



Aquila Services Group plc
Unaudited Interim Results for the six
months ended 30 September 2017

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Aquila Services Group plc (“the Company”), is the holding company for Altair Consultancy & Advisory Services Ltd (“Altair”) and Murja Ltd (“Murja”) which form the Group (“the Group”).

The Group’s expertise is in the provision, financing and management of affordable housing by housing associations, local authorities, government agencies and other non-profit organisations as well as high level business advice to the property sector.

Results Highlights

	6 months to 30 September 2017 (unaudited)	6 months to 30 September 2016 (unaudited)	Year ended 31 March 2017 (audited)
	£000s	£000s	£000s
Revenue	2,524	2,796	5,928
Gross Profit	676	673	1,475
Operating Profit	193	239	510
EPS	0.42p	0.53p	1.24p
Declared Dividend per Share	0.26p	0.24p	0.74p
Cash Balances	2,238	2,173	2,313

Chairman's Statement and Interim Management Report

Aquila Services Group plc ("the company") is the holding company for Altair Consultancy & Advisory Services Ltd ("Altair") and Murja Ltd ("Murja") which form the Group ("the Group"). The Group is an independent consultancy specialising in the provision, financing and management of affordable housing by housing associations, local authorities, government agencies and other non-profit organisations, as well as high level business advice to the commercial property sector.

I am pleased to announce the half-year results for the Group which demonstrate the potential for our business model and the continuing investment in our services to increase future growth.

The six months has been a period of investment in our different business streams, the launch of the Altair Africa brand, the streamlining of the management structure and acquisition of new software to maintain control of overheads while the business grows, and adjusting our offering to take into account the government's recent announcements about increasing funding streams for affordable housing, particularly with the involvement of local authorities.

All the above have required significant resources for future benefit but have impacted on our six months' results. We are confident that this investment will start to bear fruit in the second half of the year and thereafter. This confidence is reflected in our continuation of the progressive dividend policy for the half year.

Trading results

The Group saw a decrease in turnover for the 6 months to 30 September 2016 to the 6 months to 30 September 2017. Gross profit was £676k (September 2016: £673k, March 2017: £1,475k) with operating profit before share option charge of £263k (September 2016: £307k, March 2017: £658k).

	6 months to 30 September 2017 (unaudited) £000s	6 months to 30 September 2016 (unaudited) £000s	Year ended 31 March 2017 (audited) £000s
Turnover	2,524	2,796	5,928
Gross profit	676	673	1,475
Operating profit (before share option charge)	263	307	658
Share option charge	70	68	148
Operating profit (after share option charge)	193	239	510

The Group is in a very strong net asset position, with over £2.2m in cash held at 30 September 2017.

Dividend

The directors propose to declare an increased interim dividend of 0.26p (2016: 0.24p) per share which will be paid on 22 December 2017 to shareholders on the register at 8 December 2017.

Business Review

The underlying business remains strong and there has been continued growth of the client base in both Altair's consultancy business and the treasury advice business of Murja which was rebranded as Aquila Treasury and Finance Solutions (ATFS) as from 14 November 2017. The most pressing restriction on business growth is the recruitment and retention of staff with on-the-ground experience and reputation in our sector. We are addressing this through a new recruitment initiative and an in-depth in-house training programme and our acquisition of the pod business. Our commitment to wider share ownership amongst all staff will assist retention.

As announced on 27 October 2017 the housing consultancy business of the pod Partnership was purchased by the Group and will be part of the Altair business. The consideration of £1,710,000 was satisfied by the issue of 2,614,458 new ordinary shares and £625,000 of cash. During the previous 12 months to 31 March 2017 the annual turnover of the pod business was £1.085m with an operating profit of £162k. This acquisition is a significant increase in our development and project management capacity particularly with local authorities and housing associations now being given greater incentives to develop new affordable housing. We anticipate this will be one of the engines for future growth.

