

Aquila



Unaudited interim results for the six months ended 30 September 2023

Group highlights

Our purpose

To make a better, more sustainable, and socially responsible world.

Our vision

To have a direct beneficial impact on communities and lives in the UK and beyond.

To offer staff the opportunity to inspire positive change in an environment with a strong social focus.

To provide investors the opportunity of supporting an organisation that combines strong performance with a positive social outcome.

Our culture and values

We collaborate

Working together to succeed together.

We innovate

We challenge the norm.

We care

We go the extra mile.

What we do

Our work helps our clients to develop a response to a changing world and make a positive difference to the communities in which they operate. We work throughout the UK and internationally with clients across housing and regeneration, sport and education, charity and government sectors.

Financial highlights

The following table show the results for the six months ending 30 September 2023 compared with the six months ending 30 September 2022 and the financial year ending 31 March 2023.

	Six months to 30 Sept 2023 (unaudited) £'000	Six months to 30 Sept 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
Revenue	5,923	5,874	12,249
Gross profit	1,039	1,078	2,605
Underlying operating profit*	99	308	806
Profit after tax	68	244	518
Earnings per share	0.17p	0.61p	1.29p
Cash balances	1,649	1,718	2,405
Total dividend payable	0.25p	0.25p	0.75p

*Underlying operating profit is calculated by adjusting the reported pre-tax profit for share-based payment charges and impairment of goodwill.

Dividend

The directors propose an interim dividend of 0.25p (2022: 0.25p). This will be paid on 20 December 2023 to shareholders on the register at 8 December 2023.

Chair's statement

Dear Shareholder, I am pleased to present the half-yearly report and the interim results for the six months to 30 September 2023.

Aquila Services Group plc ("the Company") is the holding company for Altair Consultancy & Advisory Services Ltd ("Altair"), Aquila Treasury and Financial Solutions Ltd ("ATFS") and Oaks Consultancy Ltd ("Oaks") 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. The Group also provides high level business advice to the commercial property sector and support for organisations including multi-academy education trusts, charities and sports foundations, working in communities to improve health and well-being opportunities.

The prospect for the half year was for the business to continue the growth achieved in the second half of the financial year ended 31 March 2023. Demand for the majority of our services in many of the sectors in which we operate has continued at a high level although the wait for government to set effective procedures for education to access capital allocations continues.

However, a number of factors have impacted on the profitability and to a lesser extent turnover in the first six months.

As mentioned at the year end, 'wage inflation and skills shortages are still a significant upward pressure on our cost base'. We have, like the majority of businesses, had to respond to these pressures and with the cost of living crisis continuing, the pressure on salaries has increased and these additional costs, as well as costs of recruitment and training, have reduced profitability in the first 6 months of this financial year.

Our consultants, particularly those with specific skills, are in high demand in the sector. This has led to pressures on retention and additional costs of recruitment and training. There is an interregnum before the new recruits are able to support the level of expertise required by our clients. We are beginning to see these pressures ease as the general recruitment market as well as the cost of living become less challenging. It is our expectation that it will be the next financial year before we can return to a position where there is stability between demand for our services and the resources that we have available.

The pressures on the property market and in particular the cross-subsidy provided to new affordable housing has impacted on our clients. To compensate, our development team have changed emphasis with consultants assisting with investment in existing housing stock with both turnover and profitability being affected during this transition.

The planned restructuring and investment in Oaks has taken longer than expected partially due to the difficulties experienced in the recruitment market. The restructuring is now largely completed but represented a significant additional cost in the first six months.

Looking forward we are now better positioned and resourced to meet the demands of a challenging market. New opportunities for the Group's services are emerging, particularly with our international work, and proposals for more diverse growth in both social and affordable housing. We do not expect that profitability in the second half will compensate for the shortfall in the first half but we confidently expect an improving position.

We are still conscious of the impact of the costs of having a full market quote on the London Stock Exchange and are continuing to examine ways the impact can be reduced with benefit to shareholders.

Turnover for the 6 months was £5,923k (£5,874k 6 months to September 2022; £12,249k 12 months to March 2023) and profit before tax, share option charges and impairment of goodwill of £99k (£308k September 2022, £806k March 2023).

