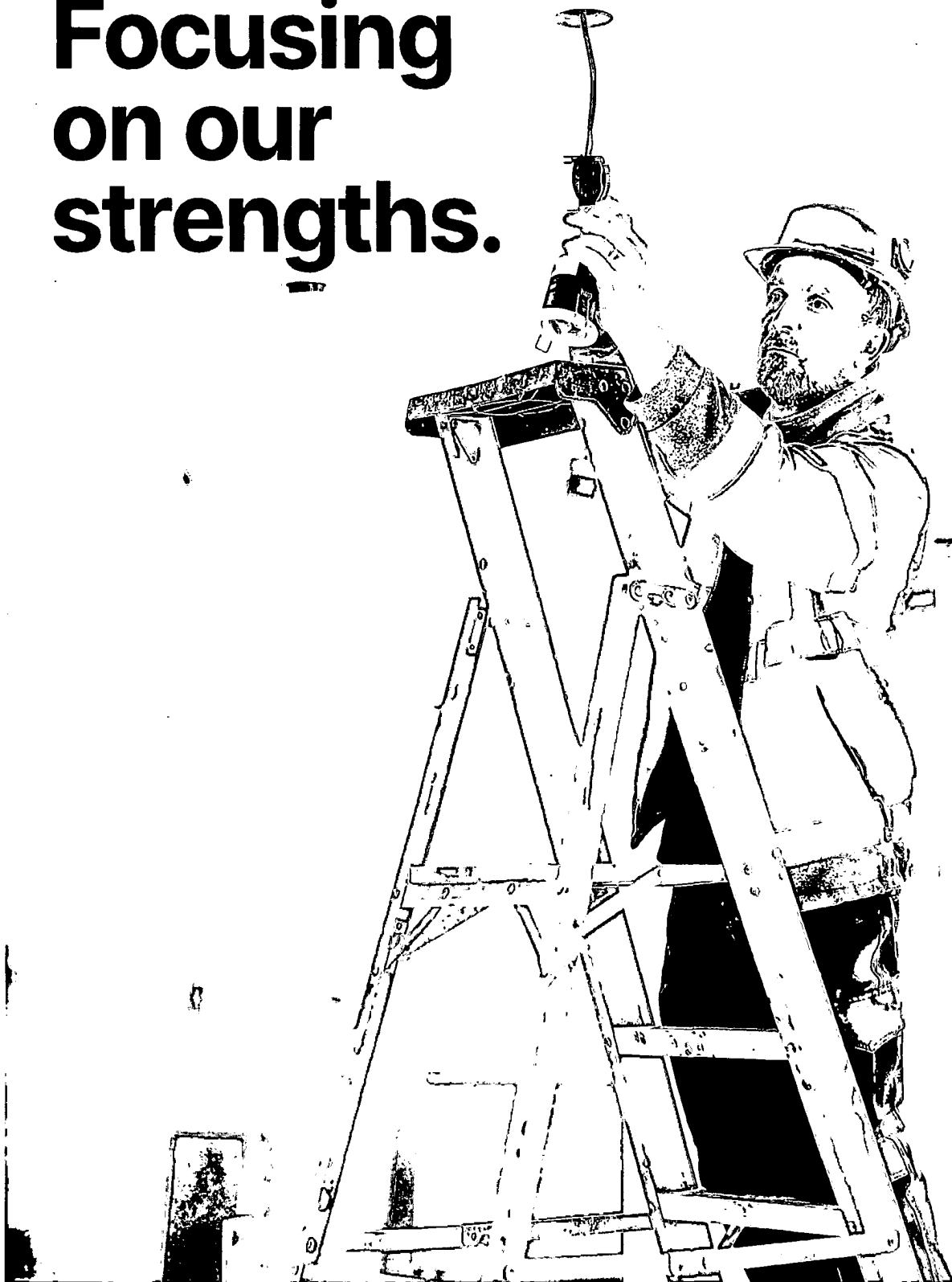


Focusing on our strengths.



Bilby plc
Annual Report and Accounts 2019

MONDAY



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30/09/2019

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COMPANIES HOUSE

Bilby^{plc}

£162.3m

visible revenues over next 3 years

441

employees

c.300,000

properties

served across
London and
the South East

Strategic report

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Financial results

- Financial performance of the Group was negatively impacted by one subsidiary, P&R, that recorded an underlying EBITDA loss of £2.1 million and significant non-underlying items of £9.0 million. This was driven by:
 - Two severely loss-making contracts with Carillion Amey and East Kent Housing – both of which have been terminated and occurred as a result of failings of previous management and poor governance at the subsidiary
- In the second half of the year, the Board initiated an operational and financial review of the Group that resulted in the following actions post-financial period:
 - Exit from East Kent Housing contract on 3 July 2019 (following formal notice of termination by P&R in April 2019)
 - The closure of P&R's gas servicing division on 3 July 2019
 - P&R's profitable building services contracts being transferred to the management responsibility of Purdy
- P&R now has no day-to-day operations and accordingly minimal associated running costs
- In discussions with HSBC UK Bank Plc, the Group's debt provider, about restructuring the borrowing facilities and rebasing the financial covenants
- No final dividend declared given the financial performance for the year and the overall level of indebtedness. The Board intends to reinstate the dividend as soon as it is feasible
- Excluding the performance of P&R, Group revenue increased by 5.3% and underlying EBITDA was maintained demonstrating the continuing robustness of the business – the comparative analysis of the full year results between P&R and the continuing Group is summarised below:

Since joining the Group in April 2019, I have been focusing on the strengths of the business and working with the management team to address the shortfalls, steady the ship and build on our strengths.

In my initial review, I concluded that Bilby is fundamentally a sound business operating in a market with strong growth prospects. The problems faced last year are resolvable and, upon joining, I immediately accelerated and widened the operational review to isolate the factors that led to the disappointing financial results reported here today. Whilst we are still feeling the effects from last year, we have made substantial progress towards getting our house in order. I am confident we are capable of, and on track to, return to long-term sustainable growth.

David Bullen
Chief Executive Officer

➔ Read more on p6

	Audited 12 months to 31 March 2019 £'000	P&R to 31 March 2019 £'000	Continuing Group* to 31 March 2019 £'000	Audited 12 months to 31 March 2018 £'000	P&R to 31 March 2018 £'000	Continuing Group* to 31 March 2018 £'000
Underlying revenue	69,588	10,168	59,420	78,807	22,351	56,456
Underlying EBITDA	3,164	(2,054)	5,218	6,294	1,002	5,292
Underlying PBT	2,501	(2,194)	4,695	5,790	913	4,877
Non-underlying items	(12,889)	(9,003)	(3,886)	(1,498)	—	(1,498)

* All central costs are included within the Continuing Group.

The Group is trading in line with management expectations. In the year ending 31 March 2020, and in addition to the required investment programme, the Board is confident of at least maintaining underlying revenues of £59 million with an adjusted EBITDA of not less than £4.5 million.

Group at a glance

Building on our significant competitive advantages

Bilby is an established and award-winning provider of gas and electrical installation, maintenance and general building services to local authority and housing associations.

A growing market sector

Bilby operates in a stable market with long-term growth prospects. Our market is driven by compliance and safety regulation and the continuing shortage of affordable and social homes.

Long-term growth prospects

£2.3bn

estimated spend on repairs and maintenance in the twelve months to March 2020¹

230,000

London households on social housing waiting lists²

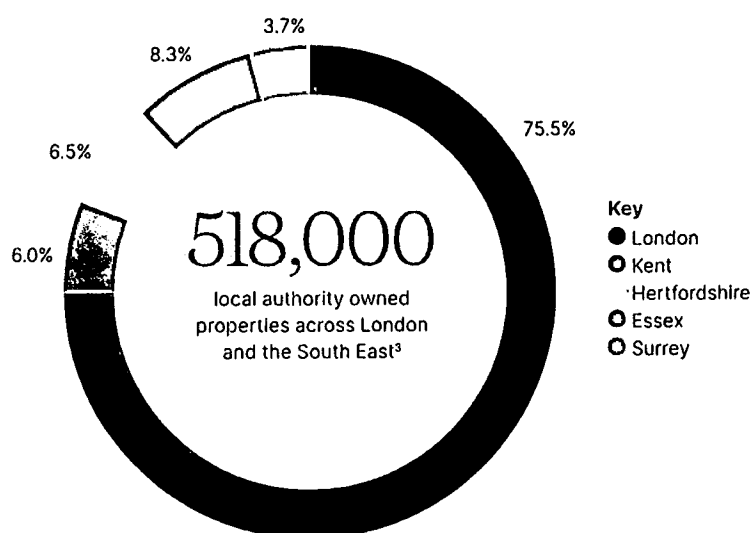
300,000

government target to build new homes each year to the mid-2020s³

 Read more on p11

Where we work

At present our operations are focused in London and South East England, where we service over 300,000 properties in all 33 London boroughs.



1 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/805446/Quarterly_Survey_for_Q4_January_to_March_2019.pdf.

2 <https://data.london.gov.uk/dataset/households-local-authority-waiting-list-borough>.

3 <https://www.gov.uk/government/statistical-data-sets>.

Our ongoing businesses⁴

The Group is the sum of four long-established, independent, yet complementary, subsidiaries. Often working together, and increasingly sharing central functions, we provide efficient and cost-effective planned and responsive services across three service channels.

PURDY
Part of the Bilby P&R Group


Spokemead

 **DCB (Kent) Limited**
BUILDING & REFURBISHMENT CONTRACTORS



⁴ As of 31 July 2019, all remaining gas and building services contracts within P&R Installation Company Limited ("P&R") were placed under the management responsibility of Purdy Contracts Limited ("Purdy").

What we do

Gas services

We provide gas installation and safety critical gas maintenance services to domestic clients and corporate contracts for housing authorities that include systems upgrades, meter connections, boiler work and central heating solutions.

- Gas heating is a heavily regulated market and by law all our gas engineers are registered on the Gas Safe Register.
- Service provider: Purdy.

Electrical services

We offer a full range of electrical services from new installations to maintenance, 24-hour emergency call-out, upgrades and rewires.

- All of our skilled electricians and service staff are fully qualified and receive regular ongoing training and development.
- Service providers: Spokemead, Purdy and R. Dunham.

Building services

We offer multiple services including plumbing, electrics and general building maintenance, repair and new build.

- These services are typically carried out by fully qualified sub-contractors that enable us to have a flexible and scalable business.
- Service providers: Purdy and DCB.

Committed employees

We are fortunate to have a committed and talented workforce which delivers safety critical and compliance regulated services, and ensures our customers deliver on their promises to provide safe, secure and good quality homes.

113

electrical engineers

82

gas safe engineers

Long-term contracts

Bilby has a broad customer base with the majority consisting of local authorities and housing associations. We typically work on long-term contracts and framework agreements of three years or more, giving the Group strong forward earnings visibility.

65+

customers

£162.3m

visible revenues over next three years

103

building services

143

management, customer service and administration

42%

of contracts over three years

3 years

minimum length of majority of service contracts

→ Read more on p14

→ Read more on p7 to 10

Setting a new standard

I am confident that together with our enhanced management team and experienced Board we will return to sustainable profitable growth.

Sangita Shah
Non-Executive Chair



The year ended 31 March 2019 (the "Period") was a particularly challenging one for the Group and resulted in the Board taking decisive action – sadly too late to avert a very disappointing outcome for the year.

In the Period, Group underlying revenue decreased 12% to £69.6 million (2018: £78.8 million) with underlying EBITDA decreasing 48% to £3.2 million (2018: £6.3 million) and adjusted earnings per share down 48% to 6.38 pence (2018: 12.35 pence). The reduction in underlying EBITDA was due entirely to the underlying trading losses suffered by Group subsidiary company P&R, which delivered an underlying EBITDA loss of £2.1 million. In addition, the Group also incurred very significant contract termination costs, impairments and restructuring costs which, together with other non-underlying items totalled £12.9 million. This has resulted in a loss after tax for the year of £8.6 million.

Total borrowings at 31 March 2019 were £10.9 million compared to total borrowings of £5.4 million at 31 March 2018 reflecting the consequences of the losses, impairments and costs suffered by P&R. For the 31 March 2019 covenant tests, the Group was in breach of certain of the financial covenants set by HSBC UK Bank Plc. The Group requested a waiver of the breach of covenants which was formally approved by HSBC UK Bank Plc. The Group and HSBC UK Bank Plc are in discussions about restructuring the borrowing facilities and rebasing the financial covenants. The Board is also considering an equity fund raise in the short term to provide additional resources in order to reduce overall indebtedness.

The poor financial performance was isolated to P&R, which suffered as a result of specific fallings and exposure to two materially loss-making contracts. The two loss-making contracts have been terminated and the Group initiated formal dispute resolution proceedings. During the Period, the Board undertook an operational review (the "review") of the business and decisive action has since been taken to stem these losses. Subsequently, post the Period end, the Group has restructured P&R so that all its profitable building services operations have been incorporated into other Group subsidiaries. Accordingly, P&R has no day-to-day operations and minimal cost associated with it.

These isolated performance issues are not reflective of the remainder of the Group and I am pleased to report all other subsidiaries combined delivered a robust performance. Excluding P&R, Group underlying revenue increased by 5.3% and underlying EBITDA was maintained demonstrating the underlying resilience of the Bilby offer, model and strategy.

To date, the Board has pursued a "buy and build" strategy coupled with organic growth. In the Period, we acquired R. Dunham, an electrical services company, for an initial cash consideration of £750,000 and the issue of 250,000 new ordinary shares. After the Period end a further cash consideration payment of £476,000 was made. This complementary acquisition broadens the Group's customer base and strengthens our presence in our core markets.

On 4 September 2018, Phil Copolo, founder of P&R and Deputy Chairman of Bilby, retired from the business and at the same time Leigh Copolo, Group Operations Director, resigned from the Board and left the business. Concurrently Phil Copolo and Leigh Copolo sold their entire holdings of 12,596,896 ordinary shares of 10p each, representing 31.26% of the Group's total issued share capital, at a price of 100p. Following these disposals, Janet Copolo, the wife of Phil Copolo retains a holding of 2,886,396 ordinary shares representing 7.2% of the Group's issued share capital. At the same time, David Ellingham, formerly Group Finance Director, was appointed to the role of Chief Executive Officer and the recruitment of a new Group Finance Director commenced.

In light of the challenges faced, we strengthened the operational capability of the Executive management team to ensure we are robustly positioned to take advantage of a market that continues to present opportunities and deliver success for all stakeholders. Lee Venables was promoted to Chief Operating Officer, having been Managing Director of the Group's largest subsidiary, Purdy; Chris Webster was appointed Executive Director, having founded the Group's subsidiary DCB (Kent); and Clive Lovett was appointed Group Finance Director. In early April 2019, David Ellingham, previously CEO, stepped down from the Board and left the Group to pursue other opportunities.

“In light of the challenges faced, we strengthened the operational capability of the Executive management team to ensure we are robustly positioned to take advantage of a market that continues to present opportunities and deliver success for all stakeholders.”

Post year end, we appointed David Bullen as Chief Executive Officer, who brings significant plc experience and an impressive track record in turnaround scenarios for multi-divisional companies. David is continuing to undertake the review of the business with the support of the Executive team, which has been broadened and deepened from the operational review of P&R. Early findings show that management and governance failings at P&R were the overwhelmingly primary drivers of P&R's very disappointing performance.

Having successfully strengthened the Executive management team of the Board to further ensure robust governance throughout the Group, we shortly intend to appoint a Non-Executive Director to the Board who will also chair the Audit Committee. In addition, we have appointed an Independent Company Secretary and started to implement a number of centralised functions to ensure greater oversight of the Group and all the subsidiaries.

I am confident that the business, led by David Bullen, will ensure alignment, the implementation of robust processes, systems and infrastructure and the return of the Group to profitable and sustainable growth.

An interim dividend of 0.5p was paid in January 2019 which together with the final dividend of 2.0p paid in September 2018 represents a total dividend of 2.5p per ordinary share paid in the year ended 31 March 2019. As a result of the loss-making activities associated with P&R and the increase in the overall indebtedness of the Group and ongoing discussions with HSBC UK Bank Plc about restructuring the borrowing facilities and rebasing the financial covenants, the Board has made the decision not to pay a final dividend. Our focus is firmly on putting the issues relating to P&R in the past, returning the Group to profitable growth, and reducing overall indebtedness with a view to resuming the payment of dividends as soon as financially prudent to do so.

In what has been a particularly challenging period for the Group, I would like to thank all our stakeholders including our new and long-term shareholders and banking partners for their support. Given the organisational change during this Period, I would like to reiterate my gratitude to our employees – all of whom have continued to show an unstinting dedication and commitment to the Group. It is their hard work and commitment that has ensured Bilby customers continue to receive the exemplary service for which we are known.

Current trading is in line with management expectations. The Group has no major contracts up for renewal in the current financial year which along with the enhanced levels of governance gives the Board confidence of at least maintaining underlying revenues of £59 million with adjusted EBITDA of not less than £4.5 million. We enter the new financial period having taken decisive and conclusive action to ensure that the causes of the isolated failings are not repeated. It is in light of this that I am confident that together, with our enhanced Board and experienced management, we are well positioned to drive sustainable and profitable growth.

Sangita Shah
Non-Executive Chair
19 September 2019




Chief Executive's introduction

Steadying the ship

On track to ensure Bilby operates as a group fully capable of achieving long-term sustainable growth.

David Bullen
Chief Executive Officer



Having joined the Group in April after the Period end, I was quickly impressed by the highly committed workforce. Bilby benefits from an excellent offer and a highly collaborative culture that underpins the Group's focus on customer satisfaction. As a result, Bilby has been rewarded with a growing roster of blue-chip organisations in London and the South East.

However, after a period of several years of growth for Bilby, it was clear that management failings in P&R had led to circumstances which were having very damaging financial consequences for the Group. Significantly, P&R had two loss-making contracts that needed to be addressed. P&R's contract to supply building maintenance services for Ministry of Defence (MOD) properties was terminated in May 2018 and led to dispute resolution proceedings. Furthermore, the major gas installation contract, with East Kent Housing, was terminated in April 2019 and has also resulted in resolution proceedings. These contracts in combination have had a material effect on the underlying profitability for the year ended 31 March 2019 as well as impacting the overall indebtedness of the Group, with the Group also reporting a number of significant associated restructuring and write off costs.

My initial review quickly determined the importance of restructuring P&R. Post the Period end, the Group closed P&R's gas servicing division and restructured all ongoing profitable building services contracts which are now being successfully serviced under the management responsibility of Purdy.

This action quickly stemmed the losses and ensured P&R has no day-to-day operations and accordingly minimal associated running costs.

The review is ongoing; however, it has already established that the performance issues were isolated to P&R. With the full backing of the Executive management team, I have widened and deepened the review of the Group's operations and already implemented a number of changes to improve governance within the divisions.

Whilst other subsidiaries have grown in line with management expectations, this has often been at the cost of efficiencies that, with certain centralised functions, the Group would have benefited from. It was also apparent that all the subsidiaries were run independently and autonomously with limited central operational and financial support. This has already conclusively established that a number of operational and financial systems, positions, policies and procedures must be created and embedded into the Group. This investment has already started and the review is now focused on the implementation of these centralised support and control functions that will ensure that all businesses within the Group operate to both maximum efficiency and profitability.

In addition, the function of the PLC Board has been strengthened to include the appointment of an independent Company Secretary and we shortly intend to announce the appointment of an additional Non-Executive to Chair the Audit Committee to ensure we meet the highest governance standards.

Outlook

The Group experienced material restructuring costs and write offs as a result of the failings at P&R; the vast majority of losses associated with P&R were contained in the financial year ended 31 March 2019. The Group is now exposed to no further material losses from P&R and is in resolution proceedings regarding both terminated contracts.

Bilby has a leading position in the South East, within a market that continues to present significant opportunities. Nevertheless, the experiences within the Period reinforce the importance of operating as a collaborative and cohesive Group with rigorous centralised governance and not as a collection of subsidiaries. I am confident we are on track to ensure Bilby operates as a Group fully capable of achieving long-term sustainable growth.

I am pleased with how the Group has performed since the year end in which we have secured new contracts, driven efficiencies and already benefited from the start of centralising functions.

The Group is currently trading in line with management expectations and I am confident in the operational progress of the Group.

David Bullen
Chief Executive Officer
19 September 2019

A handwritten signature of David Bullen in dark ink. The signature is stylized, with the first name 'David' and last name 'Bullen' clearly legible.

Businesses with firm foundations

All our businesses are long-standing, established names in their respective fields.

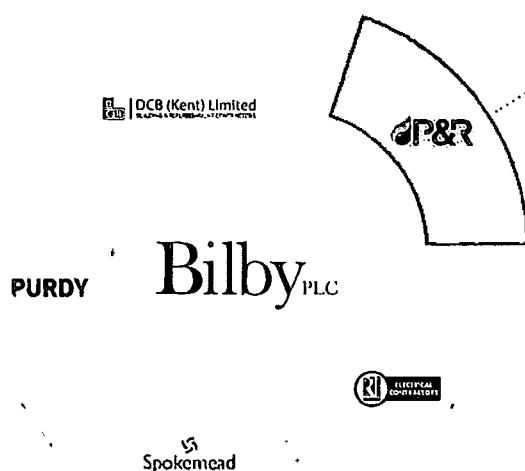
The disappointing results were driven by a poor performance from P&R. Previous management failed to ensure appropriate controls were in place regarding two large-scale contracts with the MOD and East Kent Housing. These failings led to P&R and, ultimately, the Group experiencing significant losses during the Period and a negative impact on cash.

As previously reported, the Group decided to terminate P&R's contract with Carillion Amey to provide services to the MOD properties in May 2018. As a result of the termination, the Group was forced to incur significant write offs.

In 2017, P&R signed an eight-year contract to provide gas services to East Kent Housing that, at the time of signing, was expected to materially enhance revenues. Given the potential revenue visibility from the contract, the Group made significant

cash investments to mobilise the contract as is typical in these circumstances. However, the contract proved to be loss making and, as a result, we served notice on the contract on 3 April 2019, after the Period end. As a result of the circumstances of both contracts, the Group suffered considerable losses and incurred significant write offs. However, the Group is currently in the process of resolution proceedings in regard to the monies it firmly believes it is owed.

Our Group structure



After a period of several years of growth, it was clear that management failings at P&R were having very damaging financial consequences for the Group.

A post year end review determined the importance of restructuring P&R, and its gas division has now been closed. All remaining profitable contracts are now being managed by Purdy.

➔ Read more on p2 and 3

Operational review continued

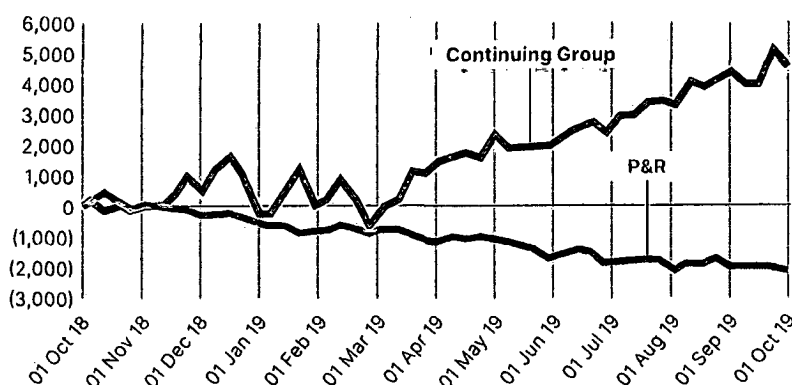
Despite the disappointing financial results associated with the poor performance from P&R, the rest of the Group achieved profitable growth across its three core service pillars: electrical, gas and building services. Due to our committed workforce, high level of service and focus on operational excellence, we have long-standing client relationships with local authority and social housing organisations.

