

Annual Report & Financial Statements

2016

Bilby_{PLC}

This has been an exciting and dynamic time for the Bilby Group with growth generated organically and through acquisition. Our strategy remains consistent with the methodology set out at IPO and we continue to deliver.

— **Phil Copolo,**

Founder and Deputy Chairman

Company overview

Bilby was established to provide a platform for strategic acquisitions in the gas heating, electrical and building services industries.

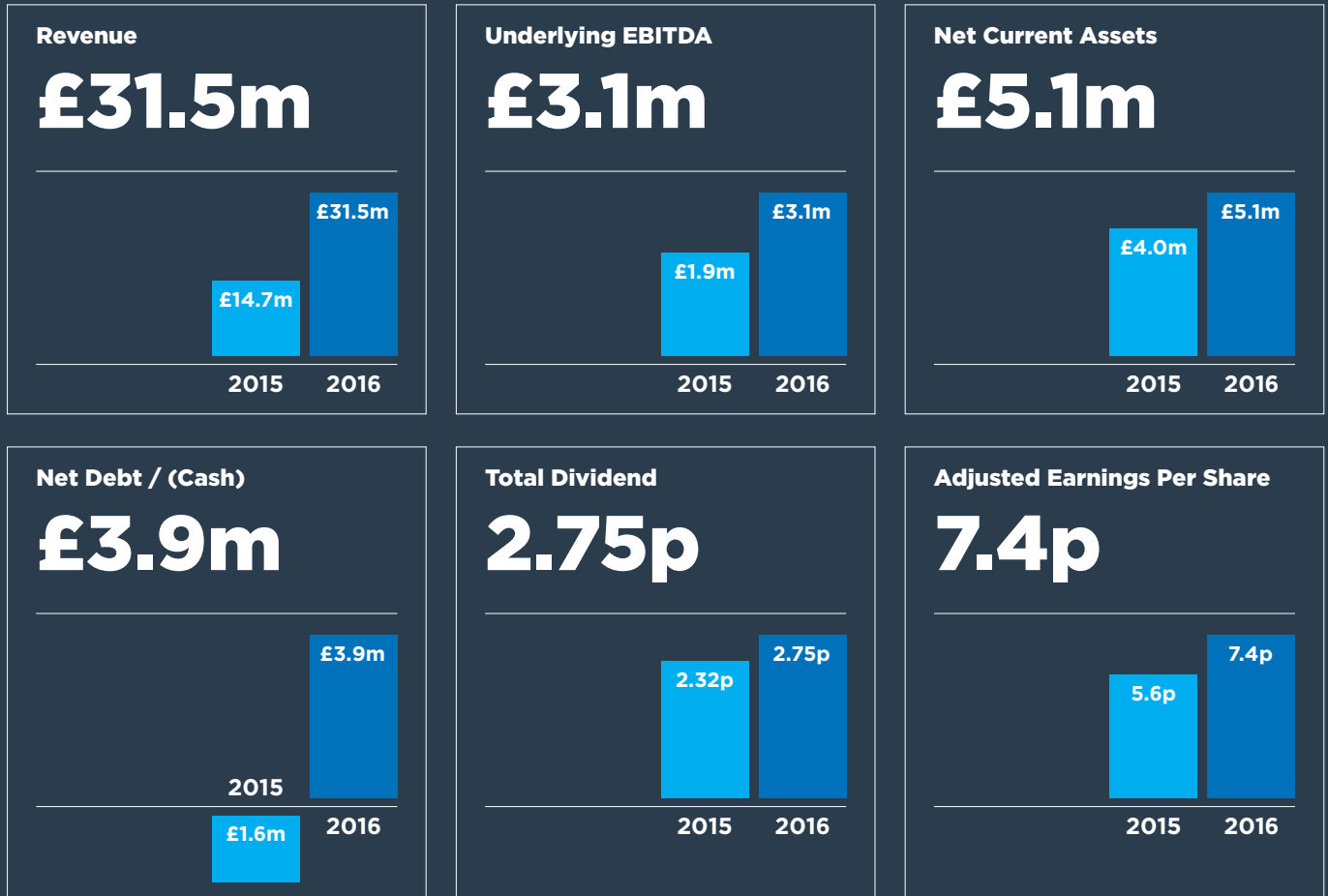
Through our award winning subsidiaries, P&R, Purdy, DCB and Spokemead, we provide general building, gas maintenance and electrical services to over 250,000 domestic and commercial dwellings across London and South East England. These services are predominately delivered to local authorities and housing associations on multiple, standalone or long term contracts.

Strategically, Bilby remains focused on delivering organic growth as well as acquiring complementary businesses that expand the range of services it offers and that broaden its customer base and geographical reach in London and South East England.

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Financial highlights



Operational Highlights

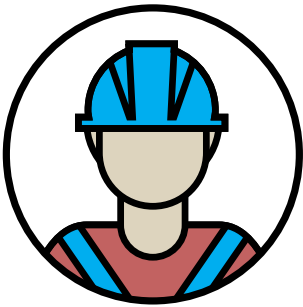
- P&R new contract wins with London Borough of Tower Hamlets, Royal Borough of Greenwich, Hexagon Housing Association and contract extension with Central & Cecil Housing Trust
- In July 2015 acquired Purdy Contracts (“Purdy”), an award winning gas and electrical contractor based in Essex
- In November 2015, P&R finished first place in a framework tender process for gas support work for the South East Consortium (SEC), giving access to over 140,000 properties in South East England for which the SEC is responsible
- Purdy finished second place on the framework for electrical services work for the SEC
- Purdy new contract wins with Peabody Housing, London Borough of Barking and Dagenham, London Borough of Hackney and London Borough of Camden
- April 2016 – P&R appointed to Fusion21’s £200 million Heating Framework
- April 2016 – acquisition of DCB Kent and Spokemead Maintenance, further expanding the range of services, geographical presence and customer base
- Visible future revenues of circa £240m (contracted or transaction volume work)

Note that 2015 was a 14 month period to 31 March 2015.

Adjusted for share option charge, acquisition expenses, framework development costs and amortisation of customer relationships. Underlying measure is before the deduction of the share option charge, acquisition expenses, framework development costs and amortisation of customer relationships.

Our business at a glance

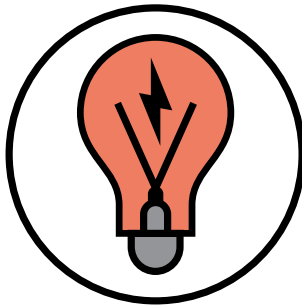
Strong supplier relationships, a skilled workforce and experienced project management team enable us to service our longstanding and growing customer base effectively.



