89,495**	**5,347**	**(66,527)**	**29,683**
Total comprehensive profit for the period	-	-	3,563	-	**3,563**
Transactions with owners recorded directly in equity:					
Equity settled share based payment transactions	-	-	358	-	**358**
Deferred taxation asset taken to reserves	-	-	6	-	**6**
Issue of new shares	16	-	(16)	-	**-**
Balance at 4 July 2021	**1,384**	**89,495**	**9,258**	**(66,527)**	**33,610**
Total comprehensive profit for the period	-	-	1,212	-	**1,212**
Transactions with owners recorded directly in equity:					
Issue of new shares	2	-	(2)	-	**-**
Deferred taxation asset taken to reserves	-	-	(2)	-	**(2)**
Corporation taxation taken to reserves	-	-	98	-	**98**
Equity settled share based payment transactions	-	-	329	-	**329**
Balance at 2 January 2022	**1,386**	**89,495**	**10,893**	**(66,527)**	**35,247**
Total comprehensive (loss) for the period	-	-	(2,034)	-	**(2,034)**
Transactions with owners recorded directly in equity:					
Issue of new shares	3	-	(3)	-	**-**
Deferred taxation asset taken to reserves	-	-	(13)	-	**(13)**
Equity settled share based payment transactions	-	-	284	-	**284**
Balance at 3 July 2022	**1,389**	**89,495**	**9,127**	**(66,527)**	**33,484**

Consolidated Statement of Cash Flows

	Note	**Unaudited 6 months ended 3 Jul 2022**	Unaudited 6 months ended 4 Jul 2021	Audited 12 months ended 2 Jan 2022
		£000	£000	£000
Cash flows from operating activities				
(Loss) / profit for the period		**(2,034)**	3,563	4,775
Adjustments for:				
Depreciation of plant, property and equipment		**699**	756	1,473
Depreciation of right-of-use assets		**1,851**	1,835	3,882
Amortisation of intangible fixed assets		**438**	426	842
Impairment of right-of-use assets		**27**	-	122
Modification of right-of-use assets and liabilities		**(112)**	12	(83)
Finance expense	*6*	**833**	628	1,623
IT project impairment		**-**	-	14
Equity settled share based payments charge		**284**	358	687
Taxation (credit) / charge		**(807)**	729	1,188
		1,179	8,307	14,523
(Increase) in inventories		**(159)**	(240)	(753)
(Increase) / decrease in trade and other receivables		**(2,105)**	(165)	783
Increase / (decrease) in trade and other payables	*7*	**5,348**	1,647	(3,877)
Increase in provisions		**8**	262	195
		3,092	1,504	(3,652)
Other interest (paid)		**(599)**	(563)	(1,250)
Net cash inflow from operating activities		**3,672**	9,248	9,621
Net cash (outflow) from investing activities				
Acquisition of property, plant and equipment		**(477)**	(197)	(809)
Acquisition of intangible fixed assets		**(445)**	(377)	(424)
Net cash (outflow) from investing activities		**(922)**	(574)	(1,233)
Cash flows from financing activities				
Proceeds from issue of share capital		**-**	-	-
Payment of lease liabilities		**(1,774)**	(1,779)	(3,742)
Net cash (outflow) from financing activities		**(1,774)**	(1,779)	(3,742)
Net inflow in cash and cash equivalents		**976**	6,895	4,646
Cash and cash equivalents at start of period		**16,351**	11,705	11,705
Cash and cash equivalents at end of period		**17,327**	18,600	16,351

Notes to the interim financial information

1 General information and basis of preparation

The interim financial information for the six months ended 3 July 2022 and for the six months ended 4 July 2021 does not constitute statutory financial statements and is neither reviewed nor audited. The comparative figures for the year ended 2 January 2022 are not the Group's consolidated statutory accounts for that financial year but are extracted from those accounts which have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified and (ii) did not contain a statement with reference to Articles 113B of Companies (Jersey) Law 1991

The condensed consolidated interim financial information for the period ended 3 July 2022 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 2 January 2022.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 2 January 2022 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The accounting policies adopted in the condensed interim financial information are consistent with those set out in the financial statements for the year ended 2 January 2022.

