Aquila Services Group plc

Annual report and financial statements for the year ended 31 March 2019

Company Registration No. 08988813 (England and Wales)

Contents

Directors and Advisers

Directors	Derek Joseph	*Chair (Non-Executive Director)*
	Dr Fiona Underwood	*Executive Director – Chief Executive Altair and Company Secretary*
	Steven Douglas CBE	*Group Chief Executive*
	Susan Kane	*Group Finance Director*
	Richard Wollenberg	*Non-Executive Director*
	Jeffrey Zitron	*Non-Executive Director – resigned 30 January 2019*
Company Secretary	Dr Fiona Underwood	
Registered office	Tempus Wharf 29A Bermondsey Wall West London SE16 4SA	
Independent Auditors	Crowe U.K. LLP St Bride's House 10 Salisbury Square London EC4Y 8EH	
Corporate Advisor	Beaumont Cornish Limited 10th Floor 30 Crown Place London EC2A 4EB	
Bankers	National Westminster Bank plc 50 High Street Egham Surrey TW20 9EU	
Registrars	Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD	
Company Number	08988813	
Company website	www.aquilaservicesgroup.co.uk.	

Chair's Statement

Dear Shareholder,

I am pleased to present the Annual Report and Financial Statements for the year to 31 March 2019.

Aquila Services Group plc ('the company') is the holding company for Altair Consultancy & Advisory Services Ltd ('Altair') and Aquila Treasury & Financial Solutions Ltd ('ATFS') which form the group ('the group').

We are pleased to welcome Oaks Consultancy Limited ('Oaks'), an independent consultancy which assists education and sporting organisations and joined the group on 11 June 2019.

The group continues to implement its business strategy of widening our offer to encompass all the professional consultancy services that our client base demands. The group now encompasses specialisms in affordable housing, regeneration, sport and education consultancy. This includes the provision, financing and management of affordable housing and related activities, advising and supporting organisations that benefit local communities such as housing associations, local authorities, government agencies, multi-academy trusts, 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. The acquisition of Oaks is a key step in fulfilling this strategy.

Group Members

Altair Consultancy & Advisory Services Ltd

Altair is a specialist management consultancy providing professional services to local authorities, housing associations, charities, property companies, regulators and government departments. The consultancy covers the whole of the United Kingdom and, during the year under review, has been consolidating its presence in the Republic of Ireland and has continued its investment in further resourcing its client base in the Midlands and the North of England. Altair advises on all aspects of development and management of affordable housing for rent and sale and on the effective management of organisations operating in the sector. With the changes in the regulatory regime allowing 'for profit' housing organisations to be registered with The Regulator for Social Housing, advising commercial development companies on how they can comply and work within the new regime is a significant area of expansion.

The acquisition of 'pod', a consultancy specialising in development and related financial modelling services in October 2017 was reported in my previous annual statement. We have now been able to consolidate these activities within the Altair framework and this business stream is now poised for significant growth underpinned by a programme of recruitment which is already underway.

As reported previously, a separate business stream to bid for and undertake work in Africa was established in 2017 and is now being further resourced to expand our international work. This reflects an increased interest by national governments in developing economies, pan-national institutions and aid agencies in the benefits of urban regeneration and creating institutions to support affordable housing in the continent.

The company has over 300 active clients and depending on the service requirement, supplies these on time-based charge-out rates, fixed price or retention agreements.

Aquila Treasury & Financial Solutions Ltd

ATFS is a specialist treasury management consultancy authorised and regulated by the Financial Conduct Authority. ATFS advises local authorities, housing associations, higher education bodies and other clients on their capital funding requirements and supports them in securing and managing debt finance. The business operates principally through contracts as retained general treasury advisers with a significant number of clients, and specific advisory projects on which fees are generated according to agreed milestones.

ATFS provides its consultancy services principally through retention agreements or fixed price contracts. Where it is involved in advising on fundraising, fee arrangements are normally result based. These latter contracts are often procured as a result of winning competitive tenders. As smaller clients raise new funds infrequently, growth will be through expanding the client base.

Oaks Consultancy Limited

Oaks joined the group on 11 June 2019 and so its results are not included in the accompanying consolidated results. The company was founded in 2008 and has an established track record in education and sports related consultancy and in recent years has grown its core client base to include organisations in the voluntary and public sector which are either existing group clients or have synergies with the work of those clients.

Oaks is based in Birmingham with the team of 18 delivering services across the UK.

The unaudited management accounts of Oaks at 31 March 2019 reported turnover for the 12 months of £909k and profit before taxation but not adjusted for directors' salaries of £254k. The total consideration for the purchase, including the maximum payment for meeting targets over the next two financial years will not exceed £1.7m of which 35% is cash and 65% new ordinary shares.

Oaks sells its services either through retention agreements, fixed price contracts, or success related fees. This latter arrangement is particularly relevant to assignments involving bidding for funds or arranging sponsorship.

Investments

In March 2018, Aquila acquired minority stakes in 3C Consultants Limited and AssetCore Limited, companies involved in the provision of IT consultancy to the affordable housing sector and a cloud-based platform to manage loan security respectively. The total cost was approximately £348k. In addition to the investment in 3C, Steve Douglas, our Group Chief Executive, joined the board as a non-executive director. The company sells its consultancy services on a similar basis to Altair and is looking to replicate the same growth targets.

The investment in AssetCore represents around 8% of its enlarged equity and was part of a £500,000 cash injection to expand the platform currently used by eleven major housing associations. I, and our non-executive director Richard Wollenberg also invested similar amounts and now each hold around 8% of the enlarged equity and I sit on the board as a non-executive director.

It is part of the group's continuing strategy to establish a presence as a key player in a range of IT consultancy and digital initiatives in the sector.

Chair's Statement

Financial results

The comparison between this reporting period, the mid-year results and the previous year's results for the Group are as follows:

	Year ended 31 March 2019 (audited) £000s	6 months to 30 September 2018 (unaudited) £000s	Year ended 31 March 2018 (audited) £000s
Turnover	7,656	3,592	5,905
Gross profit	1,867	773	1,562
Operating profit (before share option charge)	724	281	660
Share option charge	117	59	135
Operating profit (after share option charge)	607	222	524

The Group has a strong balance sheet with £1.72m (2018: £0.98m) in cash deposits as at 31 March 2019. Where the Group is committed to pay cash for the acquisition of Oaks, there is sufficient cash and working capital to facilitate this.

Altair's consultancy and interim management business contributed £7.086m (2018: £5.32m) and ATFS's £0.58m (2018: £0.59m).

Operating profit took into account investment in new staff and resources for expanding our activities and meeting changing demand. Profit after tax, attributable to shareholders, was £461k (2018: £405k) and earnings per share was 1.32p (2018: 1.20p).

Dividend

The directors propose a final dividend of 0.6p per share (2018: 0.55p), making a total dividend for the year of 0.89p per share (2018: 0.81p), an increase of 10% compared to 2018. This will be payable on 2 August 2019 to shareholders on the register at 19 July 2019.

Outlook

The outlook for the group remains positive. We are expanding our services and skill base to meet the demands of key organisations in the UK economy. Whatever the outcome of the Brexit negotiations and the future political make-up, there will be continuing pressure to deliver more homes, support employment, particularly in the construction industry, and for the promotion of health and education, including sporting opportunities.

The international work of Altair offers the opportunity to expand our revenue base as well as diversify our markets. Altair Africa and Altair International were set up in 2017 as our first ventures into this wider market. We have built up a small team where I have taken an executive role in identifying clients, winning contracts and being involved in the delivery. These contracts are nearly all won through competitive tender and based on fixed prices, usually denominated in dollars or euros. Building on this initial success, we anticipate appointing an executive to lead this team and to recruit additional specialists, both as employees and associates.

Critical to the reputation and sector penetration of the business is that we embrace the digital agenda of our clients. The investment in 3C and AssetCore is part of this strategy, balancing consultancy support with development of specialist platforms. We will be continuing this approach for the foreseeable future to exploit the demand for digital services.

Chair's Statement

We operate in an industry where the providers of support services to our existing clients and potential clients come from a few major providers and a range of smaller fragmented businesses. Where there are synergies and financial opportunities, we will look to make acquisitions. At the same time, we will look to recruit the additional specialist skills we need and invest in our existing staff. Any acquisitions will always include a significant element of shares in the company as part of the consideration and for existing staff, the provision of a valuable share option scheme.

There will always be a limit to how fast the business can grow; we will continue to balance the need for investment and the continuing growth of our reported profits and dividend yield. For the year ended 31 March 2019, I believe that we achieved the right balance and we will continue these policies and strategies for the foreseeable future. I look forward to reporting on continuing progress in our next report for the six months ending 30 September 2019.

I cannot finish this report without recording my thanks to my fellow directors, executive team and staff and associates of the group. As a people business, the group is dependent on their commitment and expertise.

In particular I want to record my thanks to Susan Kane, our Group Finance Director, who was one of the prime movers in setting up Altair in February 2011 and who, after a sabbatical in 2018 and then returning to the group on a part-time basis, has decided to step back from her Group commitments from the date of this year's AGM and retire fully from September 2019. I am delighted that Claire Banks, our current Head of Finance and Corporate Resources, will step into the role of Group Finance Director. I must also mention our pleasure in the award of a CBE in the recent Honours List to our Group Chief Executive, Steve Douglas, for his services to housing. It is richly deserved.

Derek Joseph – Chair

26 June 2019

Strategic Report

Strategy and Objectives – Leadership, Quality, Insight

The strategy and objectives of the Group are to:

- Provide high quality consultancy advice and support to organisations operating within or aligned to the public sector that aim to make a difference in communities
- Continue to seek out acquisitions and investments which will expand our range of services and scope of business to increase our ability to be a multi-disciplinary, multi-sector provider of professional support services for the clients of our subsidiary companies
- Attract and retain employees by providing a great place and environment to work, and enable employee participation and reward through equity participation
- Increase our client base across the UK and internationally
- Encourage innovation through the development of new products.

Our business

As at 31 March 2019 the Group comprised the holding company, Aquila Services Group plc ("the Company"), and two trading subsidiaries, Altair Consultancy and Advisory Services Limited ("Altair") and Aquila Treasury and Finance Solutions Limited ("ATFS").

Altair Consultancy and Advisory Services Ltd

Altair provides support services to enable organisations to carry out their activities in a more efficient manner. It helps manage complex and diverse organisations through periods of significant change, driving service improvement and delivering creative solutions. Altair's traditional client base includes housing associations, developers and regeneration specialists, charities and local authorities. Our client base also includes government departments, statutory bodies, financial institutions and other private commercial institutions.

Within the housing sector, Altair provides a broad range of advisory and consultancy services to its clients, covering areas such as general management, high-level executive recruitment, corporate governance, financial planning, management strategy, organisational improvement and training. The full integration of "pod" has greatly expanded our development, regeneration and compliance offering.

We have strong relationships with the English Regulator (the Regulator of Social Housing), Greater London Authority, Welsh Government, Community Housing Cymru, the Scottish Housing Regulator, the Irish Housing Regulator, the Irish Council for Social Housing and the Government of Jersey. Altair's services also cover the application of government strategies to increase the supply of affordable housing both for rent and home ownership, as well as local government initiatives encouraging the transfer of public sector housing to independent vehicles.

Altair has created a specialist bid team to enable our expansion into Africa. This work has focused on assisting governmental and international institutions interested in the provision of affordable housing in countries such as Nigeria and Rwanda.

Aquila Treasury and Financial Solutions Ltd

ATFS specialises in providing debt and financial risk management advice to organisations principally involved in the affordable/social housing and education sectors. Continued pressure to deliver more homes and fundamental changes in the financing markets mean there is strong and growing demand for specialist treasury advisory services, with increasing emphasis on funding from the capital markets and other sources of long-term capital.

Housing associations and local authorities are becoming involved in more complex legal, commercial and financial structures, particularly with housebuilders and private sector developers in joint ventures. As clients face new risks, Altair's products and services complement ATFS' core advisory activity, providing opportunity for the growth of a comprehensive financial and commercial advisory service.

Going Forward

Oaks Consultancy Ltd

Oaks specialises in two main sectors: Education, working with multi-academy trusts/further and higher education institutions; and Sport, working with sport bodies, charities and clubs. Oaks will enable the diversification of our offer using the synergies of our core strengths in governance consultancy, strategic advice and financial modelling support.