Building Services

We offer high quality building, refurbishment and maintenance services including:

- internal and external building maintenance
- refurbishment and conversion projects
- living solutions
- domestic and commercial plumbing
- plastering, tiling, painting and decorating and carpentry
- bathroom plumbing and installations
- ground works
- roofing



Electrical Services

We offer a full range of services from new installations to maintenance, upgrades and rewires including:

- installations – lateral main, bus bar systems, small power, lighting, trunking, conduit, process circuits, emergency lighting, fire alarm, security alarm, cctv, door entry systems, lightning protection, building management control systems, networks and data cable management systems, structured cabling systems, control panel, rewires, pv installations
- planned preventative and reactive maintenance
- testing and commissioning services



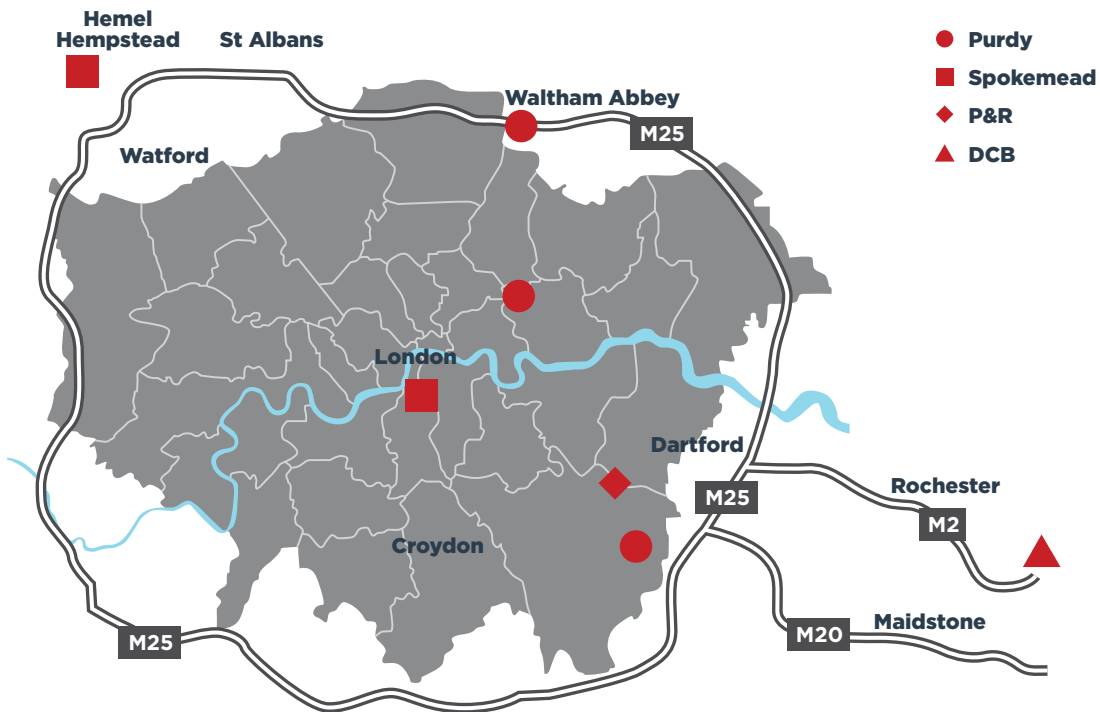
Gas Services

We provide gas maintenance and installation services, boiler work and central heating solutions including:

- servicing and repairs
- fault finding
- system upgrades
- meter connections
- full central heating systems
- boiler installations
- cooker installations

Our Footprint

Bilby serves housing associations and local authorities in London and South East England.



	P&R	Purdy	DCB	Spokemead
Gas Servicing	✓	✓		
Electrical	✓	✓		✓
Heating	✓	✓		
Plumbing	✓			
Building Refurbishment	✓		✓	
Water Management	✓			
Living Solutions			✓	
Repairs and Maintenance	✓	✓	✓	✓

Chairman's statement

A successful year of executing our buy and build strategy with a trio of value accretive, service enhancing acquisitions and continued organic growth



Sangita Shah
Chairman

Bilby Plc ("Bilby") was established as a holding company to provide a platform for select strategic acquisitions in the gas heating and general building services industries. We are therefore extremely pleased to report that since admission we have successfully completed the acquisition of three earnings enhancing businesses which have augmented the Group's service offerings and extended our geographical footprint.

On 13 July 2015, Bilby purchased Purdy Contracts ("Purdy") and since then, have fully integrated financially and operationally the business into the Group infrastructure. Furthermore, we are delighted to report that the Purdy and P&R teams have collaborated effectively to service their customer base, benefits of which are bearing fruit.

Shortly after the financial year end, Bilby acquired the entire issued share capital of DCB (Kent) Limited ("DCB") and Spokemead Maintenance Limited, on 11th April 2016. Both earnings enhancing businesses have long established and strong customer relationships and effective management teams. We have begun the post-acquisition integration process and DCB and P&R teams are already working together on a variety of building services projects for new and mutual customers.

We are delighted to announce a strong performance for the year to 31 March 2016, largely in line with market expectations. We have achieved growth in all three divisions, namely gas heating, building and electrical services through new customer wins and via the acquisition of Purdy. With this ever broadening service offering, we expect our social housing revenues to continue to grow. Moreover, in spite of the enhanced additions to the group, I am extremely proud to be part of an organisation which continues to ensure that we maintain high levels of customer service and end user satisfaction, with KPIs being met and exceeded across our key customers.

Despite the recent economic uncertainty post the referendum, we continue to believe that the opportunities for us in social housing remain very strong especially in our targeted geographical locations, namely London and South East England. Clients, existing and prospective, require broader solutions to the daily challenges they face and we believe with our enhanced but disciplined offering we are well placed to help resolve these.

Given the dramatic change in size and composition of the Group, I am pleased to report that we have continued to focus on enhancing our financial control environment

and corporate governance processes. We have established a suite of KPIs which we regularly monitor and benchmark ourselves against. We now maintain a risk matrix and continue to evaluate our risk management processes. We have invested considerable time and resources into developing a group organisational infrastructure resulting in group wide human resources, health and safety, procurement and purchasing functions. Furthermore, our financial procedures have been reviewed since admission and a plan is in progress to harmonise and unify accounting and operational software and systems across the Group.

Dividend

As I stated in my inaugural statement, we will continue to follow a progressive dividend policy.

As such, I am delighted to advise our shareholders that the Board has recommended final dividend of 2.00p per ordinary share, which together with the interim dividend of 0.75p represents a total of 2.75p for the year. The final dividend is covered over 1.45 times by the basic earnings per share. The Group’s dividend policy will continue to be actively reviewed by the Board to ensure shareholders receive an appropriate return whilst ensuring the Group retains sufficient resource to invest for growth.

Our People

At the beginning of the calendar year we welcomed our new CFO, Katie O’Reilly to the board of Bilby. Katie’s contribution to the board and to the business has proved invaluable.

Bilby’s success is built on its most important asset – its people. I commend all our longstanding and new employees for their dedication, commitment and drive since admission. They remain professional, hardworking and loyal to each of their operating businesses and the Group. We also remain extremely proud of our apprentice scheme which provides the training platform to augment our pool of first rate employees for the future.

I very much look forward to announcing further news during the coming year as we continue to build success and value for all our shareholders.

Sangita Shah
Chairman, 13 July 2016



The marketplace

Market Drivers

The gas heating, electrical and general building services industries are benefiting from strong market fundamentals. These are being driven by government standards and legislation such as the Decent Homes Standard and Right to Repair Scheme. The growing demand for high quality affordable homes is adding pressure to local authorities and housing associations to maintain and improve their current housing stock as well as to build new homes.

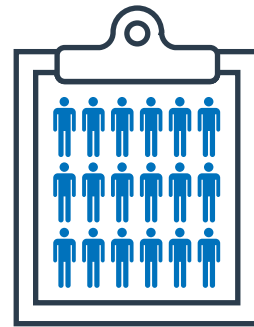
Growing Demand for Bilby's Services is Driven by

1.25 million



Local authority and housing association properties across London and South East England

800,000
est.