During the Period, we continued work on ongoing contracts secured in previous years, which are continuing to deliver profitable and recurring revenues for the Group. We are also delighted to report that we gained a number of new large-scale contracts which will provide the Group with recurring revenue over the next two years and beyond. One example of this is the three-year £6.9 million contract Purdy won with British Gas to provide domestic gas servicing, repairs and installations. We are also delighted with the customers who have extended the scope of work we provide them, which is testament to the high level of customer service we provide. In addition, we secured a number of one-off contracts across the Group, such as the £2.7 million project we undertook for Ashford County Council's affordable housing division.

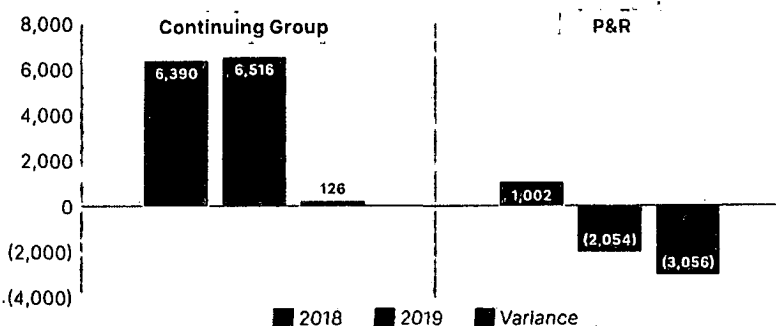
The Group continued to successfully increase the level of cross-selling of our services throughout the subsidiaries. This was evident with Purdy's long-standing customer, Hackney Council, which broadened its scope of work by using R. Dunham for its electrical services.

I am delighted to report that the minimum visible revenues through our ongoing contracts across the Group for a three-year outlook to 2021 are £162.3 million. This figure does not include the potential contracts we could win in the current year and beyond.

Historical 12 month cash flow (£'000)



EBITDA movements (£'000) (excludes central costs)



Purdy

Established	1984
Employees	205
Contracts value over next 3 years	£104.9m

Purdy is an award-winning contractor in electrical, mechanical and property services. The subsidiary had a very positive year in which it successfully secured new contracts, providing services to a number of ongoing contracts such as British Gas. Purdy strengthened its relationship with both Peabody and Hyde Housing by providing ongoing electrical work. As a result, the two contracts are expected to bring further opportunities and work streams in the future. Furthermore, Purdy secured a new £4-6 million four-year contract with the London Borough of Waltham Forest to provide gas and electrical work to its schools and public building stock.

DCB (Kent)

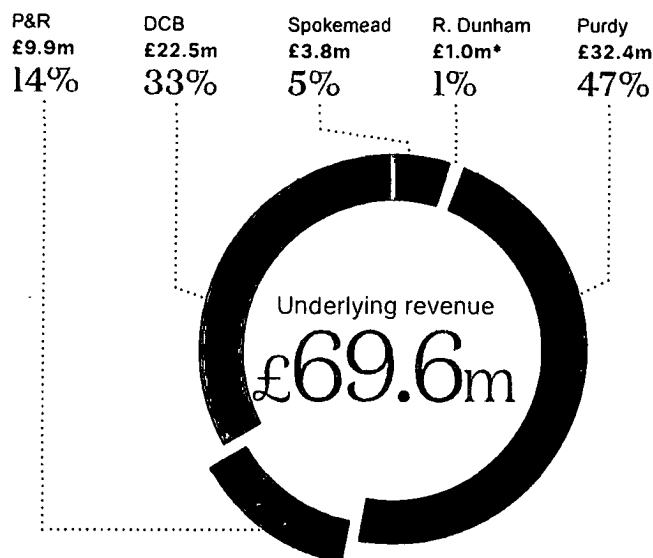
Established	1998
Employees	82
Contracts value over next 3 years	£46.7m

DCB (Kent) provides high-quality building, refurbishment and maintenance services. DCB (Kent) secured two contracts with Richmond Housing Partnership; a £9.5 million contract to build 49 affordable, share ownership apartments, and a £4.5 million contract to build 23 retirement apartments. In addition, DCB (Kent) worked on a number of one-off works on affordable housing in Ashford and Golding Homes. The subsidiary continued its momentum into the beginning of this year and we were delighted with its new £10 million contract to provide corporate maintenance works to the Port of Dover, which the Group gains the benefit of in the current financial year.

“The four remaining subsidiaries achieved profitable growth across its three core service pillars: electrical, gas and building services.”

Spokemead

Established	2004
Employees	16
Contracts value over next 3 years	£6.0m

Underlying revenue by company (£m)

Spokemead is a specialist in electrical installation, repairs and maintenance services. During the Period it renewed its electrical testing and remedial works term contract with the London Borough of Southwark. We were pleased to record that this contract has been renewed for another six years with estimated revenue of £10 million. As a result of the contract renewal, which formed the basis of the final deferred consideration, during the Period, the Group paid the full final acquisition consideration of £500,000. The scope of the new contract has been reduced but Spokemead remains in discussions with the Council regarding the potential of future additional works.

* Post acquisition from November 2018.

Operational review continued

Focusing on our strengths

We have a fundamentally sound business with significant opportunities

Whilst we are hugely disappointed with the Results this year, Bilby's four remaining trading subsidiaries have continued to perform well. We have a highly skilled and dedicated workforce and we operate in a stable market with long-term growth prospects. The majority of our customers are on long-term contracts of three years or more, giving us excellent future revenue visibility.

With no contracts due for renewal in the current year, we have a strong foundation on which to return the business to profitable growth. Looking forward, we will continue to pursue cross-selling opportunities, and our plans to centralise and streamline a number of Group-wide functions will enable us to operate more efficiently.



R. Dunham

Established 2002

Employees 31

Long-term contracts value £4.7m

On 29 November 2018, Bilby continued its buy and build strategy with the acquisition of R. Dunham. This subsidiary is a provider of electrical installation and maintenance services and provides significant synergies across the Group, which will offer the opportunity for additional costs efficiencies to be exploited.

Summary

The strong performance of these subsidiaries has provided us with confidence in the Bilby offer as well as the Group's ability to deliver sustainable growth in the future.

Bilby is fundamentally a people business and as a result it is critical it invests in training and tools to ensure we can deliver a high-quality service. The majority of the subsidiaries continue to benefit from the investment that has been made in our Customer Relations Management System, which allows us to monitor each job on multiple contracts. This ensures we are driving efficiency and offering the highest quality of service.

The Group has continued to invest in people and training. We are constantly investing in all our engineers and supporting staff to ensure they are well equipped with the necessary skill-set to deliver the best service to our customers. We currently employ over 35 apprentices across the Group in operational, administration and financial roles.

Lee Venables
Chief Operating Officer
19 September 2019



Market drivers

Bilby's primary customer base is local authority and social housing organisations, which benefits from strong market fundamentals.

Multiple
service
offering

We provide a comprehensive range of gas heating, electrical and general building services to over 65 customers across London and the South East of England.

Strong macro market fundamentals

Our market is driven by the growing need of new homes in the UK in general, and by the shortage of social and affordable homes. With 83,700 households in temporary accommodation at the end of December 2018¹ and an estimated 320,000 homeless in the UK², the housing crisis is especially acute in the London and South East region, where we currently operate.

Regulatory requirements

Our services satisfy an unwavering focus on compliance and safety by our customers. This is driven by government standards and legislation including the Right to Repair Scheme.

Demand from existing customers

Our growth is underpinned by our ability to win new contracts and grow the value of existing contracts. Despite national budget cuts, housing spend remains relatively stable. To secure the best prices and ensure service delivery commitments to tenants, our customers will often enter into long-term contracts.

21% rise

in capitalised repairs and maintenance expenditure forecast in the twelve months to March 2020³

Government commitment to social housing

The Social Housing Green Paper published in August 2018 outlined the government's commitment to providing and increasing the supply of quality and fair social housing.

40%

of all new homes must be affordable or at social rent⁴

14,544

affordable homes were started in London in the year 2018/19 with City Hall's support⁵

Financial support to increase housing supply

Since the Autumn Budget of 2017, which announced £15.3 billion of investment into new homes, the government has continued to boost funding towards social and affordable homes in order to help deliver the target of 300,000 new homes per year.

£4.8bn

secured from government to start building 16,000 new homes in the capital by 2022⁵

340,000

new homes per year are needed until 2031 to meet demand⁴

1 <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN02110>.

2 Shelter.org.uk.

3 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/805446/Quarterly_Survey_for_Q4_January_to_March_2019.pdf.

4 Wendy Wilson and Cassie Barton Tackling the under-supply of housing in England, <https://www.parliament.uk/commons-library>, Briefing Paper, Number 07671, 12 December 2018.

5 <https://www.london.gov.uk/what-we-do/housing-and-land/increasing-housing-supply/building-council-homes-londoners>.

Key performance indicators ("KPIs")

Measuring our performance

We use both financial and non-financial KPIs to measure and monitor our performance.

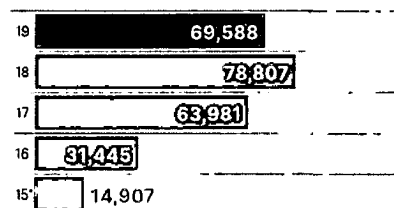
Reviewing our KPIs

The renewed Board is currently reviewing the financial KPIs that we will report on to ensure that these best measure the Group performance against its strategy. For now we have retained the financial KPIs reported on in previous years.

Financial KPIs

Underlying revenue (£'000)

£69,588



KPI definition

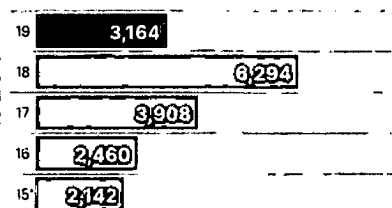
Revenue is based on the amounts received or receivable for services provided during the year. We aim to grow our revenue organically as well as through acquisition. Organic growth gives a measure of business performance and our ability to win new contracts and increase the scope of existing contracts.

Our performance

The fall in revenue was the result of the performance of P&R and the impact in particular of the contracts relating to MOD properties and East Kent Housing. Revenues for the rest of the Group at £59.4 million (2018: £56.5 million) were ahead of prior year including £1.2m relating to the acquisition of R. Dunham.

Underlying EBITDA (£'000)

£3,164



KPI definition

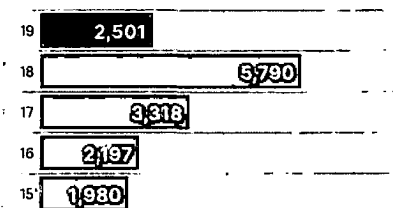
Underlying EBITDA is defined as earnings before interest, tax, depreciation and amortisation and excluding non-underlying items, as set out in note 7 to the consolidated financial statements.

Our performance

Year on year result impacted by underlying performance at P&R. Action has been taken during the first quarter of 2019/20 to restructure the business and eliminate the losses in this division. EBITDA for the rest of the Group is in line with prior year.

Underlying PBT (£'000)

£2,501



KPI definition

The Group's profit before taxation excludes non-underlying items, as set out in note 8 to the financial statements.

Our performance

Year on year result was impacted by the underlying performance at P&R together with higher financing charges as a consequence of the associated increase in net debt.

* 14 months to 31 March 2015.

Adjusted earnings per share (p)**6.38 pence**

19	6.38
18	12.95
17	7.70
16	9.60
15	6.10

KPI definition

Adjusted basic earnings per share is the profit, before deducting non-underlying items, after tax divided by the weighted number of ordinary shares, as set out in note 13 to the consolidated financial statements.

Our performance

The performance impact at P&R has had a direct impact on the adjusted earnings per share.

Basic earnings (loss) per share (p)**(21.29) pence**

19	(21.29)
18	8.61
17	(0.46)
16	1.31
15	6.10

KPI definition

Basic earnings/(loss) per share is the profit/(loss) after tax divided by the weighted number of ordinary shares, as set out in note 13 to the consolidated financial statements.

Our performance

The Group has suffered underlying losses and incurred exceptional costs as part of the review and restructure of the P&R business which has significantly impacted the year on year performance.

Net debt (£'000)**£10,858**

19	10,858
18	5,929
17	3,744
16	3,817
15	(1,739)

KPI definition

Net debt is the Group's balance at the reporting date of bank and other loans, overdraft less cash and cash equivalents. It does not include obligations under finance leases.

Our performance

Net debt has increased substantially during the period as a consequence of the losses and financial asset impairments at P&R, and acquisition payments (including deferred consideration relating to prior period acquisitions and Group dividend payments). Following the restructure of the business the Group is committed to reducing the net debt.

Non-financial KPIs

The majority of our customers require us to report on service and operational KPIs as part the contract delivery. Historically these have been discussed in our Annual Reports, but figures have not been displayed. This is because not all non-financial KPIs are the same for each subsidiary and customer, and are therefore not representative of the Group as a whole.

For greater transparency, this year we have included the details of three non-financial KPIs that are consistent across the majority of our contracts: customer satisfaction, repairs (first-time fix) and number of official complaints upheld. These will set the benchmark for the future and we are looking at ways we can collate other important non-financial KPIs from next year.

Customer satisfaction (%)

91%	95%
2019	2020 target

KPI definition

Customer satisfaction is measured through resident surveys on the completion of each job and is a core operational KPI for most contracts. Results from surveys are recorded either electronically on PDAs or, at the request of the resident, a paper copy can be left and sent at a later date.

Our performance

Our performance was affected by one contract from which P&R has since withdrawn. Customer satisfaction for all other contracts to the year ended 31 March 2019 remained constant at 95%.

Repairs (first-time fix) (%)

98%	98%
2019	2020 target

KPI definition

First-time fix measures the percentage an engineer is able to fix an issue the first time, without the need for additional visits, information or parts.

Our performance

Our performance remained high during the year.

Number of official complaints upheld (%)

5%	<5%
2019	2020 target

KPI definition

Complaints where the outcome was "upheld" or "some upheld" are those where we investigated, and have found that something went wrong. As part of the investigation process we also review how we responded to the complaint and any action taken to put things right.

Our performance

Last year we received more complaints than in previous years; the increase was isolated to service performance in P&R. We aim to minimise the complaints we receive and to achieve this, we discuss complaints in our staff toolbox talks so that we can continue to improve performance.

People and community

Delivering a positive impact at every opportunity

Lee Venables
Chief Operating Officer



Our people

We are proud to employ around 450 people with many living and working in their local community. Our mission is to deliver a quality service by investing in staff, customers and communities.

As a majority direct employer we aim to offer our people rewarding long-term careers and a stable working environment. Over 40% of our operational staff joined as apprentices and have progressed into management roles, including our Chief Operating Officer, Lee Venables. We currently employ over 35 apprentices across the Group, many of whom have been long-term unemployed or are recent school leavers who were likely to become long-term unemployed.

We have recently made a number of management changes and Board appointments to strengthen our leadership team and introduce greater accountability. This process is ongoing and is discussed further in the Chair's Statement.

"It is a testament to the quality and dedication of our people that we regularly attain over 91% customer satisfaction levels across the Group."

Skills and employment strategy

The services we offer are highly regulated and therefore it is imperative that we provide continual training and professional development to ensure our staff have the necessary skills and qualifications to carry out their work.

At present each of our subsidiaries run their own recruitment, skills and training programmes. Whilst this has worked in the past, the Board believes that there are significant benefits to be gained in having a centralised HR department.

Our overall aim is to create a greater sense of being part of a wider Group amongst our subsidiaries and ensure that all our staff take full advantage of the career opportunities available to them.

In centralising our HR, we will be looking to standardise work contracts so that all our employees can profit from the same benefits and work incentives. Longer term we will also look to introduce a Group-wide share based incentive scheme in order to help us recruit the best talent and retain a highly skilled and committed workforce.

We are currently looking at how we can enrich our staff members work prospects outside their current roles, such as offering secondments, in order to broaden their skills and experience.

Finally, a centralised HR function will give us an overview of where we have skills gaps so that we can consider how these may best be filled, what additional training may be required, and how we can deploy our existing resources efficiently.

In the last year:

Our staff have received over

2,000 hrs

of training collectively

We have recruited

18

apprentices

We have offered over

700 hrs

of work experience

We have attended

5

job and careers fairs

Social value

Delivering a positive social impact is central to our values as well as our ability to work in the social and affordable housing sector.

As part of the tender process for new contracts, many of our customers require us to incorporate and evidence the benefits we bring to local communities.

To maximise positive outcomes, we align our social value activities to our customers' own social KPIs. Much of our work is centred on providing employment opportunities, and supporting skilled and unskilled individuals to find work.

We are regularly involved in employability drives, job fairs and careers talks, and take part in school programmes to raise awareness of careers in our industry.

Often working with local agencies, we offer work placements and apprenticeships to the young and long-term unemployed. By supporting individuals in this way we believe we help to build confidence, encourage financial independence and create a sense of belonging.

On large contracts and in areas where there are higher volumes of non-English speaking residents we look to recruit and train local residents to be Resident Liaison Officers. This allows us to manage potential language barriers and provides employment that uses jobseekers' inherent skills.



Nikki Hobbs, Apprentice

Nikki Hobbs is just one apprentice who joined our "Purdy Futures" programme, winner of the London Dragon Award. As an equal opportunity employer, we are keen to promote women into construction and recruit from all demographics in the areas we work.

Case studies

Hackney 100

Still in its early stages, we are working alongside the Mayor of Hackney and other contractors to offer 40 hours' work experience for approximately 100 people across all our work streams. Hackney Council is working with employers and partners in the borough to create exciting work placements for local young people aged 16-24 or residents with a disability or health condition. Work placements are a great way to allow people to gain an insight into a career, while making useful contacts and getting paid experience put on their CV.



Taking care of our environment

Managing waste: We pursue the reduction of waste by assessing its make-up. This may include recycling of old boilers, copper pipes, radiators and other key components which are obsolete or any materials generated from our activities. We also follow the "waste hierarchy" principles:



- **Reduce:** Limit the amount of waste we produce before we even consider how to dispose of it.
- **Reuse:** Reuse unwanted goods rather than recycle them or throw them away.
- **Recycle:** Save raw materials and natural resources.

Sustainable transport: We create a travel plan for every project so that we can minimise the environmental impact we have in terms of carbon emissions, noise pollution and traffic congestion.

- Our fleet is equipped with GPS and Euro 4 speed-limiting technology and is either LPG or low carbon emission and all meet the standards for the new ultra-low emission zone ("ULEZ") in London.
- This is supported by our IT platform, AccuServ, to generate smart itineraries minimising travel time and carbon emissions.

Financial review

Losses at P&R led to a disappointing result

The Board has taken decisive actions to eliminate the impact of P&R and is confident that the Group has been repositioned to advance in the future.

Clive Lovett
Group Finance Director



Revenue and EBITDA

Underlying revenue of £69.6 million for the Period (2018: £78.8 million) was down £9.2 million principally due to the exit, as previously reported, from a material contract in P&R to supply building maintenance services for MOD properties.

Total revenues of £66.5 million for the Period have been reduced by £3.1 million, compared to underlying revenues, due to the impact at P&R of the loss on exit from contracts and gas division and impairment of accrued income which have been categorised as non-underlying items (see notes 5 and 8).

Underlying EBITDA of £3.2 million (2018: £6.3 million) in the Period has been significantly impacted by losses at the Group's P&R business which includes the impact of underlying trading losses on a significant gas maintenance and servicing contract with East Kent Housing (which comprised the majority of the gas division of P&R). Other businesses in the Group traded in line with the prior year as summarised below:

	2019		
	Rest of Group £'000	P&R £'000	Total £'000
Underlying revenue	59,420	10,168	69,588
Underlying EBITDA	5,218	(2,054)	3,164

	2018		
	Rest of Group £'000	P&R £'000	Total £'000
Underlying revenue	56,456	22,351	78,807
Underlying EBITDA	5,292	1,002	6,294

Loss after taxation

Loss after taxation for the Period was £8.6 million (2018: profit £3.4 million) principally resulting from the issues in P&R. This includes the impact of underlying trading losses in P&R together with significant non-underlying items comprising costs and impairment resulting from the exit from the MOD properties contract in May 2018, exit from the East Kent Housing contract and closure of the P&R gas division, provision for claims against P&R, impairment of financial assets and restructuring costs reported in the Period.

	Non-underlying items - P&R £'000
Loss on exit of contracts/gas division	7,604
Impairment of accrued income	424
Restructuring costs	975
Total	9,003

Other non-underlying items amounting to £3,886,000 relate to the amortisation of customer relationships, impairment of customer relationships in Spokemead (due to the reduction in the annual value of the new contract), share-based payment charge and acquisition costs (see note 8).

Our financial position

The Group's overall financial position has been impacted by the increased debt levels and the underlying losses, impairment write offs and restructuring costs at P&R. As a result the Group has been in regular dialogue with our bankers HSBC UK Bank Plc. For the 31 March 2019 covenant tests, the Group was in breach of

certain of the financial covenants set by HSBC UK Bank Plc. The Group requested a waiver of the breach of covenants which was formally approved by HSBC UK Bank Plc for the year to 31 March 2019 and the Directors continue to be in detailed discussions with HSBC UK Bank Plc who remain supportive of the Group and its strategic plan to restructure the Group.

The Group and HSBC UK Bank Plc are in discussions about restructuring the borrowing facilities and rebasing the financial covenants. Whilst HSBC UK Bank Plc remain supportive of the Group there is no formal documentation in place at the date of signing these financial statements. The financial covenants are tested quarterly and based on the existing facility agreement it is expected that the Group will be in breach of certain of the financial covenants at the next covenant test. The Board is also considering an equity fund raise in the short term to provide additional resources in order to reduce overall indebtedness.

The Group overdraft facility was £6.5 million as at 31 March 2019. At 31 March 2018 the Group had an overdraft facility of £3.8 million, which was increased to £4.25 million in July 2018, to £5.0 million in September 2018 and further increased to £7.0 million in December 2018. It was subsequently reduced to £6.5 million in February 2019 aligned with the consolidation of the HSBC UK Bank Plc Term loans.

At 31 March 2019 the Group Term loan was £5.0 million with HSBC UK Bank Plc repayable quarterly over three years. This loan was drawn down in February 2019 consolidating the balance of a five-year Term loan principally relating to prior year

acquisitions of Purdy, DCB and Spokemead and a three-year Term loan of £1.1 million relating to the acquisition of R. Dunham in November 2018. The Group also had a £0.3 million, five-year loan with Funding Circle, which was acquired with R. Dunham and is repayable monthly.

Total borrowings at 31 March 2019 amounted to £10.9 million comprising Term loans of £5.3 million, a mortgage loan of £0.4m and an overdraft of £5.2 million. Total borrowings have increased by £5.5 million in the Period. At 31 March 2018 total borrowings were £5.4 million comprising Term loan of £4.0 million, a mortgage loan of £0.4 million and overdraft of £1.0 million.