During the six months the Group's first international brand, Altair Africa, was launched to benefit from the increasing concentration of infrastructure funds, governments and government-backed financial institutions in the creation of an affordable housing sector and a volume construction industry in Africa. The brand is being serviced initially by an identified team of three employees within Altair and has already secured three major contracts. We believe that this is an area of significant potential growth and business diversity.

During October 2017, the Prime Minister announced at the Conservative Party Conference significant incentives for local authorities to invest in new affordable housing, as well as indicating that some of the rental restrictions on housing association tenancies would be relaxed with much of the additional revenue expected to be invested in additional affordable housing. Later in October the Communities Secretary trailed the possibility of more government borrowing to increase housing supply. The Group has been reorganising part of its offering particularly in recruitment, research and project management to take account of this future opportunity.

As the Group grows, we have been adjusting the management structure so that it better reflects the workstreams. This concentration on specialism is needed to deal with the larger teams and increasing complexity of our offering. This new structure is now in place and the expected benefits should start to flow in the second half of the year.

Turnover for the six months was lower than for the previous six months principally due to housing associations and local authorities delaying temporary or interim appointments whilst the future was so uncertain. The recent announcements should increase demand in the second half. Gross profit margin increased from 24% to 27% from 30 September 2016 to 30 September 2017 but operating profit reduced from 35% of gross profit to 28% reflecting the resource issues described above.

This review would not be complete without mentioning the tragic event at Grenfell Tower. This has highlighted not just the importance of the quality of build of affordable housing but it has also put firmly in the spotlight how important good management practice is and the involvement of the consumers of affordable housing. As a business committed to helping our clients address housing need, the concerns raised must be part of our culture as well as our clients.

Risk and Uncertainties

The Directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 March 2017, which contains a detailed explanation of the risks relevant to the Group on page 9, and is available at:

<http://aquilaservicesgroup.co.uk/wp-content/uploads/2017/06/Aquila-Services-Group-plc-2017-Accounts-v2.5.pdf>

Outlook

The first six months has been a period of investing for growth which we confidently expect will be a platform for the future. The increasing importance of housing in both the economic and political spheres, will continue to offer further opportunities. Being a relatively small organisation, pursuing new opportunities inevitably requires a diversion of resources and costs. This investment will make the group's expertise increasingly attractive to government, our clients and potential acquisitions.

The setting up of Altair Africa is an indication of how our expertise can be used more widely in a variety of markets. We expect to continue to build this international profile.

This is my first report as Chair, having taken over from Jeff Zitron who stepped down on 27 July 2017 after six years as Chairman. Jeff stays on as a non-executive director and I know that my thanks to him are echoed by all our staff and shareholders.

I look forward to reporting to you further after the year end.

Derek Joseph
Chair
28 November 2017

Directors' Report

Substantial Shareholdings

As at 30 September 2017, the Company was aware of the following notifiable interests in its voting rights:

	Number of Ordinary shares	Percentage of Voting rights	Nature of holding
Richard Wollenberg*	3,808,406	11.7%	Direct
Steven Douglas	3,279,440	10.0%	Direct
Chris Wood	3,279,440	10.0%	Direct
Susan Kane	3,279,440	10.0%	Direct
Fiona Underwood**	3,279,440	10.0%	Direct
Derek Joseph	2,870,403	8.8%	Direct
Jeffrey Zitron	2,798,403	8.6%	Direct
Cardiff Property plc***	1,000,000	3.1%	Direct

*Includes shares held by immediate family members of Richard Wollenberg

**Fiona Underwood's shares are held in a nominee account at Old Mutual plc.

***Richard Wollenberg holds 44.17% of the issued share capital and voting rights of Cardiff Property plc.

Following the acquisition on 27 October as detailed in the notes to the accounts under subsequent events, the percentage of voting rights has changed but the shareholdings of the above members remain the same.

Related Party Transactions

During the 6 months to 30 September 2017, the non-executive directors were paid fees of £6,375 (6 months to September 2016: £6,139)

During the 6 months to 30 September 2017, the Group charged £9,686 (6 months to September 2016: £12,030) to DMJ Consultancy Services Limited for office costs and secretarial services, a company in which Derek Joseph is a director and shareholder.