People in London on the waiting list for social sector homes

£1.5 billion

Spent on repair and maintenance for local authority and housing association homes in 2013/14 fiscal year



FOR SALE

42,000
per year

New affordable homes needed in London if severe shortfalls are to be met

£21-£28 billion

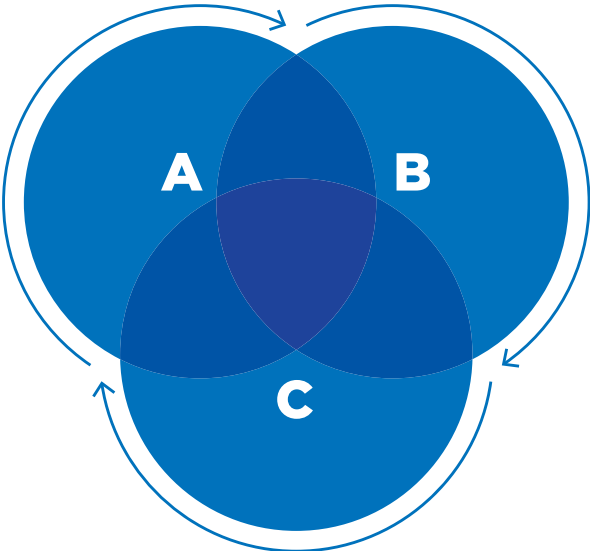
Estimated growth of total revenue spending resources for social housing in England between 2013 and 2017



Our strategy

Our strategy is to deliver a combination of organic and acquisitive growth with the board looking to apply a dividend policy which closely tracks earnings growth.

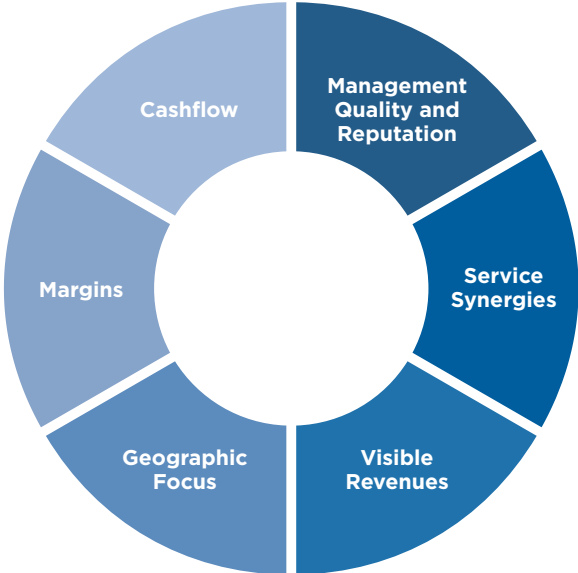
Organic Growth



- A** Continuing to extend service offering to firmly establish the Group’s building services division alongside the market-leading gas, plumbing and drainage services on which the business was founded
- B** Increasing revenues, maintaining margins and growing earnings in a sustainable and profitable manner
- C** Efficient and targeted investment of cash

Acquisition Strategy

Bilby has adopted and delivered an earnings enhancing buy and build strategy based on the criteria set out to the right. We continually review acquisition opportunities and have a rolling pipeline of prospects at any given point in time.



Our businesses



P&R is an established and award winning provider of gas heating and building maintenance services. Founded in 1977 P&R now provides both planned and reactive general building services to over 100,000 homes and commercial properties across London and South East England.

P&R is largely focused on providing services to the public sector housing market. It has long term contracts with local authorities and housing associations.

P&R is a profitable cash generative business. The company is headquartered in Sidcup, Kent and employs over 100 permanent staff.



PURDY

Purdy is an award winning Contractor based in London, established in 1984. Purdy's three divisions undertake electrical, mechanical and property services work both the domestic and commercial sectors. Our services include internal and external refurbishment and repairs for both planned and reactive works programmes.

Purdy works closely with many local authorities, registered providers and large commercial organisations and currently maintains in excess of 150,000 properties. Purdy's absolute commitment to excellent customer service means it maintains a 24/7/365 service within London and South East England, including Essex, Hertfordshire and Suffolk.

Purdy have strong experience in providing services to a wide range of buildings and properties such as: estates, flats, tower blocks, street properties, offices, industrial units, schools, colleges, sports halls and commercial buildings.

Purdy also has vast experience and expertise in mobilising long-term contracts and partnerships, with clients. Purdy employs 120 full time staff.



Spokemead has been established for over 35 years and specialises in electrical installation, repairs and maintenance services for local authority owned housing stock.

With a highly skilled and highly motivated workforce of over 30 fully qualified electricians. The workforce and management structure has been specifically designed to meet the needs of clients in this complex and demanding operating environment.

Spokemead has extensive experience and detailed working knowledge and practices in the field, and already has the infrastructure, knowledge, expertise and network in place to seamlessly continue to provide a first-class service. Spokemead has proven its ability to respond to emergency supply disruption and is committed to working in partnership on long-term projects.

Spokemead strives to be the market leader in the provision of electrical services to its clients and promotes integrity, fairness and equality in the workplace.



DCB was founded in 1998 and has grown significantly in recent years to become one of the leading independent contractors in South East England, directly employing approximately 100 staff. DCB has three office locations in Kent and East Sussex.

DCB provides high quality building, refurbishment and maintenance services to housing associations and local authorities throughout Kent, Sussex, Essex and London. DCB also provides disabled adaptations to occupied homes and public buildings through a specialist division, Living Solutions, which was founded in 2001.

From reactive maintenance and kitchen and bathroom upgrades through to major refurbishment and new build projects, DCB provide a full range of services to their clients which are primarily housing associations and local authorities.

Peabody case study

Peabody are a social housing provider founded in 1862 by an American banker, diplomat and philanthropist, George Peabody.

The Peabody mission is to make London a city of opportunity for all by ensuring as many people as possible have a good home, a sense of purpose and a strong feeling of belonging.

Currently Peabody manage more than 27,000 homes across London which include social housing, leasehold, shared ownership, supported housing, key worker accommodation and commercial units. Purdy's scale and experience were such that it was able to successfully meet Peabody's support service requirements. Purdy has a proven track record of delivering services similar to the elements required within this contract and was very keen to take part in the PQQ/Tender exercise.