The current financial covenant measures with HSBC UK Bank Plc reference a definition of net debt. In addition to total borrowings of £10.9 million at 31 March 2019 (as set out above and in note 19) the net debt definition includes deferred consideration (£476,000), purchasing card facility utilised (£2.5 million utilised of a facility of £3.0 million), finance lease commitments (£10,000) and financial guarantees provided by HSBC UK Bank Plc to subsidiary companies (£30,000).

Group total assets were £35.1 million at 31 March 2019 (2018: £39.5 million). The Group net assets as at 31 March 2019 were £7.4 million (2018: £16.6 million) reflecting the losses and write downs in the year to 31 March 2019.

The Group has a centralised treasury function and actively manages cash flows on both a daily and longer-term basis. The Group enjoys long-term client relationships with both its customers, being local government organisations and other housing associations, and its supply chain partners.

We focus on a range of key indicators to assess our performance. Our performance indicators are both financial and non-financial and ensure that the Group targets its resources around its customers, operations and finance. Collectively they form an integral part of the way that we manage the business to deliver our strategic goals.

Group results and further KPIs

Group results	Audited 12 months to 31 March 2019 £'000	Audited 12 months to 31 March 2018 £'000
Underlying revenue ¹	69,588	78,807
Underlying gross profit ¹	15,131	17,692
Underlying gross margin ¹	21.7%	22.4%
Underlying EBITDA ¹	3,164	6,294
Underlying operating profit ¹	2,789	5,982
Underlying profit before taxation ²	2,501	5,790
(Loss)/profit after taxation	(8,596)	3,448
Basic (loss)/earnings per share ³	(21.29)p	8.61p
Adjusted earnings per share ⁴	6.38p	12.35p
Dividend per share paid	2.50p	2.00p
Cash	21	72
Total assets	35,114	39,460
Net working capital ⁵	5,773	10,388
Net assets	7,388	16,623

Notes

- Underlying results are stated before non-underlying items of £12.9m (2018: £1.5m) as set out in note 8.
- Underlying profit before taxation is stated after interest and before charging the non-underlying items.
- Basic (loss)/earnings per share is the (loss)/profit after tax divided by the weighted average number of ordinary shares.
- Adjusted earnings per share is the profit before deducting non-underlying items after tax divided by the weighted average number of ordinary shares.
- Calculated as cash, inventories, trade and other receivables less trade and other payables.

Acquisitions

On 29 November 2018, Bilby continued its buy and build strategy with the acquisition of R. Dunham for an initial cash consideration of £750,000 and the issue of 250,000 new ordinary shares. In June 2019, after the Period end, a further cash consideration payment of £476,000 was made based on the results of the company for the year ended 31 December 2018. In December 2018, the final consideration of £500,000 was paid to Spokemead following the successful renewal of a long term contract with its major customer. Whilst the annual revenue from the contract has been reduced, resulting in an impairment of customer relationships, it still represents approximately £10 million over a six year period. The final consideration of £500,000 was also paid to DCB (Kent) in the Period.

Dividends

Due to the results in the year and the overall level of indebtedness, the Board does not recommend a final dividend. An interim dividend of 0.5 pence was paid in January 2019 which together with the final dividend of 2.0 pence paid in September 2018 represents a total dividend of 2.5 pence per ordinary share paid in the year to 31 March 2019.

Conclusion

The disappointing result was driven by significant losses at P&R, but with robust underlying results from the rest of the Group. The Board has taken various actions to eliminate the impact of P&R and is confident that the Group has been repositioned to advance in the future.

Clive Lovett
Group Finance Director
19 September 2019



Risk management and principal risks

Assessing our exposure

The principal risks to our business are outlined here, together with their potential impact and the mitigation measures in place.

The Board maintains a risk register and continually assesses the Group's exposure to risk and seeks to ensure that potential risks are managed and mitigated wherever possible. There may be other risks which are currently unknown to the Group or which may become material in the future.

In response to the failings last year, and as part of the ongoing review started in the Period, the renewed management is putting in place a series of measures to mitigate risk further. The Board's focus is to improve oversight into systems and processes as well as improve reporting, transparency and accountability by:

- centralising a number of core functions including: bid and mobilisation; procurement; IT; HR; health and safety management; fleet management; and finance; and
- introducing policies, standardised operating procedures and standardised reporting procedures across all subsidiaries to ensure services are delivered to a consistently high standard.

The key risk categories are: strategic, financial and operational.

Risk description	Mitigation
Strategic	
Profitable growth Risk level: High Change:  The growth of our Group is dependent on its ability to win new business and increase the amount of work we do for our existing customers. It also relies on our ability to successfully bid, mobilise, operate and manage contracts profitably. Key risks: mispricing bids, not understanding or meeting customers' needs and failing to deliver expected levels of service. KPIs associated with risk: • EBITDA • PBT • EPS • Customer satisfaction	Following the failure of two significant contracts in 2018/19 we are reviewing our bid, mobilisation and contract management processes and introducing new processes and systems to reduce this risk. Historically bids took place under delegated authorities and were the responsibility of each subsidiary. Contracts were supported by teams of mobilisation and operational delivery specialists. Ongoing contract assurance occurred together with regular dialogue to ensure service delivery was consistent with customer expectations and that contract KPIs were adhered to. Changes: • Conducted a thorough investigation, with the support of external experts, to identify the governance issues that led us to withdrawing from the contracts. • Centralising and standardising bid and mobilisation functions to give the Executive team greater oversight of new business processes and contracts, becoming more selective in the bids we submit and ensuring that they are priced appropriately. • Introducing a CRM system, to support contract mobilisation and delivery. We are now able to access performance KPIs in real time, and identify any potential problems early and accurately. Planned changes: • Centralise procurement to ensure materials and equipment are resourced efficiently and cost effectively. • Review internal control procedures and introduce interdependent operational and finance systems to achieve operational efficiencies and transparent reporting.

Risk description

Mitigation

Strategic continued

Reputational management

Risk level: High

Change: 

Maintaining our reputation is vital to the success of our business and a loss in confidence from our customers and the residents we serve will affect our ability to retain and win business. This in turn can adversely affect our financial performance and growth prospects.

Key risks: failing to deliver expected levels of service or meet customer needs, inadequate financial control processes, failure to comply with regulatory requirements, an incident involving major harm to one of our people or clients/partners and corrupt practices involving fraud or bribery. In severe cases it could result in financial penalties, losses of key contracts, an inability to win new business and challenges in retaining key staff and recruiting new staff.

KPIs associated with risk:

- EBITDA
- PBT
- Customer complaints upheld

Events that led to the withdrawal from two major contracts last year have affected our reputation amongst our customers, investors and wider stakeholders. It had a significant impact on our financial performance in the Period.

We are strongly focused on rebuilding our reputation. In addition to taking immediate action to isolate the issues we faced, we are undertaking a thorough review of our corporate governance systems and controls to identify failings and implement the changes needed to prevent a similar situation from arising that could affect our reputation.

Changes:

- Made significant changes to the Executive management team, appointing a new Group Finance Director and two Executive Directors from within the Group who have on-the-ground insight into the workings of our operations.
- Centralising and standardising our bid and mobilisation functions to allow greater oversight of new contracts and ensure that they are priced correctly.
- Upgrading our IT systems to ensure greater dialogue between Group level and the subsidiaries and so that we monitor and manage service delivery in real time to identify any issues early, and introduce more open and transparent reporting.
- Since 3 July 2019 the P&R gas division ceased trading. The remaining business has been restructured and remaining building services contracts are being novated under Purdy. This action was taken to isolate the reputation fallout from P&R to the rest of the Group, but also to introduce greater efficiencies into the Group and reduce costs.
- Appointed an Independent Company Secretary – ONE Advisory Limited.
- Appointed a new Chief Executive Officer, David Bullen, post year end whose focus is to create long-term stakeholder value, review our strategic priorities and introduce further changes required to return the Group to growth. The priorities for this year are set out on page 6.

Planned changes:

- Review, standardise and introduce Group policies that all subsidiaries must adhere to including: incident management, crisis management, gifts and hospitality, anti-bribery and corruption and whistleblowing.
- Staff engagement programme to communicate the Group's values and purpose.
- Review customer and stakeholder relationship management programmes.
- Increase communication between subsidiaries, and subsidiaries and Group level.
- Introduce a Group-wide intranet to introduce process uniformity and increase Group-wide dialogue.

Financial

Financial controls

Risk level: High

Change: 

Ensuring we have strong financial controls, access to funding and effective cash conversion is essential to our ability to deliver our contracts and grow our business.

Key risks: cash flow issues, increase cost of borrowing, failure to meet financial obligations and deliver our services, inability to pay our staff and suppliers and inaccurate financial forecasts leading to poor business decisions.

KPIs associated with risk:

- Revenue
- EBITDA
- Net debt

We have established financial control procedures to oversee and monitor financial performance and cash conversion including daily monitoring of bank balances, weekly cash flow reporting and regular financial performance and balance sheet reviews, which include detailed working capital reviews and forecasts.

We continue to have good banking, debt finance and equity relationships and tolerable levels of gearing for our business.

Changes:

- A new Group Finance Director, Clive Lovett, was appointed in 2018. He has undertaken a thorough review of our financial systems to ensure they are robust and appropriate to the size and structure our Group.

Changes planned:

- Upgrade financial reporting systems and policies to improve financial reporting between subsidiaries and the Group.
- Centralise all finance functions.
- Create stronger partnership between the bid team and the financial team to enable more accurate financial planning.
- Aim to reduce debt levels and use existing cash flows to fund operating activities.

Risk management and principal risks continued

Risk description	Mitigation
Financial continued	
Compliance and regulation Risk level: High Change:  Delivering on our contractual obligations and meeting and reporting against agreed service levels directly affect our ability to retain and win new business. In order to conduct our business we need to work to regulatory frameworks and comply with legal requirements. Key risks: financial penalties, legal notices, contractual penalties, early contract termination, inability to bid for certain contracts and damage to our reputation. KPIs associated with risk: • Revenue • Net debt • Customer satisfaction	Historically each of our subsidiaries has been responsible for service delivery and ensuring staff have the right qualifications and understand their legal obligations. Changes: • Centralising bid team. • Appointed external consultants to conduct an audit to update and identify any gaps to our safety, health, environment and quality ("SHEQ") policies and procedures. Planned changes: • Introduce a Group-wide Compliance Committee. • Appoint an internal Director-level HSE "champion" to work alongside independent consultants. • Introduce Group-wide standard operating procedures to ensure consistent service delivery. • Centralise HR function to oversee training requirements and qualifications. • Introduce training for all contractors working for Bilby so that they understand our obligations, values and policies.
Operational	
Significant health, safety or environmental incident Risk level: Medium Change:  Due to our diverse operational portfolio, the potential to cause significant harm to our employees, our business partners or members of the public, or to damage the environment will always exist. We are committed to safeguarding our people and protecting the environment wherever we operate. Key risks: financial penalties, legal notices, contractual penalties, early contract termination, inability to bid for certain contract and damage to our reputation. KPIs associated with risk: • Revenue • Customer satisfaction • Customer complaints upheld • Repairs (first-time fix)	We are committed to the highest standards of SHEQ performance. Our performance is monitored through our certified ISO health and safety, quality and environmental management systems. In addition to annual audits by the governing body, we conduct weekly inspections and external advisers carry out audits each month or more if required. Each subsidiary has an appointed SHEQ Director, who meet quarterly, and any findings from these meetings are reported to the Board. Staff are encouraged to report incidents immediately and these are discussed at each Board meeting to identify any failings that led to the incident, and how any improvement can be made. Changes: • Appointed external consultants to conduct an audit to update and identify any gaps to our SHEQ policies and procedures. • Conducting a SHEQ employee engagement programme to all staff members. Planned changes: • Centralise SHEQ function to maintain consistency and quality across the Group. • Ensure that policies are available and accessible via our Group intranet system. • Centralise HR department to provide greater oversight of training requirements. • Introduce compliance committee to monitor and oversee health and safety strategy and performance, regulatory compliance and risk management.

Risk description	Mitigation
Operational continued	
IT Risk level: Medium Change:  As a business we are reliant on our IT infrastructure to be able to conduct our work. IT provides the platform for our contract management and business support activities. We are reliant on these systems to improve our operational efficiency and they provide the foundation for our administrative functions and financial reporting. Key risks: inability to deliver services on time and efficiently, inaccurate financial and operating reporting, inability to raise invoices on work completed and reputational damage. KPIs associated with risk: • First-time fix • Customer complaints upheld • Customer satisfaction • Revenue • PBT	Historically IT was managed separately between Group and subsidiary level, with subsidiaries retaining their own IT Infrastructure following acquisition. We have conducted an IT audit to understand how we can improve financial reporting, service delivery, reduce cyber risk and introduce greater operational efficiencies. The audit identified a number of areas for improvement. Changes: • Conducted an IT audit to identify where improvements can be made. • Introducing a Group-wide IT policy to include operations, finance, procurement, HR, communications (e.g. email / social media), and IT security. • Rolling out a third party IT system, AccuServ, across subsidiaries to support contract mobilisation and delivery. Service delivery data can now be accessed and reported in real time. • Seamlessly integrating our financial IT reporting systems with our operational IT systems. Planned changes: • Continue to invest in IT. • Standardise IT Infrastructure across subsidiaries and Group head office to improve service delivery and reporting. • Introduce a Group-wide Intranet system to improve communication. • Improve security against systems failure and potential cyber-attacks.
Attracting and retaining skilled people Risk level: Medium Change:  Attracting and retaining the best skilled people at all levels of the business is critical to the success of our performance. This is particularly the case in ensuring we have access to a diverse range of views and experience and in attracting expertise at both managerial and operational levels where the market may be highly competitive. We need to maintain good relations with our staff, invest in their training and the development of their careers. Key risks: inability to motivate and retain talent, poor service levels, unable to fulfil contractual obligations and need to rely on contract staff impacting service quality and financial performance. KPIs associated with risk: • Customer satisfaction • Customer complaints • PBT	As Group we can offer our staff at every level opportunities to develop their careers and gain wider experience. We continue to focus on training and competency at all levels of the business from apprentices to senior management, and ensure that we can successfully manage the changing profile of the Group. A succession plan exists for key management and incentive programmes are in place at subsidiary level. Changes: • Renewed Executive management team. • Appointed two directors from Purdy and DCB to the Board to increase subsidiary and operational representation on the Board. • New CEO conducting an employee seminar programme to explain the purpose, vision and values of the Group. • Reviewing our succession, talent management and performance review policies. Planned changes: • Centralise HR function to oversee all skills and people requirements across the Group. • Introduce standardised performance development reviews to ensure consistent measurements are used to benchmark performance, identify talent and manage succession. • Introduce a Group-wide benefits scheme and reward incentives linked to performance. • Engagement programme to explain the purpose and vision of the Bilby Group and ensure all staff adopt the Group values and behaviours. • Introduce Group-wide induction training to all new starters. • Aim to appoint an additional Non-Executive Director to the Board in the next twelve months.

Renewed leadership

The Board is responsible for the Group's systems of financial controls and maintaining robust operational controls. As part of its ongoing efforts to meet the highest corporate governance standards, the Group is seeking to appoint an additional independent Non-Executive Director to further enhance the Board.



Sangita Shah
Non-Executive Chair

Date of appointment
19 December 2014

Experience

Sangita has extensive experience in corporate finance, journalism and senior consultancy. She has held a number of senior roles within blue-chip organisations, including Unilever, Mars, Ernst & Young and KPMG, and is a past president of the Chartered Institute of Journalists. Sangita is a regular consultant to HM Cabinet Office, HSBC, Rathbones and MGM Advantage. By training she is a qualified accountant and a frequent keynote speaker in forums for the European Parliament and Windsor Leadership Trust.

External appointments

Chair of RA International Group plc, board director of NASDAQ-listed Forward Industries Inc. and director of Global Reach Technology EMEA Limited

Committees:



David Bullen
Chief Executive Officer

Date of appointment
17 April 2019

Experience

David's appointment was part of an ongoing renewal of the senior management team and carries the support of a number of institutional investors. A turnaround specialist, David's focus is on securing the Group's long-term growth and delivering sustainable stakeholder value.

From 2011 to 2016, David demonstrated an impressive track record as CEO at Anpario plc, where he oversaw significant revenue growth and a four-fold increase in share price. With a background in sales and marketing David spent eight years at Novartis, where he held several senior positions in the UK and abroad.

External appointments
Boleyn International Ltd

Committees:

None



Lee Venables
Chief Operating Officer

Date of appointment
4 September 2018

Experience

Before joining the Board, Lee was managing director of the Group's largest subsidiary, Purdy Contracts Limited. Today he is responsible for the operations of all subsidiaries and services within the Group.

Lee joined Purdy as an apprentice and enjoyed his whole career with the company before it was acquired by Bilby in 2015. He has detailed sector knowledge, and his on-the-ground experience gives him considerable insight into the issues facing the Group's customers and the residents we serve. Lee is a strong advocate of Bilby's responsibility to bring wider benefits to local communities and deliver social value as part of doing business.

External appointments
None

Committees:

None

➔ Read more about the Audit Committee on p32

➔ Read more about the Remuneration Committee on p30

Committee key:

-  Audit Committee
-  Remuneration Committee
-  Chair



Clive Lovett
Group Finance Director

Date of appointment
29 November 2018

Experience

Prior to joining Bilby, Clive was group finance director at St. Ives Marketing Activation ("SIMA"), the print and marketing services businesses subsidiary of St. Ives plc, which has since been renamed Kin and Carta plc. At SIMA, he was part of the leadership team that undertook the successful restructuring of the businesses prior to its sale in early 2018. Clive has held senior finance roles at Informa Ltd., part of Informa plc, and IBC Business Publishing. Clive qualified as a Chartered Accountant in 1989.

External appointments
None

Committees:

Attends Audit Committee by invitation



Chris Webster
Executive Director

Date of appointment
4 September 2018

Experience

Chris founded the Group's subsidiary DCB (Kent) Limited in 1998, before it was bought by Bilby in March 2016. Chris has a comprehensive knowledge of all areas of the industry and has taken a very active role in the wider Bilby Group. As a Board member, Chris is responsible for all building services work conducted by the Group.

External appointments
None

Committees:

None



David Johnson
Non-Executive Director

Date of appointment
19 January 2015

Experience

David has enjoyed a long and successful career in the investment sector. He has worked at a number of leading City investment houses, as an investment analyst and more recently in equity sales and investment management, including Sun Life Assurance, Henderson Crosthwaite and Investec Securities. He joined Panmure Gordon & Co in 2004, becoming Head of Equities until 2013, and from 2014 to 2019 he was responsible for the private equity investments at Chelverton Asset Management.

External appointments
Non-executive director of CEPS PLC and Diversified Oil & Gas plc

Committees:

Strengthening our leadership team



Sangita Shah
Non-Executive Chair

2019 highlights

- Lee Venables and Chris Webster appointed as Executive Directors
- Clive Lovett appointed as Group Finance Director
- David Bullen appointed as Chief Executive Officer post year end
- Looking to appoint an additional Non-Executive Director to strengthen the Board further

Dear Shareholder,

As Chair of the Board of Directors of Bilby plc, it is my responsibility to ensure that Bilby has both sound corporate governance and an effective Board. My responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, communicating with shareholders, and ensuring that good information flows freely between Executives and Non-Executives in a timely manner.

Bilby adopted the Quoted Companies Alliance Corporate Governance Code ("QCA Code") last year, in line with the London Stock Exchange's changes to the AIM Rules. This report follows the QCA Code guidelines and explains how we have applied the guidance. We will provide annual updates on our compliance with the QCA Code. The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company, and will disclose any areas of non-compliance in the text below, or on the Company's website.

The Board believes that the application of the QCA Code supports the Company's medium to long-term development whilst managing risks, and provides an underlying framework of commitment and transparent communications with stakeholders. It also seeks to develop the knowledge shared between the Company and its stakeholders.

Bilby seeks to constantly improve its corporate governance practices, illustrated this year through a detailed internal review of the Company, resulting in a Board reorganisation as set out in the Directors' Report and the appointment of an Independent Company Secretary. The Company has adopted a new suite of policies relating to its compliance with the

Market Abuse Regulation, anti-bribery, whistleblowing and social media use, as well as updating other Board policies. During the next financial year, the Company aims to appoint a Non-Executive Director to sit on the Audit Committee.

Strategy, risk management and responsibility

A description of the Company's business model and strategy can be found on page 28, and the key challenges in their execution are detailed on pages 18 to 21.

The Board is responsible for establishing and maintaining the Group's systems of internal financial controls and importance is placed on maintaining robust operational controls. The Audit Committee (see page 32) has delegated responsibility for the oversight of the Company's risk management and internal controls and procedures and for determining the adequacy and efficiency of internal control and risk management systems. The Board continuously monitors and upgrades its internal control procedures and risk management mechanisms and conducts an annual review, when it assesses both for effectiveness. This process enables the Board to determine if the risk exposure has changed during the year and these disclosures are included in the Annual Report.

In setting and implementing the Company's strategies, the Board, having identified the risks, seeks to limit the extent of the Company's exposure to them having regard to both its risk tolerance and risk appetite.

The Company has monitored the effectiveness of its controls and will, as a result of its review, introduce an internal audit function.

Further details on the Company's risk management and internal controls can be found on page 32.

The Board

At the date of this report, the Board has six members, whose biographies and roles are set out on pages 22 and 23.

The Directors believe that the Board, as a whole, has a broad range of commercial and professional skills which enable it to discharge its duties and responsibilities effectively. Moreover, the Directors are assured that the Non-Executive Directors have sufficient experience and skills which enable them to provide the necessary guidance, oversight and advice for the Board to operate effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

The Company acknowledges that the QCA Code guidelines state that a company should have at least two independent Non-Executive Directors. The Directors do acknowledge the need for a further Non-Executive Director who will chair the Audit Committee and aims to appoint one in the upcoming year.

Sangita Shah has an interest in 53,966 ordinary shares and David Johnson has an interest in 50,000 ordinary shares. Neither Director, nor the other Directors, believe that their shareholdings are significant on assessment of the impact upon the Non-Executive Directors' independence. All Directors are encouraged to challenge and bring independent judgement regarding all matters, both strategic and operational.

The time commitment formally required by the Group is an overriding principle that each Director will devote as much time as is required to carry out the roles and responsibilities that the Director has agreed to take on.

The Chair and Non-Executive Directors endeavour to ensure that their knowledge of best practices and regulatory developments is continually

up to date by attending relevant seminars and conferences.

There were six scheduled Board meetings and four additional Board meetings held during the financial year. The table below sets out attendance statistics for each Director at Board and, where relevant, Committee meetings held during the financial year.

Director	Board (10 meetings held)	Audit Committee (2 meetings held)	Remuneration Committee (3 meetings held)
Sangita Shah	10	2	3
David Ellingham ¹	7	—	—
David Bullen ²	—	—	—
Lee Venables ³	10	—	—
Clive Lovett ⁴	7	—	—
Chris Webster ³	10	—	—
David Johnson	10	2	3

1 Resigned from the Board on 4 April 2019.

2 Appointed on 17 April 2019.

3 Appointed on 4 September 2018.

4 Appointed on 29 November 2018.

Corporate governance report continued

The Board continued

To enable each Director to keep their skill-set up to date, individual training needs are identified as part of the annual Board evaluation process and training is provided as required. All Directors receive regular updates on legal, regulatory and governance issues.