Review of the Business

Key Performance Indicators

The Group monitors its key performance indicators (KPIs) regularly. These are set out below:

	Revenue £000s	Gross profit £000s	Earnings per share
2019	7,656	1,867	1.32p
2018	5,905	1,562	1.20p

	Number of clients	Number of new clients	Client retention rate (%)
2019	339	107	84
2018	225	77	66

The year under review has achieved the following financial results:

The Group saw a 30% increase in turnover on 2018. This reflected the growth in Altair's housing consultancy, specifically through the acquisition of "pod", which was countered by a decline in revenue of interim management business through a tightening of IR35, some consolidation in the sector, and the continued impact of the government's policy of rent reduction for the sector.

Gross profit for the Group increased by £0.31m (20%). Aquila continues to make substantial investment in its staff and IT infrastructure in anticipation of future growth; the Board anticipates that this continued investment will aid future profit growth. The Group is in a very strong net asset position, with £1.72m in cash held at 31 March 2019.

Operating across the UK and Ireland, we have continued to grow our services into the North of England and Wales. Our international work also continues to grow and demonstrates our ability to transfer our expertise internationally. The Group is benefiting from our acquisitions and investment in recent years and we have seen an increase in opportunities arising from cross-selling the full range of our services with clients.

Brexit is causing continued uncertainty in the sector, with the most significant impact being on housing associations with large market-sale development programmes. We are supporting a number in reprofiling their programmes and ensuring financial viability going forward. Despite the challenges in the outright sale market, development activity in the affordable and social housing sector has remained strong this year. The National Housing Federation reported that, in the twelve months to December 2018, housing associations had completed almost 44,000 new homes, an increase of 12% compared to the previous year. The first quarter for 2019 followed the same trend with nearly 11,000 new homes registered in the affordable and social rented sector, an increase of 36% on the previous year.

This was the first full year of integration following the acquisition of “pod” in October 2018, which expanded our property development capability and capacity, enabling us to take advantage of this strong market. In addition, the removal of the Local Housing Allowance cap is now resulting in a significant increase in development activity by local authorities, with many also setting up their own wholly-owned subsidiaries for development purposes. Aquila is uniquely positioned to provide support on the initial set-up, governance, procurement and then ongoing development programme delivery for these organisations. We are already working with clients such as Lambeth, Enfield, Basildon, Barking and Dagenham.

Compliance with health and safety requirements is a priority for housing providers; this has come into sharper focus following the Grenfell tragedy. We have supported a wide range of organisations in compliance audits and providing governance advice. We have increased our staff capacity to meet this client need. Previously there has been a trend towards deregulation in the sector but, following the publication of the Social Housing Green Paper in 2018, we are likely to see a strengthening of consumer regulation in some form. With governance being one of our core disciplines, we are well positioned to support organisations in ensuring that their overall approach to governance complies with the needs of the changing environment.

The affordable and social housing sector is continuing to become more diverse, with an increase in the number of ‘new entrants’ and ‘for-profit’ affordable housing providers. This includes institutional investors and commercial developers who see benefits in setting up as a registered provider of social housing. These new entrants are likely to change the shape of the sector over the next five years, with many having strong ambitions to grow quickly. Our work with these new entrants, such as Blackstone/Sage, Alpha Real Capital and Resi, has focused on providing advice on areas such as registering with the Regulator for Social Housing, financial planning, funding, ensuring regulatory compliance and organisational design. This part of the sector is likely to increase in size and is a key growth opportunity for Aquila.

Within the traditional social housing sector, there is a continued drive for organisations to operate more efficiently and create capacity to build more homes. We have supported several mergers throughout the year and expect further activity next year. Organisational change and transformation activities also remain high on the agenda of many in the sector.

As part of our approach to supporting clients in embracing technology and modernising approaches to work, our work with 3C continues to cover all aspects of ICT consultancy, from strategy to implementation. We also continue to support the exploration of a fintech platform for financial institution compliant document handling through our investment in AssetCore. Both strategic investments support the continuing diversification of our offer to clients, with a specific focus on technology and transformation activities.

Through the transformation programmes, there is ongoing appetite for our human resource and recruitment activities. This particularly focuses on providing support during organisational change. This year we have been involved in several high-profile recruitment activities for executive and non-executives for clients such as Gentoo, Riverside, and Shepherds Bush Housing Groups.

Our international work has seen projects in Rwanda and Nigeria. Our work in this area involves providing support for the set-up, funding and management of affordable and social housing related activities. There are significant opportunities for growing our international activities. To support this we have developed, resourced and are implementing an international growth strategy.

We continue to position ourselves as thought leaders in the sector. We published the results of our second report (the first was published in 2016) in the *Future Gazing Future Shaping* series which aims to assess levels and approaches to innovation and transformation in the sector.

We were commissioned by seven housing associations in Wales to complete a feasibility study, funded by Welsh Government, into the most efficient way of delivering 250 off-site manufactured homes per annum in South Wales. This links to our increased activity in the developing area of modern methods of construction.

We also continue to be a lead partner in the Leadership 2025 campaign, creating a more diverse leadership across the housing sector. This work is supported by BME London, L&Q, Optivo and Network Homes.

The extension of IR35 to the private sector is leading to changes in demand for our executive interim management services. Ongoing uncertainty caused by Brexit is also likely to remain a challenge for many in the sector. However, overall the opportunities for continued growth remain strong.

ATFS continues to be contractually retained general treasury advisers to a significant number of clients and additional fees are secured on specific bespoke projects. During the year under review, we successfully advised several clients in connection with their first financing from the capital markets. Although uncertainty concerning the impact of “Brexit” has caused some delay in clients committing to projects, further similar assignments have commenced with fees expected to accrue during the next twelve months.

Post balance sheet event

On 11 June 2019, the Group acquired the entire share capital of Oaks Consultancy Limited. The total consideration for the purchase, including the maximum payment for meeting targets over the next two financial years, will not exceed £1.7m of which 35% is cash and 65% new ordinary shares, as set out in note 25 to the Financial Statements.

The Group will also continue to look at opportunities to expand its consultancy base through acquisition so as to offer an increased scope of services and products to our clients.

Principal Risks and Uncertainties

The principal risks currently faced by the Group are:

Financial Instruments

The main financial risks arising from the Group’s activities are credit risk, foreign currency risk and interest rate risk, details of which can be found in note 24 to the Financial Statements.

Unfavourable economic conditions and/or changes to government policy

The Group’s operating results and its financial condition may be negatively affected by a downturn in the general economic climate within the UK which consequently may have an adverse influence upon government policy and spending, and private sector investments.

A reduced level of economic activity will restrict the amount of outsourcing by companies, local authorities or other bodies and result in the restriction of funding available for the purchase of such services leading to a decline in the number of firms in the sector and their profitability.

The continuing Brexit negotiations and the immediate aftermath of the United Kingdom leaving the European Union could lead to a period of uncertainty; this may cause clients to review their spending with consultancy providers and lead to a reduction in projects.

The focus on the tax arrangements of IR35 within the interim market for public sector bodies has caused a softening of the interim market with government and local authorities. Clients are carefully reviewing their spend and methods of resourcing, turning to new and alternative models.

Reduction in government investment and funding

The Group’s future revenues and profitability will be dependent on the current UK Government’s policy regarding expenditure on service and social housing improvements and to public expenditure levels in general. The introduction of policies to restrict the income for housing providers is a risk that the Group is monitoring closely.

The Grenfell tragedy in 2017 has meant that organisations have invested in remedial works and, although the Government has indicated there is some money available for recladding of tower blocks, this has been provided from the Affordable Housing Programme which provides the grant to clients who are developing new houses. This reallocation of investment is likely to affect development and regeneration programmes for our clients, although the funding is due to be reinstated in the 2022 Programme.

A change in the political environment relating to regeneration, specifically in the major cities, could dampen private developer appetite and this would have an impact on our clients.

The UK Government and local authorities may decide in future to change their programmes and priorities, including reducing present or future spending and investment where the Group would expect to compete for work.

Competition

The contracts and procurement arrangements under which companies operating in these sectors compete for new business can lead to a higher cost of procuring new contracts and the possibility of not meeting fully the terms of contracts resulting in reduced margins.

Staff skills, retention, recruitment and succession

The success of the Group is dependent on retaining, developing, motivating and communicating with senior management and personnel and, as the business grows, on recruiting appropriately skilled, competent people at all levels. Any shortage in the availability of appropriately skilled personnel may have a negative impact on the Group. The directors of the subsidiaries are expected to contribute to the Group’s ability to obtain, generate and manage opportunities.

Data governance

The increase of cyber-attacks and the loss of data is a serious risk that is monitored closely. The Group complies with all relevant legislation and has invested in updated systems, security and training during the year.

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 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 housing providers as the external environment changes. The outlook for the business continues to be positive. A continued understanding of its position in the market and delivering value for money to clients will ensure that services and products remain competitive. In addition, the Group will ensure that its people policies are refreshed and follow good practice so that it can continue to attract and retain excellent staff.

Employees

A split of our employees and directors by gender as at the end of the year is shown below:

	Male	Female
Directors of the Company	**3**	**2**
Directors of subsidiary companies not included in above	3	–
Employees in other senior management positions	2	3
Total senior managers other than directors of the Company	**5**	**3**
Other employees of the Group	21	23
Total employees of the Group	**29**	**28**

The Group consults with its employees regularly through direct updates and conducts an annual review of staff; results are reviewed and discussed by the directors and an action plan agreed and discussed with all staff. The Group invests in training and developing its employees through both internal and external courses.

The Group follows the legislative requirements set out in the Equality Act 2010 which covers all aspects of equality and diversity, replacing previous legislation covering equal pay, sex, race and disability discrimination. The Group gives due consideration to all applications and provides training and the opportunity for career development wherever possible. The Board is also mindful of the Human Rights Act 1998.

Environment

We understand and effectively manage the actual and potential environmental impact of our activities. The Group's operations are conducted such that compliance is maintained with legal requirements relating to the environment.

Corporate and Social Responsibility

The Group recognises that we have a responsibility to ensure the impact of our business is positive, and that we are good corporate citizens. We focus our corporate and social responsibility in four key areas: sustainability, staff, charitable giving, and supporting communities.

- We are committed to treating with respect and dignity those we work with.
- We are committed to honesty and transparency in our communication with staff, external stakeholders, and customers.

- We recognise the importance of reflecting our clients and networks within the housing sector and seek to promote diversity and inclusion in all our activities.
- The Group considers a strategic approach to diversity and inclusion is imperative to creating an environment that supports its talented and highly valued people. Our approach is based on inclusivity, enabling those we work with, and those who work for us, to achieve their potential.
- We ensure those we work with are provided with equitable opportunities, and do not discriminate because of age, gender, sexuality, disability, ethnicity, or any other protected characteristic listed in the Equality Act 2010.
- We aim to work actively with our suppliers to ensure they meet our values and consider the sustainability implications of their decisions.
- We are conscious of our responsibilities to minimise the environmental impact of our activities and to behave in a sustainable manner.
- We know that, as corporate citizens, we have a responsibility to the broader community. We work with our stakeholders to understand community priorities and reflect these in our activities.
- We work with organisations whose customers include some of the most vulnerable in society. We are committed to supporting our clients as they contribute to their communities and consider the impact of their plans on their stakeholders.
- We recognise that our staff are the most valuable asset of our organisation. Our employment policies across the Group seek to exceed mere compliance with relevant legislation, to create a working environment that embraces diversity and offers fairness and equality of opportunity throughout our workplace.
- Aquila will support the development of all its staff, particularly those from diverse backgrounds. We will challenge inappropriate and discriminatory behaviours and will continually assess our progress against organisations inside and outside of the sector.
- We support and encourage our staff to engage in the governance of organisations within our spheres of influence, for example by holding non-executive directorships of charities or not-for-profit organisations.

During the year, we continued our commitment to supporting a vibrant and inclusive leadership within the housing sector. Altair has been providing extensive support to the **Leadership 2025** programme. Altair, along with housing associations L&Q, Optivo, Network Homes and BME London, in partnership with Roffey Park Business School, have led this leadership programme aimed at senior leaders from BME backgrounds. Now recruiting for the third-year cohort, and supported by the GLA, Leadership 2025’s central aim is to support and empower BME senior professionals to become sector leaders of the future. Leadership 2025 seeks to positively disrupt the housing sector by challenging current perceptions.

Altair has also committed to report on its performance against the findings of the Altair sector review on how it performs in delivering diversity.

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.

Based on the results of this analysis, 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; thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Steve Douglas CBE – Group Chief Executive

26 June 2019

Directors' Report

The Directors present their report and consolidated financial statements for the year ended 31 March 2019.

Aquila Services Group plc is incorporated as a public limited company and is registered in England and Wales with the registered number 08988813. Details of the Company's issued share capital, together with the details of the movements during the year are shown in note 17. The Company has one class Ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. Details of employee share schemes are set out in note 20.