The Group continues to have a strong balance sheet with no debt. As at 30 September 2023 net current assets were £2,856k (30 September 2022 £2,715k and 31 March 2023 £3,036k).

We are confident of achieving a significant profit for the full year and will therefore maintain the interim dividend at the previous level. The final dividend will be reviewed once we know the outcome for the full year. The interim dividend for the 6 months ended 30 September 2023 to be paid on 20 December 2023 to those shareholders on the register at 8 December 2023 will be 0.25p, (30 September 2022: 0.25p, 31 March 2023 0.5p).

We remain committed to the services that the Group offers to organisations and agencies working to provide the essential services that enhance the life opportunities of their communities. In an increasingly troubled world, finding the resources to maintain these objectives is the challenge, both to government and the many different sectors that make up our civil society. Our role in helping clients construct funding and delivery mechanisms to achieve these objectives is important. As always it is only from the commitment and expertise of all our staff that we can achieve these objectives. On behalf of the board we thank them for their efforts.

I look forward to reporting progress at the year end.



–
Derek Joseph – Chair
24 November 2023

Management report

The Management of the Group are pleased to present their report for the period ended 30 September 2023.

Aquila at a glance

The Group continues to implement its business strategy to encompass all the professional consultancy services that the Group's client base demands. The Group now provides advice and support across the affordable housing, regeneration, sport, charity and education sectors. Its purpose is to assist organisations that benefit local communities such as housing associations, local authorities, government agencies, multi-academy trusts, charities, other non-profit organisations and those set up for community benefit, as well as providing related high-level business advice to the commercial property sector.

Business performance and position

Altair Consultancy and Advisory Services Ltd ("Altair")

Altair is a specialist management consultancy company that works with organisations that govern, manage, regulate or build housing. Operating within the UK and Europe, its international client base is increasing with continuing and new contracts in Africa and investment in expansion into Asia.

The services that Altair offers cover housing development and regeneration, property asset management, health and safety compliance and building safety advice, strategic financial advice, governance and risk management, executive and non-executive recruitment. Our digital, transformation and people services and our technical asset team are areas of continued significant investment and growth.

Clients contract with Altair on a fixed-fee basis, through retained contracts in our finance, governance and transformation business streams, and placements for members of the property team, and increasingly for our transformation team, at client sites.

Both the consulting and property businesses have seen income remain in-line with expectations this half year. Profitability has been affected by the cost-of-living crisis, recruitment and retention and the investment in our new service lines, Commercial and Procurement and Sustainability.

The impact of the macro-economic environment was most keenly felt within our property business, clients have begun to reduce their investment in new housing development and increase investment in their current housing stock. To mitigate this, where possible, colleagues are being redeployed into the technical and asset management teams which have an increasing workload.

The business is seeing opportunity on the work clients are undertaking in preparation for the implementation of the various new Bills that have gained Royal Assent in the last six months, specifically the new consumer regulations due to come into force in April 2024.

Aquila Treasury and Financial Solutions Ltd ("ATFS")

ATFS is a specialist treasury management consultancy authorised and regulated by the Financial Conduct Authority that operates across the UK and Europe. It provides advice on treasury policy and strategy, debt and capital market finance, banking and card merchant services, value for money, and financial market information services to local authorities, charities, housing associations, education bodies, private sector housing providers and government bodies.

Work is delivered through fixed price contracts as retained general treasury advisers and information subscription agreements. Specific advisory project contracts are on a fixed fee basis, won through competitive procurement tenders, payable on agreed project milestones.

The changes in personnel within ATFS last year has meant that the business has stabilised and, although the issues within education procurement continues, the treasury advice into the housing and international markets has seen an increase in the half year. This is expected to improve in the next half.

Oaks Consultancy Limited ("Oaks")

Oaks is a specialist sports, charity, statutory and education consultancy operating within the UK and Europe with an increasing international presence. Oaks' clients include national and international sports teams and governing bodies, national and international charities, statutory organisations and local authorities, multi academy trusts and teaching school alliances, housing associations and corporate businesses.

Oaks provides consultancy advice and guidance on strategy and business planning, organisational and cultural change programmes, impact measurement, together with implementation support in relation to income generation and diversification. Contracts are delivered through a mix of fixed-fee projects and retained contracts for general advisory services.