The Board agreed that appointments to the Board are made by the Board as a whole and so has, thus far, not created a Nomination Committee. The Board recognises that it currently has a limited diversity, and this will form a part of any future recruitment consideration if the Board concludes that replacement or additional Directors are required.

Advisers

During the year, Clive Lovett acted as Company Secretary but, since the year end, the Company has appointed ONE Advisory Limited ("ONE Advisory"). ONE Advisory is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation and works with the Chair to maintain high standards of corporate governance. ONE Advisory also provides Board support through assistance with shareholder meetings and Market Abuse Regulation ("MAR") compliance.

All Directors have access to the advice of the Company's solicitors as well as access to independent professional advice, at the Company's expense, as and when required.

Neither the Board nor its Committees have sought external advice on a significant matter.

The Company holds appropriate insurance cover in respect of possible legal action against its Directors. The Company's Nomad supports the Board's development, specifically providing guidance on corporate governance and other regulatory matters, as required.

All Directors may receive independent professional advice at Bilby's expense, if necessary, for the performance of their duties.

Board evaluation

Whilst the Board has yet to implement a formal Board evaluation process, in the Company's scheduled Board meetings the Directors discuss areas where they feel a change would be greatly beneficial for the Company, as well as proposing amendments to the internal Board dynamics and structure. As a result of these discussions, the necessity for succession planning and the need to appoint a Group Finance Director was highlighted and, consequently, Clive Lovett was appointed in November 2018.

Over the next twelve months we intend to formally review the performance of the team to ensure that the members of the Board collectively function in an efficient and productive manner. The Company intends to formulate a detailed evaluation procedure, and will disclose it in more in detail on its website when this has been implemented. The Board evaluation will be based on clear and relevant objectives and seek continuous improvement.

Therefore, the Board accepts that the Company does not comply with this aspect of the QCA Code, although the Company Secretary and other Company advisers remain on hand to provide impartial advice as and when required.

Culture and social responsibility

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board

is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. A large part of the Group's activities is centred upon addressing customer and market needs. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places

"Over the next twelve months we intend to formally review the performance of the team to ensure that the members of the Board collectively function in an efficient and productive manner."

great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Group does. The Board's assessment of the culture within the Group at the present time is one where there is respect for all individuals, there is open dialogue within the Group and there is a commitment to provide the best service possible to all the Group's customers.

A large part of the Company's activities are centred upon an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

Our commitment to best-in-class service enables us to maintain a culture of long-term partnerships with our customers. Reflecting this, we take great pride in the fact that year-on-year we have consistently grown the number of properties we provide services for. As such, the Company has implemented the following policies: Corporate Social Responsibility policy, Environmental policy, Equality and Diversity policy, Residents and Customers with Special Needs Code of Conduct, and Equal Opportunities policy. These policies are contained within the Company's Employee Handbook.

Shareholder objectives and communication

The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders and that shareholders are able to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

We are committed to listening and communicating openly with our shareholders to seek to ensure that our strategy, business model and performance are clearly understood. Understanding the expectations of our investors and wider stakeholders and in turn helping these audiences understand our business are and will be key parts of driving our business forward.

In addition to the publication of half-year and full-year results statements, the Company provides frequent trading updates and makes its senior management team available to meet with shareholders, when there is opportunity for shareholders to voice their concerns, thoughts or needs. The Company's AGM provides an opportunity for shareholders to meet with the Company and there is an opportunity for shareholders to ask questions during the formal business of the meeting and informally following the meeting.

The Company seeks to engage with shareholders through updates to the market via the Regulatory News Service ("RNS") announcements on matters of a material substance and regulatory nature.

Sangita Shah
Non-Executive Chair
19 September 2019



Directors' report

The Directors present their report and the Group financial statements for the year ended 31 March 2019. The following matters are reported by the Directors in accordance with the Companies Act 2006 requirements in force at the date of the Annual Report.

Principal activities

The Group's principal activities are providing outsourced gas heating services, electrical services, and building maintenance and construction services primarily to local authority housing and registered providers of social housing. The service offering includes the deployment of qualified engineers for planned, non-planned and emergency call-out services as well as small-scale construction projects focused on the affordable housing sector. The principal activity of the Company is to act as a holding company.

Business model

Our business model is to provide regulatory and compliance-led services more competitively, at a higher standard and more efficiently than our customers can themselves. We compete in the market as an outsourced service provider, by striving to offer a better, more reliable and more efficient service that meets our customers' own service KPI requirements.

The Company's growth is driven in two ways:

- organic growth through the winning of new customers and increasing services to existing customers; and
- acquiring established businesses operating in the same or related markets.

The Company benefits from operating in a market with long-term growth prospects. More information on our markets can be found on page 11.

Strategic goals

Our aim is to become market leaders by growing our business organically and through acquisition. We aim to be the go-to provider for reliable and efficient outsourced services to the social housing sector within a tightly defined geographical and service scope.

Our guiding principle is to provide an exceptional service to residents and customers and continually improve our offering. We do this by working closely with our employees, customers, suppliers and wider stakeholders to monitor our performance and to identify areas where we can make improvements. Each year we set strategic goals and monitor performance against them throughout the year. Following the failings in the year ended 2019 we are currently reviewing our strategic goals to ensure that we return to profitable growth as soon as possible underpinned by the implementation of internal robust processes which will enable us to do so.

Business review

The Company is required to set out a fair review of the business of the Group during the reporting period. The information that fulfils this requirement can be found in the Strategic Report. The results of the Group can be found within the Consolidated Statement of Comprehensive Income set out on page 38. Information required to be

disclosed in respect of future developments can be found on page 6 and principal risks and uncertainties is included on pages 18 to 21.

The Chair's Statement, the Corporate Governance Report and the Remuneration Committee Report are incorporated into this report by reference and should be read as part of this report.

Dividend

Due to the results in the year the Board does not recommend a final dividend. An interim dividend of 0.5p was paid in January 2019 which together with the final dividend of 2.0p paid in September 2018 represents a total dividend of 2.5p per ordinary share paid in the year ended 31 March 2019.

Directors

The present membership of the Board is set out below with further biographical detail on pages 22 and 23.

Capital structure

The Group is financed through both equity share capital and debt. Details of changes to the Company's share capital are given in note 22 to the consolidated financial statements. The Company has a single class of shares, ordinary 10p shares, with no right to any fixed income and with each share carrying the right to one vote at the general meetings of the Company.

Under the Company's Articles of Association, holders of ordinary shares are entitled to participate in any dividends pro-rata to their holding.

Directors, secretary and advisers

The Directors who served throughout the year were as follows:

Name of Director	Board title	Date of appointment	Resigned
Sangita Shah	Non-Executive Chair	19 December 2014	—
Phil Copolo	Executive Deputy Chairman	20 June 2014	4 September 2018
David Ellingham	Chief Executive Officer	20 June 2014	4 April 2019
Leigh Copolo	Group Operations Director	16 December 2016	4 September 2018
David Johnson	Non-Executive Director	19 January 2015	—
Chris Webster	Executive Director	4 September 2018	—
Lee Venables	Chief Operating Officer	4 September 2018	—
Clive Lovett	Group Finance Director	29 November 2019	—

David Bullen was appointed to the Board as Chief Executive Officer on 17 April 2019.

Capital structure continued

The Board may propose and pay interim dividends and recommend a final dividend for approval by the shareholders at the Annual General Meeting (AGM). A final dividend may be approved by the shareholders in a general meeting by ordinary resolution but such dividend cannot exceed the amount recommended by the Board.

Director responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice FRS 101 (United Kingdom Accounting Standards and applicable law).

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and Company and the financial performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and the Company and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU; and for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group 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 Bilby plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to Disclosure of Information to the Auditor

The Directors who were in office at the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and establish that it has been communicated to the auditor.

Auditor

Moore Kingston Smith LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the AGM.

By order of the Board

Clive Lovett
Group Finance Director
19 September 2019



Substantial shareholdings

As at 31 March 2019, the Company has been notified of, or is aware of, the shareholders holding 3% or more of the issued share capital of the Company, as detailed in the table below:

Name of Holder	Number of shares	Percentage
Milton Group Plc	7,986,538	19.70
Ruffer LLP	3,500,000	8.63
MI Discretionary Unit Fund, Thornbridge Investment Management LLP	3,300,000	8.14
Janet Copolo	2,886,396	7.12
Western Selection plc	2,700,000	6.66
David Ellingham	2,250,000	5.55
Amati AIM VCT plc	2,154,660	5.31
John Horlock	1,250,000	3.08

Remuneration Committee report

Setting new performance goals

Dear Shareholder,

I present my Remuneration Committee Report for the year ended 31 March 2019, which has been prepared by the Committee and approved by the Board.

The Committee, which comprises Sangita Shah and David Johnson, meets at least once annually and invites recommendations as to remuneration levels, incentive arrangements for senior executives and proposals regarding share option awards.

Responsibilities

The Remuneration Committee's principal responsibilities include:

- reviewing, within agreed terms of reference, the Group's policy on the remuneration of Executive Directors and senior executives and monitoring the policy for the remuneration of staff, generally;

- reviewing the performance of the Executive Directors and making recommendations to the Board on matters relating to their remuneration and terms of services;
- setting remuneration structure and level for the Executive Directors; and
- overseeing the design and application of share options and any other such reward plan in conjunction with the Board.

The Non-Executive Directors, whose remuneration is determined by the Board as a whole, receive fees in connection with their services provided to the Group, to the Board and to the Board Committees.

Certain senior staff and Executive Directors receive basic salaries, annual bonuses according to performance against defined targets, and certain benefits in kind.

Reviews of salaries and benefits will be held in March each year for implementation from 1 April to enable the Group's performance over the preceding year and strategy for the forthcoming year to be considered.

Significant issues considered by the Remuneration Committee during the year

During the year, two members of the Executive team were awarded interim bonuses in recognition of extra responsibilities taken on during the transition of the Board structure and also for the successful completion of the R. Dunham acquisition.

At the year end, given the deterioration in the performance of the Group, the Remuneration Committee decided not to award any bonuses or options to the Executive team.

In future, bonuses will only be considered at year end and in relation to the achievement of key performance metrics agreed between the Remuneration Committee and the Executive team.

Directors' remuneration

Directors' remuneration for the year is set out below:

	2019 £	2018 £
Executive Directors		
David Bullen (appointed 17 April 2019)	—	—
Clive Lovett (appointed 29 November 2018)	58,950	—
Lee Venables (appointed 4 September 2018)	102,890	—
Chris Webster (appointed 4 September 2018)	69,556	—
Phil Copolo (resigned 4 September 2018)	85,556	213,755
David Ellingham (resigned 4 April 2019)*	296,000	120,050
Leigh Copolo (resigned 4 September 2018)	55,686	128,744
Share-based payments	17,373	21,000
Non-Executive Directors		
Sangita Shah	75,728	38,772
David Johnson	41,500	33,000
	803,239	555,321

* Includes £160,500 related to compensation for the loss of office payable after the end of the Period.



Options granted to Directors

Directors have been granted the following Options over Ordinary Shares:

Name	Number of Options	Date of Grant	Exercisable	Exercise price p
David Ellingham	140,000	09/12/15	09/12/18	119.0
Lee Venables	250,000	16/07/15	16/07/18	95.0
Lee Venables	50,000	13/07/17	13/07/20	72.5

Consideration of employment conditions elsewhere in the Group

The Remuneration Committee considers any general basic salary increase for the broader employee population when determining the annual salary increases for the Executive Directors.

In the coming year, in addition to the Committee's ongoing duties, the Committee will aim to implement a Long Term Incentive Plan for the Executive team, in order to fully incentivise them on a long-term basis and to ensure that their actions are fully aligned with all shareholders.

Remuneration policy for 2019 and future years

Future salary awards and increases will be set in line with relevant market levels and to retain and attract high-quality executives. Performance elements of remuneration will have clearly defined and challenging targets that link rewards to business performance in the short and medium term. All variable elements of remuneration are subject to clawback or repayment in the event of serious financial misstatement or misconduct.

Sangita Shah
Chair of the Remuneration Committee
19 September 2019



Audit Committee report

Strengthening the independence of the Board

Dear Shareholder,

I present my Audit Committee Report for the year ended 31 March 2019, which has been prepared by the Committee and approved by the Board.

The Committee comprises Sangita Shah and David Johnson and aims to meet at least three times per annum. Meetings are also attended, by invitation, by the Group Finance Director, Clive Lovett.

Responsibilities

The Audit Committee has the following responsibilities:

Financial reporting

As stated in the Company's terms of reference, the Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly, interim management statements and any other formal announcement relating to its financial performance, reviewing the significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature. The Committee will compile a report to shareholders on its activities to be included in the Company's Annual Report, in addition to reporting formally to the Board on the Committee's proceedings after each meeting on all matters.

External audit

The Committee shall agree the scope of the annual audit in advance, focusing on areas of audit risk and the appropriate level of audit materiality. The Committee will engage in discussions with the auditor regarding fees, internal controls, accounting policies and areas of critical accounting estimates and judgements.

The auditor will report to the Committee on the results of the audit work and highlight any issue which the audit work has discovered, or the Committee had previously identified as significant or material in the context of the Company's financial statements. The Committee will meet with the auditor at least once per year without management being present to discuss its remit and any issues arising from the audit.

Risk management and internal controls

The Committee shall keep under review the adequacy and effectiveness of the Company's internal financial controls and risk management systems and monitoring the proper implementation of such controls and will review and approve the statements to be included in the Annual Report concerning internal controls and risk management. The Committee will use a risk matrix to provide an accurate picture of the prominent risks faced by the Company and the ways in which they might be mitigated.

The Committee also has a responsibility to review the adequacy of the Company's arrangements for its employees and contractors to confidentially raise any concerns about possible wrongdoings regarding financial reporting. In addition, the Committee is charged with reviewing Company procedures for detecting fraud and systems and controls put in place to prevent bribery and market abuse.

Significant issues considered by the Audit Committee during the year

During the year, the Committee concluded that the Annual Report and financial statements, taken as a whole, was fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's and Group's financial position, performance, business model and strategy.

During the year, the Committee's primary activity involved periodic meetings to consider the material issues within the Group (especially in the second half), liaising with the external auditor, considering material issues and areas of judgement, and reviewing and approving the interim and year end results and accounts.

The principal areas of concern in the year were:

- the control and systems within the Group especially within P&R, our subsidiary;
- the financial performance within P&R;

- the necessity for competent financially qualified personnel within the Group;
- the process by which contracts are tracked in terms of profitability especially within P&R;
- the need to tighten working capital; and
- the need for a comprehensive updated risk register.

The Committee reviewed the full-year and half-year results announcements and considered matters raised by the external auditor identifying certain issues requiring its attention. The Committee also reviewed the Strategic Report and concluded that it presented a useful and fair, balanced and understandable review of the business.

In the coming year, in addition to the Committee's ongoing duties, the Committee will:

- appoint a Non-Executive who will chair the Audit Committee
- maintain and update a risk register; and
- keep the need for an internal audit function under review, having regard to the Company's strategy and resources.

Auditor's Independence

The Committee approves the external auditor's terms of engagement, the scope of work, the process for the interim review and the annual audit. It also meets with the auditor to review the written reports submitted and the findings of their work. It has primary responsibility for making recommendations to the Board on the appointment, reappointment and removal of the external auditor. The Committee, at least annually, assesses the independence, tenure and quality of the external auditor.

Sangita Shah
Chair of the Audit Committee
19 September 2019




Independent auditor's report to the members of Bilby Plc

for the financial year ended 31 March 2019

Opinion

We have audited the financial statements of Bilby Plc for the year ended 31 March 2019 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Cash Flows, the Group Statement of Changes in Equity 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 group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 financial statements section of our report. We are independent of the group 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 as applied to listed entities, 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.

Material uncertainty related to going concern

We draw attention to note 2.1 to the financial statements which indicates that, following a breach of financial covenants in respect of its borrowings, the Group is dependent on the continued support of its bank to continue in business and meet its liabilities as they fall due.

Whilst the bank have indicated that they are supportive of the Group, no formal documentation was in place at the date of signing these financial statements; however the Board is currently in discussions with the bank to formally restructure its borrowing facilities.

The current forecasts prepared by the directors, based on the Group as currently constituted, indicate that with the formal support of the bank and proposed restructure of the facilities, the Group will be able to continue in business and meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements.

The Board is also considering an equity fund raise in the short term to provide additional cash resources.

As stated in note 2.1, these events or conditions, along with the other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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) we identified, including 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. In addition to the matters described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters continued

Audit Area and Description	Audit approach
Valuation of Accrued Income The Group had carried out work for clients during the year that had not been invoiced at the reporting date. Income has been accrued in respect of work carried out prior to the reporting date. This represents a significant proportion of receivables.	We selected a sample of contracts where income had been accrued at the year end and: • confirmed that the calculations were arithmetically correct; • agreed the calculations to invoices raised after the year end; and • agreed work done prior to the year end to confirmations from customers.
Cut-off of cost accruals Given that a material adjustment has been required in this area in a previous period we considered this to be a key audit area.	We performed cut-off testing to confirm that direct costs were recorded in the correct accounting period. A sample of post year end payments and invoices were reviewed to confirm that costs had not been understated and adjustments were made by the Board as necessary.
Carrying value of Intangibles As a result of the acquisitions made during prior periods, Intangible assets represent a significant part of the total assets of the Group. The intangible assets arising on acquisition largely comprise customer relationships and goodwill.	We critically assessed the assumptions underpinning the valuation of customer relationships and goodwill arising on acquisition. We critically assessed the Directors' assertion that, other than in respect of Spokemead, no impairment was required by reference to trading performance and forecasts. We considered the appropriateness of the amortisation policy for customer relationships.
Contract terminations Two significant contracts within P&R Installation Company Ltd were terminated during the period. Significant costs and losses were incurred in connection with these contracts including legal disputes leading to claims from both sides.	We reviewed the calculation of the costs incurred in connection with these contracts, together with legal correspondence and the current position of formal arbitration procedures to form a conclusion on whether provisions, assets, income and costs are fairly stated in the financial statements. In addition we considered whether the Board's disclosure of these costs as non-underlying items was appropriate.
Non-underlying items In addition to the items relating to the contracts noted above, the Group identified other significant costs that have been disclosed as non-underlying items.	We considered the nature of these items based on explanations and evidence supplied by the Board to conclude whether the disclosure and treatment is appropriate.

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Due to the nature of the Group we considered income to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the Group to be £396,000, based on a percentage of revenue.

On the basis of our risk assessment, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group was 60% of materiality, namely £237,600.

We agreed to report to the Audit Committee all audit differences in excess of £19,800, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The entire Group is audited by one audit team, led by the Senior Statutory Auditor. Our approach in respect of key audit matters is set out in the table in the Key Audit Matters Section above.

The audit is performed centrally and comprises all of the companies within the Group all of which were visited by audit teams.

Financial statements

Independent auditor's report to the members of Bilby Plc continued

for the financial year ended 31 March 2019

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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, based on the work undertaken in the course of the 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 parent company financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- 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 directors

As explained more fully in the directors' responsibilities statement set out on page 29, 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 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group's internal control.

Auditor's responsibilities for the audit of the financial statements continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

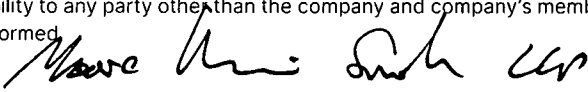
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

We have reported separately on the parent company financial statements of Bilby Plc for the year ended 31 March 2019. That report includes details of the parent company key audit matters; how we applied the concept of materiality in planning and performing our audit and an overview of the scope of our audit.

Use of our report

This report is made solely to the 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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.


MATTHEW MEADOWS (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP, Statutory Auditor
Devonshire House
60 Goswell Road
London EC1M 7AD
19 September 2019

Financial statements

Consolidated statement of comprehensive income

for the financial year ended 31 March 2019

	Notes	12 months ended 31 March 2019			12 months ended 31 March 2018		
		Underlying Items £'000	Non- underlying Items (note 8) £'000	Total £'000	Underlying Items £'000	Non- underlying items (note 8) £'000	Total £'000
Revenue	5	69,588	(3,060)	66,528	78,807	—	78,807
Cost of sales		(54,457)	(2,618)	(57,075)	(61,115)	—	(61,115)
Gross profit		15,131	(5,678)	9,453	17,692	—	17,692
Administrative expenses		(12,342)	(7,211)	(19,553)	(11,710)	(1,498)	(13,208)
Operating (loss)/profit	6	2,789	(12,889)	(10,100)	5,982	(1,498)	4,484
Finance costs	10	(288)	—	(288)	(192)	—	(192)
(Loss)/profit before tax		2,501	(12,889)	(10,388)	5,790	(1,498)	4,292
Income tax credit/(expense)	12			1,792			(844)
(Loss)/profit for the year attributable to the equity holders of the parent company				(8,596)			3,448
Total comprehensive (loss)/income for the year attributable to the equity holders of the parent company				(8,596)			3,448
Basic (loss)/earnings per share (pence)	13			(21.29)			8.61
Diluted (loss)/earnings per share (pence)	13			(21.29)			8.51

The (loss)/earnings per share calculation relates to both continuing and total operations.

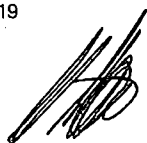
Consolidated statement of financial position

as at 31 March 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non current assets			
Intangible assets	14	11,750	14,036
Property, plant and equipment	15	1,661	1,638
		13,411	15,674
Current assets			
Inventories	16	3,134	3,153
Trade and other receivables	17	18,548	20,561
Cash and cash equivalents	18	21	72
Total current assets		21,703	23,786
Total assets		35,114	39,460
Equity and liabilities attributable to equity holders of the parent company			
Issued capital and reserves			
Share capital	22.1	4,054	4,029
Share premium	22.2	8,609	8,392
Share-based payment reserve	27	827	699
Merger reserve	22.3	(248)	(248)
Retained earnings		(5,854)	3,751
Total equity		7,388	16,623
Non current liabilities			
Borrowings	19	236	2,949
Obligations under finance leases	20	—	11
Deferred tax liabilities	28	431	1,883
		667	4,843
Current liabilities			
Borrowings	19	10,643	2,452
Obligations under finance leases	20	10	70
Current income tax liabilities		—	1,074
Deferred consideration	29.2	476	1,000
Trade and other payables	21	15,930	13,398
Total current liabilities		27,059	17,994
Total equity and liabilities		35,114	39,460

Approved by the Board on 19 September 2019

Clive Lovett
Group Finance Director
Company registration number: 09095860



Financial statements

Consolidated statement of changes in equity

for the financial year ended 31 March 2019

	Issued share capital £'000	Share premium £'000	Share-based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2017	3,974	8,076	505	(248)	1,103	13,410
Profit and total comprehensive income for the year	—	—	—	—	3,448	3,448
Issue of share capital	55	316	—	—	—	371
Share-based payment charge	—	—	194	—	—	194
Dividends paid	—	—	—	—	(800)	(800)
Total transactions with owners recognised directly in equity	55	316	194	—	(800)	(235)
Balance at 31 March 2018	4,029	8,392	699	(248)	3,751	16,623
Loss and total comprehensive income for the year	—	—	—	—	(8,596)	(8,596)
Issue of share capital	25	217	—	—	—	242
Share-based payment charge	—	—	128	—	—	128
Dividends paid	—	—	—	—	(1,009)	(1,009)
Total transactions with owners recognised directly in equity	25	217	128	—	(1,009)	(639)
Balance at 31 March 2019	4,054	8,609	827	(248)	(5,854)	7,388

Consolidated statement of cash flows

for the financial year ended 31 March 2019

	Notes	12 months ended 31 March 2019 £'000	12 months ended 31 March 2018 £'000
Net cash (used in)/generated from operating activities	23	(2,026)	802
Cash flow from investing activities			
Acquisition of subsidiaries (including deferred consideration paid)		(1,750)	(1,154)
Net cash acquired on acquisition	29	79	—
Purchase of property, plant and equipment	15	(158)	(89)
Purchase of intangible assets	14	(9)	(24)
Proceeds on disposal of property, plant and equipment		9	—
Net cash used in investing activities		(1,829)	(1,267)
Cash flow from financing activities			
Proceeds from borrowings		6,100	250
Repayment of borrowings		(5,193)	(1,442)
Interest paid		(288)	(192)
Capital element of finance lease payments		(71)	(128)
Dividends paid		(1,009)	(800)
Net cash used in financing activities		(461)	(2,312)
Net decrease in cash and cash equivalents		(4,316)	(2,777)
Cash and cash equivalents at beginning of year		(882)	1,895
Cash and cash equivalents at end of year	18	(5,198)	(882)

The cash and cash equivalents at the year ended 31 March 2019 represented the net of overdrafts of £5,219,000 (2018: £954,000) (see note 19) together with the cash and cash equivalents shown in the Consolidated Statement of Financial Position of £21,000 (2018: £72,000) (see note 18).