The Board's assessment of the performance of the group, its future developments and the principal risks and uncertainties affecting the group, together with the mitigating factors, are presented in the Strategic report on pages 7 to 14.

Principal activities

The principal activities of the Group are the provision of specialist housing and treasury management consultancy services. The principal activity of the Company is that of a holding company which manages the Group's strategic direction.

Results

The results for the Group for the year ended 31 March 2019 are set out from page 37.

Dividends

The directors recommend a final dividend of 0.6p per Ordinary share to be paid on 2 August 2019 to shareholders on the register at 19 July 2019 which, together with the interim dividend of 0.29p paid on 21 December 2018, makes a total of 0.89p for the year.

Directors

The following served as directors of the Company during the period or thereafter:

Derek Joseph	*Chair*
Steven Douglas	*Group Chief Executive*
Fiona Underwood	*Executive Director – Chief Executive Altair and Company Secretary*
Susan Kane	*Group Finance Director*
Richard Wollenberg	*Non-Executive Director*
Jeffrey Zitron	*Non-Executive Director – resigned 30 January 2019*

Directors' Report

Substantial Shareholdings

As at 31 March 2019, 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	10.8%	Direct
Susan Kane	3,279,440	9.3%	Direct
Fiona Underwood**	3,279,440	9.3%	Direct
Chris Wood	3,279,440	9.3%	Direct
Steven Douglas	3,144,305	8.9%	Direct
Derek Joseph	3,005,538	8.5%	Direct
Jeffrey Zitron	2,798,403	7.9%	Direct
Matt Carroll	1,307,229	3.7%	Direct
Hannah Breitschadel	1,307,229	3.7%	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

The Company is not aware of any changes to the above holdings between 31 March 2019 and the date of this report.

Corporate Governance Statement

The Directors report incorporates the Corporate Governance Statement set out on pages 18 to 20.

Powers of Directors

Subject to the Company's Articles of Association, UK legislation and any directions given by special resolution, the business of the Company is managed by the Board of directors. Details of the matters reserved for the Board can be found in the Corporate Governance Statement on pages 18 to 20.

Post balance sheet events

Post balance sheet events are disclosed in note 25.

Political Donations

The Group/Company made no political donations during the period.

Data Protection

The Group/Company is compliant with the Data Protection Act 1998 and the General Data Protection Regulation (Regulation (EU)2016/679).

The updated policies are available on http://aquilaservicesgroup.co.uk.

Greenhouse Gas Emissions

The Group/Company has, as yet, minimal greenhouse gas emissions to report from the operations of the Company and its subsidiaries and does not have responsibility for any other emission producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2014.

Auditor

Crowe U.K. LLP appointed as auditors on 12 March 2019 have expressed their willingness to remain in office as Auditor and, in accordance with section 489 of the Companies Act 2006, a resolution that Crowe U.K. LLP be re-appointed will be proposed at the Annual General Meeting.

Requirements of the Listing Rules

The following table provides references to where the relevant information required by listing rule 9.8.4R is disclosed:

Listing Rule requirement	
Details of long-term incentive schemes as required by Listing Rule 9.4.3R	see Directors' Remuneration Report
Details of any arrangement under which a director of the Company has waived emoluments from the Company	No such waivers
Details of any allotment for cash of equity securities made during the period otherwise than to the holders of such equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the Company's shareholders	No such allotments
Details of any contract of significance subsisting during the period to which the Company, or one of its subsidiary undertakings, is a party and in which a director of the Company is or was materially interested.	No such contracts
Details of any contract of significance subsisting during the period between the Company, one of its subsidiary undertakings, and a controlling shareholder.	No such contracts
Details of contracts for the provision of services to the Company or any of its subsidiary undertakings by the controlling shareholder.	No such contracts
Details of any arrangement under which a shareholder has waived or agreed to waive any dividends, where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.	No such waivers

Auditor Information

The Directors who held office at the date of approval of the Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Group's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Dr Fiona Underwood – Chief Executive Altair and Company Secretary

By order of the Board

26 June 2019

Corporate Governance Statement

The Corporate Governance Statement forms part of the Directors' Report.

The Board is committed to maintaining appropriate standards of corporate governance. The statement below, together with the report on directors' remuneration on pages 21 to 30, explains how the company has observed principles set out in The UK Corporate Governance Code ("the Code") as relevant to the company and contains the information required by section 7 of the UK Listing Authority's Disclosure Guidance and Transparency Rules.

The Company is not required to comply with the Code. Given the current size and resources of the Group, the Company has decided not to apply the Code provisions in full.

A copy of the Company's corporate governance practices is available on the Company's website www.aquilaservicesgroup.co.uk.

Board of Directors

The Board currently consists of two non-executive directors and three executive directors. The Board determines that Richard Wollenberg is an independent non-executive director; its assessment is based on the fact that Richard Wollenberg does not receive any additional benefits from the Group.

Derek Joseph has taken on responsibility for helping the Group develop new business growth in Africa. Additional staff members have been recruited to further develop this business and to take on the leadership responsibility. Whilst carrying out these tasks, it has been agreed to remunerate the Chair through a proportion of the fees he earns for the Group and, in the year to 31st March 2019, these totalled £52,756. (2018: £4,620).

Both Derek Joseph and Richard Wollenberg are directors of AssetCore, of which the Group has an 8% shareholding.

Steven Douglas is a board director of 3C, an associate company of the Group.

The Board meets regularly with senior staff throughout the year to discuss areas of operational performance, trading outlook and growth opportunities. The Board met 10 times during the year.

Internal financial control

Financial controls have been established to provide safeguards against unauthorised use or disposition of the assets, to maintain proper accounting records and to provide reliable financial information for internal use. Key financial controls include:

- the maintenance of proper records;
- a schedule of matters reserved for the approval of the Board; and
- evaluation, approval procedures and risk assessment for acquisitions.

The directors consider the size of the Group and the close involvement of executive directors in the day-to-day operations makes the maintenance of an internal audit function unnecessary. The directors will continue to monitor this situation.

The Group's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provision of laws and regulations central to the FCA.

Committees

The Group has three committees; Audit, Remuneration and Nominations with membership of:

	Audit Committee	Remuneration Committee	Nominations Committee
Derek Joseph	✓	✓*	✓*
Richard Wollenberg	✓*	✓	✓
Jeffrey Zitron**	✓	✓	✓
Steven Douglas	–	–	✓
Fiona Underwood	✓	–	–

* Committee Chair
** Resigned 30 January 2019

Audit Committee

The Audit Committee, which is chaired by Richard Wollenberg, comprises the independent non-executive director, the non-executive director and the Company Secretary. The Board is satisfied that Richard Wollenberg has recent and relevant financial experience to guide the committee in its deliberations.

The primary responsibilities of the Audit Committee are:

- to monitor the financial reporting for the annual and half-yearly reports, challenging where necessary to ensure appropriate accounting standards have been met;
- review the internal controls and risk management systems;
- review the compliance, whistleblowing and fraud polices for the organisation;
- make recommendations to the Board and shareholders in relation to the appointment, reappointment and removal of the external auditors; and
- meet regularly with the external auditor, review and approve the annual audit plan and review the findings of the audit with the external auditor.

The committee will meet with the external auditor to consider the results, internal procedures and controls, and matters raised by the auditor. The audit committee considers auditor independence and objectivity and the effectiveness of the audit process. It also considers the nature and extent of the non-audit services supplied by the auditor reviewing the ratio of audit to non-audit fees. It is a specific responsibility of the audit committee to ensure that an appropriate relationship is maintained between the company and its external auditor. The company has a policy of controlling the provision of non-audit services by the external auditor in order that their objectivity and independence are safeguarded. This control is exercised by ensuring non-audit projects where fees are expected to exceed £5,000 are subject to the prior approval of the audit committee.

As part of the decision to recommend to the Board the re-appointment of the external auditor, the committee considers the tenure of the auditor in addition to the results of its review of the effectiveness of the external auditor and considers whether there should be a full tender process. There are no contractual obligations restricting the committee’s choice of external auditor.

The external audit was retendered in February 2019, the process being overseen by the non-executive members of the audit committee. There was a formal selection process where three auditors were selected of which two submitted tenders for appointment. Crowe LLP were appointed by the board following the recommendation from the Audit Committee on 12 March 2019.

The Audit Committee are satisfied with the outcome of the procurement process.

Nominations Committee

The primary responsibilities of the Nominations Committee are:

- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the board;
- consider succession planning for directors and other senior executives;
- keep under review the leadership needs of the organisation, both executive and non-executive;
- identifying and nominating, for the approval of the board, candidates to fill the board vacancies as and when they arise;
- make recommendations to the Board and shareholders in relation to the appointment, reappointment and removal of the external auditors; and
- evaluate the balance of skills, knowledge, experience and diversity on the board before any appointment is made by the board, and, in the light of this, prepare a description of the role and capabilities required for a particular appointment.

The Nominations Committee, in conjunction with Board meetings, met several times during the financial year.

Remuneration Committee

The primary responsibilities of the Remuneration Committee are:

- setting the remuneration policy for executive and non-executive directors, including pension and compensation payments. No-one can be involved in their own remuneration process;
- recommending and monitoring the level and structure of senior management remuneration;
- reviewing the ongoing relevance of remuneration policy;
- approving and determining targets for any performance-based pay schemes;
- ensuring contractual terms of termination are fair; and
- overseeing any major change in employee benefits.

The Remuneration Committee met three times during the year.

The report of the Remuneration Committee is set out on pages 21 to 30 of this report.

Relations with shareholders

Presentations are given to institutional investors when requested, normally following the publication of the half year and full year results, when interim and annual reports are sent to all shareholders. The results of such meetings are discussed with board members. All directors attend the Annual General Meeting at which they have the opportunity to meet with shareholders.

Directors' Remuneration Report

The information provided on this page of the Directors' Remuneration Report is not subject to Audit.

The report is split into three main areas:

- Statement from the Chair
- Annual Report on Remuneration
- Policy Report

Remuneration Committee membership

Derek Joseph	*Chair*
Richard Wollenberg	*Non-Executive Director*
Jeffrey Zitron	*Non-Executive Director – resigned 30 January 2019*

Statement of implementation of remuneration policy in the following year

The Remuneration Committee proposes to continue with the policy approved by the shareholders at the 2018 annual general meeting.

Statement from the Chair

I am pleased to present the Annual Report on Remuneration for the year ended 31 March 2019.

The Remuneration Committee has used the remuneration policy to specifically link to the performance of the Group as a framework to set remuneration levels. Executive directors do not participate in decisions regarding their own remuneration. The committee has access to independent advice but during the year under review they have not sought such advice.

In setting the company's remuneration policy for directors, the Remuneration Committee has considered the best practice provisions annexed to The Financial Conduct Authority Listing Rules and the report has been prepared in accordance with Chapter 6 of the Companies Act 2006 and the Directors' Remuneration Report Regulations 2013.

The Remuneration Committee met three times during the year to discuss the Executive Director's remuneration, including bonus and share option awards. The Directors reviewed the remuneration policy and agreed that, following the revisions last year, no further changes were required.

The remuneration policy is designed to attract and retain executive directors and to motivate them in delivering the objectives of the Company. The underlying principle is that employee and director share ownership is encouraged, and the remuneration policy provides opportunity to reward employees who have met their financial targets and contributed to the wider success of the business. This is achieved through the award of share options. This links their personal interest to the success of the company.

Derek Joseph – Chairman of the Remuneration Committee

26 June 2019

Directors' Remuneration Report

The information provided on pages 21 to 30 of the Directors' Remuneration Report is subject to audit.

Annual Report on Remuneration

The directors followed the remuneration policy that was agreed at the AGM in 2018.

The remuneration of the **executive** directors is made up as follows:

Directors' remuneration as a single figure (2019)

	Salary and fees £	All taxable benefits £	Annual bonuses £	LTIP £	Pension £	Total £
Steven Douglas	140,000	1,050	22,400	–	8,400	171,850
Fiona Underwood	140,000	1,232	22,400	–	8,400	172,032
Susan Kane	42,000	1,232	6,720	–	–	49,952
	322,000	3,514	51,520	–	16,800	393,834

Directors' remuneration as a single figure (2018)

	Salary and fees £	All taxable benefits £	Annual bonuses £	LTIP £	Pension £	Total £
Steven Douglas	110,000	1,169	15,000	–	6,300	132,469
Fiona Underwood	110,000	1,389	15,000	–	6,300	132,689
Susan Kane	59,950	1,389	–	–	–	61,339
	279,950	3,947	30,000	–	12,600	326,497

The remuneration of the **non-executive** directors is made up as follows:

Non-executive directors' remuneration as a single figure (2019)

	Salary and fees £	All taxable benefits £	Annual bonuses £	LTIP £	Pension £	Total £
Derek Joseph*	62,756	–	–	–	–	62,756
Richard Wollenberg	4,000	–	–	–	–	4,000
Jeffrey Zitron	3,332	–	–	–	–	3,332
	70,088	–	–	–	–	70,088

*Included within the fees for Derek Joseph are £52,756 of consultancy fees.