Remuneration of Directors and key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below.

	6 months to 30 September 2017 (unaudited)	6 months to 30 September 2016 (unaudited)	Year ended 31 March 2017 (audited)
Short-term employee benefits	316,512	268,637	694,790
Share-based payments	56,500	39,452	112,956
Post-retirement benefits	8,850	6,000	12,000
	<hr/>	<hr/>	<hr/>
	381,862	314,089	819,746

Corporate Governance

The UK Corporate Governance Code (September 2014) (the code), as appended to the listing rules, sets out Principles of Good Corporate Governance and Code provisions which are applicable to listed companies incorporated in the United Kingdom. As a standard listed company, the Company is not subject to the UK Corporate Governance Code but the Board recognises the value of applying the principles of the code where appropriate and proportionate and endeavours to do so where practicable.

Responsibility Statement

The Directors, whose names and functions are set out at the end of this report, are responsible for preparing the Unaudited Interim Condensed Consolidated Financial Statements in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority ('DTR') and with International Accounting Standard 34 on Interim Financial reporting (IAS34). The Directors confirm that, to the best of their knowledge, this unaudited interim condensed consolidated report has been prepared in accordance with IAS34 as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 namely:

- an indication of key events occurred during the period and their impact on the unaudited interim condensed consolidated financial statements and a description of the principal risks and uncertainties for the second half of the financial year, and
- related party transactions that have taken place during the period and that have materially affected the financial position or the performance of the business during that period.

Susan Kane

Director

28 November 2017

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 September 2017

	Six months to 30 September 2017 (unaudited) £	Six months to 30 September 2016 (unaudited) £	Year ended 31 March 2017 (audited) £
Revenue	2,524,200	2,795,959	5,928,201
Cost of sales	(1,848,222)	(2,123,315)	(4,453,466)
Gross profit	675,978	672,644	1,474,735
Administrative expenses	(482,896)	(434,100)	(964,692)
Operating profit	193,082	238,544	510,043
Finance income	887	2,507	5,512
Profit before taxation	193,969	241,051	515,555
Income tax expense	(58,191)	(69,756)	(111,345)
Profit and total comprehensive income for the period	135,778	171,295	404,210
Earnings per share attributable to owners of the parent			
Weighted average number of shares:			
Basic	32,651,003	32,615,625	32,633,381
Diluted	37,357,238	36,916,490	37,301,635
Basic earnings per share	0.42p	0.53p	1.24p
Diluted earnings per share	0.36p	0.46p	1.08p

Condensed Consolidated Statement of Financial Position
As at 30 September 2017

	30 September 2017 (unaudited) £	30 September 2016 (unaudited) £	31 March 2017 (audited) £
Non-current assets			
Intangible assets	317,688	317,688	317,688
Property, plant and equipment	71,241	15,936	50,559
	<u>388,929</u>	<u>333,624</u>	<u>368,247</u>
Current assets			
Trade and other receivables	1,210,162	1,358,670	1,350,187
Deferred tax assets	-	3,774	-
Cash and bank balances	2,237,725	2,173,626	2,312,600
	<u>3,447,887</u>	<u>3,536,070</u>	<u>3,662,787</u>
Current liabilities			
Trade and other payables	657,474	930,663	951,923
Corporation tax	192,944	228,628	134,753
	<u>850,418</u>	<u>1,159,291</u>	<u>1,086,676</u>
Net Current assets	<u>2,597,469</u>	<u>2,376,779</u>	<u>2,576,111</u>
Net assets	<u>2,986,398</u>	<u>2,710,403</u>	<u>2,944,358</u>
Equity and Liabilities			
Share capital	1,632,550	1,632,550	1,632,550
Share premium account	533,235	533,235	533,235
Reverse acquisition reserve	(4,771,473)	(4,771,473)	(4,771,473)
Merger reserve	7,184,334	7,184,334	7,184,334
Share-based payment reserve	491,908	342,989	422,391
Retained losses	(2,084,156)	(2,211,232)	(2,056,679)
Equity attributable to the owners of the parent	<u>2,986,398</u>	<u>2,710,403</u>	<u>2,944,358</u>