Notes to the consolidated financial statements

for the financial year ended 31 March 2019

1. Basis of preparation

Bilby Plc and its subsidiaries (together 'the Group') operate in the gas heating, electrical and general building services industries. The Company is a public company operating on AIM and is incorporated and domiciled in England and Wales (registered number 09095860). The address of its registered office is 201 Temple Chambers, 3-7 Temple Avenue, London EC4Y 0DT. The Company was incorporated on 20 June 2014.

The financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, the International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Boards ("IASB") that are effective or issued and early adopted as at the time of preparing these financial statements and in accordance with the provisions of the Companies Act 2006.

The Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting periods beginning on 1 April 2018.

The preparation of financial statements requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in notes 2 and 4.

The functional and presentational currency of the Group is Pounds Sterling (£) rounded to the nearest thousand. The principal accounting policies adopted by the Group are set out in note 2.

2. Summary of significant accounting policies

2.1. Going concern

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis. The Group's business activities together with factors that are likely to affect its future development and position, are set out in the Chair's statement on pages 4 and 5. After making enquiries, the Board has a reasonable expectation that Bilby Plc and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the consolidated financial statements. The Board is also considering an equity fund raise in the short term to provide additional resources in order to reduce overall indebtedness.

At 31 March 2019 the Group was in breach of the financial covenants set by our bank, HSBC UK Bank Plc, resulting from the increased debt levels and the underlying losses, impairment write offs and restructuring costs at P&R. The breach of covenants, has been formally waived by HSBC UK Bank Plc for the Period and the Directors continue to have detailed discussions with HSBC UK Bank Plc regarding the structure of the borrowing facilities. Whilst HSBC UK Bank Plc remains supportive of the Group there is no formal documentation in place at the date of signing the consolidated financial statements.

The breach of covenants would indicate that although a material uncertainty exists, on the basis of continued support from HSBC UK Bank Plc and a restructuring of the borrowing facilities, the Group's financial statements have been prepared on a going concern basis.

2.2. Basis of consolidation

The consolidated financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 March each year. Subsidiaries are entities that are controlled by the Company. The definition of control involves three elements: power over the investee; exposure or rights to variable returns and the ability to use power over the investee to affect the amount of the investors' returns. The Group generally obtains power through voting rights.

The consolidated financial statements incorporate the financial information of Bilby Plc and its subsidiaries. Subsidiary companies are consolidated from the date that control is gained. The subsidiaries of the Group are detailed in note 6 of the parent company financial statements on page 80.

(a) P&R

On 6 March 2015 the Company acquired the shares of P&R in exchange for its own shares. The Company issued 25,000,000 10p shares in exchange for the entire share capital of P&R. The acquisition did not meet the definition of a business combination as the Company was not a business and therefore falls outside the scope of IFRS3 (Revised) Business Combinations (IFRS 3). As IFRS does not provide specific guidance in relation to group reorganisations it defers to the next appropriate GAAP being UK GAAP. The acquisition of P&R by the Company has therefore been accounted for in accordance with the principles of merger accounting as set out in Section 19 of FRS 102. Accordingly, the consolidated financial statements for the Group have been presented as if the Company throughout the current and preceding periods had owned P&R. The comparative figures for the previous year includes the results of the merged entity, the assets and liabilities at the previous balance sheet date and the shares issued by the Company as consideration as if they had always been in issue. The difference between the share capital of P&R and the nominal value of shares issued by the Company to acquire P&R is recorded as a merger reserve.

2. Summary of significant accounting policies continued

2.2. Basis of consolidation continued

(b) Purdy

On 13 July 2015, the Company acquired the entire issued share capital of Purdy Holdings Limited and its subsidiary Purdy Contracts Limited (Purdy) for a total consideration of £8.1 million. The acquisition met the definition of a business combination and has been accounted for using the acquisition method in accordance with the Group's accounting policy.

(c) DCB (Kent)

On 12 April 2016, the Company acquired the entire issued share capital of DCB (Kent) Limited (DCB (Kent)) for a total consideration of £4.0 million. The acquisition met the definition of a business combination and has been accounted for using the acquisition method in accordance with the Group's accounting policy.

(d) Spokemead

On 12 April 2016, the Company acquired the entire issued share capital of Spokemead Maintenance Limited (Spokemead) for a total consideration of £8.7 million. The acquisition met the definition of a business combination and has been accounted for using the acquisition method in accordance with the Group's accounting policy.

(e) R. Dunham

On 29 November 2018, the Company acquired the entire share capital of R. Dunham (UK) Limited (R. Dunham) for an estimated consideration of £1.6 million. The acquisition met the definition of a business combination and has been accounted for using the acquisition method in accordance with the Group's accounting policy.

All intra-group transactions, balances, income and expense are eliminated on consolidation.

2.3. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the Consolidated Statement of Financial Position at their fair values, which are also used as the bases of subsequent measurement in accordance with the Group accounting policies.

Costs relating to acquisitions in the year are expensed and are included in administrative expenses.

Goodwill arising on acquisitions is recognised for an acquisition as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Where applicable, the consideration for an acquisition includes any assets or liabilities resulting from a contingent consideration arrangement, measured at fair value at the acquisition date. Subsequent changes in such fair values are adjusted against the cost of acquisition where they result in additional information, obtained within one year from the acquisition date, about facts and circumstances that existed at the acquisition date. All other subsequent changes in fair value of contingent consideration classified as an asset or liability are recognised in accordance with IAS 39, either in profit or loss or as a change to other comprehensive income. Changes in fair value of contingent consideration classified as equity are not recognised.

2.4. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the provision of the Group's services. Revenue is recognised by the Group, net of value added tax, based upon the following and in accordance with the five-step model as established in IFRS 15:

- **Gas Maintenance** – Gas maintenance revenue is recognised when the services have been rendered, that is when the individual job has been completed.
- **Building Services** – Building Services contracts typically range between 1-6 years. During the course of a project an independent surveyor will conduct a monthly review of the work done and agree an incremental payment. The Group thus recognises the revenue of a project gradually and on a monthly basis upon the accreditation of the surveyor. The stage of completion is certified by the independent surveyor. Revenue recognisable in relation to work completed and accredited is recognised as accrued income until invoiced.
- **Electrical Services** – Electrical services revenue is recognised when the services have been rendered, that is when the individual job has been completed.

It is considered by management that the above revenue recognition policies are suitable for recognising revenue arising from the Group's key market verticals. Management considers that the revenue recognition policies applied are consistent with IFRS 15 and as such there has been no impact on the consolidated financial statements. Accrued income is recognised when services are provided in advance of the customer being invoiced. All revenue streams are wholly attributable to the principal activity of the Group and arise solely within the United Kingdom.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2019

2. Summary of significant accounting policies continued

2.5. Operating profit and Non-underlying items

Operating profit comprises the Group's revenue for the provision of services, less the costs of providing those services and administrative overheads, including depreciation of the Group's non-current assets.

Underlying operating profit before the deduction of exceptional costs is one of the key measures used by the Board to monitor the Group's performance. Exceptional costs are disclosed on the face of the Consolidated Statement of Comprehensive Income as "non-underlying items" where these are material and considered necessary to explain the underlying financial performance of the Group. They are either one-off in nature, non-cash expenses or necessary elements of expenditure to derive future benefits for the Group which have not been capitalised in the Consolidated Statement of Financial Position.

2.6. Dividends

The Group has a policy of paying dividends to shareholders in accordance with the amount recommended by the Directors. If the Directors believe the dividends are justified by the profits of the Group available for distribution, they also pay interim dividends. Dividends are recognised when they become legally payable. In the case of interim dividends, this is when dividends are paid. In the case of final dividends, this is when the dividends are approved by the shareholders at the Annual General Meeting. No final dividend is recommended by the Directors for the year ended 31 March 2019.

2.7. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. In the opinion of the Board of Directors, there is currently only one operating segment, being facilities management. This segment incorporates three revenue streams, gas maintenance, building services and electrical services.

2.8. Intangible assets

In accordance with IFRS 3, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that future economic benefits embodied in the asset will flow to the Group.

Software expenditure is capitalised as an intangible asset if the asset created can be identified, if it is probable that the asset created will generate future economic benefits and if the development cost of the asset can be measured reliably.

Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. Amortisation expense is charged to administrative expenses in the income statement on a straight line basis over its useful life.

The identifiable intangible assets and associated periods of amortisation are as follows:

- Customer relationships over the period expected to benefit, typically 7 years
- Software and development costs over 4 years

2.9. Impairment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows: cash generating units (CGUs). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill is allocated to CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill or CGUs that include goodwill and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for CGU's, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro-rata to the other assets in the CGU. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

2. Summary of significant accounting policies continued

2.10. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Depreciation is calculated to write off the cost of the assets, net of anticipated disposal proceeds, over the expected useful lives of the assets concerned as follows:

- | | |
|-------------------------------|--|
| • Freehold property | • 2% on Freehold building cost |
| • Long leasehold improvements | • 5% on Long leasehold improvements cost |
| • Office & Computer equipment | • 25% reducing balance |
| • Fixtures, & fittings | • 25% reducing balance |
| • Motor vehicles | • 25% reducing balance |

Freehold land is not depreciated.

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the Statement of Comprehensive Income.

The residual values and economic lives of assets are reviewed by the Directors on at least an annual basis and are amended as appropriate.

2.11. Impairment of property, plant and equipment

At each Statement of Financial Position date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. For assets other than goodwill, where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the statement of comprehensive income, net of any depreciation or amortisation that would have been charged since the impairment.

2.12. Inventories

Raw materials and consumables are measured at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Work in progress is measured at the lower of cost and net realisable value. Cost comprises direct materials and direct labour costs that have been incurred.

2.13. Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets previously classified as loans and receivables are now presented as financial assets at amortised cost in the Consolidated Financial Statements. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A loss allowance is recognised on initial recognition of financial assets held at amortised cost, based on expected credit losses, and is re-measured annually with changes appearing in the profit and loss account. Interest income is recognised by applying the effective interest rate, except for short-term trade and other receivables when the recognition of interest would be immaterial.

The Group incurs costs in advance of new contracts commencing in association with preparatory work to ensure the contract can be delivered from day one. These costs are included within work in progress and released over the life of the contract.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2019

2. Summary of significant accounting policies continued

2.13. Financial instruments continued

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that have maturities of three months or less from inception, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(c) Equity instruments

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

(d) Trade and other payables

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability.

(e) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

2.14. Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

a) Current tax

Tax payable is based on taxable profit for the year. Taxable profit differs from net profit reported in the Statement of Comprehensive Income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date. As a result of the losses at P&R there is no tax payable for the year to 31 March 2019, certain tax losses are available to carry back for 12 months in P&R and unrelieved tax losses are available to carry forward under group relief provisions as detailed in note 12.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying value 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 to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is charged or credited to the statement of comprehensive income except when it relates to items credited or charged directly in equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is calculated at the tax rates and laws that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.15. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

2. Summary of significant accounting policies continued

2.15. Leases continued

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Rentals applicable to operating leases are charged to profit or loss on a straight-line basis over the lease term. Rent free periods or other incentives received for entering into a lease are accounted for over the lease term.

2.16. Employee benefits

The Group operates a defined contribution pension scheme for certain employees of the Group. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension costs charged to profit or loss are the contributions payable to the scheme in respect of the accounting period.

All Group companies are in compliance with their pension obligations and have auto-enrolled, offering all employees the opportunity to participate.

2.17. Share-based payments

The Company issues equity-settled share-based payment transactions to certain employees. Equity-settled share-based payment transactions are measured at fair value at the date of grant. The calculation of fair value at the date of grant requires the use of management's best estimate of volatility, risk free rate and expected time to exercise the options. Details regarding the determination of the fair value of equity-settled transactions are set out in note 27.

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 the number of equity instruments that will eventually vest. At each reporting date, the Group revises its 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 adjustments to reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

2.18. New standards and interpretations

New standards and amendments to existing standards that have been published and are mandatory for the first time for the financial year beginning 1 April 2018 have been adopted but had no significant impact on the Group and Company.

IFRS 9 'Financial Instruments'

In the current year, the group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an accounting period that begins on or after 1 January 2018. The Group has decided not to restate comparatives in line with the transition provisions of IFRS 9 which allows an entity not to restate comparatives.

Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments that were applied to the disclosures of 2019 and to the comparative period.

The group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. Furthermore, the Group does not expect a significant impact on the revised impairment requirements of IFRS 9 except to the extent that impairment has been recognised in the year ended 31 March 2019 as a result of the detailed review, restructure and exit from certain operations in the P&R business.

The new standard also introduces expanded disclosure requirements. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 introduced new requirements for:

- the classification and measurement of financial assets and financial liabilities;
- impairment of financial assets; and
- general hedge accounting.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2019

2. Summary of significant accounting policies continued

2.18. New standards and interpretations continued

IFRS 15 'Revenue from Contracts with Customers'

- IFRS 15 establishes a five-step model to be applied to all contracts with customers and is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Furthermore, it provides new guidance on whether revenue should be recognised at a point in time or over time.
- The standard also introduces new guidance on costs of fulfilling and obtaining a contract, specifying the circumstances in which such costs should be capitalised. Costs that do not meet the criteria must be expensed when incurred, or accounted for in line with any other standard that they fall within the scope of.
- The actions needed to implement IFRS 15 in the organisation have been finalised and there are no significant quantitative impacts on the business. A performance obligation is a promise in a contract to transfer a good or service to a customer. No separate performance obligations were identified for the contracts the organisation have with customers.

The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Group in preparing these financial statements as they are not as yet effective and in some cases had not yet been adopted by the EU.

The Group intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

IFRS 16 'Leases'

- IFRS 16 was issued in January 2016. It will result in almost all leases recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.
- The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.
- The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:
 - the right to obtain substantially all of the economic benefits from the use of an identified asset; and
 - the right to direct the use of that asset.
- The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 April 2019 (whether it is a lessor or a lessee contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.
- IFRS 16 is a significant change to lessee accounting and all leases will require balance sheet recognition of a liability and a right-of-use asset except short-term leases and leases of low value assets. The Group's lease liability at 1 April 2018 is £2,810,000 as detailed in note 26. IFRS 16 will require the amount to be discounted by an estimated cost of borrowing which will result in a right to use the asset recognised, being the present value of the operating lease payment over the remaining life of the lease, together with the corresponding liability.
- The right to use asset and liability have been calculated as £2,538,000 using a discount rate of 3.4%. The amortisation of the asset and interest charge recognised in the Consolidated Income Statement in the year ended 31 March 2019 would be £725,000 and £72,000 respectively.

IFRS 10 and IAS 28 (amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'

Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'

Amendments to IAS 7 'Disclosure Initiative'

Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses'

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Group's activities and which have not therefore been adopted in preparing these financial statements.

3. Financial risk management

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk Management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks and provides principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, credit risk and investment of excess liquidity.

3.2. Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange and security prices.

(a) Interest rate risk

The Group has exposure to interest rate risk by virtue of its borrowings with HSBC UK Bank Plc, which attract a variable rate of interest at a mark up to the base rate. Details of actual interest rates can be found in note 19 to these consolidated financial statements. No hedging arrangements are currently in place but the Board keeps this under constant review.

3.3. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's cash balances and trade receivables balances. The Group's customers are primarily Local Authorities and Housing Associations with high credit ratings.

The Group has a number of policies for managing the credit risk of their new and existing customers, and have dedicated functions focused on cash conversion, collection and management.

The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk and therefore only financial institutions with a minimum rating of B are used. Currently the Group bank accounts are held primarily with HSBC UK Bank Plc and also National Westminster Bank Plc (NatWest) both of which have a Fitch rating of A.

3.4. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash reserves to meet the Group's working capital requirements. Management monitors rolling forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow.

As at 31 March 2019, the Group had an overdraft of £5,219,000 and cash and cash equivalents of £21,000 (2018: overdraft £954,000 and cash and cash equivalents £72,000).

The Group has a centralised treasury function and actively manage cash flows on both a daily and longer term basis.

3.5. Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to shareholders. The Group funds its expenditures on commitments from existing cash and cash equivalent balances.

There are no externally imposed capital requirements.

Financing decisions are made by the Board of Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

The capital structure of the Group consists of cash and cash equivalents and equity, comprising issued share capital and retained profits.

4. Critical accounting estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS as adopted by the European Union requires the Board of Directors to make certain critical accounting estimates and judgements. In the process of applying the Group's accounting policies, management has decided the following estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the consolidated financial statements.

4.1. Recoverability of trade receivable balances

The Board of Directors has undertaken an extensive review of financial assets recoverability in the year ended 31 March 2019. This has resulted in adjustments that have been included in both the underlying results and non-underlying items and are set out in more detail in note 8.

In the periods shown in these consolidated financial statements, there are a small number of customers with a significant trade receivable balance at the period end. Management have not made a provision against any of these receivable balances except as indicated above. Although this is an area of judgement, but not one of estimation, management are comfortable with this position due to the high credit ratings of the customers involved and the outcome of the review and actions undertaken by the Board of Directors.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2019

4. Critical accounting estimates and judgements continued**4.2. Valuation of accrued income**

Revenue recognisable in relation to work completed and accredited is recognised as accrued income until invoiced based on actual purchase order value, plus any variations or based on the estimated cost of the job using recent past performance as a basis for the price of the work. Some judgement, but no estimation, is therefore required in assessing the estimated cost but management are comfortable with their basis of estimation which has been supported by post year end invoice values.

4.3. Share-based payment charge

The Group issued share options to Directors and employees of the Group in previous years. None were issued in the Period. The Black Scholes model is used to calculate the appropriate charge for these options. The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

4.4. Valuation of customer relationships

Determining the valuation of customer relationships does require use of both estimates and judgements in terms of determining the relevant cash flows and the discount factor to be applied in the valuation to calculate the present value. Future cash flows are estimated based on actual contract values and durations for contractual relationships. Average monthly run rates and estimated durations using length of current relationship, then moderated using an attrition rate, are applied to non-contractual relationships. Cash outflows are forecast using direct costs and overheads based on past performance. Change in contract values and duration, together with margins achieved and overheads applied could result in variations to the carrying value of customer relationships. In addition, an adverse movement in the discount factor due to an increased risk profile or a change in the cost of debt (increase in interest rates) would also result in a variation to the carrying value of the customer relationships. See notes 8 and 14.1 for details of the review in the year of the carrying value of the customer relationships.

4.5. Impairment of goodwill

Determining whether goodwill is impaired requires an estimate of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation involves an estimate of the future cash flows of the CGUs and also the selection of appropriate discount rates to calculate present values. Future cash flows are estimated based on contract value and duration, together with margin based on past performance. Change in contract values and duration, together with margins achieved could result in variations to the carrying value of goodwill. In addition, an adverse movement in the discount factor due to an increased risk profile or a change in the cost of debt (increase in interest rates) would also result in a variation to the carrying value of goodwill. The primary sensitivity is the discount rate, however the Directors consider that there is no reason to believe it is not appropriate.

4.6. Amounts recoverable under terminated contracts

The result at P&R has been impacted by two loss-making contracts with Carillion Amey and East Kent Housing which have been terminated. Both contracts are still subject to potential dispute resolution and in particular, at the date of results, the East Kent Housing contract is in the process of adjudication proceedings. The Board of Directors have undertaken a detailed review of the recoverability of financial assets that relate to these contracts and as set out in note 8 have identified impairments to financial assets. This is an area of judgement and estimation based on management's own investigations and third party professional advice.

5. Revenue

Revenue can be analysed as follows:

	12 months ended 31 March 2019 £'000	12 months ended 31 March 2018 £'000
Gas Maintenance	9,831	14,574
Building Services	39,234	48,289
Electrical Services	17,463	15,944
	66,528	78,807

All results in the current and prior period derive from continuing operations and all revenues arose in the United Kingdom. Non-underlying items in the year to 31 March 2019 reduced Gas Maintenance revenue by £1,362,000 (2018: £Nil) and Building Services revenue by £1,698,000 (2018: £Nil).

There are four customers who individually contributed 12%, 8%, 7% and 5% respectively towards the revenue. (2018: four contributing 12%, 8%, 7% and 6%).

6. Operating (loss)/profit

Operating (loss)/profit is stated after charging all costs including non-underlying items which are detailed in note 8.

	12 months ended 31 March 2019 £'000	12 months ended 31 March 2018 £'000
Inventory recognised as an expense in cost of sales	12,463	16,160
Staff costs	16,040	13,203
Depreciation	256	256
Amortisation of software costs	44	39
Loss on disposal of property, plant and equipment	75	17
Auditor's remuneration	182	98
Non-audit remuneration	49	21
Operating lease rentals	999	1,257

The depreciation and amortisation charges as stated in the table above are included within administrative expenses in the Consolidated Statement of Comprehensive Income.

7. Underlying EBITDA

Earnings before interest, taxation, depreciation and amortisation ("EBITDA")

Underlying EBITDA is calculated as follows:

	12 months ended 31 March 2019 £'000	12 months ended 31 March 2018 £'000
Underlying profit before taxation	2,501	5,790
Finance costs	288	192
Depreciation	256	256
Amortisation of software costs	44	39
Loss on disposal of property, plant and equipment	75	17
Underlying EBITDA	3,164	6,294

8. Non-underlying items

Operating (loss)/profit includes the following items which are considered by the Board to be exceptional, one off in nature, non-cash expenses or necessary elements of expenditure to derive future benefits for the Group which have not been capitalised on the Consolidated Statement of Financial Position.