Directors' Remuneration Report

Non-executive Directors' remuneration as a single figure (2018)

	Salary and fees £	All taxable benefits £	Annual bonuses £	LTIP £	Pension £	Total £
Derek Joseph*	10,953	–	–	–	–	10,953
Richard Wollenberg	4,000	–	–	–	–	4,000
Jeffrey Zitron	5,107	–	–	–	–	5,107
	20,060	–	–	–	–	20,060

*Included within the fees for Derek Joseph are £4,620 of consultancy fees.

The taxable benefits above represent private medical insurance.

Executive Incentive Scheme

All the executive directors of the Group's subsidiaries benefit from the executive incentive scheme ("the scheme"). Where a subsidiary is acquired during the reporting period, the Remuneration Committee (RemCo) confirms the eligibility or not of that subsidiary's executive directors for participation in the scheme for the remaining part of the year. For the year under review, the executive directors of both Altair and ATFS were eligible for the executive incentive scheme.

The scheme, which is discretionary, is dependent on the performance target for the year, as set out in the remuneration policy. The scheme comprises two elements:

1. An unconsolidated bonus award of up to 30% of basic salary, and
2. A share option award of up to £100,000 (based on the mid-market share price on the date the accounts are signed) which forms part of the long-term incentive plan (LTIP) of the scheme.

The target for those eligible executive directors, in-line with the 2018 revised policy, was to achieve the Group's 2017/2018 outturn (reported profit before tax and exceptional items) plus 10%, adjusted for any one-off costs and expenses.

2018/19 Award

RemCo assessed the performance of the Group executive directors against the target and the Committee's decision is shown below.

	Target Performance (Aquila 2018 profit increased by 10%[1])	Actual Performance	Maximum Possible award	2018/19 Unconsolidated bonus award – Co-Chief Executives	2018/19 Unconsolidated bonus award – Group Finance Director
Cash based award	£729,670	£726,568	£42,000	£22,400	£6,720
Share option award	£729,670	£726,568	£100,000 share options	Nil share options	Nil share options

The Committee believes that the reward payable is a fair reflection of the performance over the year.

1 Profit before tax and excluding share option charge

Statement of directors’ shareholding and share interest

The total number of directors’ interests in shares as at 31 March 2019 is set out below:

	Number of shares
Richard Wollenberg[2]	3,808,406
Susan Kane	3,279,440
Fiona Underwood	3,279,440
Steven Douglas	3,144,305
Derek Joseph	3,005,538

Share options have been granted to two directors during the year. The total number of share options in relation to each director with and without performance measures, those vested but unexercised, and those exercised, is set out below:

	With performance measures	Without performance measures[3]	Vested but unexercised[4]	Exercised during the year
Richard Wollenberg	–	–	515,000	–
Steven Douglas	50,000	100,000	615,050	–
Susan Kane	–	100,000	615,050	–
Fiona Underwood	50,000	100,000	615,050	–
Derek Joseph	–	–	309,000	–
Jeffrey Zitron	–	–	300,000	–

Payments to past directors

In the year ended 31 March 2019, there were no payments to past directors.

Payments for loss of office

No payments were made to directors for loss of office in the year ended 31 March 2019.

2 Includes shares held by immediate family members of Richard Wollenberg

3 Are part of a total of 1,713,772 Ordinary Shares at £0.05 per share which were issued as “Rollover Options” and are exercisable in tranches from 1 April 2016 with expiry dates between 31 March 2023 and 31 March 2025. For each director, 275,050 of these share options are vested.

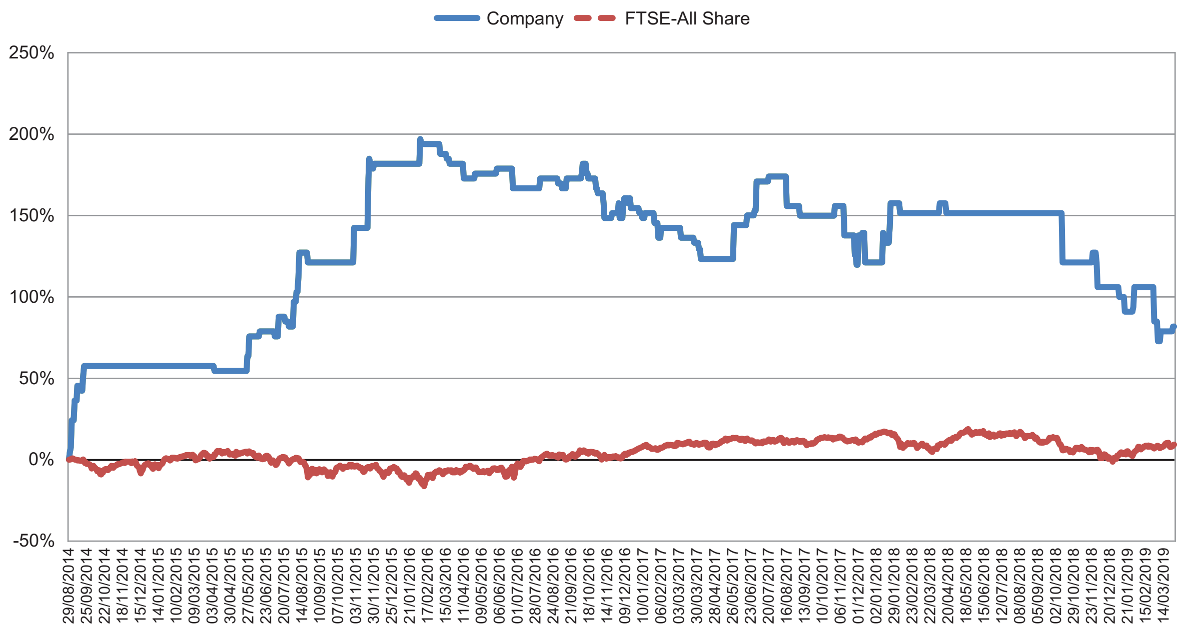
4 The Unapproved Options may be exercised at any time up to 20 July 2020

Directors' Remuneration Report

The information provided on pages 21 to 30 of the Directors' Remuneration Report is not subject to audit.

Performance graph

The following graph shows the company's performance since flotation, measured by total shareholder return, compared with the performance of the FTSE All Share Index also measured by total shareholder return. Aquila operate in a niche sector with very few comparisons and as such the Directors believe that the FTSE All Share Index provides the best measure on which to assess the Directors performance.



Data source: London Stock Exchange

Remuneration of Co-Chief Executive Officers

	Total Remuneration £	Annual bonuses £	Shares receivable £	Total £
Steven Douglas	140,000	22,400	–	162,400
Fiona Underwood	140,000	22,400	–	162,400

Percentage change in remuneration of directors undertaking role of chief executive

The total percentage increase from 2017 to 2018 is set out below.

	Total Remuneration Percentage increase
Steven Douglas	22%
Fiona Underwood	22%

The total percentage increase from 2018 to 2019 for all staff was 5%.

Relative importance of spend on pay

Comparison of shareholder distributions and total employee expenditure of the Group is set out below for the years ended 31 March 2018 and 31 March 2019.

	2019 £	2018 £	Change %
All employee remuneration	3,604,701	2,943,663	23%
Total dividend per share	0.891p	0.81p	10%
Distributions to shareholders	314,117	285,650	10%

Gender pay gap report

The Group is not required by law to report on its gender pay figure but recognises the importance of openness and transparency. The Group's mean and median pay gap figures for the years ended 31 March 2018 and 31 March 2019 are as follows:

- Women's hourly mean rate is 21% lower than men's for 2019 (2018: 7.8% lower)
- Women's hourly median rate is 14% lower than men's for 2019 (2018: 3% lower)

This is compared to national average figures of a 14.3% mean gap and an 8.6% median.

The Group is committed to exploring the reasons for the pay gap and will review its HR and reward strategy, pay structures and associated policies to address any issues and proactively engage in practical solutions to address the gap.

The Group is also committed to creating an ethnically diverse organisation. From this year, the Group will start to monitor its ethnicity pay gap figures, related recruitment activities and talent development opportunities to ensure that it is creating prospects for diverse talent pools.

Employees

The Group is committed to creating an environment where its staff feel engaged and motivated in their roles. It is by default a learning organisation where people can gain new knowledge skills and experience through the work that they deliver. It also offers staff learning and development opportunities and the chance to communicate their views through the annual survey. The results of which are actively considered by the directors and leadership team.

The Group ensures that it complies with its legislative requirements in relation to employment law.

Consideration by the directors of matters relating to directors' remuneration

No advice or services were given that materially assisted the committee in their consideration of the remuneration policy.

Directors' Remuneration Report

Shareholder voting at the last general meeting

The Group is committed to on-going shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to directors' remuneration, the reasons for any such vote will be sought, and any actions in response will be detailed here.

The Directors' Remuneration Report for the year ended 31 March 2018 was approved by shareholders at the Annual General Meeting held on 31 July 2018. The Directors' Remuneration Policy was last approved by shareholders at the Annual General Meeting held on 31 July 2018.

Directors' Remuneration Report (2018 Annual General Meeting)	% of votes cast
For	99.98%
Against	0%
Abstention	0.02%
Total votes cast	100%

Directors' Remuneration Policy (2017 Annual General Meeting)	% of votes cast
For	100%
Against	0%
Total votes cast	100%

Policy Report

The remuneration policy was updated in 2018 to reflect changes due to continued growth of the Group. All the provisions within the previous policy continue to apply, the amendments to the previous policy are not considered material to the Group. The changes are within pensions and annual bonuses (performance criteria) as set out in the table below.

Future policy table

The following tables provides a summary of the key components of the remuneration package for executive directors:

	Purpose	Operation	Performance Criteria
Salary and fees	To provide competitive fixed elements of reward which can attract and retain high calibre individuals with the appropriate skills and knowledge to deliver the Group's strategy.	Salaries are reviewed annually or when an individual changes position or responsibility. The committee will also consider the skills, experience and on-going performance of individuals when deciding on any changes to their basic salary.	Assessment of personal and corporate performance.
All taxable benefits	To provide a range of cost-effective benefits which are in-line with the market.	The main benefits include private medical insurance and death in service benefit of four times salary. The committee may wish to introduce other benefit provisions from time-to-time.	None

Directors' Remuneration Report

	Purpose	Operation	Performance Criteria
Pensions	To provide cost-effective long-term retirement arrangements	Contributions of 6% of salary is available to all staff. There is no differential for executive directors. A salary sacrifice scheme is available for staff should they wish to increase their personal contributions. Executive directors can opt-out of the company pension scheme seeking to plan for their retirement.	None
Annual bonuses	To incentivise and reward for achievement of in-year objectives linked to the performance of the Group and the individual subsidiaries.	Executive directors are eligible for an annual bonus of up to 30% of their annual salary (unconsolidated award) upon achievement of company/subsidiary targets. Half of the executive directors' annual bonus may be paid into a Long-Term Incentive Plan (LTIP) at the discretion of the Remuneration Committee, which will earn a rate of interest equivalent to a bank deposit and can be drawn, on a rolling basis, after a minimum of three years. Early release or penalties will be relevant to leavers depending on the circumstances.	1. Up to 15% can be awarded for a year-on-year increase in reported profit before tax and exceptional items adjusted for any Group costs and expenses year-on-year growth. 2. Up to 30% can be awarded for an achievement of 10% increase in reported profit before tax and exceptional items year-on-year adjusted for any Group costs and expenses. 3. To take account of further growth within the Group individual subsidiary reported profit for the year of acquisition is used as the baseline for those executive directors.
Share options	To incentivise and reward for the achievement of long-term performance, aligned to the generation of shareholder value.	An annual grant of share options, which vest after three years subject to continued service and the achievement of targets. Upon the achievement of the target executive directors will be entitled to a share option award which is the equivalent of one third the reported profit (before tax and exceptional items) of the individual subsidiary companies. The number of share options available for distribution is determined from the mid-market price on the day the results are published. The committee can, on the recommendation of the executive directors, award share options to individual members of staff to reward exceptional performance. Any share options awarded to staff must be included within the one-third reported profit distribution for each subsidiary.	1. Share option awards are measured against an increase in reported profit before tax and exceptional items year-on-year adjusted for any Group costs and expenses. 2. To take account of further growth within the Group individual subsidiary reported profit for the year of acquisition is used as the baseline for those staff within each subsidiary.