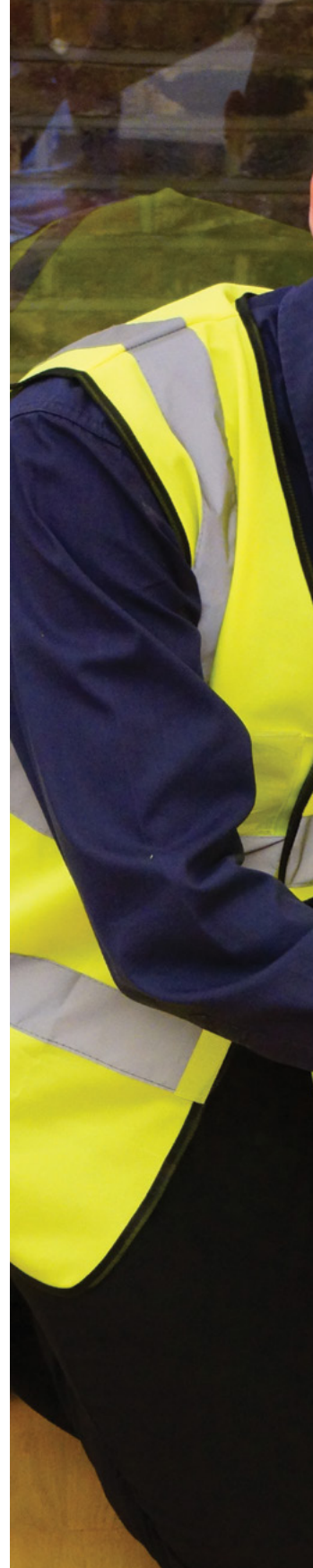
Purdy undertakes all types of Landlords Electrical service works both cyclical and planned across the following work streams:

- emergency lighting
- estate and street lighting
- PAT testing
- fire alarms
- renewables
- air conditioning
- 5 year periodic testing
- door entry systems
- communal digital aerial
- CCTV systems

- car parking control systems
- communal ventilation
- lightning protection
- lateral and rising mains
- domestic electrical installations

Over 70% of the works are being delivered in-house by Purdy with the aim of managing the remaining 30% either internally or through one of its associate companies, ensuring that over the next two years 100% delivery will come under the banner of the Bilby Group.

As part of this new contract Purdy opened a new office situated next to P&R, allowing for greater fluidity within the Group. This contract started in July 2015 and extends until 2025. Purdy have a commitment to leave a lasting legacy in all of the communities we work with. As part of the contract Purdy look to build job opportunities for Peabody residents, offer apprenticeships via our award winning 'Purdy Futures' programme, sponsored a Volunteer Award and have attended resident events such as Apprenticeship Fayres/Resident Forums as part of our CSR commitment.





An excellent contractor and invaluable to our service. Their work is to an excellent standard and completed on time. Purdy mobilises to emergency situations with outstanding professionalism and experience.

— Daniel Cripps,
Peabody Senior Electrical Engineer

Business review

We report significant progress on our strategy set out at our admission to AIM to expand Bilby's businesses via both organic and acquisitive growth to gain the critical mass required to tender for larger contracts.

Acquisition Growth

In July 2015 the Group took its first step on its post admission acquisition trail by acquiring Purdy, an award winning gas and electrical contractor based in Essex. The consideration for the transaction was £8.07m, satisfied by a combination of cash, equity and a loan note. HSBC Bank Plc provided acquisition financing in support of the deal. Purdy is now fully integrated into the Group from an operational and financial perspective with opportunities and cost savings being generated from the strength and support of the combined business in areas such as group tendering opportunities, materials purchasing and insurance.

We were also delighted to acquire DCB and Spokemead shortly after the year end, further expanding the range of services, geographical presence and customer base. DCB provides high quality building, refurbishment and maintenance services to housing associations and local authorities throughout Kent, Sussex, Essex and London. DCB also provides disabled adaptations to occupied homes and public buildings through a specialist division, Living Solutions. Spokemead specialises in electrical installation, repairs and maintenance services for local authority owned housing stock.

Both businesses are a perfect fit with the existing group and have management teams with excellent reputations. DCB have recently reported that they have met their profit based earn out target for the year ended 31 March 2016, which is testament to the DCB team's hard work and commitment and shows encouraging signs for the years ahead. We are also pleased that Spokemead is trading in line with our expectations. Adopting the Purdy approach, the integration of both businesses are well underway from both an operational and financial perspective. DCB and P&R are already working together on a variety of building services projects for new and mutual customers.

In the future we see a number of opportunities for strategic acquisitions in our target geography of London and South East England. All potential acquisition targets continue to be carefully considered and must meet focused acquisition criteria based around: service synergies, geographic focus, management strength, margins, cash flows and visible revenues. We continue to review a number of opportunities and expect to be able to announce progress shortly.

Organic Growth

The Group prides itself on its long-term client relationships, the success of which is evidenced through a number of our clients continuing to extend both the scale of our contracts and the range of our work within them. This is a testament to the growing recognition of our focus on high standards and quality service.

During the year P&R secured new contract wins with London Borough of Tower Hamlets, Royal Borough of Greenwich and Hexagon Housing Association and a contract extension with Central & Cecil Housing Trust.

Since acquisition the Purdy team has secured new contract wins with Peabody Housing, London Borough of Barking and Dagenham, London Borough of Hackney and London Borough of Camden. These contract wins have materially changed the size and capability of the Purdy business and the Directors are pleased to note that in many instances the senior management teams of the trading businesses have been working together to ensure the Group's exacting customer service and delivery standards are being upheld.

We have also been appointed to a number of frameworks to open doors to future revenue. In November

2015, P&R finished first place in a framework tender process for gas support work for the South East Consortium (SEC), giving access to over 140,000 properties in South East England for which the SEC is responsible. Purdy finished second place on the framework for electrical services work for the SEC. In April 2016 P&R was appointed to Fusion21's £200 million Heating Framework. The Group's procurement team is in the process of tendering on these frameworks and the Directors hope to announce developments in due course.

Service Offering and Geography

We have continued to extend our service offering to firmly establish the Group's building services division alongside the market-leading gas, plumbing and drainage services on which the business was founded. The acquisition of Purdy in July 2015 not only added to our existing domestic and commercial gas offering by virtue of its well established clients and reputation but enhanced our service offering to include the provision of electrical services.

This key driver for acquisitions – a complementary service offering to an expanding geography – underpinned our rationale in acquiring Spokemead Maintenance in the first quarter of this year. And again, with the acquisition of DCB, not only did we further expand our geographic footprint but we also reaped the benefit of their more diverse building services offering which extends to specialist areas highly sought after by our customer base.

Collectively, our strategic acquisitions now enable us to provide our clients with a wider range of services and the opportunity to participate in broader contract opportunities.

Our strict operational disciplines already demonstrated in our gas division across all of our portfolio to achieve stronger margins than many of our peers have been applied to all our newly enhanced service offerings.

Over the reporting period to 31 March 2016, Bilby's total headcount increased by over 200%, through the Purdy acquisition and with the hiring of additional inspectors, managers, surveyors and sub-contractors to control standards across our services. This investment will support the continued focus on high quality service set by the Group.

I am proud to report that we remain committed to constantly investing in the training and development of our employees, ensuring they have the necessary technical skills and are inducted on the latest appliances in the market. In response to the ever complex regulatory obligations and customer requirements, we have set up an in-house SHEQ team, an established group of accredited providers and a thriving apprentice scheme.

Marketplace

We remain confident that existing initiatives, such as the Decent Homes Standard and the Right to Repair scheme, will remain a core focus with committed investment maintained.

Notably, even after the Mayor of London secured £821 million in the 2011-2015 spending round period for London to improve c. 45,000 homes, London will still have 11 of the 12 UK local authorities where 10% of the housing still does not meet the Decent Homes Standard. This continues to provide Bilby with significant opportunities.

Outlook

We are of the view that the fundamental strengths of Bilby's scalable business model has clearly been demonstrated over the year. The Group has visible future revenues of circa £240 million and continues to tender for a number of significant new local authority and social housing contract opportunities, several where we are awaiting outcomes at the current time. This, combined with our focus on operational

excellence and customer satisfaction and a marketplace with significant opportunity, underpins our confidence for the future.