		12 months ended 31 March 2019 £'000	12 months ended 31 March 2018 £'000
Amortisation of customer relationships	a)	1,836	1,792
Impairment of customer relationships	a)	1,802	—
Share-based payment charge	b)	128	194
Acquisition costs	c)	120	—
Restructuring costs	d)	975	—
Loss on exit from onerous contracts and gas division of P&R	e)	7,604	—
Impairment of accrued income	f)	424	—
Fair value adjustment	g)	—	(488)
		12,889	1,498

Amortisation and impairment of customer relationships, share based payment charge, acquisition costs and restructuring costs have been charged against revenues. Of the loss on exit from onerous contracts and gas division of P&R, £2,636,000 has been charged against revenues, £2,618,000 charged to cost of sales and £2,350,000 charged to administrative expenses.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2019

8. Non-underlying continued**(a) Amortisation and impairment of customer relationships**

Amortisation of acquisition intangibles was £1,836,000 for the year (2018: £1,792,000) and relates to amortisation of the customer relationships identified by the directors on the acquisition of Purdy, DCB (Kent), Spokemead and R. Dunham. Impairment of customer relationship of £1,802,000 (2018: £nil) relates to Spokemead (see note 14).

(b) Share-based payment charge

A Group share option scheme is in place. No options were granted during the year (as stated in note 27). The share-based payment charge has been separately identified as it is a non-cash expense.

(c) Acquisition costs

Acquisition costs comprise legal, professional and other expenditure in relation to the acquisition of R. Dunham during the year and are included in administrative costs.

(d) Restructuring costs

Comprise redundancy costs and compromise agreements, legal and professional fees and other related costs of £975,000 and are one off and non-recurring.

(e) Loss on exit from onerous contracts and gas division of P&R

£3,573,000 relates to the exit from the contract in P&R for the provision of services to the MOD properties (of which £432,000 relates to trading losses, £140,000 to legal and professional fees and £3,001,000 relates to the impairment of financial assets and inventory). £4,031,000 relates to the exit from the contracts with four East Kent Councils (collectively "East Kent Housing") and other gas contracts in P&R (of which £1,971,000 relates to the impairment of financial assets and inventory, £1,265,000 provision for claims against P&R, £507,000 relates to provision for post contract termination trading losses and £288,000 to legal and professional fees).

(f) Impairment of accrued income

Relates to a one off adjustment to accrued income on a building services contract following detailed review undertaken by the Directors.

(g) Fair value adjustment

The fair value adjustment in the prior year relates to a reduction in the contingent consideration payable on the acquisition of Spokemead.

9. Employee expenses

The average number of employees (including directors) employed during the year was:

	12 months ended 31 March 2019 No	12 months ended 31 March 2018 No
Management	57	45
Administration	84	77
Engineers	345	347
	486	469

The aggregate remuneration of the above employees (including directors) comprised:

	12 months ended 31 March 2019 £'000	12 months ended 31 March 2018 £'000
Wages and salaries	14,332	11,926
Social security costs	1,471	1,212
Pension costs	237	65
	16,040	13,203

The remuneration of the Directors and other key management personnel of the Group is shown in note 25 and the Remuneration Committee Report.

Subsequent to the year end the Group has exited from the gas division of P&R and certain other contracts and has restructured its operations resulting in a significant reduction in the number of staff in the Group and associated aggregate remuneration.

10. Finance costs and finance income

	12 months ended 31 March 2019 £'000	12 months ended 31 March 2018 £'000
Interest payable on bank borrowings and loans	286	180
Interest payable on hire purchase agreements	2	10
Interest payable on convertible loan notes	—	2
	288	192

The Group received no finance income in either the current or prior period.

11. Dividends

The Directors do not recommend a final dividend for the year ended 31 March 2019. The final dividend paid in the year ended 31 March 2019 relating to the prior year was 2.00 pence per ordinary share (paid in the year ended 31 March 2018: 1.50 pence per share) and the interim dividend paid in January 2019 was 0.50 pence per share (2018: 0.50 pence per share) making a total dividend paid in the year ended 31 March 2019 of 2.50 pence per ordinary share (2018: 2.00 pence per share).

	12 months ended 31 March 2019		12 months ended 31 March 2018	
	Per share (p)	Total paid £'000	Per share (p)	Total paid £'000
Dividend paid during the year relating to final dividend declared for previous period	2.00	806	1.50	598
Interim dividend paid during the year	0.50	203	0.50	202
	2.50	1,009	2.00	800

12. Income tax

12.1. Components of income tax (credit)/expense

	12 months ended 31 March 2019 £'000	12 months ended 31 March 2018 £'000
Current income tax (credit)/expense		
Current income tax (credit)/charge	(129)	1,167
Total current tax	(129)	1,167
Deferred tax		
Credit in connection with intangible assets acquired	(331)	(323)
Credit in connection with impairment of customer relationships	(324)	—
Credit in connection with unused tax losses	(1,008)	—
Total deferred tax	(1,663)	(323)
Income tax (credit)/expense reported in income statement	(1,792)	844

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Notes to the consolidated financial statements continued

for the financial year ended 31 March 2019

12. Income tax continued

12.2. Tax reconciliation

The tax assessed in each period is higher than the standard rate of corporation tax in the UK.

The differences are explained below.

	12 months ended 31 March 2019 £'000	12 months ended 31 March 2018 £'000
(Loss)/profit on ordinary activities before taxation	(10,388)	4,292
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation of tax of 19% (2018: 19%)	(1,974)	815
Effects of:		
Non-deductible expenses	123	57
Other tax adjustments	59	(28)
Tax on (loss)/profit on ordinary activities	(1,792)	844

13. Earnings per share

13.1 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the result attributable to shareholders divided by the weighted average number of ordinary shares in issue during the year.

Basic earnings per share amounts are calculated by dividing net profit for the year or period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The Group has potentially issuable shares all of which relate to the Group's share options issued to Directors and employees.

Basic and diluted profit per share from continuing operations is calculated as follows:

	12 months ended 31 March 2019 £'000	12 months ended 31 March 2018 £'000
(Loss)/profit used in calculating basic and diluted earnings per share	(8,596)	3,448
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	40,373,589	40,049,590
Weighted average number of shares for the purpose of diluted earnings per share	40,373,589	40,491,051
Basic (loss)/earnings per share (pence)	(21.29)	8.61
Diluted (loss)/earnings per share (pence)	(21.29)	8.51

Options over 1,548,103 ordinary shares (2018: 2,757,412 ordinary shares) were in issue but have not been taken into account in calculating diluted loss per share as they are anti-dilutive.

13.2 Adjusted earnings per share

(Loss)/profit after tax is stated after deducting non-underlying items totalling £12,889,000 (2018: £1,498,000) as set out in note 8 and the impact of these items on corporation tax. Non-underlying items are either exceptional or one-off in nature, non-cash expenses or necessary elements of expenditure to derive future benefits for the Group which have not been capitalised in the Consolidated Statement of Financial Position. These are shown separately on the face of the Consolidated Statement of Comprehensive Income.

The calculation of adjusted basic and adjusted diluted earnings per share is based on the result attributable to shareholders, adjusted for non-underlying items, divided by the weighted average number of ordinary shares in issue during the year.

13. Earnings per share continued

13.2 Adjusted earnings per share continued

	12 months ended 31 March 2019 £'000	12 months ended 31 March 2018 £'000
(Loss)/profit after tax	(8,596)	3,448
<i>Add back</i>		
Restructuring costs	975	—
Loss on exit from onerous contracts and gas division of P&R	7,604	—
Impairment of accrued income	424	—
Amortisation of customer relationships	1,836	1,792
Impairment of customer relationships	1,802	—
Share based payment charge	128	194
Acquisition costs	120	—
Fair value adjustment	—	(488)
Impact of above adjustments on corporation tax	(1,716)	—
Adjusted profit after tax	2,577	4,946
Number of shares		
Weighted average number of shares for the purpose of adjusted earnings per share	40,373,589	40,049,590
Weighted average number of shares for the purpose of diluted adjusted earnings per share	40,509,079	40,491,051
Adjusted earnings per share (pence)	6.38	12.35
Diluted adjusted earnings per share (pence)	6.36	12.22

14. Intangible assets

	Software costs £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost				
At 1 April 2018	193	13,832	4,256	18,281
Additions in the year	9	—	—	9
Acquisition of subsidiary	—	200	1,187	1,387
At 31 March 2019	202	14,032	5,443	19,677
Amortisation				
At 1 April 2018	79	4,166	—	4,245
Charge for the year	44	1,836	—	1,880
Impairment in year	—	1,802	—	1,802
At 31 March 2019	123	7,804	—	7,927
Net book value				
At 31 March 2018	114	9,666	4,256	14,036
At 31 March 2019	79	6,228	5,443	11,750

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2019

14. Intangible assets continued**14.1. Customer relationships**

The customer relationships intangible assets arise on acquisition of subsidiaries when accounted for as a business combination and relate to the expected value to be derived from contractual and non-contractual customer relationships. The value placed on the contractual customer relationship is based on the expected cash revenue inflows over the estimated remaining life of each existing contract. The value placed on the non-contractual customer relationships is based on the expected cash inflows based on past revenue performance by virtue of the customer relationship; but, using an attrition rate depending on the length of the relationship. Associated cash outflows have been based on historically achieved margins and overhead run rates per £1 of revenue. The net cash flows are discounted at a rate which the Directors consider is commensurate with the risks associated with capturing returns from the customer relationships.

The estimated life for customer relationships is based on the average of the contracted remaining life of contracted relationships and estimated life of the non-contractual relationships.

	Purdy	Spokemead	DCB (Kent)	R. Dunham	Total
Attrition rate where relationship < 5 years.	80%	n/a	100%	n/a	
Attrition rate where relationship > 5 years.	50%	n/a	100%	n/a	
Discount rate	13.3%	12.84%	12.84%	15.79%	
Estimated life of relationship	7 years	7.5 years	1 to 8 years	1.5 years	
Fair value of customer relationships	£5,586,000	£5,922,000	£2,324,000	£200,000	£14,032,000

During the year Spokemead renewed the contract with its major customer. The terms and scope of the works under contract were substantially amended resulting in a reduction in expected revenues and an impairment of the customer relationships intangible asset of £1,802,000. This impairment has been included as a non-underlying item as described in note 8.

14.2. Goodwill

Goodwill on consolidation arises on the excess of cost of acquisition over the fair value of the net assets acquired on purchase of the company (note 29).

Goodwill is supported by cash flows derived from contracts won in the post-acquisition period. Contracted cash inflows have been projected for the duration of the contracts. Associated costs, included in the cash flows, have been forecast based on historically achieved margins and overhead run rates per £1 of revenue. Net cash flows are then discounted back using a rate as indicated for customer relationships. The Directors consider that on the basis of these post acquisition contract wins, goodwill is not impaired. The Directors have assessed whether the amendments to the terms and scope of Spokemeads' major customer contract has impacted the carrying value of goodwill. The Directors consider that the contract amendments do not indicate an impairment of goodwill at the year end.

Each subsidiary is its own CGU for the purposes of the goodwill calculation and impairment reviews and is monitored on an ongoing basis by the Board.

The Directors consider that there are no possible changes to the key assumptions of the impairment review that would result in impairment at the reporting date.

15. Property, plant and equipment

At 31 March 2019

	Freehold land £'000	Freehold property £'000	Long leasehold improvements £'000	Motor vehicles £'000	Fixtures & fittings £'000	Office & computer equipment £'000	Total £'000
Cost							
At 1 April 2018	300	484	394	744	85	641	2,648
Additions	—	39	4	18	12	85	158
Additions on acquisition of subsidiary	—	—	—	179	—	569	748
Disposals	—	—	—	(452)	(10)	(184)	(646)
At 31 March 2019	300	523	398	489	87	1,111	2,908
Depreciation							
At 1 April 2018	—	57	110	430	61	352	1,010
Additions on acquisition of subsidiary	—	—	—	98	—	445	543
Charge for the year	—	21	31	100	9	95	256
Disposals	—	—	—	(382)	(9)	(171)	(562)
At 31 March 2019	—	78	141	246	61	721	1,247
Net book value							
At 1 April 2018	300	427	284	314	24	289	1,638
At 31 March 2019	300	445	257	243	26	390	1,661

At 31 March 2018

	Freehold land £'000	Freehold property £'000	Long leasehold improvements £'000	Motor vehicles £'000	Fixtures & fittings £'000	Office & computer equipment £'000	Total £'000
Cost							
At 1 April 2017	300	484	394	877	68	597	2,720
Additions	—	—	—	—	17	74	91
Disposals	—	—	—	(133)	—	(30)	(163)
At 31 March 2018	300	484	394	744	85	641	2,648
Depreciation							
At 1 April 2017	—	36	79	435	49	300	899
Charge for the year	—	21	31	110	12	82	256
Disposals	—	—	—	(115)	—	(30)	(145)
At 31 March 2018	—	57	110	430	61	352	1,010
Net book value							
At 1 April 2017	300	448	315	442	19	297	1,821
At 31 March 2018	300	427	284	314	24	289	1,638

Freehold land and building property was included at its net book value of £784,000 at the date of acquisition, being the fair value of the land and buildings at £815,000, less accumulated depreciation of £31,000. The property was valued by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of investment property being valued, Savills (UK) Limited, as at 22 May 2015 on the existing use value basis in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The critical assumptions made relating to their valuation are the market rent at £65,000 per annum and the yield at 8.00%.

The net book value of property, plant and equipment at 31 March 2019 includes £37,000 (2018: £146,000) in respect of assets held under finance lease contracts which relate to the acquisition of motor vehicles.

The bank loans detailed in note 19 are secured on the property, plant and equipment of the Group.

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Notes to the consolidated financial statements continued

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16. Inventories

	2019 £'000	2018 £'000
Raw materials	1,058	1,672
Work in progress	2,076	1,481
	3,134	3,153

17. Trade and other receivables

	2019 £'000	2018 £'000
Current		
Trade receivables	8,112	8,252
Other receivables	590	263
Prepayments	440	694
Accrued income	7,327	10,925
Amounts due from long-term contracts	2,079	427
	18,548	20,561

The ageing of trade receivables that are past due but not impaired is shown below:

	2019 £'000	2018 £'000
Between 1-2 months	1,503	411
Between 2-3 months	601	140
More than 3 months	341	1,590
	2,445	2,141

The above balances are past due at the reporting date, but the Group has not recognised an allowance against trade receivables, as the Board undertook a detailed review in the year ended 31 March 2019 which resulted in significant impairment at P&R. Otherwise there has not been a significant change in credit quality.

The Group's exposure to credit risk is discussed in note 24 to the consolidated financial statements, including how the Group assesses the credit quality of potential new customers and its policy for providing against overdue invoices.

The average credit period taken on invoiced sales of services as at 31 March 2019 is 43 days (31 March 2018: 38 days). No interest was charged on overdue receivables during the year.

The Directors believe that the carrying value of the trade and other receivables is considered to represent its fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable shown above. The Group does not hold any collateral as security. The bank loans detailed in note 19 are secured on trade receivables of £8,112,000 (2018: £8,252,000).

The Group's trade and other receivables are all denominated in £ Sterling.

18. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. The Group's cash and cash equivalents are held at floating interest rates and are held at NatWest Bank and HSBC UK Bank Plc each with an A credit rating as assessed by Fitch ratings. The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

	2019 £'000	2018 £'000
Cash and bank balances	21	72



19. Borrowings

The maturity analysis of borrowings, inclusive of finance charges is included below. All of the loans are denominated in £ Sterling.

	2019 £'000	2018 £'000
Non-current borrowings		
<i>Bank and other borrowings:</i>		
Term loans	—	2,578
Other loans	236	—
Mortgage loan	—	371
Total non-current borrowings	236	2,949
Current borrowings:		
<i>Bank and other borrowings:</i>		
Term loans	5,000	1,441
Other loans	53	—
Mortgage loan	371	57
Overdraft	5,219	954
Total current borrowings	10,643	2,452
<i>Bank and other borrowings:</i>		
Term loans	5,000	4,019
Other loans	289	—
Mortgage loan	371	428
Overdraft	5,219	954
Total borrowings	10,879	5,401

At 31 March 2019 the Group was in breach of the financial covenants set by our bankers, HSBC Bank Plc, resulting from the increased debt levels and the underlying losses, impairment write offs and restricting costs at P&R. The breach of covenants has been waived by HSBC Bank Plc for the year to 31 March 2019 and the Directors continue to have detailed discussions with HSBC Bank Plc, who remain supportive of the Group and the strategic plan to restructure the Group. The Group has exited from the loss making contracts in P&R, closed P&R's gas division, restructured and aligned the remaining components of the business with Purdy. The Group and HSBC Bank Plc intend to restructure the borrowing facilities and rebase the financial covenants. The current borrowing facilities have therefore been presented as repayable within one year.

The HSBC Bank Plc Term loan of £5.00 million is repayable quarterly over three years and therefore £1.67 million will be paid within 1 year, £1.67 million will be paid in 1-2 years and £1.66 million will be paid in 2-5 years from 1 April 2019.

The HSBC Bank Plc Mortgage loan of £371,000 is repayable quarterly and £57,000 will be paid within 1 year, £57,000 will be paid in 1-2 years, £171,000 will be paid in 2-5 years and £86,000 will be paid over 5 years from 1 April 2019.

(a) Working capital facilities

At 1 April 2018 the Group had a working capital facility of £3.75 million. In July 2018 the Group extended its working capital facility to £4.25 million to fund the cash flow requirements of the Group. In September 2018 and December 2018 it further extended its working capital facility to £5.0 million and £7.0 million respectively. In February 2019 the working capital facility was reduced to £6.5 million aligned to the consolidation of the Term Bank loans.

The Bank overdraft is held at an interest rate of 2.5% above the Bank of England base rate and is repayable on demand. All cash at bank balances are denominated in £ sterling. As at 31 March 2019, the Group had an unused overdraft facility of £1.28 million (2018: £2.80 million).

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2019

19. Borrowings continued**(b) Bank and other loans****Term loans**

At 31 March 2018 the balance on a 5-year term loan with HSBC Bank Plc was £4.0 million. In November 2018 an additional 4-year loan of £1.1 million, with HSBC Bank Plc was drawn down to fund the acquisition of R. Dunham. In February 2019 the HSBC term loans were consolidated into one 3-year term loan of £5.00 million repayable by quarterly instalments. Interest payable is 2.75% above the Bank of England base rate. At the same time the overdraft facility was reduced from £7.0 million to £6.5 million.

Mortgage loan

A 10-year mortgage loan of £570,000 with HSBC Bank Plc drawn down in July 2015, with interest payable at 1.9% above the Bank of England base rate. The mortgage is held over the freehold property of Purdy known as Brooklyn Lodge, Mott Street, Chingford, London E4 7RW.

Other loan

A 5-year term loan, originally drawn down in September 2018 of £317,000 with Funding Circle was assumed by the Group on the acquisition of R. Dunham in November 2018 and is unsecured. The loan is repayable by fixed monthly instalments of £7,024 and interest is at a fixed rate of 11.9%.

(c) Security

Bank loans are secured on related property, plant and equipment and debtor books of the Group.

In respect of bank debt there is an Unlimited Composite Company Guarantee given by Bilby Plc, Purdy, P&R, DCB (Kent), Spokemead and R. Dunham to secure all liabilities of each borrower.

20. Obligations under finance leases

	2019 £'000	2018 £'000
Non-current:		
Minimum lease payments under finance leases	—	11
Current:		
Minimum lease payments under finance leases	10	70
	10	81

Net obligations under finance lease contracts are secured on related property, plant and equipment. The maturity analysis of obligations under finance leases inclusive of finance charges is shown in the following table:

	2019 £'000	2018 £'000
Gross finance lease liabilities – minimum lease payments:		
No later than 1 year	11	11
Later than 1 year and no later than 5 years	—	73
Less: future finance charges on leases	(1)	(3)
	10	81

The present value of finance lease liabilities is as follows:

	2019 £'000	2018 £'000
No later than one year	10	70
Later than 1 year and no later than 5 years	—	11
	10	81

The fair value of the Group's lease obligations is approximately equal to their carrying amount. All lease obligations are denominated in £ Sterling.

It is the Group's policy to lease the majority of its motor vehicles. The average lease term is 3 years. For the year ended 31 March 2019, the effective borrowing rate was 2.5% (31 March 2018: 2.5%).

The Group's obligations under finance leases are secured by the lessor's rights over the leased assets.



21. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	10,605	10,817
Other payables	1,191	182
Other taxation and social security	1,464	1,726
Accruals	2,670	673
	15,930	13,398

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing. The Directors consider that the carrying value of trade and other payables approximates their fair value as the impact of discounting is insignificant.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices.

The average credit period taken on trade purchases is 76 days (2018: 67 days). Trade purchases include the purchase of materials and subcontractor costs.

22. Share capital and reserves

22.1. Ordinary shares

Ordinary shares of £0.10 each	2019 £'000	2018 £'000
At the beginning of the year	4,029	3,974
Issued in the year	25	55
At the end of the year	4,054	4,029
Number of shares		
At the beginning of the year	40,290,027	39,729,731
Issue of further consideration shares in connection with DCB (Kent)	a) —	167,113
Issue of further consideration shares in connection with Spokemead	b) —	393,183
Issue of initial consideration shares in connection with R. Dunham	c) 250,000	—
At the end of the year	40,540,027	40,290,027

(a) DCB (Kent) further consideration

Further consideration for DCB (Kent) was satisfied on 13 July 2017, by a cash payment of £375,000 together with an issue of 167,113 new Bilby ordinary shares at a price of 74.8 pence per share.

(b) Spokemead further consideration

Further consideration was paid on 27 September 2017 by way of a cash payment of £250,000 together with an issue of 393,183 new Bilby ordinary shares at a price of 62.85 pence per share.

(c) R. Dunham initial consideration

On 29 November 2018, Bilby Plc acquired the entire share capital of R. Dunham. The initial consideration for R. Dunham was satisfied by a cash payment of £750,000 together with an issue of 250,000 new Bilby ordinary shares at a price of 97.0 pence per share (the "consideration shares").

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22. Share capital and reserves continued

22.2. Share premium

	2019 £'000	2018 £'000
At the beginning of the year	8,392	8,076
Issued in the year	217	316
At the end of the year	8,609	8,392

22.3. Merger reserve

	2019 £'000	2018 £'000
At the beginning and end of the year	(248)	(248)

23. Note to the consolidated statement of cash flows

	12 months ended 31 March 2019 £'000	12 months ended 31 March 2018 £'000
Cash flow from operating activities		
(Loss)/profit before income tax	(10,388)	4,292
Adjustments for:		
Net finance cost	288	192
Loss on disposal of property, plant and equipment	75	17
Depreciation	256	256
Amortisation of intangible assets	1,880	1,831
Impairment of intangible assets	1,802	—
Share-based payments	128	194
Fair value adjustment	—	(488)
Movement in receivables	2,980	(5,203)
Movement in payables	1,870	1,493
Movement in inventories	186	(1,160)
Tax paid	(1,103)	(622)
Net cash (used in)/generated from operating activities	(2,026)	802

24. Financial instruments

The Group's principal financial assets are cash and cash equivalents and trade and other receivables. All financial assets are classified as loans and receivables.

The Group's principal financial liabilities are financing liabilities and trade and other payables. All financial liabilities are held at amortised cost.