Period-end

These interim financial statements are presented for the first 26 weeks of the financial year which ended on 3 July 2022 for the current year and ended on the 4 July 2021 for the first half comparative period of the prior year. All references made throughout these accounts for H1 2022 are for the period 3 January 2022 to 3 July 2022. References to H1 2021 are for the period 4 January 2021 to 4 July 2021.

2 Going concern

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons.

The Group made a statutory loss of £2.0m in the 6 months to 3 July 2022 (June 21: £3.6m profit) and had net current assets of £0.5m (June 2021: £0.5m). As described in the financial review, H1 2022's financial performance was significantly impacted by the consequences of the cyber-attack which caused a delay to the implementation of a planned January price increase and also reduced installation volumes during the period when the Group's normal processes were curtailed. The price increase was implemented in late April which, alongside a return to normal processing capacity levels, resulted in installation volume returning to year on year growth in Q2 with the Group also returning to underlying profit before taxation in May and June. Despite the loss for the period, the Group's net cash position improved from £12.1m to £13.0m as a result of working capital timing partially offset by the loss for the year to date.

The banking facilities in place remain in place with a £4.5m term loan and a £3.0m revolving credit facility which mature in October 2023. During 2022, a revised covenant has been agreed with the facility provider which replaces the minimum EBITDA that was historically tested on a monthly basis. A springing covenant is now in place whereby EBITDA is not tested when net cash is positive. Throughout the period to 3 July 2022, the term loan was fully drawn whilst the revolving credit facility remained undrawn. This remains the case at the date of this announcement.

The Directors have prepared forecasts covering the period to December 2023. The forecasts include a number of assumptions in relation to sales volume, pricing, margin improvements and overhead investments. Whilst the Directors believe the assumptions to be sensible, the operating environment is exposed to a number of risks which could impact the actual performance achieved in 2022 and 2023. These risks include, but are not limited to, reducing consumer confidence due to the general economic conditions, delivering the required levels of order intake as consumers are impacted by rising inflation and the Group's ability to maintain margins given the rising input costs. If future trading performance significantly underperforms the Group's forecasts, this could impact the ability of the Group to comply with its covenant tests over the period of the forecasts.

The Directors have considered the Group's strengthened financial position alongside a number of possible downside scenarios. Even with scenarios which have modelled significant reductions in activity, the resultant cash flow forecasts and projections show that the Group will be able to maintain a net cash position (and thus headroom) in excess of £10m and therefore not trigger the springing covenants of the borrowing facility. As such, the Directors have concluded that the risk of the liquidity requirements of the business exceeding the total quantum of facilities available remain remote.

Based on the above, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

3 Significant accounting policies

Revenue recognition

The Group earns revenues from the design, manufacture, delivery of, and installation of domestic double-glazed replacement windows and doors.

There are five main steps followed for revenue recognition:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations; and
- Recognising revenue when or as an entity satisfied performance obligations.

The various stages of the performance obligations are the design, manufacture, delivery of and installation of domestic double-glazed replacement windows and doors.

In applying the principle of recognising revenue related to satisfaction of performance obligations under IFRS 15, the Group considers that the final end product is dependent upon a number of services in the process that may be capable of distinct identifiable performance obligations. However, where obligations are not separately identifiable, in terms of a customer being unable to enjoy the benefit in isolation, the standard allows for these to be combined. The Group considers that in the context of the contracts held these are not distinct. As such the performance obligations are treated as one combined performance obligation and revenue is recognised in full, at a point in time, being on completion of the installation. Revenue is shown net of discounts, sales returns, charges for the provision of consumer credit and VAT and other sales related taxes. Revenue is measured based on the consideration specified in a contract with a customer.

There is no identifiable amount included in the final price for a warranty, as the Group provides a guarantee on all installations.

Payments received in advance are held within other creditors as a contract liability. The final payment is due on installation.

A survey fee is paid at the point of agreeing the contract and the customer has up to 14 days, defined in the contract to change their minds. If the customer changes their mind after this cooling off period, the Group has the right to retain this survey fee and as such revenue for this is recognised at the point in time that this becomes non-refundable.

In addition to the above, the Group recognises revenue from the sale of materials for recycling. The revenue is recognised when the materials are collected by the recycling company which represents the completion of the performance obligation. The Group has determined that this revenue is derived from its ordinary activities and as such this balance is recognised within revenue.

Non-recurring items

Items that are either material because of their nature, non-recurring or whose significance is sufficient to warrant separate disclosure and identification within the consolidated financial statements are referred to as non-recurring items. The separate reporting of non-recurring items is important to provide an understanding of the Group's underlying performance.