Phil Copolo

Founder and Deputy Chairman
13 July 2016



100%



Over our 10 top customers, where measured, we have 100% compliancy



95%



Over our 10 top customers, where measured, we have 95%+ customer satisfaction rating

Financial review

Our Financial Performance

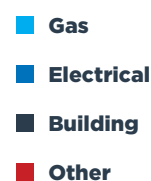
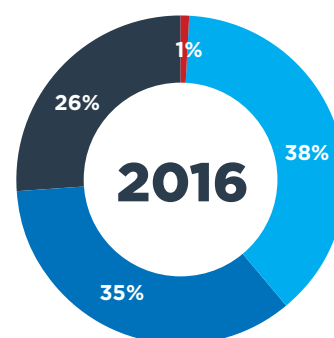
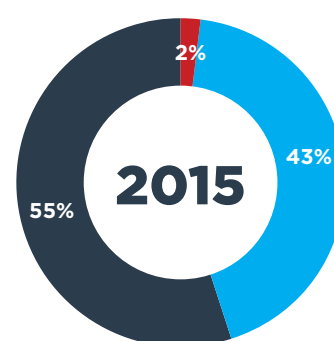
We are delighted to report revenues of £31.54m for the twelve months to 31 March 2016 (£14.75m for the fourteen months ended 31 March 2015) which equates to 114% growth. This includes a 9 month contribution from Purdy Contracts which Bilby acquired in July 2015. We are also pleased to report underlying (adjusted for the share option charge, framework development costs, acquisition costs and amortisation of customer relationships) operating profits of £2.97m (2015- £1.84m) and underlying profit before tax of £2.85m (2015- £1.82m). Revenue is 3% below market forecast mainly due to delays in delivering the new contract with the Royal Borough of Greenwich. This timing issue, which was noted in our trading update in December 2015, does arise in our sector from time to time and the management team involved were able to mitigate the costs associated with these, as can be seen in our profit result.

We are pleased that whilst there has been some pressure on margins during the year (2016 gross profit margin of 21.1% as compared to 2015 margin of 24.7%) we continue to deliver above average margins in comparison with our peer group.

Our direct labour utilisation strategy combined with the skills of the contract management teams and the rewards from group purchasing power has contributed to a strong margin on a significantly higher level of revenue, albeit with some erosion experienced as the Group continues to gain critical mass.

As reported in the 2015 Annual Report, our overhead base necessarily increased as a result of the admission to AIM and the Group infrastructure which has been required to manage and support our organic and acquisition led growth. We remain cost conscious and whilst the investment in our growth has impacted the underlying operating profit margin in the year with a rate of 9.4% in the twelve months ended 31 March 2016 and 12.5% in the fourteen months to 31 March 2015, the Directors are encouraged by the relative impact that this investment has had on the performance of the Group as the cost of implementing this infrastructure is now in place ready for future top line growth.

Revenue by Service



Our Financial Position

The acquisition of Purdy has strengthened our financial position with Group Assets of £21.06m at 31 March 2016 (2015- £6.51m) and Group Net Assets of £8.53m (2015- £4.46m). Net debt (bank loans plus hire purchase liabilities less cash) at 31 March 2016 amounted to £3.89m (2015- net cash £1.6m), with the majority of this balance being attributable to the 5 year term loan signed for the purposes of the acquisition of Purdy. The Group remains relatively ungeared and has complied with all of the financial covenants set by HSBC Bank Plc during the financial year.

In terms of working capital and cash collection, we are fortunate that across all of our businesses we enjoy long term client relationships with a number of local government organisations and other housing bodies and much of their spend is already underpinned by a budget. However cash collection in a high volume, sometimes low value environment when working in the public sector does continue to represent a constant challenge. We have experienced some further tightening of financial constraints in the year from our customers, together with administration challenges as they themselves continue to reorganise departments and divisions in order to generate cost savings. As a result (and coupled with the acquisition of Purdy), the level of trade debtors and accrued income has risen. We continue to monitor cash collection extremely closely and have invested in improved financial and operating systems and further resource for our finance team, with the rollout of new financial software underway and the development of an in house treasury

management function in order to monitor and control cash. We have also managed to negotiate terms with some suppliers so that we settle their account at the same time as our customer settles ours (hence increase in creditor days below).

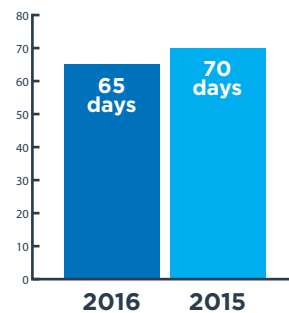
Our Key Performance Indicators (KPIs)

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.

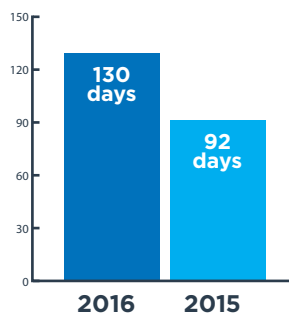
The key business drivers which are monitored on a regular basis are as follows:

- Customer Compliancy currently running at 100% across our largest contracts
- Customer Satisfaction currently running at 95%+ across our largest contracts
- Annualised value of new contract wins and new business £14.4m
- Annualised value of contract losses or contracts on which the Bilby Group has given notice £3.2m

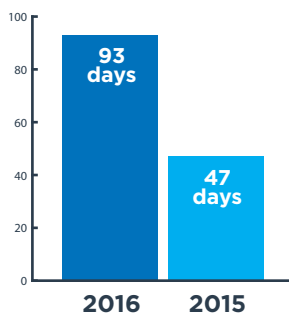
Debtor Days
(based on invoiced amounts)



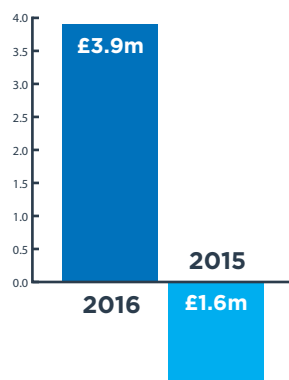
Debtor Days
(based on invoiced and uninvoiced amounts)



Creditor Days
(based on direct cost credit purchases)



Net Debt / (Cash)



Group Highlights and Further KPIs

£m Unless Otherwise Stated	12 Months to 31st March 2016	14 Months to 31st March 2015 (as restated) ¹
Revenue	31.54	14.75
Gross profit	6.66	3.65
Gross Margin	21.1%	24.7%
Underlying EBITDA ³	3.11	1.97
Underlying operating profit ³	2.97	1.84
Profit before tax	1.37	1.82
Underlying profit before tax ³	2.85	1.82
Basic EPS	2.9p	5.6p
EPS Basic (adjusted) ²	7.4p	5.6p
Dividend per share	2.75p	2.32p
Cash	0.44	1.77
Total Assets	21.06	6.51
Net Working Capital ⁴	5.94	2.74
Net Assets	8.53	4.46

1. Restated for the line item noted at note 29 of the Group financial statements.
2. Adjusted for share based payment charges, acquisition and framework development costs and amortisation of customer relationships.
3. Underlying measures stated before charging the share based payment charge, acquisition costs, framework development costs and amortisation of customer relationships.
4. Calculated as inventories, trade and other receivables less trade and other payables.