Directors' Remuneration Report

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to offer a market competitive remuneration package sufficient to attract high calibre candidates who are appropriate to the role but without paying any more than is necessary.

Any new executive director's remuneration would include the same elements and be in line with the policy set out in this Report.

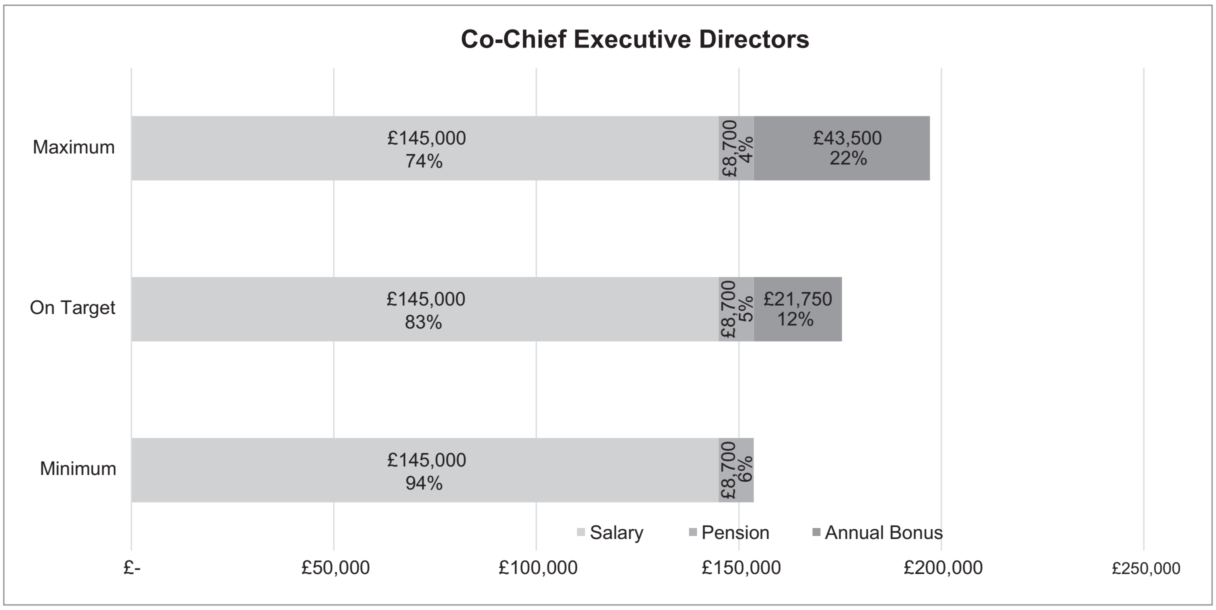
Service contracts of executive directors

All executive directors have a service contract. The contract can be terminated by either party upon giving six months' notice in writing. The contracts are available for inspection at the company's offices.

Illustration of application of remuneration policy

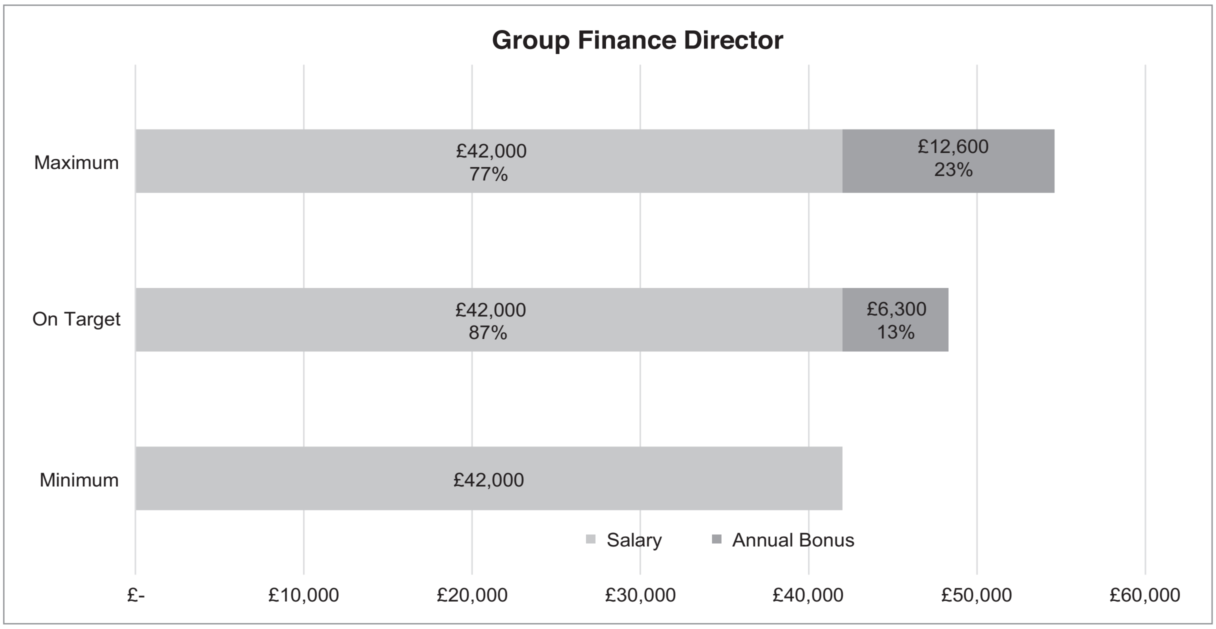
The chart below illustrates the remuneration that would be paid to each of the Executive Directors under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum.

The elements of remuneration have been categorised into two components: (i) Fixed; and (ii) Annual variable (annual bonus awards);



The remuneration is based on the following assumptions.

That the base salary of the co-chief executives is at £145,000 pa. That the pension contribution is 6% of salary and that bonuses are based on 15% and 30% of salary as indicated in the remuneration policy.



The remuneration for the Group Finance Director for the year ended 31 March 2019 is based on the following assumptions.

That the base salary of the Group Finance Director remains at 2 days per week. That pension contributions are nil and that bonuses are based on 15% and 30% of salary as indicated in the remuneration policy.

Policy on payment for loss of office

Payments for loss of office would be determined by the remuneration committee taking into account contractual obligations.

Statement of consideration of employment conditions elsewhere in the Group

The Committee has not consulted with its employees on executive pay but is aware of the pay and employment benefits across the wider Group. The wider benefits package available to staff is reflected within the remuneration package for executive directors, the exceptions being the level of bonus awarded and long-term share options.

Statement of consideration of shareholder views

The Committee will consider shareholder feedback received at the AGM and during meetings with shareholders and investors throughout the year and will use these views to formulate any changes to the remuneration policy.

Derek Joseph – Chairman

26 June 2019

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

The Directors (whose names and functions are set out on page 2) are responsible for preparing this report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company and Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and the profit or loss of the Company and the Group for that period.

In preparing the Company and Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We confirm that to the best of our knowledge:

- the Company and Group financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and Group; and
- these strategic and directors' reports include a fair review of the development and performance of the business and the position of the Company and Group together with a description of the principal risks and uncertainties that it faces.

Dr Fiona Underwood – Chief Executive Altair and Company Secretary

On behalf of the Board

26 June 2019

Independent Auditor’s Report to the Members of Aquila Services Group plc

Opinion

We have audited the financial statements of Aquila Services Group Plc (the ‘Parent Company’) and its subsidiaries (together the ‘Group’) for the year ended 31 March 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of affairs of the Group and of the Parent Company as at 31 March 2019 and of the Group’s profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Independent Auditor’s Report to the Members of Aquila Services Group plc

Based on our professional judgement, we determined overall materiality for the financial statements as a whole to be £75,000 (FY18 £59,000), based on a percentage of revenue.

We use a different level of materiality (‘performance materiality’) to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors’ remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £4,000 (2018: £2,950). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

We audit the Parent Company and its Subsidiary Companies. Our audit approach was developed by obtaining an understanding of the Group’s activities, the key functions undertaken on behalf of the Board by management and the overall control environment. Based on this understanding we assessed those aspects of the Group and Subsidiary Companies transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing, the principles of the UK Corporate Governance Code, and IFRS.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of Board meetings throughout the period; and
- considering the effectiveness of control environment in monitoring compliance with laws and regulations.

There are inherent limitations in the audit procedures described above and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Independent Auditor's Report to the Members of Aquila Services Group plc

Key Audit Matters

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

This is not a complete list of all risks identified by our audit.

Key audit matter	***How the scope of our audit addressed the key audit matter***
Revenue recognition and completeness The revenue recognised in the financial statements may be understated and not recognised in accordance with the relevant accounting standard and the Group's accounting policy. Changes in financial reporting standards may not be correctly reflected in the Group's accounting policy or treatment.	Our audit work included but was not restricted to: ▪ Analytical procedures over revenue; ▪ Substantive transactional testing of income recognised in the financial statements; ▪ Testing of revenue streams recorded near the year end to ensure appropriate period recognition; ▪ Evaluating the client's system for managing and accounting for revenue; and Considered the revenue recognition policies for consistency and compliance against the relevant accounting standards.
Carrying value of goodwill Goodwill on consolidation or arising on the historical purchase of the trade and assets of another entity may not be carried at the correct value and may be impaired.	We reviewed management's assessment of the basis for the recognition and carrying value of goodwill with particular focus on current performance, key assumptions used and the integrity of the underlying valuation model. We considered management's choice of assumptions based on past and current performance as well as re-performing the calculation.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

We were appointed by the Audit Committee on 21 March 2019 to audit the financial statements for the period ending 31 March 2019. Our total uninterrupted period of engagement is less than a year, covering the period ended 31 March 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and we remain independent of the Group in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Rhodri Whitlock (Senior Statutory Auditor)
For and on behalf of
Crowe U.K. LLP
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

26 June 2019

Consolidated statement of comprehensive income
For the year ended 31 March 2019

	Notes	2019 £	2018 £
Revenue	4	7,655,632	5,905,221
Cost of sales	5	(5,788,472)	(4,343,456)
Gross profit		1,867,160	1,561,765
Administrative expenses	5	(1,259,523)	(1,037,287)
Operating profit		607,637	524,478
Finance income	4	1,860	3,596
Profit before taxation	6	609,497	528,074
Income tax expense	8	(143,460)	(123,390)
Profit for the year		466,037	404,684
Other comprehensive income		–	–
Total comprehensive income for the year		466,037	404,684
Earnings per share attributable to owners of the parent			
Basic	9	1.32p	1.20p
Diluted	9	1.15p	1.05p

The income statement has been prepared on the basis that all operations are continuing operations.

Consolidated and Company statements of financial position
As at 31 March 2019

	Notes	Group 2019 £	Group 2018 As restated £	Company 2019 £	Company 2018 As restated £
Non-current assets					
Goodwill	10	2,027,688	2,027,688	–	–
Property, plant and equipment	11	72,270	95,747	37,548	58,967
Investment in subsidiaries	12	–	–	2,817,930	2,700,859
Investment in associates	13	226,620	226,620	226,620	226,620
Investments	14	121,104	121,104	121,104	121,104
		2,447,682	2,471,159	3,203,202	3,107,550
Current assets					
Trade and other receivables	15	2,193,927	2,109,678	1,084,914	1,127,499
Cash and bank balances		1,719,068	969,987	334,563	343,269
		3,912,995	3,079,665	1,419,477	1,470,768
Current liabilities					
Trade and other payables	16	1,594,632	1,094,690	672,895	616,971
Corporation tax		162,691	141,775	–	–
		1,757,323	1,236,465	672,895	616,971
Net current assets		2,155,672	1,843,200	746,582	853,797
Net assets		4,603,354	4,314,359	3,949,784	3,961,347
Equity					
Share capital	17	1,765,389	1,763,273	1,765,389	1,763,273
Share premium account	18	1,487,512	1,487,512	1,487,512	1,487,512
Merger reserve	18	2,412,861	2,412,861	–	–
Share-based payment reserve	20	667,878	557,653	667,878	557,653
Retained (losses)/earnings		(1,730,286)	(1,906,940)	29,005	152,909
Equity attributable to the owners of the parent		4,603,354	4,314,359	3,949,784	3,961,347

As permitted by S408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £165,479 (2018: £299,704).

The financial statements were approved by the board on 26 June 2019.