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

24.1 Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables
- Borrowings
- Obligations under finance leases



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24. Financial instruments continued

24.1. Principal financial instruments continued

The Group held the following financial assets at each reporting date:

	2019 £'000	2018 £'000
Loans and receivables:		
Trade receivables	8,112	8,252
Accrued income	7,327	10,925
Amounts due from long-term contracts	2,079	427
Other receivables	1,030	957
Cash and cash equivalents	21	72
	18,569	20,633

The Group held the following financial liabilities at each reporting date:

	2019 £'000	2018 £'000
Held at amortised cost:		
Bank loans and overdrafts	10,879	5,401
Obligations under finance leases	10	81
Accruals	2,670	673
Trade payables	10,605	10,817
Other payables	1,191	182
	25,355	17,154

24.2. Financial risk management

The Group's treasury function monitors and manages the financial risks in relation to its operations. These risks include those arising from interest rate risk, credit risk, liquidity risk and capital risk. The Group seeks to minimise the effects of these risks by using effective control measures. The Group's policies for financial risk management are outlined below.

(a) Interest rate risk management

The Group finances its operations through a combination of retained earnings and bank borrowings from major financial institutions, with a minimum Fitch rating of B, at floating rates of interest above the Bank of England base rate. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group is also exposed to interest rate risk through its finance lease obligations.

The Group's treasury function reviews its risk management strategy on a regular basis and gives careful consideration to interest rates when considering its borrowing requirements and where to hold its excess cash.

The Group currently has loans and overdrafts totalling £10.9 million (2018: £5.4 million) at variable interest rates. If the interest rate had been 6.5%, approximately 100% higher, and all other variable were constant, the Group's loss after tax for the year and reserves would increase by approximately £280,000 (2018: £181,000).

The Group is exposed to interest rate risk on some of its financial assets, being its cash at bank balances. The interest rate receivable on these balances at 31 March 2019 was at an average rate of less than 1% (2018: less than 1%).

The Group's policy is to minimise interest charges through active cash management. Interest charged on the Group's borrowings is kept under constant review.

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's trade and other receivables and its cash balances. The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. The Group has an established credit policy under which each new customer is analysed for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The maximum exposure the Group will bear with a single customer is dependent upon that customer's credit rating, the level of anticipated trading and the time period over which the relationship is likely to run.

Social Housing customers are typically local authorities or housing associations and the nature of which means the credit risk is minimal. Other trade receivables contain no specific concentration of credit risk with amounts recognised representing a large number of receivables from various customers.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2019

24. Financial instruments continued**24.2. Financial risk management continued****(c) Trade and other receivables**

The Group is exposed to the risk of default by its customers. At 31 March 2019, the Group had nine customers with an outstanding balance over £250,000 (31 March 2018: six). The Directors undertook a detailed review of financial assets during the year resulting in impairments at P&R. Following the actions that have been taken the Directors believe that there is no additional credit risk associated with these customers because there is no history of default by these customers.

There are no other significant concentrations of credit risk at the balance sheet date.

At 31 March 2019, the Group held no collateral as security against any financial asset. The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Significant impairment of financial assets has been made at P&R in the year ended 31 March 2019. Following the actions that have been taken, the Management considers the above measures to be sufficient to control ongoing credit risk exposure.

(d) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk management is to ensure it will always have sufficient liquidity to meet the Group's working capital requirements. Management monitors rolling forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow.

The Directors manage liquidity risk by regularly reviewing cash requirements by reference to short-term cash flow forecasts and medium term working capital projections prepared by management and operates a centralised treasury function and actively manage cash flows on both a daily and longer term basis.

The Group had a maximum available working capital facility of £6,500,000 at an interest rate of 2.5% over base with HSBC Bank Plc as at 31 March 2019. The facilities are reviewed and renewed on an annual basis. As at 31 March 2019, the Group had an overdraft of £5,219,000 and cash and cash equivalents of £21,000 (2018: overdraft £954,000 and cash and cash equivalents £72,000).

The table below shows the maturity profile of the Group's non-derivative financial liabilities:

	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
2019					
Non-derivative financial liabilities					
HSBC mortgage	371	—	—	—	371
HSBC term loan	5,000	—	—	—	5,000
Funding Circle unsecured loan	53	60	176	—	289
HSBC overdraft	5,219	—	—	—	5,219
Trade payables	10,605	—	—	—	10,605
	21,248	60	176	—	21,484
2018					
Non-derivative financial liabilities					
HSBC mortgage	57	57	171	143	428
HSBC term loan	1,441	1,441	1,137	—	4,019
HSBC overdraft	954	—	—	—	954
Trade payables	10,817	—	—	—	10,817
	13,269	1,498	1,308	143	16,218

24. Financial instruments continued

24.2. Financial risk management continued

(e) Capital management risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders through the optimisation of debt and equity.

The capital structure of the Group consists of net debt as disclosed below and equity as disclosed in the Consolidated Statement of Changes in Equity.

	2019 £'000	2018 £'000
Net debt comprised as follows:		
- Cash and cash equivalents	21	72
- Bank borrowings and overdrafts	(10,879)	(5,401)
- Finance leases	(10)	(81)
	(10,868)	(5,410)

25. Related party transactions

During the current and previous years, the Group operated from premises at 6-8 Powerscroft Road, Sidcup, Kent DA14 5DT. The freehold of the property is owned by P Copolo, a former Director of the Company. A formal 20 year lease was entered into on the 6 March 2015 between P Copolo and the Company. Under the terms of the lease, the initial rent was £50,000 per annum, increased to £60,000 per annum following review, with the Company being responsible for all ongoing costs.

During the course of the year P Copolo purchased goods and services through P&R and a total of £471,954 (including £289,538 in relation to dividends of the Company forgone by P Copolo) was paid to P&R during the year in relation to the goods and services.

During the course of the year L Copolo purchased goods and services through P&R and a total of £15,000 was paid to P&R during the year in relation to the goods and services.

After the end of the Period, the Company entered into an agreement with Ellingham Holdings Limited for consulting services and paid a total of £65,000 (excluding VAT). David Ellingham, a former Director of the Company, is a Director of Ellingham Holdings Limited.

25.1. Key management compensation

The Group's key management are considered to comprise the directors of Bilby Plc and two non-executive directors of Bilby Plc.

The aggregate remuneration of the directors is as follows:

	2019 £'000	2018 £'000
The aggregate remuneration comprised:		
Aggregate emoluments	669	462
Consultancy fees	117	72
	787	534
Share-based payments	17	21
Total remuneration	803	555

The remuneration of the highest paid Director during the year was £296,000 (2018: £213,755) of which £160,500 related to compensation for loss of office payable after the end of the Period. The remuneration of individual Directors is disclosed in the Directors' Report.

There were no other transactions with Directors or key personnel to disclose.

26. Operating leases

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

	2019 £'000	2018 £'000
Less than 1 year	772	783
More than 1 year but less than 5 years	774	1,003
More than 5 years	956	1,024
	2,502	2,810

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27. Share-based payments

The Group has a share option scheme for certain directors and employees. Options are generally exercisable at a price equal to the market price of the Bilby Plc shares on the day immediately prior to the date of the grant. Options are forfeited if the employee leaves the Group before the options vest.

The Share Option Plan provides for the grant of both tax-approved Enterprise Management Incentives (EMI) Options and unapproved options.

The Black Scholes model is used to calculate the appropriate charge for the share options. The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge. The total charge to the Consolidated Statement of Comprehensive Income for the year to 31 March 2019 was £127,744 (2018: £194,232).

(a) Options issued in March 2015

The Group issued 1,612,067 share options to one director and four employees on 6 March 2015. The options are exercisable at the Placing Price of 58 pence per share and will become exercisable on the third anniversary of their grant. They can be exercised at any time from this date to the day before the tenth anniversary of the grant. Of the 1,612,067 share options granted, 1,318,964 have been cancelled at 31 March 2019.

The inputs into the option pricing model for the options granted in March 2015 are as follows:

Weighted average exercise price	£0.58
Expected volatility	25.6%
Expected life	6.5 years
Risk free interest rate	1.87%
Expected dividends	4%

The volatility of the Company's share price on the date of grant was calculated as the average of annualised standard deviations of daily continuously compounded returns on the stock of closely comparable companies.

The charge for the year ended 31 March 2019 for the options issued in March 2015 totals £nil (2018: £23,015).

(b) Options issued in July 2015

The Group issued 1,150,000 options to 13 employees on 16 July 2015. Of the 1,150,000 options granted, 640,000 options have been cancelled as at 31 March 2019. The options are exercisable at a price of 95 pence per share and will become exercisable on the third anniversary of their grant. They can be exercised at any time from this date to the day before the tenth anniversary of their grant and are not subject to a performance condition.

The inputs into the option pricing model for the options granted in July 2015 are as follows:

Weighted average exercise price	£0.95
Expected volatility	45.7%
Expected life	6.5 years
Risk free interest rate	4%
Expected dividends	2.15%

The volatility of the Company's share price on the date of grant was calculated as the average of annualised standard deviations of daily continuously compounded returns on the stock of closely comparable companies.

The charge for the year ended 31 March 2019 for the options issued in July 2015 totals £13,934 (2018: £52,424).

27. Share-based payments continued

(c) Options issued in December 2015

The Group issued 340,000 options to one director and three employees on 9 December 2015. Of the 340,000 options granted, 100,000 options have been cancelled as at 31 March 2019. The options are exercisable at a price of £1.19 per share and will become exercisable on the third anniversary of their grant. They can be exercised at any time from this date to the day before the tenth anniversary of their grant and are not subject to a performance condition.

The inputs into the option pricing model for the options granted in December 2015 are as follows:

Weighted average exercise price	£1.19
Expected volatility	45.4%
Expected life	6.5 years
Risk free interest rate	4%
Expected dividends	2.15%

The volatility of the Company's share price on the date of grant was calculated as the average of annualised standard deviations of daily continuously compounded returns on the stock of closely comparable companies.

The charge for the year ended 31 March 2019 for the options issued in December 2015 totals £22,211 (2018: £32,044).

(d) Options issued in January 2016

The Group issued 100,000 options to one director on 4 January 2016 which were subsequently cancelled. The options were exercisable at a price of 1.46 per share.

The volatility of the Company's share price on the date of grant was calculated as the average of annualised standard deviations of daily continuously compounded returns on the stock of closely comparable companies.

The charge for the year ended 31 March 2019 for the options issued in January 2016 totals £8,718 (2018: £11,406).

(e) Options issued in July 2016

The Group issued 770,000 options to one director and 12 employees in July 2016. Of the 770,000 options granted, 410,000 have been cancelled at 31 March 2019. The options are exercisable at a price of £1.26 per share and will become exercisable on the third anniversary of their grant. They can be exercised at any time from this date to the day before the tenth anniversary of their grant and are not subject to a performance condition.

The inputs into the option pricing model for the options granted in July 2016 are as follows:

Weighted average exercise price	£1.26
Expected volatility	44.2%
Expected life	6.5 years
Risk free interest rate	2.5%
Expected dividends	2.05%

The volatility of the Company's share price on the date of grant was calculated as the average of annualised standard deviations of daily continuously compounded returns on the stock of closely comparable companies.

The charge for the year ended 31 March 2019 for the options issued in July 2016 totals £60,026 (2018: £60,026).

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2019

27. Share-based payments continued**(f) Options issued in July 2017**

The Group issued 395,000 options to one director and eight employees in July 2017. Of the 395,000 options granted, 250,000 have been cancelled at 31 March 2019. The options are exercisable at a price of £0.73 per share and will become exercisable on the third anniversary of their grant. They can be exercised at any time from this date to the day before the tenth anniversary of their grant and are not subject to a performance condition.

The inputs into the option pricing model for the options granted in July 2017 are as follows:

Weighted average exercise price	£0.73
Expected volatility	51.0%
Expected life	6.5 years
Risk free interest rate	2.5%
Expected dividends	2.03%

The volatility of the Company's share price on the date of grant was calculated as the average of annualised standard deviations of daily continuously compounded returns on the stock of closely comparable companies.

The charge for the year ended 31 March 2019 for the options issued in July 2017 totals £22,855 (2018: £15,317).

No share options were issued in the year ended 31 March 2019.

Details of the share options outstanding during the year are as follows. There are no share options exercisable at the balance sheet date.

	2019		2018	
	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)
Outstanding at the beginning of the year	2,757,412	0.82	3,372,067	0.83
Granted during the year	—	—	395,000	0.73
Forfeited during the year	(1,209,309)	(0.65)	(1,009,655)	(0.81)
Exercised during the year	—	—	—	—
Outstanding at the end of the year	1,548,103	0.97	2,757,412	0.82

The Group recognised the following expenses related to share-based payments.

Date granted	2019 £'000	2018 £'000
March 2015	—	23
July 2015	14	52
December 2015	22	32
January 2016	9	11
July 2016	60	60
July 2017	23	16
	128	194

28. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and the movements thereon during the current and prior reporting period.

	Intangible assets acquired £'000	Unused tax losses £'000	Short-term timing differences £'000	Total £'000
At 31 March 2017	(2,061)	—	(123)	(2,184)
Credit/(charge) to income statement and other comprehensive income	323	—	(22)	301
At 31 March 2018	(1,738)	—	(145)	(1,883)
Credit to income statement and other comprehensive income	655	1,008	—	1,663
Acquisition of subsidiary	(211)	—	—	(211)
At 31 March 2019	(1,294)	1,008	(145)	(431)
			2019 £'000	2018 £'000
Deferred tax asset			1,008	—
Deferred tax liability			(1,439)	(1,883)
Net deferred tax liability			(431)	(1,883)

29. Acquisitions

On 29 November 2018, the Company acquired the entire issued share capital of R. Dunham. The consideration was financed by a share placing and debt funding by way of an extension of existing debt facilities provided by HSBC Bank Plc.

29.1 Acquisition of R. Dunham

R. Dunham specialises in electrical installation, repairs and maintenance services primarily for local authority and Housing Association owned properties. The fair values of the assets acquired and liabilities assumed were as follows:

	£'000
Goodwill	1,187
Customer relationships	200
Tangible assets	205
Inventories	165
Trade and other receivables	810
Cash and cash equivalents	79
Current liabilities	(662)
Non-current liabilities	(305)
Deferred tax	(211)
	1,468

There were no fair value adjustments made to the assets acquired and liabilities assumed.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2019

29. Acquisitions continued

29.1 Acquisition of R. Dunham continued

The consideration for the acquisition and the goodwill arising on acquisition are as follows:

	£'000
Initial cash consideration – paid	750
Initial equity consideration – paid	242
Deferred cash consideration (December 2018 results) – included in liabilities and paid post year end	476
	1,468

The Company acquired the entire issued share capital of R. Dunham for a maximum total consideration of £1.5 million. R. Dunham achieved an adjusted profit before taxation of £476,000 for the year ended 31 December 2018. This resulted in the payment of the deferred consideration as set out above.

Acquisition related costs amounting to £120,000 are not included as part of the consideration transferred and have been recognised as an administrative expense in the Consolidated Statement of Comprehensive Income as detailed in note 8.

Revenue in the four months to 31 March 2019 was £1.2 million and profit before tax was £102,000. If R. Dunham had been acquired on 1 April 2018, revenue for the Group would have increased by approximately £2.7 million and the Group loss before tax would have decreased by approximately £317,000.

29.2 Deferred consideration

Deferred consideration disclosed in the Consolidated Statement of Financial Position consists of the following:

	2019 £'000	2018 £'000
Current liabilities		
On acquisition of Spokemead	—	500
On acquisition of DCB (Kent)	—	500
On acquisition of R. Dunham	476	—
	476	1,000

30. Ultimate controlling party

The directors consider that there is no ultimate controlling party of Bilby Plc.

31. Events after the balance sheet date

On 28 June 2019, P&R issued notice of adjudication to Canterbury City Council, the District of Folkestone & Hythe and Dover District Council (collectively “three East Kent Councils”) in relation to unpaid monies amounting to £661,000 relating to the period December 2018 to May 2019. On 2 August 2019 the adjudicator found in favour of P&R and awarded the company £661,000. At the date of these consolidated financial statements the amounts awarded remain unpaid.

On 16 August 2019 P&R was issued notice of adjudication by three East Kent Councils in relation to disputes over amounts of monies amounting to £1,511,000 relating to the valuation of the contracts for the period April 2017 to May 2019. A preliminary review of the documentation has been undertaken and continues to be assessed based on professional advice received.



Independent auditor's report to the members of Bilby Plc

for the financial year ended 31 March 2019

Opinion

We have audited the parent company financial statements of Bilby Plc for the year ended 31 March 2019 which comprise the Parent Company Balance Sheet, Statement of Changes in Equity and 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'Reduced Disclosure Framework'.

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 financial statements section of our report. We are independent of 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 as applied to listed entities, 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.

Material uncertainty related to going concern

We draw attention to note 1.2 to the financial statements, which indicates that, following a breach of financial covenants in respect of its borrowings, the Group headed by Bilby Plc is dependent on the continued support of its bank to continue in business and meet its liabilities as they fall due.

Whilst the bank have indicated that they are supportive of the Group, no formal documentation was in place at the date of signing these financial statements; however the Board is currently in discussions with the bank to formally restructure its borrowing facilities.

The current forecasts prepared by the directors, based on the Group as currently constituted, indicate that, with the formal support of the bank and proposed restructure of the facilities, the Group and company will be able to continue in business and meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements.

The Board is also considering an equity fund raise in the short term to provide additional cash resources.

As stated in note 1.2, these events or conditions, along with the other matters as set forth in note 1.2 indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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) we identified, including 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. In addition to the matters described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Audit Area and Description	Audit approach
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Carrying value of investments	
--------------------------------------	--

As a result of the acquisitions made during the prior and current periods, investments represent a significant part of the assets of the Company.	
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We critically assessed the Directors' assertion that, other than in respect of P&R Installation Company Ltd, no impairment was required by reference to trading performance and forecasts.
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Independent auditor's report to the members of Bilby Plc continued

for the financial year ended 31 March 2019

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Due to the nature of the Company we considered overheads to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the Company to be £23,000, based on a sliding percentage of expenses.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company was 60% of materiality, namely £13,800.

We agreed to report to the Audit Committee all audit differences in excess of £1,150, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Company audit was scoped by obtaining an understanding of the Company and its environment, including Company controls, and assessing the risks of material misstatement at the Company level. The Company was audited by one audit team, led by the Senior Statutory Auditor. Our approach in respect of key audit matters is set out in the table in the Key Audit Matters Section above.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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, based on the work undertaken in the course of the 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 parent company financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements 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 directors

As explained more fully in the directors' responsibilities statement set out on page 29, 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 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report to the members of Bilby Plc continued

for the financial year ended 31 March 2019

Other matter

We have reported separately on the group financial statements of Bilby Plc for the year ended 31 March 2019. That report includes details of the group key audit matters; how we applied the concept of materiality in planning and performing our audit and an overview of the scope of our audit.

Use of our report

This report is made solely to the 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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.



MATTHEW MEADOWS (Senior Statutory Auditor)

for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

Devonshire House

60 Goswell Road

London EC1M 7AD

19 September 2019

Parent company statement of financial position

as at 31 March 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments	6	22,931	35,627
Intangible assets	7	10	19
Property, plant and equipment	8	2	—
		22,943	35,646
Current assets			
Trade and other receivables	9	4,890	5,759
Cash and cash equivalents		—	—
Total current assets		4,890	5,759
Creditors: amounts falling due within one year	10	(13,344)	(9,886)
Net current liabilities		(8,454)	(4,127)
Total assets less current liabilities		14,489	31,519
Creditors: amounts falling due after more than one year	11	—	(2,949)
Net assets		14,489	28,570
Equity			
Ordinary shares	14	4,054	4,029
Share premium	15	8,609	8,392
Merger reserve	16	—	14,251
Share based payment reserve		827	699
Retained earnings		999	1,199
Total shareholders' funds		14,489	28,570

As permitted by Section 408 of the Companies Act 2006 the Company has not included its own Statement of Comprehensive Income in these financial statements. The parent company profit for the financial year was £809,000 (2018: profit £1,604,000).

The notes on pages 78 to 87 are an integral part of these financial statements.

The financial statements on pages 75 to 77 were approved by the Board and authorised for issue on 19 September 2019 and signed on its behalf by

Clive Lovett
Group Finance Director



Financial statements

Parent company statement of changes in equity

for the financial year ended 31 March 2019

	Called up share capital £'000	Share premium £'000	Share based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2017	3,974	8,076	505	14,251	395	27,201
Profit and total comprehensive income for the year	—	—	—	—	1,604	1,604
Issue of share capital	55	316	—	—	—	371
Share-based payment charge	—	—	194	—	—	194
Equity dividends paid	—	—	—	—	(800)	(800)
Total transactions with owners recognised directly in equity	55	316	194	—	(800)	(235)
At 31 March 2018	4,029	8,392	699	14,251	1,199	28,570
Profit and total comprehensive income for the year	—	—	—	—	809	809
Issue of share capital	25	217	—	—	—	242
Share-based payment charge	—	—	128	—	—	128
Impairment of P&R	—	—	—	(14,251)	—	(14,251)
Equity dividends paid	—	—	—	—	(1,009)	(1,009)
Total transactions with owners recognised directly in equity	25	217	128	(14,251)	(1,009)	(14,890)
At 31 March 2019	4,054	8,609	827	—	999	14,489



Parent company statement of cash flows

for the financial year ended 31 March 2019

	Notes	12 months ended 31 March 2019 £'000	12 months ended 31 March 2018 £'000
Net cash used in operating activities	17	(196)	(354)
Cash flow from investing activities			
Acquisition of subsidiaries		(1,750)	(1,154)
Purchase of intangible fixed assets		(4)	—
Purchase of property, plant and equipment		(2)	—
Net cash used in investing activities		(1,756)	(1,154)
Cash flow from financing activities			
Proceeds from borrowings		6,100	250
Repayment of borrowings		(5,177)	(1,442)
Interest paid		(274)	(181)
Dividends paid		(1,009)	(800)
Net cash used in financing activities		(360)	(2,173)
Net decrease in cash and cash equivalents		(2,312)	(3,681)
Cash and cash equivalents at beginning of year		(3,054)	627
Cash and cash equivalents at end of year		(5,366)	(3,054)

The cash and cash equivalents at the year ended 31 March 2019 is represented by the overdraft of £5,366,000 (2018: £3,054,000) (see note 12).

Notes to the parent company financial statements

for the financial year ended 31 March 2019

1. Basis of preparation

1.1. Statement of compliance

The financial statements of Bilby Plc have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). There were no adjustments to the Company's financial statements on transition. The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

These financial statements are presented in £ Sterling, rounded to the nearest thousand.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

1.2. Going concern

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled 'Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risk', issued April 2016.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of these financial statements. In developing these forecasts the directors have made assumptions based upon on their view of the current and future economic conditions that will prevail over the forecast period.

At 31 March 2019 the Group was in breach of the financial covenants set by our bank, HSBC Bank Plc, resulting from the increased debt levels and the underlying losses, impairment write offs and restructuring costs at P&R. The breach of covenants has been formally waived by HSBC Bank Plc for the Period and the Directors continue to have detailed discussions with HSBC Bank Plc regarding the structure of the borrowing facilities. Whilst HSBC Bank Plc remains supportive of the Group there is no formal documentation in place at the date of signing the consolidated financial statements.