Dividends

The Board has recommended a final dividend of 2.00p per ordinary share, which subject to shareholder approval, will be paid on 9 September 2016 to those shareholders on the register at close of business on 29 July 2016. Together with the interim dividend of 0.75p, this represents a total of 2.75p per share. The final dividend is covered 1.45 times by the basic earnings per share.

Conclusion

The success of the Group is driven by a focus to deliver increased shareholder value. This will be achieved by continuing to implement the following:-

- Increasing revenues, maintaining margins and growing earnings in a sustainable and profitable manner
- Efficient and targeted investment of cash
- Implementing an earnings enhancing buy and build strategy
- Applying a dividend policy which closely tracks earnings growth

We aim to deliver sustainable shareholder value through the implementation of our priorities delivering key financial objectives of improving profitability.

Katie O'Reilly

Finance Director, 13 July 2016

Board of directors

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.



Phil Copolo
Founder and Deputy Chairman

Phil Copolo founded the business in 1977, incorporated P&R in 1997 and has built up the company for 37 years. He takes an active role in the management of P&R and is a qualified gas engineer by trade. Mr Copolo has over 40 years' experience managing Building Maintenance Services and is well known through the industry. He applies his experience to new client and tender opportunities and will lead the Group's acquisition strategy.



Sangita Shah
Non-Executive Chairman

Sangita Shah has extensive experience in corporate finance, journalism and senior consultancy. Outside the company, she is a non-executive Director of Swindon Town FC, board director of Forward Inc (NASDAQ) and a board advisor to Global Reach Technology Limited. She has held a number of senior roles within blue chip organisations and is also a regular consultant to HM Cabinet Office, HSBC, Rathbones and MGM Advantage. By training she is a qualified accountant and a frequent key note speaker in forums for the European Parliament and European School of Management.



David Johnson
Non-Executive Director

David Johnson has enjoyed a long and successful career in the investment sector. He has worked at a number of leading City investment houses, as both an investment analyst and more recently in equity sales and investment management. During his career he has worked for Sun Life Assurance, Henderson Crosthwaite and Investec Securities. He joined Panmure Gordon & Co in 2004 where he worked until 2013, including as Head of Sales from 2006 and then Head of Equities from 2009. He joined Chelverton Asset Management in 2014 where he has specifically responsibility for the Group's private equity investments.



Katie O'Reilly FCA
Finance Director

Katie O'Reilly is a Fellow of the Institute of Chartered Accounts in England and Wales and was awarded the ICAEW's Corporate Finance qualification by experience in 2010. Katie has worked on over 50 transactions as reporting accountant or due diligence provider, many of which have included assisting her clients with 'buy and build' strategies post IPO. She has also advised clients on the integration of target businesses post-acquisition, providing input and guidance in the selection and implementation of systems and controls.



David Ellingham FCCA
Managing & Business
Development Director

David Ellingham joined Bilby Plc in 2014. He is a Fellow of the Chartered Association of Certified Accountants and is responsible for identifying strategic complementary targets for Bilby Plc. David brings a wealth of experience in mergers and acquisitions. Mr Ellingham has prior experience of acting as an executive director at AIM listed companies.

We are delighted to welcome Katie to the board. This demonstrates our commitment to create the infrastructure to support our growth from the top down.

— **David Johnson,**
Non-Executive Director

Corporate governance statement

The Board recognises its responsibility for the proper management of the Company and is committed to maintaining a high standard of corporate governance.

The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its shareholders. The Corporate Governance Code does not apply to companies admitted to trading on AIM and there is no formal alternative for AIM companies.

The Quoted Companies Alliance has published a corporate governance code for small and mid-sized quoted companies, which includes a standard of minimum best practice for AIM

companies, and recommendations for reporting corporate governance matters (the “QCA Code”). The Directors comply with the QCA Code to the extent they consider it appropriate and having regard to the size and resources of the Company.



We continue to monitor and enhance our control environment and reporting systems to ensure we have a robust platform from which to manage organic growth and integrate our acquisitions.

— **Katie O'Reilly,**
Group Finance Director



Board Effectiveness

The Board comprises the Non-executive Chairman, one other Non-executive Director and three Executive Directors.

There is clear separation of the roles of Chairman and Chief Executive Officer to ensure an appropriate balance of power and authority:

- providing entrepreneurial leadership of the Company within the framework of prudent and effective controls which enable risks to be assessed and managed;
- setting the Company's strategic aims, objectives, strategy and policies, and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- reviewing management performance;
- setting the Company's values and standards and ensuring that the Company's obligations to its shareholders and others are understood and met;
- approving substantial transactions, contracts and commitments;
- reviewing the performance of the Company;
- undertaking risk assessments; and
- scrutinising and approving senior appointments to the management team.

The key procedures which exist to provide effective internal control are as follows:

- holding regular Board, Audit and Remuneration Committee meetings;
- clear limits to authority;
- annual profit and loss and cash flow forecasts, with a quarterly reforecast procedure;
- review of management information;
- financial controls and procedures; and
- review of risks and internal controls.

Executive Directors are responsible for the implementation of strategy and policies and for the day-to-day decision making and administration of the Company.

The Non-executive Directors bring additional experience and knowledge and are independent of management. This provides a balance whereby an individual or small group cannot dominate the Board's decision making.

Board Committees

Audit Committee

During the year, the Audit Committee comprised of Sangita Shah (Chair) and David Johnson. Meetings are also attended, by invitation, by the Finance Director. The Audit Committee is responsible for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly managed and reported on. It receives and reviews reports from the Group's management and external auditor relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee meets at least three times in each financial year and has unrestricted access to the Group's external auditor.

Remuneration Committee

During the year, the Remuneration Committee comprised of Sangita Shah (Chair) and David Johnson. The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee meets at least annually. In exercising this role, the Directors have regard to the recommendations put forward by the QCA Guidelines and, where appropriate, the Corporate Governance Code guidelines.

Relationship with Shareholders

The Group values its dialogue with both institutional and private investors. Effective two-way communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy.

Private investors are encouraged to participate in the Annual General Meeting at which the Chairman presents a review of the results and comments on business activity. The Chairman of the Audit and Remuneration Committees will be available at the Annual General Meeting to answer any shareholder questions. The 2016 AGM will be held at the offices of Hudson Sandler, 29 Cloth Fair, London, EC1A 7NN, on 26 August 2016 at 9.30am and a formal Notice of Meeting and Form of Proxy are enclosed.

Risk matrix

Effective risk management is critical to the achievement of our strategic objectives. Controls are integrated into all levels of our business. As a board we continually assess our exposure to risk and seek to ensure that risks are mitigated wherever possible.

Identified principal risks to the achievement of our strategic business objectives are outlined in the section below, together with their potential impact and the mitigation measures in place. The Board believe these risks to be the most significant with the potential to impact our strategy, our financial and operational

performance and ultimately, our reputation. There may be other risks which are currently unknown to the group or which may become material in the future.