The agreed investment in Oaks was slower than anticipated and this has affected the results this half year. With two of the three planned sector leads now in-place the expectations are that the results in the second half will recover, although not to budgeted levels.

Investments

The Group continues to hold a 5.3% equity stake in AssetCore, a company building a financial debt management platform for the affordable housing sector.

Group-wide initiatives

ESG Group

The purpose of the ESG Group is to focus on the Environment, Social and Governance (ESG) agenda and to drive the agenda across the Group and its subsidiaries. This includes driving Aquila's approach to being a climate conscious organisation. During the year the Group retained its Carbon Neutral Plus status and to ensure all employees are treated fairly. The Group commit to training all employees on the importance of having an inclusive workforce.

Further information about, and activities within the groups, is available on the website.

Outlook

The outlook for the second half is positive. The housing and international markets continue to provide opportunities for the Group and the investment in the Sports, Charity and Education sector should see an increase in contracts in the next period.

Retention and recruitment continue to be one of the major risks and there is a sharp focus on this by the leadership teams of each business within the Group. In addition, the Group remains focused on improving margins whilst retaining turnover growth.

Going concern basis

The Board updates its three-year business plan annually. This includes a review of the Company's cash flows and other key financial ratios over the period. These metrics are subject to sensitivity analysis which involves flexing a number of the main assumptions underlying the forecast, both individually and in unison. Where appropriate, this analysis is carried out to evaluate the potential impact of the Company's principal risks. The three-year review also makes certain assumptions about the normal level of capital investment likely to occur and considers whether additional financing facilities will be required.

The Group does not have any bank debt and remains in a strong cash position with balances at the end of September 2023 at £1.65m and net current assets at £2.86m.

The Directors continue to review the forecasts on a monthly basis applying stress tests to the reforecasts to ensure viability of the outputs. The Group continue to monitor cash balances, debtors and cash generation on a daily basis. Based on the results of these analyses, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due in the next twelve months and over the three-year period of their assessment.

Risks and uncertainties

The key risks and uncertainties relating to the Group's operations remain largely consistent with those disclosed in the Group's Annual Report and Accounts for the year ended 31 March 2023. These are listed below:

- Financial risk
- Unfavourable economic conditions and/or changes to government policy
- Competition
- Staff skills, retention, recruitment and succession
- Data governance

The Group seeks to mitigate all these risks through ensuring that it monitors changes in statutory, regulatory and financial requirements and maintains good relationships with its clients, principal contacts within government, regulators and other key influencers within the sector. The Group is well placed to provide the full range of services needed by its clients as the external environment changes.

A detailed explanation of the risks relevant to the Group is on Page 20 of the Annual Report and Accounts for the year ended 31 March 2023 and is available on the Company's website at www.aquilaservicesgroup.co.uk.



–
Fiona Underwood –
Executive Director
24 November 2023

Directors' report

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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority ("DTR") and with International Accounting Standard 34 on Interim Financial reporting ("IAS 34"). The Directors confirm that, to the best of their knowledge,

- a) this Unaudited Interim Condensed Consolidated Report, which has been prepared in accordance with UK-adopted International Accounting Standard 34 gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- b) 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
 - material 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.

Remuneration of directors and key management personnel

The remuneration of the key management personnel of the Group, including all directors of subsidiary companies, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Six months to 30 September 2023 (unaudited) £'000	Six months to 30 September 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
Wages and salaries	395	499	1,036
Share-based payments	2	5	5
Post-retirement benefits	17	24	48
	415	528	1,089



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Claire Banks - Group
Finance Director
24 November 2023

Condensed Consolidated Statement of Comprehensive Income For the six months ended 30 September 2023

	Six months to 30 September 2023 (unaudited) £'000	Six months to 30 September 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
Revenue	5,923	5,874	12,249
Cost of sales	(4,883)	(4,796)	(9,644)
Gross profit	1,040	1,078	2,605
Administrative expenses	(966)	(776)	(1,828)
Operating profit	74	302	777
Finance income	19	-	17
Impairment of Goodwill	-	-	(120)
Profit before taxation	93	302	674
Income tax expense	(25)	(58)	(156)
Profit for the period	68	244	518