Susan Kane – Group Finance Director

Company Registration No. 08988813

Consolidated statement of changes in equity
For the year ended 31 March 2019

	Share capital £	Share premium account £	Reverse acquisition reserve As restated £	Merger reserve As restated £	Share based payment reserve £	Retained losses £	Total equity £
Balance at 1 April 2017	1,632,550	533,235	(4,771,473)	7,184,334	422,391	(2,056,679)	2,944,358
Issue of shares	130,723	954,277	–	–	–	–	1,085,000
Total comprehensive income	–	–	–	–	–	404,684	404,684
Share based payment charge	–	–	–	–	135,262	–	135,262
Dividend	–	–	–	–	–	(254,945)	(254,945)
Restatement adjustment	–	–	4,771,473	(4,771,473)			
Balance at 31 March 2018	1,763,273	1,487,512	–	2,412,861	557,653	(1,906,940)	4,314,359
Balance at 1 April 2018	1,763,273	1,487,512	–	2,412,861	557,653	(1,906,940)	4,314,359
Issue of shares	2,116	–	–	–	–	–	2,116
Transfer on exercise of options	–	–	–	–	(6,846)	6,846	–
Total comprehensive income	–	–	–	–	–	466,037	466,037
Share based payment charge	–	–	–	–	117,071	–	117,071
Dividend	–	–	–	–		(296,229)	(296,229)
Balance at 31 March 2019	1,765,389	1,487,512	–	2,412,861	667,878	(1,730,286)	4,603,354

Aquila Services Group plc

Company statement of changes in equity
For the year ended 31 March 2019

	Share capital £	Share premium account £	Merger Reserve As restated £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 1 April 2017	1,632,550	533,235	7,184,334	422,391	108,150	9,880,660
Issue of shares	130,723	954,277	–	–	–	1,085,000
Total comprehensive income	–	–	–	–	299,704	299,704
Share based payment charge	–	–	–	135,262	–	135,262
Dividend	–	–	–	–	(254,945)	(254,945)
Restatement adjustment	–	–	(7,184,334)	–	–	(7,184,334)
Balance at 31 March 2018	1,763,273	1,487,512	–	557,653	152,909	3,961,347
Balance at 1 April 2018	1,763,273	1,487,512	–	557,653	152,909	3,961,347
Issue of shares	2,116	–	–	–	–	2,116
Total comprehensive income	–	–	–	–	165,479	165,479
Transfer on exercise of options			–	(6,846)	6,846	–
Share based payment charge	–	–	–	117,071	–	117,071
Dividend	–	–	–	–	(296,229)	(296,229)
Balance at 31 March 2019	1,765,389	1,487,512	–	667,878	29,005	3,949,784

Consolidated statement of cash flow
For the year ended 31 March 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the year	466,037	404,684
Interest received	(1,860)	(3,596)
Income tax expense	143,460	123,390
Share based payment charge	117,071	135,262
Depreciation	51,692	31,639
Operating cash flows before movement in working capital	776,400	691,379
Increase in trade and other receivables	(84,249)	(759,491)
Increase in trade and other payables	565,712	76,997
Cash generated by operations	1,257,863	8,885
Income taxes paid	(122,544)	(116,368)
Net cash inflow/(outflow) from operating activities	1,135,319	(107,483)
Cash flows from investing activities		
Interest received	1,860	3,596
Purchase of property, plant and equipment	(28,215)	(76,827)
Acquisition of goodwill	–	(625,000)
Acquisition of investment in an associate	(65,770)	(160,850)
Acquisition of investment	–	(121,104)
Net cash outflow from investing activities	(92,125)	(980,185)
Cash flows from financing activities		
Proceeds of share issue	2,116	–
Dividends paid	(296,229)	(254,945)
Net cash outflow from financing activities	(294,113)	(254,945)
Net increase/(decrease) in cash and cash equivalents	749,081	(1,342,613)
Cash and cash equivalents at beginning of the year	969,987	2,312,600
Cash and cash equivalents at end of the year	1,719,068	969,987

Company statement of cash flow
For the year ended 31 March 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the year	165,479	299,704
Dividends received	(380,731)	(410,820)
Interest received	(1,342)	(1,082)
Income tax expense	206	205
Depreciation	21,421	5,355
Operating cash flows before movement in working capital	(194,967)	(106,843)
Decrease/(increase) in trade and other receivables	42,585	(42,452)
Increase in trade and other payables	121,694	333,821
Cash (outflow)/generated by operations	(30,688)	184,526
Income taxes paid	(207)	–
Net cash (outflow)/inflow from operating activities	(30,895)	184,526
Cash flows from investing activities		
Interest received	1,342	1,082
Dividends received	380,731	410,820
Purchase of property, plant and equipment	–	(64,322)
Acquisition of investment in an associate	(65,770)	(160,850)
Acquisition of investment	–	(121,104)
Net cash inflow from investing activities	316,303	65,626
Cash flows from financing activities		
Proceeds of share issue	2,115	–
Dividends paid	(296,229)	(254,945)
Net cash outflow from financing activities	(294,114)	(254,945)
Net decrease in cash and cash equivalents	(8,706)	(4,793)
Cash and cash equivalents at beginning of the year	343,269	348,062
Cash and cash equivalents at end of the year	334,563	343,269

1 General information

Aquila Services Group plc ("the Company") and its subsidiaries (together, "the Group") provide specialist housing and treasury management consultancy services. The principal activity of the Company is that of a holding company for the Group as well as providing all the strategic and governance functions of the Group.

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

2 Accounting policies

The principal accounting policies applied in preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Reporting Standards as adopted by the European Union (IFRSs), issued by the International Accounting Standards Board (IASB), including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Pounds Sterling which is the functional and presentational currency of all companies within the group.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas of critical accounting estimates and judgements are set out in note 3.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of subsidiary entities. A subsidiary is defined as an entity over which the Company has control. Control is achieved when the Company has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity, and could use its power to affects its returns.

Consolidation of a subsidiary begins when the Company obtains control and ceases when control is lost. The Company reassesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more of the three control elements listed above.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with the Group's accounting policies.

2 Accounting policies (continued)

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree.

Any excess of the consideration over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. Goodwill is not amortised but is reviewed for impairment at least annually. If the consideration is less than the fair value of the identifiable assets and liabilities acquired, the difference is recognised in the Statement of comprehensive income.

Revenue recognition

The group earns income from the following principal services:

- Revenue from consultancy services
- Revenue from interim management
- Revenue from treasury management

For all these principal services, revenue represents amounts recoverable from clients for professional services provided during the year. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue is recognised when control of a product or service is transferred to a customer. Revenue from fixed fee assignments is recognised over a period of time by reference to the stage of completion of the actual services provided at the reporting date, as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Time and materials assignments are recognised as services are provided at the fee rate agreed with the client. Unbilled revenue on individual client assignments is classified as accrued income for client work within trade and other receivables. Where individual on-account billings exceed recognised revenue on a client assignment, the excess is classified as contract liabilities for client work within trade and other payables.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for use. Depreciation is recognised to write-off the cost of assets less their residual values over their estimated useful lives, using the straight-line method, on the following bases:

Computer equipment	33% per annum
Fixtures and fittings	33% per annum

2 Accounting policies (continued)

Property, plant and equipment (continued)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Investment in subsidiaries

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company, plus any costs directly attributable to the purchase of the subsidiary.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of cost over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included in the carrying amount of the investment.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'amortised cost'. The classification depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them and is determined at the time of initial recognition. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

2 Accounting policies (continued)

Amortised cost

Financial assets at amortised cost

These assets are held within a business model whose objective is to collect contractual cash flows which are solely payments of principals and interest and therefore classified as subsequently measured at amortised cost. With the exception of trade receivables which are initially measured at transaction price determined in accordance with IFRS 15, financial assets at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents. Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand which have a right of offset against cash balances. These instruments are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial assets at fair value through profit or loss

Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. The Group's financial assets measured at FVPL comprise unquoted equity investments.

Impairment of financial assets

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of credit losses. During this process the probability of the non-payment of the trade receivable is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the expected credit loss for the trade receivables. Provisions are recorded net in a separate provision account with the loss being recognised in the consolidated income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of provision is based on whether there has been a significant increase in credit risk since the initial recognition of the asset.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'amortised cost'. The Group does not currently hold any financial liabilities 'at FVTPL'.

2 Accounting policies (continued)

Pensions

The Group contributes to defined contribution schemes for the benefit of its directors and employees. Contributions payable are charged to the statement of comprehensive income in the year they are payable.

Current and deferred income tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit or loss, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised, or the liability is settled. Deferred tax is charged or credited in the profit or loss, except when it relates to items credited or charged in other comprehensive income directly to equity, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets

Management regularly assesses the likelihood that deferred tax assets will be recovered from future taxable income. No deferred tax asset is recognised when management believe that it is more likely than not that a deferred asset will not be realised.

Impairment of assets

The Group assesses at each statement of financial position date if there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

2 Accounting policies (continued)

Impairment of assets (continued)

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax discount rate.

Operating leases

Rentals payable under operating leases, net of lease incentives, are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

Share capital/equity instruments

Ordinary shares are classified as equity. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. The Company has one class Ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

Share based payments

Equity-settled share-based payments to employees and directors are measured at the fair value of the equity instruments at grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share based-payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises the estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

2 Accounting policies (continued)

Restatement

The directors have reconsidered the Group's accounting policy choice in respect of acquisitions which fall within merger relief provisions. The directors consider that the parent company financial statements better reflect the impact of the acquisition by not recording an amount equivalent to share premium as a merger relief reserve. The consequences of change of accounting policy choices are that within the parent Company's balance sheet the merger relief reserve of £7.18m is eliminated and the cost of investment in subsidiaries is reduced by an equivalent amount. The impact on the Group accounts is in effect a re-designation of reserves such that the reverse acquisition reserve eliminates, and the merger reserve is reported as a credit of £2.41m.

Adoption of new and revised standards

The following pronouncements have been adopted in the year and either had no impact on the financial statements or resulted in changes to presentation and disclosure only:

- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions*
- IFRS 9 Financial Instruments*
- IFRS 15 (amendments) Revenue from Contracts with Customers*
- IFRIC 22 Foreign Currency Transactions and Advance Consideration*

*Effective for annual periods beginning on or after 1 January 2018

Standards issued but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the Group, which have not been applied in these financial statements, were in issue but were not yet effective. In some cases, these standards and guidance have not been endorsed by the European Union.

- IFRS 16 Leases**
- IFRIC 23 Uncertainty over Income Tax Treatments**
- IAS 28 (amendments) Long-term Interests in Associates and Joint Ventures**
- Annual improvements 2015-2017 cycle**

**Effective for annual periods beginning on or after 1 January 2019

The directors have assessed the impact of the standards in issue but not yet effective and have noted below their conclusions on the key new standards.

IFRS 16 (latest amendment issued in January 2016) introduces a new basis for the accounting of leases. It is effective for all accounting periods beginning on or after 1 January 2019.

2 Accounting policies (continued)

Standards issued but not yet effective (continued)

The directors have considered the potential impact of IFRS 16 Leases for the accounting period beginning on 1 January 2019 for all existing lease agreements. At present, the existing lease agreements are either of too short a nature or too low a value to qualify for a transitional change. The directors are aware that the new standard may impact future lease agreements and will account for any new agreements in line with IFRS 16 Leases.

3 Critical accounting estimates and judgements

In application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

Revenue recognition

Work in progress is calculated on a project by project basis using the fair value of chargeable time that is un-invoiced at the period end. Historic analysis shows that recovery rates of work in progress are very high; the Group does not expect any work in progress to be irrecoverable. Work in progress is reviewed on a monthly basis to ensure it is recognised appropriately, it is probable that economic benefits will flow to the Group and that the fair value can be reliably measured (note 4).

Share based payments

The Company has granted share options to certain employees and directors of the Group. The share options granted become exercisable at varying future dates. If certain conditions are met, following the vesting period, the employee will be eligible to exercise their option at an exercise price determined on the date the share options are granted.

The share-based payment charge is recognised in the statement of comprehensive income and is calculated based on the Company's estimate of the number of share options that will eventually vest.

Assumptions regarding the fair value of the Company's shares and assumptions regarding employee fluctuation are considered when measuring the value of share-based payments for employees, which are required to be accounted for as equity-settled share-based payment transactions pursuant to IFRS 2. The resulting staff costs are recognised pro rata in the statement of comprehensive income to reflect the services rendered as consideration during the vesting period (note 20).

3 Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The carrying amounts of the Group's assets value are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated, and an impairment loss is recognised where the recoverable amount is less than the carrying value of the asset. Any impairment losses are recognised in the income statement.

Valuation of unquoted investments

The Group determines the fair value of these financial instruments using recent transactions or valuation models if information about recent transactions is not available. The values derived from applying these models are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility and credit risk.

Management reviewed information available at 31 March 2019 and concluded that there is both insufficient more recent information available to measure fair value and there is a wide range of possible fair value measurements as such cost is considered to be an appropriate estimate of fair value.