The breach of covenants would indicate that although a material uncertainty exists, on the basis of the above projections and continued support from HSBC Bank Plc and a restructuring of the borrowing facilities, the Directors are confident that the Company has sufficient working capital to honour all of its obligations to creditors as and when they fall due. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1. Investments

Investments held by the company are stated at cost less provision for diminution in value. Expenses incurred relating to acquisitions are expensed to profit or loss.

2.2. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short-term trade and other receivables when the recognition of interest would be immaterial.

2.3. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that have maturities of three months or less from inception, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.4. Equity instruments

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

2.5. Trade and other payables

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability.

2. Significant accounting policies continued

2.6. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

2.7. Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit reported in the statement of comprehensive income because it excludes items of income and 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 statement of financial position date.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying value 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 to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is charged or credited to the statement of comprehensive income except when it relates to items credited or charged directly in equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is calculated at the tax rates and laws that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the statement of financial position date.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.8. Share based payments

The Company issues equity settled share based payment transactions to certain employees. Equity settled share based payment transactions are measured at fair value at the date of grant. The calculation of fair value at the date of grant requires the use of management's best estimate of volatility, risk free rate and expected time to exercise the options.

3. Critical accounting estimates and judgements

The preparation of these financial statements in conformity with FRS 101 requires the Directors to make certain critical accounting estimates and judgements. In the process of applying the company's accounting policies, management has decided the following estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the financial statements.

3.1. Share-based payment charge

The Company has previously issued share options to Directors and employees of the Group. The Black Scholes model is used to calculate the appropriate charge for these options. The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

3.2. Impairment of investments

As a result of the underlying loss and significant non-underlying items at P&R, post the Period end P&R exited from the East Kent Housing contract, closed its gas servicing division and transferred the profitable building services contracts to the management responsibility of Purdy. The Directors have reviewed the underlying value of the P&R investment in the Company and have impaired the value based on discounted cash flows of the continuing building services business which involved a significant element of judgement.

Notes to the parent company financial statements continued

for the financial year ended 31 March 2019

4. Auditor's remuneration

	2019 £'000	2018 £'000
Audit fees payable by the Company	37	32

5. Employee expenses

The average number of employees (including directors) employed during the period was:

	2019 No	2018 No
Management	6	6

The aggregate remuneration of the above employees (including executive directors) comprised:

	2019 £'000	2018 £'000
Wages and salaries	468	452
Social security costs	57	55
Pension costs	23	—
	548	507

The remuneration of the Directors and other key management personnel of the Company is shown in the Directors' Report and note 25.1 of the consolidated financial statements of the Group.

6. Investments

	2019 £'000	2018 £'000
At 1 April	35,627	35,480
Acquisition of R. Dunham	1,468	—
Share option charge for subsidiaries	87	147
Impairment of investment in P&R	(14,251)	—
At 31 March	22,931	35,627

The Directors have undertaken a detailed review of the operations of P&R. As a result P&R gave notice on a major contract providing gas maintenance and installation services and has closed the gas contracting division of the business. The remaining activities of P&R have been restructured and the majority of those activities are to be provided by other businesses within the Group.

The principal subsidiaries of the Company as at 31 March 2019 are shown below:

	Percentage of voting rights	Country of residence	Nature of business
Purdy Contracts Limited	100%	England & Wales	Provision of gas, electrical and building services
DCB (Kent) Limited	100%	England & Wales	Provision of building services
Spokemead Maintenance Limited	100%	England & Wales	Provision of electrical services
R. Dunham (UK) Limited	100%	England & Wales	Provision of electrical services
P&R Installation Company Limited	100%	England & Wales	Provision of gas heating, plumbing and building services

7. Intangible assets

	Software costs £'000
Cost	
At 1 April 2018	31
Additions in the year	4
At 31 March 2019	35
Amortisation	
At 1 April 2018	12
Charge for the year	13
At 31 March 2019	25
Net book value	
At 31 March 2018	19
At 31 March 2019	10

8. Property, plant and equipment

	Office & computer equipment £'000
Cost	
At 1 April 2018	—
Additions in the year	2
At 31 March 2019	2
Depreciation	
At 1 April 2018	—
Charge for the year	—
At 31 March 2019	—
Net book value	
At 31 March 2018	—
At 31 March 2019	2

9. Trade and other receivables

	2019 £'000	2018 £'000
Due within one year		
Amounts due from group undertakings	4,803	5,524
Prepayments and accrued income	87	235
	4,890	5,759

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the parent company financial statements continued

for the financial year ended 31 March 2019

10. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans and overdrafts (note 12)	10,737	4,552
Trade payables	102	361
Deferred consideration	476	1,000
Amounts due to group undertakings	728	3,717
Other creditors	—	1
Other taxes and social security	11	153
Accruals	1,290	102
	13,344	9,886

At the year-end £476,000 (2018: £1,000,000 in respect of Spokemead and DCB (Kent)) of deferred consideration was payable in respect of the acquisition of R. Dunham all of which is payable within one year and has subsequently been paid post year end. See notes 29.1 and 29.2 of the Consolidated Financial Statements for details.

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

11. Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Bank loans (note 12.1)	—	2,949
	—	2,949

12. Loans and other borrowings

Loans repayable, included within creditors, are analysed below:

	2019 £'000	2018 £'000
Current borrowings		
HSBC Term loan	5,000	1,441
HSBC Mortgage loan	371	57
HSBC bank Overdraft	5,366	3,054
	10,737	4,552
Non-current borrowings		
HSBC Term loan	—	2,578
HSBC Mortgage loan	—	371
	—	2,949

12.1. Bank loans**Working capital facilities**

At 1 April 2018 the Group had a working capital facility of £3.75 million. In July 2018 the Group extended its working capital facility to £4.25 million to fund the cash flow requirements of the Group. In September 2018 and December 2018 it further extended its working capital facility to £5.0 million and £7.0 million respectively. In February 2019 the working capital facility was reduced to £6.5 million aligned to the consolidation of the Term Bank loans.

The bank overdraft is held at an interest rate of 2.5% above the Bank of England base rate and is repayable on demand. All cash at bank balances are denominated in £ sterling.

12. Loans and other borrowings continued

12.2. Loans

Bank and other loans

At 31 March 2018 the balance on a 5 year term loan with HSBC Bank Plc was £4.0 million. In November 2018 an additional 4-year loan of £1.1 million, with HSBC Bank Plc was drawn down to fund the acquisition of R. Dunham. In February 2019 the HSBC term loans were consolidated into one 3-year term loan of £5.0 million repayable by quarterly instalments. Interest payable is 2.75% above the Bank of England base rate. At the same time the overdraft facility was reduced from £7.0 million to £6.5 million.

Mortgage loan

A 10-year mortgage loan of £570,000 with HSBC Bank Plc drawn down in July 2015, with interest payable at 1.90% above the Bank of England base rate. The mortgage is held over the freehold property of Purdy known as Brooklyn Lodge, Mott Street, Chingford, London E4 7RW.

Security

Bank loans are secured on related property, plant and equipment and debtor books of the Group.

In relation to all facilities there is an Unlimited Composite Company Guarantee given by Bilby Plc, Purdy, P&R, DCB (Kent), Spokemead and R. Dunham to secure all liabilities of each borrower.

13. Share-based payments

The Company has a share option scheme for certain directors and employees of the Group. Options are generally exercisable at a price equal to the market price of Bilby Plc shares on the day immediately prior to the date of the grant. Options are forfeited if the employee leaves the Group before the options vest.

The Share Option Plan provides for the grant of both tax-approved Enterprise Management Incentives (EMI) Options and unapproved options.

The Black Scholes model is used to calculate the appropriate charge for the share options. The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge. The total charge for the year to 31 March 2019 was £127,744 (2018: £194,232).

Share options issued and the inputs used in the Black Scholes model are detailed in note 27 to the consolidated financial statements of the Group. Share options outstanding at the end of the year have the following expiry date and exercise prices. There are no share options exercisable at the reporting date.

Grant date	Exercise date	Exercise price in £ per share	No of options			
			2018	Issued in year	Forfeited	2019
March 2015	March 2018	0.58	1,172,412	—	(879,309)	293,103
July 2015	July 2018	0.95	530,000	—	(20,000)	510,000
December 2015	December 2018	1.19	240,000	—	—	240,000
January 2016	January 2019	1.46	—	—	—	—
July 2016	July 2019	1.26	420,000	—	(60,000)	360,000
July 2017	July 2020	0.73	395,000	—	(250,000)	145,000
Outstanding at the end of the year			2,757,412	—	(1,209,309)	1,548,103

Financial statements

Notes to the parent company financial statements continued

for the financial year ended 31 March 2019

14. Share capital

Ordinary shares of £0.10 each	2019 £'000	2018 £'000
At the beginning of the year	4,029	3,974
Issued in the year	25	55
At the end of the year	4,054	4,029
Number of shares		
At the beginning of the year	40,290,027	39,729,731
Issue of further consideration shares in connection with DCB (Kent)	a) —	167,113
Issue of further consideration shares in connection with Spokemead	b) —	393,183
Issue of consideration shares in connection with R. Dunham	c) 250,000	—
At the end of the year	40,540,027	40,290,027

(a) Acquisition of DCB (Kent)

Further consideration for DCB (Kent) was satisfied on 13 July 2017, by a cash payment of £375,000 together with an issue of 167,113 new Bilby ordinary shares at a price of 74.8 pence per share.

(b) Acquisition of Spokemead

Further consideration was paid on 27 September 2017 by way of a cash payment of £250,000 together with an issue of 393,183 new Bilby ordinary shares at a price of 62.85 pence per share.

(c) Acquisition of R. Dunham

On 29 November 2018, the Company acquired the entire share capital of R. Dunham. The initial consideration for R. Dunham was satisfied by a cash payment of £750,000 together with an issue of 250,000 new Bilby Plc ordinary shares at a price of 97.0 pence per shares (the "consideration shares").

15. Share premium

	2019 £'000	2018 £'000
At the beginning of the year	8,392	8,076
Issued in the year	217	316
At the end of the year	8,609	8,392

16. Merger reserve

	2019 £'000	2018 £'000
At the beginning of the year	14,251	14,251
Impairment of investment in P&R	(14,251)	—
At the end of the year	—	14,251



17. Note to the statement of cash flows

	2019 £'000	2018 £'000
Cash flow from operating activities		
Profit before income tax	809	1,604
Adjustments for:		
Net finance cost	274	181
Share-based payments	41	47
Fair value adjustment	—	(488)
Amortisation	13	8
Movement in receivables	(5,015)	(1,057)
Movement in payables	3,682	(649)
Net cash used in operating activities	(196)	(354)

18. Financial instruments

The Company's principal financial assets are cash and cash equivalents and other receivables. All financial assets are classified as loans and receivables.

The Company's principal financial liabilities are financing liabilities and trade and other payables. All financial liabilities are held at amortised cost.

The Company is exposed to the risks that arise from its use of financial instruments. The objectives, policies and processes of the Company for managing those risks and the methods used to measure them is described in note 24 of the Consolidated Financial Statements. Further quantitative information in respect of these risks is presented throughout the Consolidated Financial Statements.

The Company held the following financial assets at each reporting date:

	2019 £'000	2018 £'000
Loans and receivables:		
Other receivables	10,687	5,524
Cash and cash equivalents	—	—
	10,687	5,524

The Company held the following financial liabilities at each reporting date:

	2019 £'000	2018 £'000
Held at amortised cost:		
Bank loans and overdrafts	10,737	7,501
Deferred consideration	476	1,000
Accruals	1,290	102
Trade payables	102	361
Amounts due to group undertakings	6,612	3,717
	19,217	12,681

Notes to the parent company financial statements continued

for the financial year ended 31 March 2019

18. Financial instruments continued

The table below shows the maturity profile of the Company's financial liabilities as at 31 March:

2019	Within 1 year £'000	Within 1-2 years £'000	Within 2-5 years £'000	Over 5 years £'000	Total £'000
Non-derivative financial liabilities					
HSBC mortgage	371	—	—	—	371
HSBC term loan	5,000	—	—	—	5,000
HSBC bank overdraft	5,366	—	—	—	5,366
Deferred consideration	476	—	—	—	476
Trade payables	102	—	—	—	102
Accruals	1,290	—	—	—	1,290
Amounts due to undertakings	6,612	—	—	—	6,612
	19,217	—	—	—	19,217

See note 24 of the consolidated financial statements for details of the maturity profile of the loans and overdrafts held with the Group's principal bank provider.

2018	Within 1 year £'000	Within 1-2 years £'000	Within 2-5 years £'000	Over 5 years £'000	Total £'000
Non-derivative financial liabilities					
HSBC mortgage	57	57	171	143	428
HSBC term loan	1,441	1,441	1,137	—	4,019
HSBC bank overdraft	3,054	—	—	—	3,054
Deferred consideration	1,000	—	—	—	1,000
Trade payables	361	—	—	—	361
Accruals	102	—	—	—	102
Amounts due to subsidiary undertakings	3,717	—	—	—	3,717
	9,732	1,498	1,308	143	12,681

18.1 Capital management risk

The capital structure of the Company consists of net debt as disclosed below and equity as disclosed in the Statement of Changes in Equity.

	2019 £'000	2018 £'000
Net debt comprised as follows:		
Cash at bank and in hand	—	—
Bank borrowings and overdrafts	(10,737)	(7,501)
	(10,737)	(7,501)

19. Related party transactions

19.1 Transactions with group undertakings

During the year the company entered into the following transactions with its group undertakings.

	Management charges to subsidiaries £'000	Dividends £'000
Year ended 31 March 2019	1,750	8,600
Year ended 31 March 2018	1,100	1,350

As at 31 March 2019 amounts owed by group undertakings totalled £4,803,000 (2018: £5,524,000) and £728,000 (2018: £3,717,000) was owed to group undertakings.

20. Operating leases

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

	2019 £'000	2018 £'000
Land and buildings		
Less than 1 year	60	60
More than 1 year but less than 5 years	10	70
	70	130

21. Ultimate controlling party

The directors consider that there is no ultimate controlling party of Bilby Plc.

22. Events after the reporting date

No events occurred since the year end that require disclosure in these financial statements.

23. Parent company guarantee

Parent company guarantees are in place supporting some selected contracts entered into by all trading subsidiaries. The form of guarantee provided by Bilby obliges the group to undertake the work of the service provider in the event the trading subsidiary is unable to fulfil the services provision required: indemnify the customer against any losses incurred due to failure of the trading subsidiary to fulfil the service and give a duty of care to the customer as if Bilby itself was the service provider.

Financial statements

Shareholder information

Corporate information

Registered office

201 Temple Chambers
3-7 Temple Avenue
London EC4Y 0DT

Website

www.bilbyplc.com

Registered number

9095860

Listing information

AIM:BILB

Date of Annual General Meeting

28 October 2019

Advisers and registrars

Nominated adviser, financial adviser & joint broker

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Financial adviser & joint broker

Stanford Capital Partners
15-17 Eldon Street
London EC2M 7LD

Solicitors

Dentons UKMEA LLP
One Fleet Place
London EC4M 7RA

Auditor

Moore Kingston Smith LLP
Devonshire House
60 Goswell Road
London EC1M 7AD

Financial PR

Hudson Sandler Ltd
25 Charterhouse Square
London EC1M 6AE

Registrar

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen B63 3DA

Company Secretary

ONE Advisory Limited
201 Temple Chambers
3-7 Temple Avenue
London EC4Y 0DT

Shareholder enquiries

Our website contains a wide range of information of interest to investors, including: latest news and press releases, Annual Reports and investor presentations. For further information please contact info@bilbyplc.com.



Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

Bilby plc (the "Company"), incorporated in England and Wales (registered number 09095860), gives notice that its 2019 Annual General Meeting (the "Meeting") will be held at the offices of Hudson Sandler LLP, 25 Charterhouse Square, London EC1M 6AE, on 28 October 2019 at 10:00 a.m. to consider and if thought fit, to pass the resolutions (set out below), of which resolutions 1 to 7 are proposed as ordinary resolutions and resolution 8 is proposed as a special resolution.

If you have recently sold or transferred all of your shares in the Company, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

ORDINARY RESOLUTIONS

1. To receive and adopt the Annual Report and Accounts of the Company for the financial year ended 31 March 2019, together with the Directors' Report and Auditor's Report on those accounts.
2. To appoint Kingston Smith LLP as auditors of the Company to hold office from the conclusion of the Meeting until the conclusion of the next Annual General Meeting of the Company at which the accounts are laid.
3. To appoint David Bullen as Director of the Company who has been appointed by the board since the last Annual General Meeting in accordance with the Company's articles of association.
4. To appoint Clive Lovett as Director of the Company who has been appointed by the board since the last Annual General Meeting in accordance with the Company's articles of association.
5. To appoint Lee Venables as Director of the Company who has been appointed by the board since the last Annual General Meeting in accordance with the Company's articles of association.
6. To appoint Christopher Webster as Director of the Company who has been appointed by the board since the last Annual General Meeting in accordance with the Company's articles of association.
7. The Directors be generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 (the Act) to exercise all powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares up to a nominal amount of £1,337,820.89, such authority to expire at the end of the next Annual General Meeting or on 21 March 2021, whichever is the earlier but, in each case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority ends.

This resolution revokes and replaces all unexercised authorities previously granted to the directors in accordance with Section 551 of the Act to allot shares or grant rights to subscribe for or to convert any security into shares but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

SPECIAL RESOLUTION

8. That subject to the passing of resolution 7 above, the Directors be generally empowered to allot equity securities wholly for cash pursuant to the authority given by resolution 7 above, or where the allotment constitutes an allotment of equity securities by virtue of Section 560(3) of the 2006 Act, in each case:
 - a. in connection with a pre-emptive offer; and
 - b. otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount of £1,337,820.89; andas if Section 561(1) of the 2006 Act did not apply to any such allotment, such power to expire at the end of the next Annual General Meeting or on 21 March 2021, whichever is the earlier but so that the Company may make offers and enter into agreements during this period which would, or might, require equity securities to be allotted after the power ends.

Explanation of resolutions

1. The Company is required to present the accounts for the year ended 31 March 2019 and the reports of the Directors and auditor to the Meeting for approval. These are contained in the Company's Annual Report and Accounts for the year ended 31 March 2019. Shareholders have the opportunity to put forward questions on the Annual Report and Accounts.
2. The Company is required to appoint auditor at each Annual General Meeting at which the accounts are presented to shareholders to hold office until the conclusion of the next such meeting. This resolution seeks shareholder approval to re-appoint Kingston Smith LLP as auditor to hold office from the conclusion of the Meeting until the conclusion of the next Annual General Meeting of the Company at which the accounts are laid.

Notice of Annual General Meeting continued

SPECIAL RESOLUTION continued

Explanation of resolutions continued

3. Where any Director has been appointed by the Board since the last Annual General Meeting, such Director is required to be appointed at the next Annual General Meeting. Resolution 3 seeks shareholder approval to appoint David Bullen as Director of the Company.
4. Where any Director has been appointed by the Board since the last Annual General Meeting, such Director is required to be appointed at the next Annual General Meeting. Resolution 4 seeks shareholder approval to appoint Clive Lovett as Director of the Company.
5. Where any Director has been appointed by the Board since the last Annual General Meeting, such Director is required to be appointed at the next Annual General Meeting. Resolution 5 seeks shareholder approval to appoint Lee Venables as Director of the Company.
6. Where any Director has been appointed by the Board since the last Annual General Meeting, such Director is required to be appointed at the next Annual General Meeting. Resolution 6 seeks shareholder approval to appoint Christopher Webster as Director of the Company.
7. The Directors are prevented subject to certain exceptions, from allotting shares in the Company or granting rights to subscribe for, or convert any security into, shares in the Company without the authority of the shareholders. The authority to allot granted on 11 September 2018 expires at the end of the Meeting and therefore the Directors are seeking to renew the authority to allot up to a maximum of £1,337,820.89. The Directors' authority granted in resolution 7 will expire at the next Annual General Meeting or on the 21 March 2021, whichever is the earlier.
8. Subject to certain exceptions, when new shares are allotted, they must be offered to existing shareholders pro rata to their holdings. This Resolution would give the Directors the authority to allot ordinary shares in the Company without first having to offer such securities to existing shareholders in proportion to their existing shareholdings. The authority would be limited to allotments or sales in connection with (a) a pre-emptive offer and (b) up to an aggregate nominal amount of £1,337,820.89. The Directors' authority granted in this resolution will expire at the next Annual General Meeting or on 21 March 2021, whichever is the earlier.

By order of the Board

ONE Advisory Limited
Company Secretary
201 Temple Chambers
3-7 Temple Avenue
London
EC47 0DT

Notes to the Notice of Annual General Meeting

Entitlement to attend and vote

1. Only those shareholders registered in the Company's register of members at:
 - 6:00 p.m. on Friday the 18 October 2019; or
 - if this meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Website giving information regarding the meeting

2. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, can be found at <http://bilbyplc.com>.

Appointment of proxies

3. If you are a shareholder who is entitled to attend and vote at the meeting, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
4. A proxy does not need to be a shareholder of the Company but must attend the meeting to represent you. 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, please contact the Company's registrar: Neville Registrars Limited (Neville Registrars), Neville House, Steelpark Road, Halesowen, B62 8HD.

5. Shareholders can:

- Appoint a proxy and give proxy instructions by returning the enclosed proxy form by post (see note 7).
- If a CREST member, register their proxy appointment by utilising the CREST electronic proxy appointment service (see note 8).

Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting and vote in person, your proxy appointment will automatically be terminated.

6. 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 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.

Appointment of proxy by post

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Neville Registrars Limited at Neville House, Steelpark Road, Halesowen, B62 8HD; and
- received by Neville Registrars no later than 10:00 a.m. Friday 18 October 2019.

In the case of a shareholder which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

If you have not received a proxy form and believe that you should have one, or if you require additional proxy forms, please contact Neville Registrars by email info@nevilleregistrars.co.uk or by telephone on 0121 585 1131.

Appointment of proxies through CREST

8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available via www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such Instructions, as described in the CREST Manual.

Notes to the Notice of Annual General Meeting continued

Appointment of proxies through CREST continued

The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID 7RA11) no later than 10:00 a.m. on Friday 18 October 2019 or, in the event of an adjournment of the meeting, 48 hours before the adjourned meeting.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Changing proxy instructions

9. Shareholders may change proxy instructions by submitting a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars by email info@nevilleregistrars.co.uk or by telephone on 0121 585 1131.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

10. A shareholder may change a proxy instruction but to do so you will need to inform the Company in writing by either:
- sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, B62 8HD. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice; and
 - sending an e-mail to info@nevilleregistrars.co.uk.

In either case, the revocation notice must be received by Neville Registrars no later than 10:00 a.m. on Friday 18 October 2019.

Corporate representatives

11. A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Communication

12. Except as provided above, shareholders who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):
- contact Neville Registrars by email info@nevilleregistrars.co.uk or by telephone on 0121 585 1131; or
 - contact the Company Secretary in writing at the Company's registered office. You may not use any electronic address provided either:
 - in this notice of Annual General Meeting; or
 - any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purpose other than those expressly stated.



Bilby_{PLC}

201 Temple Chambers
3-7 Temple Avenue
London EC4Y 0DT