Earnings per share attributable to owners of the parent

	'000	'000	'000
Weighted average number of shares:			
Basic	39,962	39,962	39,962
Diluted	41,016	41,016	41,016
Basic earnings per share	0.17p	0.61p	1.29p
Diluted earnings per share	0.16p	0.60p	1.26p

Condensed Consolidated Statement of Financial Position as at 30 September 2023

	30 September 2023 (unaudited) £'000	30 September 2022 (unaudited) £'000	31 March 2023 (audited) £'000
Non-current assets			
Goodwill	3,197	3,317	3,197
Right of use assets	397	229	185
Property, plant and equipment	63	50	49
Investments	71	71	71
	3,728	3,667	3,502
Current assets			
Trade and other receivables	3,221	2,574	3,130
Cash and bank balances	1,649	1,718	2,405
	4,870	4,292	5,535
Current liabilities			
Trade and other payables	1,703	1,266	2,260
Lease liabilities	105	89	69
Corporation tax	206	222	170
	2,014	1,577	2,499
Net current assets	2,856	2,715	3,036
Non-current lease liabilities	298	150	126
Net assets	6,286	6,232	6,412
Equity			
Share capital	1,998	1,998	1,998
Share premium account	1,712	1,712	1,712
Merger reserve	3,042	3,042	3,042
Share-based payment reserve	370	358	364
Retained losses	(836)	(878)	(704)
Equity attributable to the owners of the parent	6,286	6,232	6,412

Condensed Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Share based payment reserve £'000	Retained losses £'000	Total equity £'000
Balance at 1 April 2022	1,998	1,712	3,042	415	(1,025)	6,142
Issue of shares	-	-	-	(63)	63	-
Transfer on reserves	-	-	-	-	244	244
Total comprehensive income	-	-	-	6	-	6
Share based payment charge	-	-	-	-	(160)	(160)
Balance at 30 September 2022	1,998	1,712	3,042	358	(878)	6,232
Transfer on reserves	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	274	274
Share based payment charge	-	-	-	6	-	6
Dividend	-	-	-	-	(100)	(100)
Balance at 31 March 2023	1,998	1,712	3,042	364	(704)	6,412
Transfer on reserves	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	68	68
Share based payment charge	-	-	-	6	-	6
Dividend	-	-	-	-	(200)	(200)
Balance at 30 September 2023	1,998	1,712	3,042	370	(836)	6,286

Condensed Consolidated Statement of Cash Flows for the six months ended 30 September 2023

	Six months to 30 September 2023 (unaudited) £'000	Six months to 30 September 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
Cash flow from operating activities			
Profit for the period	68	244	518
Interest received	(19)	-	(17)
Income tax expense	25	58	156
Share based payment charge	6	6	12
Impairment of goodwill	-	-	120
Depreciation	63	59	124
Operating cash flows before movement in working capital	143	367	913
(Increase)/decrease in trade and other receivables	(91)	19	(537)
(Decrease)/increase in trade and other payables	(557)	(652)	343
Cash generated by operations	(505)	(266)	719
Income taxes refunded/(paid)	11	20	(130)
Net cash (outflow)/inflow from operating activities	(494)	(246)	589
Cash flows from investing activities			
Interest received	19	-	17
Purchase of property, plant and equipment	(33)	(25)	(45)
Net cash (outflow) from investing activities	(14)	(25)	(28)

	Six months to 30 September 2023 (unaudited) £'000	Six months to 30 September 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
Cash flows from financing activities			
Lease liability payments	(48)	(44)	(89)
Dividends paid	(200)	(160)	(260)
Net cash (outflow) from financing activities	(248)	(204)	(349)
Net (decrease)/increase in cash and cash equivalents	(756)	(475)	212
Cash and cash equivalents at beginning of the period	2,405	2,193	2,193
Cash and cash equivalents at end of the period	1,649	1,718	2,405

Notes to the condensed set of financial statements for the six months ended 30 September 2023

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. It provides specialist housing, sport, education and treasury management consultancy services.

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 2023 and expected to be adopted in the financial information by the Company in preparing its annual report ending 31 March 2024.