Condensed Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Reverse acquisition reserve	Merger relief reserve	Share based payments reserve	Retained losses	Total equity
	£	£	£	£	£	£	£
As at 1 April 2016	1,630,434	533,235	(4,771,473)	7,184,334	281,586	(2,245,895)	2,612,221
Issue of shares	2,116	-	-	-	-	-	2,116
Total comprehensive income	-	-	-	-	-	171,295	171,295
Transfer on exercise of options	-	-	-	-	(6,846)	6,846	-
Share based payment	-	-	-	-	68,249	-	68,249
Dividend	-	-	-	-	-	(143,478)	(143,478)
As at 30 September 2016	1,632,550	533,235	(4,771,473)	7,184,334	342,989	(2,211,232)	2,710,403
Total comprehensive income	-	-	-	-	-	232,915	232,915
Share based payment	-	-	-	-	79,402	-	79,402
Dividend	-	-	-	-	-	(78,362)	(78,362)
As at 1 April 2017	1,632,550	533,235	(4,771,473)	7,184,334	422,391	(2,056,679)	2,944,358
Total comprehensive income	-	-	-	-	-	135,778	134,730
Share based payment	-	-	-	-	69,517	-	70,565
Dividend	-	-	-	-	-	(163,255)	(163,255)
As at 30 September 2017	1,632,550	533,235	(4,771,473)	7,184,334	491,908	(2,084,156)	2,986,398

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 September 2017

	Six months to 30 September 2017 (unaudited) £	Six months to 30 September 2016 (unaudited) £	Year ended 31 March 2017 (audited) £
Cash flow from operating activities			
Profit for the period	135,778	171,295	404,210
Interest received	(887)	(2,507)	(5,512)
Income tax expense	58,191	69,756	111,345
Share based payment charge	69,517	68,249	147,651
Depreciation	12,685	4,050	11,694
Operating cash flows before movement in working capital	275,284	310,843	669,388
Decrease/(Increase) in trade and other receivables	140,025	(199,834)	(191,351)
(Decrease) in trade and other payables	(294,449)	(345,838)	(324,578)
Cash generated by/(used in) operations	120,860	(234,829)	153,459
Income taxes paid	-	-	(131,690)
Net cash inflow/(outflow) from operating activities	120,860	(234,829)	21,769
Cash flow from investing activities			
Interest received	887	2,507	5,512
Purchase of property, plant and equipment	(33,367)	(5,332)	(47,599)
Net cash outflow from investing activities	(32,480)	(2,825)	(42,087)
Cash flows from financing activities			
Proceeds of share issue	-	2,116	2,116
Dividends paid	(163,255)	(143,478)	(221,840)
Net cash outflow from financing activities	(163,255)	(141,362)	(219,724)
Net decrease in cash and cash equivalents	(74,875)	(379,016)	(240,042)
Cash and cash equivalents at beginning of the period	2,312,600	2,552,642	2,552,642
Cash and cash equivalents at end of the period	2,237,725	2,173,626	2,312,600

Notes to the Condensed set of Financial Statements

for the six months ended 30 September 2017

1. General information

The Company and its subsidiaries (together “the Group”) are a major provider of consultancy services to organisations that develop, fund or manage affordable housing.

The Company is a public limited company domiciled in the United Kingdom and incorporated under registered number 08988813 in England and Wales. The Company's registered office is Tempus Wharf, 29a Bermondsey Wall West, London, SE16 4SA.

2. Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group have been prepared on the basis of the accounting policies, presentation, methods of computation and estimation techniques used in the preparation of the audited accounts for the period ended 31 March 2017 and expected to be adopted in the financial information by the Company in preparing its annual report for the year ending 31 March 2018.

