Bilby Plc

(“Bilby” or the “Group”)

Full Year Results

Bilby Plc (AIM: BILB.L), a leading gas heating, electrical and building services provider, announces its full year results for the twelve months ended 31 March 2019.

Financial Overview

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 EBITDA[1]	**3,164**	6,294
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
Net debt[5]	**10,868**	5,410

Notes:
1. Underlying results are stated before non-underlying items of £12.9 million (2018: £1.5 million) as set out in note 7.
2. Underlying profit before taxation is stated after interest and before charging the non-underlying items.
3. Basic (loss)/earnings per share is the (loss)/profit after tax divided by the weighted average number of ordinary shares
4. Adjusted earnings per share is the profit before deducting non-underlying items after tax divided by the weighted average number of ordinary shares.
5. Net debt is the Group’s bank Term loan, other loans and overdraft and obligations under finance leases less cash and cash equivalents.

Summary

- Financial performance of the Group was negatively impacted by one subsidiary, P&R, that recorded an underlying EBITDA loss of £2.1million 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 intend to reinitiate 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:

	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

New contracts continue to drive future revenues:

- Current minimum revenue visibility of £162.3 million up to 2021 from existing contracts
- Purdy secured a three-year £6.9 million contract with British Gas to provide domestic gas servicing, repairs and installations
- Purdy won a £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) secured two contracts with Richmond Housing Partnership; a £9.5 million contract to build 49 affordable, shared ownership apartments, and a £4.5m contract to build 23 retirement apartments
- DCB (Kent) also secured a 4 year £10m contract with the Port of Dover to provide minor building works and maintenance services
- Key contract between Spokemead and London Borough of Southwark extended for six years with estimated revenue of £10 million over six years

Post period-end & current trading

- Continuation of the financial and operational review has established that a number of systems, policies and procedures must be created and embedded in the Group. Accordingly, the Group has launched an investment programme to:
  - Ensure governance failings are not repeated at any subsidiary
  - Implement a centralised support and control function which ensure that all businesses within the Group operate to both maximum efficiency and profitability
- An update on the financial and operational programme will be provided at the Interim Results
- Strengthening of the Board
  - Appointment of David Bullen as Chief Executive Officer
  - Appointment of a new external Company Secretary service
  - Search underway for additional non-executive director
- Group has continued to secure new contracts, drive efficiencies and has already benefited from the start of the centralisation of functions
- Current net debt remains comparable with year-end position
- 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.

Commenting on the results, Sangita Shah, Chair of Bilby Plc said:

"Having taken decisive action to resolve the poor performance of one subsidiary, I am confident the business has the solid operational footing to grow. The operational and financial review that has been ably spearheaded by our new Chief Executive, David Bullen, and backed up by the Board, has already ensured we are operating more efficiently, and each subsidiary is benefitting from being a more closely integrated part of the Group.

Bilby is in a market with strong fundamentals. With a strengthened Board in place coupled with continuing operational improvements, the Group is well positioned to drive profitable and sustainable growth."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

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Chair's statement

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 failings 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's, 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.

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 Officer's introduction

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

Operational review

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.

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.

Purdy
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)
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.

Spokemead
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 revenues 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.

R. Dunham
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

Financial review

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 4 and 7).

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 7).

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 £3.8m, 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 10) 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
1. Underlying results are stated before non-underlying items of £12.9m (2018: £1.5m) as set out in note 7.
2. Underlying profit before taxation is stated after interest and before charging the non-underlying items.
3. Basic (loss)/earnings per share is the (loss)/profit after tax divided by the weighted average number of ordinary shares.
4. Adjusted earnings per share is the profit before deducting non-underlying items after tax divided by the weighted average number of ordinary shares.
5. 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

Consolidated statement of comprehensive income
for the financial year ended 31 March 2019

		12 months ended 31 March 2019			12 months ended 31 March 2018		
	Notes	**Underlying items £'000**	**Non-underlying items (note 7) £'000**	**Total £'000**	Underlying items £'000	Non-underlying items (note 7) £'000	Total £'000
Revenue	4	**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	5	**2,789**	**(12,889)**	**(10,100)**	5,982	(1,498)	4,484
Finance costs		**(288)**	**—**	**(288)**	(192)	—	(192)
(Loss)/profit before tax		**2,501**	**(12,889)**	**(10,388)**	5,790	(1,498)	4,292
Income tax credit/(expense)				**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)	8			**(21.29)**			8.61
Diluted (loss)/earnings per share (pence)	8			**(21.29)**			8.51