This Interim Consolidated Financial Information for the six months ended 30 September 2023 has been prepared in accordance with UK-adopted International Accounting Standard 34. 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 2023, which were prepared in accordance with UK-adopted International Accounting Standards and have been delivered to the Registrar of Companies. The auditors 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 2023 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. Operating segments

The Group has two reportable segments being: consultancy, and treasury management services, the results of which are included within the financial information. In accordance with IFRS8 'Operating Segments', information on segment assets is not shown, as this is not provided to the chief operating decision-maker.

The principal activities of the Group are as follows:

Consultancy – a range of services to support the business needs of a diverse range of organisations across the housing (including housing associations and local authorities), education and sports sectors. Most consultancy projects run over one to two months and on-going business development is required to ensure a full pipeline of consultancy work for the employed team.

Treasury Management – a range of services providing treasury advice and fund-raising services to non-profit making organisations working in the affordable housing and education sectors. Within this segment of the business several client organisations enter fixed period retainers to ensure immediate call-off of the required services.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment, without allocation of central administration costs, including Directors' salaries, finance costs and income tax expense. This is the measure reported to the Group's executives for the purpose of resource allocation and assessment of segment performance.

	Six months to 30 Sept 2023 £'000	Six Months to 30 Sept 2022 £'000
Revenue from Consultancy	5,734	5,647
Revenue from Treasury Management	189	227
	<u>5,923</u>	<u>5,874</u>

Within consultancy revenues, approximately 8% (2022: 16%) has arisen from the segment's largest customer; within treasury management 19% (2022: 20%).

Geographical information

Revenues from external customers, based on location of the customer, are shown below:

	Six months to 30 Sept 2023 £'000	Six months to 30 Sept 2022 £'000
UK	5,530	5,658
Europe	268	193
Rest of World	125	23
	<u>5,923</u>	<u>5,874</u>

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 '000	Amount called up and fully paid £'000
As at 1 April 2022	39,961	1,998
As at 30 September 2022	39,961	1,998
As at 31 March 2023	39,961	1,998
As at 30 September 2023	39,961	1,998

5. Share-based payment transactions

The Company operates an Unapproved Scheme and an Enterprise Management Incentives Scheme. The total cost recognised in the period to 30 September 2023 arising from share-based payment transactions is £6k (30 September 2022: £6k).

Unapproved scheme	Number '000	Weighted average exercise price
Number of options outstanding at 1 April 2023 and 30 September 2023	171	£0.35

The exercise price of the options outstanding at 30 September 2023 is £0.35

EMI scheme	Number '000	Weighted average exercise price
Number of options outstanding at 1 April 2023	2,196	£0.05
Number of options outstanding at 30 September 2023	2,196	£0.14
Number of options exercisable at 30 September 2023	1,305	£0.05

6. 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.

7. Dividend

An interim dividend of 0.25p will be paid on 20 December 2023 to shareholders on the register at 8 December 2023 at a cost of £99,905.

8. Related party disclosures

Balances and transactions between the Group and other related parties are disclosed below:

During the 6 months to 30 September 2023, Derek Joseph, Chair, was paid £33k (6 months to September 2022: £11.7k) which includes £28k (6 months to September 2022: £6.7k) of consultancy fees in relation the Group's international business.

Richard Wollenberg, non-executive director, accrued fees of £2k (6 months to September 2022: £2k). At 30 September 2023, the balance owed to Richard Wollenberg for services as a non-executive director was £6k (6 months to September 2022: £6k).

Company Secretary

Claire Banks
claire.banks@aquilaservicesgrp.co.uk

Financial Advisor

Beaumont Cornish Limited
Building 3
566 Chiswick High Road
London
W4 5YA

Registered Office

Tempus Wharf
29a Bermondsey Wall West
London
SE16 4SA

Independent Auditors

Crowe U.K. LLP
55 Ludgate Hill
London
EC4M 7JW

Bankers

National Westminster Bank plc
50 High Street
Egham
Surrey
TW20 9EU

Registrars

Neville Registrars
Neville House
Steelpark Road
Halesowen
B62 8HD

Directors

Derek Joseph
Non-executive Chair
Dr Fiona Underwood
Group Chief Executive Officer

Claire Banks
Group Finance Director

Richard Wollenberg
Non-Executive Director

Company Number
08988813

Company Site
aquilaservicesgroup.co.uk

London Stock Exchange
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