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

Strategic Risk and Description

Mitigation

Work Winning and Contract Delivery

Central to achieving our strategy is the work winning and successful delivery of our contract portfolio. Our strong financial position relies on our ability to successfully bid, mobilise, operate and manage such contracts. We see our increasingly broad service as a business differentiator to our clients coupled with ensuring consistent service delivery. Winning new and retaining existing contracts of this nature continues to be critical for the future success of our business.

Our bid, mobilisation and contract management processes operate under strict delegated authorisations and are subject to rigorous executive management oversight and approval. These contracts are supported by teams of experienced bid, mobilisation and operational delivery specialists to mitigate the risk of failure at any stage. On-going contract assurance occurs together with regular dialogue to ensure service delivery is consistent with the customer expectations and contract KPIs are adhered to. Through these activities we aim to develop long term customer relationships, supported by a strengthened framework to retain our existing customer base.

Market and Regulatory Conditions

The UK market remains our only economic exposure. We anticipate a continued improvement in the pipeline of new opportunities and so our business model needs to adapt and grow with any on-going economic upturn. Our ability to recognise and respond to variations in the volume, value and range of services required may impact the Group's ability to win or retain significant business opportunities.

As a major employer, further development of the regulatory and legal framework in areas where we work may have a material financial and reputational impact on the business.

We continue to be focused on the delivery of sustainable, profitable growth during the year. We continue to strategically target growth areas with good margins, underpinned by a robust business infrastructure. Resilience is provided by our diverse offering and the level of mandatory and non-discretionary work we undertake.

We have continued to develop our group infrastructure to ensure identification of legal and regulatory requirements. Our operational teams remain primarily responsible for ensuring legal compliance, supported by the Group team which contains SHEQ and HR/legal specialists. Where required we obtain specialist technical advice to support our in-house team. We continue to proactively monitor the developing regulatory framework to plan and budget for on-going compliance.

Reputation Management

Maintaining a strong reputation is vital to our success as a business. A loss in market confidence in our ability to maintain current business or undertake new client opportunities may be caused by an adverse impact to our reputation which may, in turn significantly affect our financial performance and growth prospects. Significant impact to our reputation could be caused by an incident involving major harm to one of our people or clients/partners, corrupt practices involving fraud or bribery, inadequate financial control processes or failure to comply with regulatory requirements. Impacts of this type would potentially result in financial penalties, losses of key contracts, an inability to win new business and challenges in retaining key staff and recruiting new staff.

Strong corporate governance and dedicated senior management remain the key elements of effective reputational management. Senior management provide a model of best practice and guidance to ensure our values and expected behaviours are clear and understood by everyone. As our business continues to grow and develop we will remain strongly focused on protecting the strength of our reputation through effective governance, leadership, and through cultivating open and transparent relationships with all stakeholders.

Financial Risks and Description

Mitigation

Access to Funding to Grow the Business and Cash Generation

Our financial strength makes us an attractive partner to our customers and suppliers. Our ability to grow our business organically and by acquisition will be impacted if our financial performance deteriorates, by weakening profitability and therefore limiting our ability to access diverse sources of funding on competitive terms. This may cause and increase in the cost of borrowing or cash flow issues which could, in turn, further affect our financial performance. As a people business, our staff costs remain our most significant area of expenditure. Our ability to pay our people and suppliers regularly and at specific times relies not only on funding being available but also upon effective cash conversion.

We have developed and continue to enhance 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 believe we have strong banking, debt finance and equity relationships and appropriate levels of gearing for our business.

Reliance on Material Counterparties

We depend on a number of significant counterparties such as insurers, banks, clients and suppliers to maintain our business activities. The failure of a key business partner, supplier, subcontractor, financier or other provider could materially affect the operational and financial effectiveness of our business and our ability to trade. Ensuring on-going relationships with our material counterparties will underpin the Group's ability to meet its strategic objectives.

We have developed a pool of suppliers and providers to ensure we are limited on the dependency of any one provider and hence the impact of any potential failure. The Board reviews and monitors material counterparty risk at divisional and business level and ensures that concentration levels are kept to a minimum.

Operational Risks and Description

Mitigation

Significant Health, Safety or Environmental Incident

Due to our diverse operational portfolio, the potential to cause significant harm to our employees, our business partners, 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. Failure to maintain our high standards could result in a significant incident arising.

The Board, through effective governance and management maintains its commitment to the highest standards of health, safety, environment and quality (SHEQ) performance. Our SHEQ director reports to the Board. Our performance is achieved through SHEQ management systems and employee engagement. Our well established management systems are certified to the ISO 9001 standard, we have recently enhanced our training programmes to ensure every employee has the core competencies required to do their work safely.

System, Process or Control Failure May Impact Our Operational Performance

Robust business systems and processes underpin our operations. Such systems form the basis for our contract management and business support activities and we foresee increasing future reliance on such capability. These systems, in conjunction with our governance framework of policies and procedures, will help or drive innovation in customer requirements, improve our operational efficiency and provide the foundation of our administrative functions. As such they remain critical for the control and success of the business and the achievement of our strategic aims.

Operational failure may result in a significant impact on operational delivery, contract management and client expectations due to the business critical nature of these systems. System failure could also result in a breakdown in the controls around high volume transactions. Financial or other misstatements, fines through statutory non-compliance issues and loss of client and/or regulator confidence could occur as a result.

The basis of our governance framework is provided by our core policies, which are subject to continual review and enhancement to manage our growing and diversifying business requirements in line with sound governance practice. Our internal control procedures continue to be reviewed formally and we are in the process of introducing interdependent operational and finance systems to achieve operational efficiencies and transparent reporting.

IT related governance oversight is provided at an entity and group level and we continue to develop the IT infrastructure available to the Group to create a robust platform for operations central to the customer service delivery and supplier reporting process to be undertaken by operatives, the administrative teams and senior management.

Attracting and Retaining Skilled People

Attracting and retaining the best skilled people at all levels of the business is critical. This is particularly the case in ensuring we have access to a diverse range of views and experience and in attracting specific expertise at both managerial and operational levels where the market may be highly competitive. Failure to attract new talent, or to develop and retain our existing employees, could impact our ability to achieve our strategic growth objectives. As we continue to grow and diversify into new areas, this risk will continue to be a focus for the Board.

The growth we have already generated has naturally created a pipeline of opportunities for staff at every level of the business. This will continue to be the case as the Group develops. Additionally, to ensure a talent pool is identified, developed and ready for succession if needed, a succession plan exist for key management. Our focus on training and competency at all levels of the business from apprentices to senior management continues to ensure that we develop our people and enable them to successfully manage the changing profile of our business. Incentive programmes are also in place to ensure that key individuals are retained.

By order of the board

David Ellingham, Managing and Business Development Director. 13 July 2016

Directors' report

The Directors present their report together with the consolidated financial statements for the year ended 31 March 2016.

Principal Activities

The Principal activities of the Group are the provision of a range of outsourced services to the public and private sectors. The principal activity of the Company is to act as a holding company.

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 Income Statement. Information required to be disclosed in respect of future developments is included within the Strategic Report.

Dividend

The final dividend is proposed to be 2.00p per ordinary share and will be paid on 9 September 2016 to shareholders on the Register of Members on 29 July 2016. This has not been included within the consolidated financial statements as no obligation existed at 31 March 2016.