Consolidated statement of financial position
as at 31 March 2019

	Notes	**2019 £'000**	2018 £'000
Assets			
Non current assets			
Intangible assets	9	**11,750**	14,036
Property, plant and equipment		**1,661**	1,638
		13,411	15,674
Current assets			
Inventories		**3,134**	3,153
Trade and other receivables		**18,548**	20,561
Cash and cash equivalents		**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	11.1	**4,054**	4,029
Share premium	11.2	**8,609**	8,392
Share-based payment reserve		**827**	699
Merger reserve	11.3	**(248)**	(248)
Retained earnings		**(5,854)**	3,751
Total equity		**7,388**	16,623
Non current liabilities			
Borrowings	10	**236**	2,949
Obligations under finance leases		**—**	11
Deferred tax liabilities		**431**	1,883
		667	4,843
Current liabilities			
Borrowings	10	**10,643**	2,452
Obligations under finance leases		**10**	70
Current income tax liabilities		**—**	1,074
Deferred consideration		**476**	1,000
Trade and other payables		**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

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	12	**(2,026)**	802
Cash flow from investing activities			
Acquisition of subsidiaries (including deferred consideration paid)		**(1,750)**	(1,154)
Net cash acquired on acquisition	14	**79**	—
Purchase of property, plant and equipment		**(158)**	(89)
Purchase of intangible assets	9	**(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		**(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) together with the cash and cash equivalents shown in the Consolidated Statement of Financial Position of £21,000 (2018: £72,000).

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 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 3.

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 Group Chair's statement. 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 bankers, 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 waived by HSBC UK Bank Plc for the Period and the Directors continue to have detailed discussions with HSBC UK Bank Plc regarding the restructure of the borrowing facilities. 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 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.

(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 FRS102. 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.

(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. 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 consider 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.

3. 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.

3.1. 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 relating to impairment of financial assets at P&R and are set out in more detail in note 7.

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.

3.2. 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.

3.3. 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.

3.4. 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 7 and 9.1 for details of the review in the year of the carrying value of the customer relationships.

3.5. 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.

3.6. 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 7 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.

4. 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%).

5. Operating (loss)/profit

Operating (loss)/profit is stated after charging all costs including non-underlying items which are detailed in note 7.

	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.

6. 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

7. 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 to administrative expenses. The impairment to accrued income has been charged against revenue. 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.

(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 9).

(b) Share-based payment charge

A Group share option scheme is in place. No options were granted during the year. 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 under 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 a 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.

8. Earnings per share

8.1 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.

8.2 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 7 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.

	12 months ended 31 March 2019 £'000	12 months ended 31 March 2018 £'000
(Loss)/profit after tax	**(8,596)**	3,448
Add back		
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

9. 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**

9.1. 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 detailed in note 7.

9.2. 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 14).

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 Spokemead's major customer contract has impacted on 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.

10. 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		
Bank and other borrowings:		
Term loans	**-**	2,578
Other loan	**236**	-
Mortgage loan	**-**	371
Total non-current borrowings	**236**	2,949
Current borrowings:		
Bank and other borrowings:		
Term loans	**5,000**	1,441
Other loan	**53**	-
Mortgage loan	**371**	57
Overdraft	**5,219**	954
Total current borrowings	**10,643**	2,452
Bank and other borrowings		
Term loans	**5,000**	4,019
Other loan	**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 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 waived by HSBC UK Bank Plc for the year to 31 March 2019 and the Directors continue to have detailed discussions with HSBC UK 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 UK 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 UK 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 UK 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 £3.75m. 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).

(b) Bank and other loans

Term loans

At 31 March 2018 the balance on a 5 year term loan with HSBC UK Bank Plc was £4.0 million. In November 2018 an additional 4-year loan of £1.1million, with HSBC UK 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 UK 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.

11. Share capital and reserves

11.1. 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").

11.2. 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

11.3. Merger reserve

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

12. 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

13. Related party transactions

During the current and previous years, the Group operated from premises at 6-8 Powerscroft Road, Sidcup, Kent DAI4 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 foregone 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 consultancy 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.

13.1. 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	**670**	462
Consultancy fees	**117**	72
	787	534
Share-based payments	**17**	21
Total remuneration	**804**	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.

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

14. 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 UK Bank Plc.

14.1 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

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 (based on December 2018 results) - included in liabilities and paid post year end	476
	1,468

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

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 7.

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.

14.2 Deferred consideration

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

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

15. Ultimate controlling party

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