4 Non-recurring costs

Non-recurring costs consist of the following:	**Unaudited 6 months ended 3 July 2022 £000**	Unaudited 6 months ended 4 July 2021 £000	Audited 12 months ended 3 January 2022 £000
Holiday pay accrual (release)	**(72)**	(88)	(79)
RSA related costs	**12**	-	147
Restructuring and operational costs	**96**	96	300
Litigation costs	**23**	33	90
Cyber incident-related costs	**945**	-	-
Impairment of right-of-use assets	**27**	-	122
Modification of right-of-use assets and liabilities	**(112)**	12	(83)
IT project impairment	**-**	-	14
	919	53	511

The holiday pay accrual arose as a result of the impact of the shutdown of operations and resultant extension of 2020 leave entitlement which, for some employees, is up to March 2023. The release in the current reporting period represents a partial-unwinding of the original accrual booked in 2020 due to the deferred holiday subsequently taken in the year.

RSA related costs are the employer related taxes associated with the issue of Restricted Share Award scheme during the year.

Restructuring and operational costs are expenses incurred, including redundancy payments, as a result of changes being made to reduce the cost structure to the business.

Litigation costs are mainly expenses incurred as a result of an ongoing legal dispute between the Group and an ex-agent. These costs are predominantly legal advisor's fees.

Cyber incident-related costs are in relation to the separately identifiable incremental costs incurred as part of the recovery from the cyber-attack.

Impairment of right-of-use assets relate to the closure of the properties identified as assets under IFRS 16.

Modification of right-of-use assets and liabilities relate to the closure of the properties identified as right-of-use assets during the period.

IT project impairment charge represented the impairment of a capital investment made in a new electronic survey system that was stopped following the results of field trials.

For further detail on the 2021 non-recurring charges, please refer to the 2021 Annual Report.

5 Earnings per share

	Unaudited 6 months ended 3 July 2022	Unaudited 6 months ended 4 July 2021	Audited 12 months ended 2 January 2022
Basic (loss) / profit per share (pence)	**(1.5)p**	2.6p	3.5p
Diluted (loss) / profit per share (pence)	**(1.5)p**	2.5p	3.4p

a) Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of shares outstanding.

	Unaudited 6 months ended 3 July 2022 £000	Unaudited 6 months ended 4 July 2021 £000	Audited 12 months ended 2 January 2022 £000
(Loss) / profit attributable to ordinary shareholders	**(2,034)**	3,563	4,775
Weighted-average number of ordinary shares (basic)			
	No of shares '000	No of shares '000	No of shares '000
In issue during the period	**138,628**	136,946	137,753

b) Diluted earnings per share

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	Unaudited 6 months ended 4 July 2021 £000	Audited 12 months ended 2 January 2022 £000
Profit attributable to ordinary shareholders	3,563	4,775
	No of shares '000	No of shares '000
Weighted-average number of ordinary shares (basic)	136,946	137,753
Effect of conversion of share options and share consideration	5,808	3,589
Weighted-average number of ordinary shares (diluted) at period end	142,754	141,342

The loss per ordinary share and diluted loss per share for H1 2022 are equal because share options are only included in the calculation of diluted earnings per share if their issue would decrease the net profit per share.

6 Finance costs

	Unaudited	Unaudited	Audited
	6 months ended	6 months ended	12 months ended
	3 July 2022	4 July 2021	2 January 2022
	£000	£000	£000
On borrowing costs	**327**	287	593
Unwind of discount on provisions	**161**	-	269
On lease liabilities	**345**	341	761
	833	628	1,623

7 Trade and other payables

	Unaudited	Unaudited	Audited
	6 months ended	6 months ended	12 months ended
	3 July 2022	4 July 2021	2 January 2022
	£000	£000	£000
Trade payables	**9,112**	6,500	7,118
Other taxation and social security costs	**4,465**	7,023	3,169
Other creditors and deferred income	**5,901**	5,088	4,747
Accruals	**3,922**	4,965	3,018
	23,400	23,576	18,052

Trade payables represents the total amounts payable by Safestyle as part of normal business operations.

Other taxation and social security costs have reduced versus 4 July 2021 as a result of the repayment of the VAT deferral scheme to HMRC highlighted in the 2021 Annual Report.