This interim consolidated financial information for the six months ended 30 September 2017 has been prepared in accordance with IAS 34, 'Interim financial reporting'. This interim consolidated financial information is not the Group's statutory financial statements and should be read in conjunction with the annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with International Financial Reporting Standard (IFRS) and have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis of matter without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The interim consolidated financial information for the six months ended 30 September 2017 is unaudited. In the opinion of the Directors, the interim consolidated financial information presents fairly the financial position, and results from operations and cash flows for the period.

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group, therefore, continues to adopt the going concern basis in preparing its consolidated financial statements.

The financial statements are presented in sterling, which is the Group's functional currency as the UK is the primary environment in which it operates.

3. Segmental analysis

The Directors are of the opinion that the business of the Group is in a single activity. Nearly all business is conducted in sterling and within the UK. Some fees are received in Euros and US Dollars but in the director's opinion these amounts are not significant and any changes in exchange rates would not have a material impact on the Group.

4. Share capital

The Company has one class of share in issue being ordinary shares with a par value of 5p.

Allotted, issued and called up ordinary shares of £0.05 each:

	Number	£
As at 1 April 2016	32,608,688	1,630,434
Issued during the period	42,315	2,116
	<hr/>	<hr/>
As at 30 September 2016	32,651,003	1,632,550
Issued during the period	-	-
	<hr/>	<hr/>
As at 31 March 2017	32,651,003	1,632,550
Issued during the period	-	-
	<hr/>	<hr/>
As at 30 September 2017	32,651,003	1,632,550

As at 1 April 2017, 4,706,235 options were held by Directors and employees of the group.

On 16 June 2017, 10,000 options were returned by an employee who left the business.

As at 30 September 2017 a total of 4,696,235 options were held by Directors and employees of the group.

Option exercise price are in a range of 5p to 29.5p.

5. Going concern

The Group has sufficient financial resources to enable it to continue its operational activities for the foreseeable future. Accordingly, the Directors consider it appropriate to adopt the going concern basis in preparing these interim accounts.

6. Dividend

An interim dividend of 0.26p will be paid on 22nd December 2017 to shareholders on the register at 8th December 2017 at a cost of £91,690.

7. Subsequent events

On 27th October 2017 Aquila purchased the business and assets of the housing consultancy business stream of pod partnership limited and pod LLP for a consideration of £1,710,00 satisfied by the issue of 2,614,458 new ordinary shares and £625,000 of cash.

Directors and Advisors

Directors	Derek Joseph Steven Douglas Fiona Underwood Susan Kane Jeff Zitron John Richard Wollenberg <i>whose business address is:</i> Tempus Wharf 29a Bermondsey Wall West London SE16 4SA Website: www.aquilaservicesgroup.co.uk (Telephone 020 7934 0175)	<i>Chairman</i> <i>Joint Chief Executive</i> <i>Joint Chief Executive</i> <i>Group Finance Director</i> <i>Director</i> <i>Director</i>
Secretary	Fiona Underwood Tempus Wharf 29a Bermondsey Wall West London SE16 4SA	
Financial Adviser	Beaumont Cornish Limited 2 nd Floor, Bowman House 29 Wilson Street London EC2M 2SJ	
Auditors	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE	
Solicitors	Blake Morgan LLP Bradley Court Park Place Cardiff CF10 3DR	
Bankers	National Westminster Bank plc 50 High Street Egham Surrey TW20 9EU	
Registrars	Neville Registrars Neville House 18 Laurel Lane Halesowen B63 3DA (Telephone 0121 585 1131)	

Registered in England under the Companies Act 2006, registered no. 08988813.

Financial Calendar

Year	Date	Comments
2017	29 November	Interim results 2017 announced
	7 December	Ex-dividend date
	22 December	Payment date for interim
2018	31 March	End of accounting year
	By 30 July	2018 Annual Financial Report to be published and announced
	July / August	Annual General Meeting
	September	Final dividend to be paid