4 Revenue and Finance income

An analysis of the Group's revenue is as follows:

	2019 £	2018 £
Continuing operations – rendering of services		
Specialist housing consultancy income	7,086,961	5,320,054
Treasury management consultancy income	568,671	585,167
	7,655,632	5,905,221
Finance income is comprised of:		
Interest revenue on bank deposits	1,860	3,596
	7,657,492	5,908,817

5 Operating segments

The Group has three reportable segments being; consultancy, interim management 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 (including housing associations and local authorities) across the housing sector. 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.

Interim Management – individuals are embedded within housing organisations (normally housing associations, local authorities and ALMOs) in a substantive role, normally for a specified period. Interim management provides the Group with a more extended forward sales pipeline as the average contract is for six months. This section of the business provides low risk as the interim consultants are placed on rolling contractual basis and provides minimal financial commitment as associates to the business, rather than employees, are used for these roles.

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 described in note 2. 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 Chief Executive for the purpose of resource allocation and assessment of segment performance.

	2019	**2018**
	£	**£**
Revenue from Consultancy	5,867,295	4,214,909
Revenue from Interim management	1,219,668	1,152,950
Revenue from Treasury management	568,669	537,362
	7,655,632	5,905,221
Cost of sales from Consultancy	4,381,010	3,036,105
Cost of sales from Interim management	1,009,498	914,801
Cost of sales from Treasury management	397,964	392,550
	5,788,472	4,343,456
Gross profit from Consultancy	1,486,285	1,178,804
Gross profit from Interim management	210,170	238,149
Gross profit from Treasury management	170,705	144,812
	1,867,160	1,561,765
Administrative expenses	(1,259,523)	(1,037,287)
Operating profit	607,637	524,478

5 Operating segments (continued)

Within consultancy revenues, approximately 6% (2018: 3%) has arisen from the segment's largest customer; within interim management 12% (2018: 14%); within treasury management 34% (2018: 46%).

Geographical information

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

	2019 £	2018 £
UK	7,179,360	5,530,360
Republic of Ireland	305,008	298,212
Rest of World	171,264	76,649
	7,655,632	5,905,221

6 Profit before taxation

	2019 £	2018 £
Profit before taxation is arrived at after charging:		
Auditors' remuneration	37,750	37,975
Depreciation of property, plant and equipment	51,692	31,639
Staff costs (see note 7)	4,270,476	2,943,663
Operating lease costs – land and buildings	41,882	49,605

7 Staff costs

	2019	2018
The average monthly number of employees (including directors) employed by the Group was:	52	40

	2019 £	2018 £
Aggregate remuneration (including directors)		
Wages and salaries	3,604,701	2,436,180
Share-based payments	117,071	135,262
Pension contributions	161,003	96,160
Social security costs	387,701	276,061
	4,270,476	2,943,663

	2019 £	2018 £
Directors' remuneration		
Salary (including taxable benefits)	389,752	333,957
Share-based payments	43,440	65,871
Pension contributions	16,800	12,600
	449,992	412,428

7 Staff costs (continued)

Two directors are members of the company's defined contribution pension scheme.

The amounts set out above include remuneration to the highest paid director as follows:

Salary (including taxable benefits)	161,600	126,389
Share-based payments	14,735	21,957
Pension contributions	8,400	6,300
	184,735	154,646

Remuneration of key management personnel

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

	2019 £	2018 £
Short-term employee benefits	655,495	571,880
Share-based payments	64,232	113,000
Post-retirement benefits	21,900	17,700
	741,627	702,580

8 Taxation

	2019 £	2018 £
Corporation tax:		
Current year	143,460	123,390

The tax charge for the year can be reconciled to the profit in the income statement as follows:

	2019 £	2018 £
Profit before taxation	609,497	528,074
Tax at the UK corporation tax rate of 19% (2018: 19%)	115,804	100,334
Expenses not deductible	27,656	23,056
Tax expense for the year	143,460	123,390

9 Earnings per share

Basic earnings per share is calculated by dividing the profit after tax attributable to the equity holders of the Group by the weighted average number of shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares, namely share options. Details of which are set out in note 20.

	2019	2018
	£	£
Profit after tax attributable to owners of the parent	466,037	404,684
Weighted average number of shares		
– Basic	35,272,301	33,746,926
– Diluted	40,353,113	38,429,011
Basic earnings per share	**1.32p**	**1.20p**
Diluted earnings per share	**1.15p**	**1.05p**

10 Goodwill

Group	**Goodwill**
	£
Cost	
At 1 April 2017	317,688
Additions	1,710,000
At 31 March 2018	2,027,688
Additions	–
At 31 March 2019	2,027,688
Accumulated impairment losses	
At 1 April 2017 and 31 March 2018	–
Impairment losses for the year	–
At 31 March 2019	–
Net book value	
At 1 April 2017	317,688
At 31 March 2018	2,027,688
At 31 March 2019	2,027,688

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination.

On 27 October 2017, the Group acquired the business of pod LLP and pod Partnership Limited for a fair value consideration of £1,710,000, satisfied by cash consideration of £625,000 and 2,614,458 shares issued at the market price of 41.5p per share.

The Group tests goodwill annually for impairment, or more frequently if there are any indications that goodwill might be impaired.

10 Goodwill (continued)

The recoverable amount of goodwill is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding growth rate of client base and project fees. Management's approach to determining the values to each key assumption is based on experience and project work already secured for future periods. Management have projected cash flows over a period of 5 years, based on a minimum average growth rate of 10% per annum, this is based on past performance and expected future activity. Projected cash flows have been discounted at a rate of 5%, this is the rate at which the bank would likely loan cash to the Group. No terminal value has been applied. Sensitivities have been applied to the model and an impairment would occur if the growth rate was 0% and a discount rate of 10% was applied, it is considered that these are not reasonable possible changes and therefore no impairment has been made.

11 Property, plant and equipment

Group	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 April 2017	34,339	33,371	67,710
Additions	–	76,827	76,827
At 31 March 2018	34,339	110,198	144,537
Additions	–	28,215	28,215
At 31 March 2019	34,339	138,413	172,752
Accumulated depreciation			
At 1 April 2017	953	16,198	17,151
Charge for the year	11,435	20,204	31,639
At 31 March 2018	12,388	36,402	48,790
Charge for the year	11,435	40,257	51,692
At 31 March 2019	23,823	76,659	100,482
Net book value			
At 1 April 2017	33,386	17,173	50,559
At 31 March 2018	21,951	73,796	95,747
At 31 March 2019	10,516	61,754	72,270

11 Property, plant and equipment (continued)

	Computer equipment £
Company	
Cost	
At 1 April 2017	–
Additions	64,322
At 31 March 2018	64,322
Additions	–
At 31 March 2019	64,322
Accumulated depreciation	
At 1 April 2017	–
Charge for the year	5,355
At 31 March 2018	5,355
Charge for the year	21,419
At 31 March 2019	26,774
Net book value	
At 1 April 2017	–
At 31 March 2018	58,967
At 31 March 2019	37,548

12 Investment in subsidiaries

	Investments in subsidiaries As restated £
Company	
Cost	
At 1 April 2017	2,565,597
Additions	135,262
At 31 March 2018	2,700,859
Additions	117,071
At 31 March 2019	2,817,930
Accumulated impairment losses	
At 1 April 2017 and 31 March 2018	–
Impairment losses for the year	–
At 31 March 2019	–
Net book value	
At 1 April 2017	2,565,597
At 31 March 2018	2,700,859
At 31 March 2019	2,817,930

12 Investment in subsidiaries (continued)

The addition of £117,071 represents capital contributions made to the Company's subsidiaries in respect of the share option expense recognised in those subsidiaries on share options issued by the Company.

Details of the Company's subsidiaries at 31 March 2019 are as follows:

	Place of incorporation and operation	**Principal activity**	**Proportion of ownership and voting rights held**
Altair Consultancy and Advisory Services Limited	England and Wales	Specialist housing consultancy	100%
Aquila Treasury and Finance Solutions Limited	England and Wales	Treasury management consultancy	100%

The accounting reference date of each of the subsidiaries is co-terminus with that of the Company. The registered office of each subsidiary is Tempus Wharf, 29a Bermondsey Wall West, London, SE16 4SA.

13 Investment in Associates

Details of the Group's material associates at 31 March 2019 are as follows:

	Place of incorporation and operation	**Principal activity**	**Proportion of ownership and voting rights held**
3C Consultants Limited	England and Wales	IT consultancy	25%

The principal activity of the associate is seen as complementing the Group's operations and contributing to achieving the Group's overall strategy.

The above associate is accounted for using the equity method in these consolidated financial statements as set out in the accounting policies in note 2.

	2019 **£**	**2018** **£**
Cost of investment in associate	226,620	226,620

The Group's share of the net assets in the associate company is £25,670 (2018: £9,413). Although the associate made a profit for the year of which £16,257 (2018: a loss of £13,710) is attributable to Aquila, this has not been recognised in the financial statements because the carrying value of the investment exceeds the proportion of the net assets of the associate attributable to the Group.

Although the Group's share of net assets in the associate is below the carrying value, no impairment has been recorded because the associate was profitable in the year and expected to continue to be profitable going forward.

13 Investment in Associates (continued)

Summarised financial information in respect of the Group's associates are set out below:

3C Consultants Limited	**2019**	**2018**
	£	**£**
Current assets	328,450	400,410
Non-current assets	2,996	2,210
Current liabilities	(222,183)	(282,983)
Non-current liabilities	(6,583)	(81,986)
Equity attributable to the owners of the Company	102,680	37,651
Revenue	958,875	1,000,905
Profit/(loss) for the year	65,029	(54,838)
Other comprehensive income	–	–
Total comprehensive income	65,029	(54,838)
Dividends received from associate during the year	–	–

Reconciliation of the above summarised financial information to the carrying amount recognised in the consolidated financial statements for the prior year:

	2018
	£
Net assets of associates	37,651
Proportion of the Group's ownership interest in the associate	9,413
Goodwill	217,207
Carrying amount	226,620

14 Investments

		2019	**2018**
	Fair Value Hierarchy	**£**	**£**
Unquoted equity investments	Level 3	121,104	121,104

The Group has an 8% equity shareholding in Assetcore Limited an unquoted company. Assetscore's principal activity is a cloud-based platform used to manage loan security within the affordable housing sector. As explained in Note 3, based on the information available at the reporting date the Directors consider cost to be an appropriate estimate of fair value.

Financial instruments measured at fair value subsequent to initial recognition are grouped into levels 1 to 3 based on the degree to which the fair value is observable, ie:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

15 Trade and other receivables

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade receivables	1,872,528	1,815,073	–	–
Group undertakings	–	–	1,081,715	1,124,665
Other receivables	9,100	24,115	200	2,259
Prepayments and accrued income	312,299	270,490	2,999	575
	2,193,927	2,109,678	1,084,914	1,127,499

	Total £	<30 days £	30-60 days £	66-90 days £	>90 days £
31 March 2019	1,872,528	1,744,465	50,369	23,201	54,493
31 March 2018	1,815,073	1,650,520	–	76,495	88,058

No expected credit loss is recognised in the accounts as the amount is not material.

16 Trade and other payables

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade payables	252,632	254,782	690	12,505
Other payables	27,821	88,063	–	65,770
Amounts owed to Group undertakings	–	–	560,205	500,000
Taxes and social security costs	518,504	200,487	–	–
Accruals	568,896	324,917	112,000	38,696
Contract liabilities	226,779	226,441	–	–
	1,594,632	1,094,690	672,895	616,971

Of the contract liability brought forward at the start of the year £226,441 (2018: £123,608) was recognised in revenue in the year.

17 Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
35,307,776 (2018: 35,265,461) Ordinary shares of 5p each	1,765,389	1,763,273

The Company has one class Ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

17 Share capital (continued)

A reconciliation of share capital, share premium account and merger reserve is set out below:

	Number of Ordinary shares £	Amount called up and fully paid £	Share premium £	As Restated Merger reserve £
At 31 March 2017	32,651,003	1,632,550	533,235	2,412,861
Issued at 41.5p per share on 27 October 2017	2,614,458	130,723	954,277	–
At 31 March 2018	35,265,461	1,763,273	1,487,512	2,412,861
Issued at 5p per share on 1 February 2019	42,315	2,116	–	–
At 31 March 2019	35,307,776	1,765,389	1,487,512	2,412,861

18 Reserves

The share premium account represents the amount received on the issue of Ordinary shares by the Company in excess of their nominal value and is non-distributable.

The merger relief reserve arose on the Company's acquisition of Altair. There is no legal share premium on the shares issued as consideration as section 612 of the Companies Act 2006, which deals with merger relief, applies in respect of the acquisition. Since the shareholders of Altair became the majority shareholders of the enlarged group, the acquisition is accounted for as though the legal acquiree is the accounting acquirer.

As a consequence of a change in accounting policy choices in the Group accounts there has been a re-designation of reserves (see note 2).

19 Dividends

Amounts recognised as distributions to equity holders	2019 £	2018 £
Final dividend for the year ended 31 March 2018 of 0.55p per share (2017: 0.50p)	193,960	163,255
Interim dividend for the year ended 31 March 2019 of 0.29p per share (2018: 0.26p)	102,270	91,690
	296,230	254,945
Proposed final dividend for the year ended 31 March 2019 of 0.6p per share (2018: 0.55p)	211,847	193,960

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable on 2 August 2019 to shareholders on the Register of Members at 19 July 2019. The total recommended dividend to be paid is 0.6p per share. The payment of this dividend will not have any tax consequences for the Group.

20 Share-based payment transactions

The Company operates an Unapproved Scheme and an Enterprise Management Incentives Scheme. The total expense recognised in the year to 31 March 2019 arising from share-based payment transactions is £117,071 (2018: £135,262).

Unapproved scheme	Number	Weighted average exercise price
Number of options outstanding at 1 April 2018	2,587,093	£0.23
Granted during period	–	–
Forfeited during period	–	–
Exercised during period	–	–
Number of options outstanding as at 31 March 2019	2,587,093	£0.23
Number of options exercisable as at 31 March 2019	2,587,093	£0.23

The exercise price of the options outstanding at 31 March 2019 ranges between £0.10 and £0.42. The weighted average remaining contractual life of the options outstanding at 31 March 2019 is 1 year (2018: 2 years).

EMI scheme	Number	Weighted average exercise price
Number of options outstanding at 1 April 2018	2,077,983	£0.05
Granted during period	836,929	£0.05
Forfeited during period	(21,158)	£0.05
Exercised during period	(42,315)	£0.05
Number of options outstanding as at 31 March 2019	2,851,439	£0.05
Number of options exercisable as at 31 March 2019	1,544,511	£0.05

The weighted average remaining contractual life of the options outstanding at 31 March 2019 is 6 years (2018: 7 years).

On 1 September 2018, the Company granted 736,929 options to certain employees and directors of the Group at an exercise price of 5p. The options are exercisable between 1 September 2021 and 31 August 2028. The weighted average fair value of the options at grant date was £0.3720. The fair value of the options was measured using the Black Scholes options valuation model. The inputs into that model in respect of the EMI share options were as follows:

Share price	£0.415
Exercise price	£0.05
Expected volatility	17.80%
Expected option life	10 years
Risk-free rate	1.5%

20 Share-based payment transactions (continued)

On 29 January 2019, the Company granted 100,000 options to two directors of the Group at an exercise price of 5p. The options are exercisable between 29 January 2022 and 28 January 2029. The weighted average fair value of the options at grant date was £0.2753. The fair value of the options was measured using the Black Scholes options valuation model. The inputs into that model in respect of the EMI share options were as follows:

Share price	£0.32
Exercise price	£0.05
Expected volatility	18.84%
Expected option life	10 years
Risk-free rate	1.1%

The risk-free rate is based on the yield of a 10-year government bond.

The expected share price volatility is based on the Company's share price since 20 August 2015.

21 Operating lease arrangements

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	21,524	49,650
In the second to fifth years inclusive	–	21,524
	21,524	71,174

Operating lease payments represent rentals payable by the Group for certain of its office properties.

22 Related party disclosures

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

Dividends totalling £137,609 (2018: £171,722) were paid in the year in respect of Ordinary Shares held by the Company's directors.

During the year the Group charged £10,000 (2018: £12,327) to DMJ Consultancy Services Limited for administrative services, a company in which Derek Joseph serves as a director. At 31 March 2019, the balance owed to the Group by DMJ Consulting Limited was £Nil (2018: £5,000).

At 31 March 2019, the balance owed to Richard Wollenberg for services as a non-executive director were £4,500 (2018: £4,000).

23 Control

In the opinion of the Directors there is no single ultimate controlling party.

24 Financial instruments

Financial risk management

The Group's activities are exposed to a variety of market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Credit risk

Credit risk is the risk of financial loss to the Group resulting from counterparties failing to discharge their obligations to the Group. The Group's principal financial assets are trade and other receivables and cash and cash equivalents.

The Group considers its credit risk to be low. Of the total trade receivables at the 2019 year-end £148,103 (2018: £121,626) is due from one customer. There are no other customers that represent more than 7% of the total balance of trade receivables. The maximum exposure to credit risk is equal to the carrying value of these instruments.

Liquidity risk

Liquidity risk is the risk of the Group being unable to meet its liabilities as they fall due. The Group manages liquidity risk by maintaining enough cash reserves and holding banking facilities, and by continuously monitoring forecast and actual cash flows. In addition, the Group is a cash generative business with income being received regularly over the course of the year. The Group held cash reserves of £1,719,068 (2018: £969,987) at the year-end.

Foreign currency risk

Foreign exchange risk is the risk of loss due to adverse movements in the exchange rates affecting the Group's profits and cash flows. Only a very small number of clients are invoiced in Euros and USD and the foreign exchange exposure is not considered a significant risk. The Group's principal financial assets are cash and cash equivalents and trade and other receivables, which are almost exclusively denominated in Pounds Sterling.

Interest rate risk

The Group does not undertake any hedging activity in this area. The main element in interest rate risk involves sterling deposits which are placed on deposit.

Capital risk management

Internal working capital requirements are low and are regularly monitored. Externally imposed capital requirements to which the Group is subject have been complied with in the year.

The Groups' objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide return for shareholders, benefits for other stakeholders and to maintain optimal capital structure and to reduce the cost of capital.

In order to ensure an appropriate return for shareholder capital invested in the Group, management thoroughly evaluates all material projects and potential acquisitions and has them approved by the Board of Directors where applicable.

The Group monitors capital on a short- and medium-term view. Internal working capital requirements are low and are regularly monitored.

Externally imposed capital requirements to which the Group is subject have been complied with in the year.

25 Post Balance Sheet event

On 11 June the Group acquired the entire share capital of Oaks Consultancy Limited, the total consideration for the purchase, including the maximum payment for meeting targets over the next two financial years will not exceed £1.7m of which 35% is cash and 65% new ordinary shares.

26 Capital commitments

There were no capital commitments at 31 March 2019.

27 Contingent liabilities

There were no contingent liabilities at 31 March 2019.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Aquila Services Group plc will be held at Tempus Wharf 29A, Bermondsey Wall West, London, SE16 4SA on 24 July 2019 at 3:00 pm, for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions numbered 1 to 8 and 10 will be proposed as ordinary resolutions and resolution 9 will be proposed as a special resolution:

Ordinary business

1. To receive the reports of the directors and auditor and the financial statements for the period ended 31 March 2019.
2. To approve the remuneration report for the period ended 31 March 2019.
3. That, following a recommendation by the directors, a final dividend payment of 0.6p per Ordinary Share shall be paid to those persons who were named on the register of shareholders on 19 July 2019.
4. That Crowe UK LLP be and is hereby reappointed as auditor of the Company and that the directors be authorised to determine the auditor's remuneration.
5. To re-elect as a director, Steven Douglas, who was re-elected at the AGM held on 21 July 2016.
6. To re-elect as a director, Fiona Underwood, who was re-elected at the AGM held on 21 July 2016.
7. That Claire Banks be and is hereby appointed as a director of the Company.

Special business

8. That, in accordance with section 551 of the Companies Act 2006 ("**CA 2006**"), the directors be generally and unconditionally authorised to issue and allot equity securities (as defined by section 560 of the CA 2006) up to an aggregate nominal amount of:

   8.1 £206,580 in connection with the valid exercise of the options (both approved and unapproved) granted by the Company (as set out in the prospectus issued by the Company dated 20 July 2015), any unapproved options granted to current or former officers of the Company and options granted to employees and officers of the Company and/or its subsidiaries in accordance with the terms of the Company's Employee Share Option Scheme ("**Options**"); and

   8.2 in any other case, £588,463 (such amount to be reduced by the nominal amount of any equity securities allotted pursuant to the authorities in paragraph 8.1 above in excess of the stated amount)

   provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require relevant securities to be allotted and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

   This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot relevant securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

9. That, subject to Resolution 8 above being duly passed, the directors of the Company be and are hereby empowered, pursuant to section 570 of the CA 2006, to allot equity securities (as defined in section 560 of the CA 2006) wholly for cash pursuant to the authority conferred upon them by Resolution 8 above (as varied, renewed or revoked from time to time by the Company at a general meeting) as if section 561(1) of the CA 2006 did not apply to any such allotment provided that such power shall be limited to the allotment of equity securities:

    9.1 in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity securities offered to each such holder is proportionate (as nearly as may be) to the respective amounts of equity securities held by each such holder subject only to such exclusion or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws of or the requirements of any recognised regulatory body in any territory or otherwise;

    9.2 in connection with the valid exercise of Options;

    9.3 in connection with the valid exercise of any share options granted to employees of the Group in accordance with the terms of the Employee Share Option Scheme; and

    9.4 otherwise, up to a maximum nominal amount of £88,269.

    The power granted by this resolution will expire on the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

    This resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if section 561(1) of the CA 2006 did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

10. That the Company be and is hereby authorised generally and unconditionally to make market purchases (within the meaning of section 693(4) of the CA 2006) of its ordinary shares ("**Ordinary Shares**") provided that:

    10.1 the maximum aggregate number of Ordinary Shares that may be purchased is 3,530,777;

    10.2 the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is £0.05;

    10.3 the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is the higher of:

        (a) 105 per cent of the average closing middle market quotations for the Ordinary Shares as quoted on the Official List of the London Stock Exchange for the five business days prior to the day the purchase is made; and

        (b) the value of an Ordinary Share calculated on the basis of the higher of the price quoted for:

            (i) the last independent trade of; and

(ii) the highest current independent bid for any number of Ordinary Shares on the Official List.

10.4 The authority conferred by this resolution shall expire on the conclusion of the Company's next annual general meeting save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority.

Registered office:
Tempus Wharf
29a Bermondsey Wall West
London
SE16 4SA

By order of the board
Dr Fiona May Underwood
Company Secretary

26 June 2019

Notice of Annual General Meeting

Notes

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the company.
2. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you may photocopy the form of proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. A form of proxy accompanies this notice. Forms of proxy, to be valid, must be delivered to the company's registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD in accordance with the instructions printed thereon, not less than 48 hours before the time appointed for the holding of the meeting.
4. If you are not a member of the company but you have been nominated under section 146 of the Companies Act 2006 (the 'Act') by a member of the company to enjoy information rights, you do not have the rights of members in relation to the appointment of proxies set out in notes 1, 2 and 3. The rights described in those notes can only be exercised by members of the company.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Withheld" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. Information regarding the meeting, including the information required by section 311A of the Act, is available from www.aquilaservicesgroup.co.uk
7. As provided by Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered in the register of members of the company 48 hours before the time set for the meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
8. As at close of business on 26 June 2019 the company's issued share capital comprised 35,307,766 ordinary shares of 5 pence each. Each ordinary share carries the right to one vote at a general meeting of the company and, therefore, the total number of voting rights in the company at close of business on 26 June 2019 is 35,307,766.
9. Under section 319A of the Act, the company must answer any question you ask relating to the business being dealt with at the meeting unless (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
10. If you are a person who has been nominated under section 146 of the Act to enjoy information rights (a 'Nominated Person'), you may have a right under an agreement between you and the member of the company who has nominated you to have information rights (a 'Relevant Member') to be appointed or to have someone else appointed as a proxy for the meeting. If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights. Your main point of contact in terms of your investment in the company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the company) regarding any changes or queries relating to your personal details and your interest in the company (including any administrative matters). The only exception to this is where the company expressly requests a response from you.
11. Members satisfying the thresholds in section 338 of the Act may require the company to give, to members of the company entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the Annual General Meeting includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the company not later than 6 weeks before the date of the Annual General Meeting.

12. Members satisfying the thresholds in section 338A of the Act may request the company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the company not later than 6 weeks before the date of the Annual General Meeting.
13. Members satisfying the thresholds in section 527 of the Act can require the company to publish a statement on its website setting out any matter relating to (i) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstances connected with an auditor of the company ceasing to hold office since the last Annual General Meeting, which the members propose to raise at the meeting. The company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the company has been required to publish on its website pursuant to this right.
14. Copies of the directors' service contracts will be available for inspection at the registered office of the company during usual business hours from the date of this notice until the date of the Annual General Meeting, and also during and at least fifteen minutes before the beginning of the Annual General Meeting.