Directors

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

Directors, Secretary and Advisers

The directors who served throughout the year except as noted were as follows:

Name of Director	Board Title	Date of Appointment
Sangita Shah	Non-Executive Chairman	19 December 2014
Philip Copolo	Executive Deputy Chairman	20 June 2014
David Ellingham	Managing and Business Development Director	20 June 2014
Katie O'Reilly	Finance Director	1 February 2016
David Johnson	Non-Executive Director	19 January 2015

Darren Dunnett (former Managing Director) – Resigned as director 3 December 2015

In line with current practice, all of the Directors will retire and, being eligible, offer themselves for re-election at the AGM in August 2016.

Directors' Remuneration

Directors' Remuneration for the year are set out below:-

Executive Director	2016 £	2015 £
Philip Copolo	119,300	94,040
Darren Dunnett (to 3 December 2015)	108,372	41,821
David Ellingham	64,898	5,000
Katie O'Reilly (from 1 February 2016)	22,500	–
Non-Executive Directors		
Sangita Shah	35,000	2,917
David Johnson	30,000	2,500
	380,020	146,278

Mr Dunnett retired as a director on 3 December 2015 but remained an employee of Bilby.

Options Granted to Directors

The Directors have been granted the following Options over Ordinary Shares:

Name	Number of Options	Date of Grant	Exercisable	Exercise Price £
Darren Dunnett	439,655	06/03/15	06-Mar-18	0.58
David Ellingham	140,000	09/12/15	09-Dec-18	1.19
Katie O'Reilly	100,000	04/01/16	04-Jan-19	1.46

Mr Dunnett retired as a director of Bilby Plc on 3 December 2015 but he remains a director of P&R Installation Company. The exercise of 50% of Mr Dunnett's 439,655 Options are subject to a performance condition based on a total Shareholder return over the period up to 6 March 2018.

Substantial Shareholdings

As at 30 June 2016 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
Philip Copolo	14,476,896	36.81
Miton Asset Management	5,836,538	14.84
Amati Global Investors	2,383,024	6.06
Western Selection Plc	2,337,088	5.94
David Ellingham	2,250,000	5.72
Darren Dunnett	2,250,000	5.72
Leigh Copolo	1,320,000	3.36
Close Asset Mgt	1,305,096	3.32
John Horlock	1,250,000	3.18

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 financial statements. The Company has a single class of shares – ordinary 1p 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. The Board may propose and pay interim dividends and recommend a final dividend for approval by the shareholders at the 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 FRS101 (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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. 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;
- d. 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

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

By order of the board
David Ellingham,
 Managing and Business Development
 Director. 13 July 2016



Independent Auditor's Report to the members of Bilby Plc for the financial year ended 31 March 2016

We have audited the group and parent company financial statements ("the financial statements") on pages 37 to 85. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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 so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 34 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the group's profit for the year then ended;

- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.

RICHARD COATES (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP
(formerly Baker Tilly UK Audit LLP),
Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

13 July 2016

Consolidated Statement of Comprehensive Income for the year ended 31 March 2016

	Notes	12 months ended 31 March 2016			14 months ended 31 March 2015		
		Underlying items	Non-underlying items (note 8)	Total	Underlying items	Non-underlying items (note 8)	Total
		£'000	£'000	£'000	Restated £'000	Restated £'000	Restated £'000
Revenue	5	31,544	-	31,544	14,747	-	14,747
Cost of sales		(24,886)	-	(24,886)	(11,093)	-	(11,093)
GROSS PROFIT		6,658	-	6,658	3,654	-	3,654
Administrative expenses	7	(3,690)	(1,479)	(5,169)	(1,814)	-	(1,814)
OPERATING PROFIT/(LOSS)	6	2,968	(1,479)	1,489	1,840	-	1,840
Finance income	10	2		2	-	-	-
Finance costs	10	(117)		(117)	(20)	-	(20)
Net finance costs		(115)		(115)	(20)	-	(20)
PROFIT/(LOSS) BEFORE TAX		2,853	(1,479)	1,374	1,820	-	1,820
Income tax expense	12			(420)			(394)
PROFIT FOR THE YEAR/PERIOD attributable to the equity holders of the parent company				954			1,426
Other comprehensive income				-			-
Total comprehensive income for the year/period attributable to the equity holders of the parent company				954			1,426
Basic earnings per share (per pence)	13			2.9			5.6
Diluted earnings per share (per pence)	13			2.8			5.6

Consolidated Statement of Changes in Equity for the financial year ended 31 March 2016

	Issued share capital	Share premium	Share based payment reserve	Merger reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 February 2014	<u>2,500</u>	-	-	<u>(2,499)</u>	<u>1,388</u>	<u>1,389</u>
Profit and total comprehensive income for the period (as previously stated)	-	-	-	-	1,552	1,552
Prior year adjustments (see note 29)	-	-	-	-	(126)	(126)
Profit and total comprehensive income for the period (as restated)					1,426	1,426
Issue of share capital	431	2,069	-	-	-	2,500
Issue costs	-	(856)	-	-	-	(856)
Total transactions with owners recognised directly in equity	<u>431</u>	<u>1,213</u>	-	-	-	<u>1,644</u>
Balance at 31 March 2015 (restated)	<u>2,931</u>	<u>1,213</u>	-	<u>(2,499)</u>	<u>2,814</u>	<u>4,459</u>
Balance at 1st April 2015	2,931	1,213	-	(2,499)	2,814	4,459
Profit and total comprehensive income for the year	-	-	-	-	954	954
Issue of share capital	494	2,582	-	875	-	3,951
Issue Costs	-	(136)	-	-	-	(136)
Share-based payment charge	-	-	163	-	-	163
Tax credit relating to share option scheme	-	-	-	-	189	189
Dividend paid	-	-	-	-	(1,051)	(1,051)
Total transactions with owners recognised directly in equity	<u>494</u>	<u>2,446</u>	<u>163</u>	<u>875</u>	<u>(862)</u>	<u>3,116</u>
Balance at 31 March 2016	<u><u>3,425</u></u>	<u><u>3,659</u></u>	<u><u>163</u></u>	<u><u>(1,624)</u></u>	<u><u>2,906</u></u>	<u><u>8,529</u></u>

The following describes the nature and purpose of each reserve within owners' equity:

Share capital	Amount subscribed for shares at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value less attributable share-issue expenses
Share-based payment reserve	Cumulative fair value of share options recognised as an expense (see note 27)
Merger reserve	Difference between the share capital of P&R Installation Company Limited and the nominal value of the shares issued by the Company to acquire P&R Installation Company Limited and the premium on shares issued to acquire Purdy Holdings Limited
Retained earnings	Cumulative profit of the Group attributable to equity shareholders

Consolidated Statement of Financial Position as at 31 March 2016

	Notes	2016 £'000	2015 £'000 Restated
ASSETS			
NON CURRENT ASSETS			
Intangible assets	14	6,773	-
Property, plant and equipment	15	1,323	524
Deferred tax assets	28	218	-
		<u>8,314</u>	<u>524</u>
CURRENT ASSETS			
Inventories	16	723	347
Trade and other receivables	17	11,576	3,873
Cash and cash equivalents	18	444	1,770
TOTAL CURRENT ASSETS		<u>12,743</u>	<u>5,990</u>
TOTAL ASSETS		<u><u>21,057</u></u>	<u><u>6,514</u></u>
EQUITY AND LIABILITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
ISSUED CAPITAL AND RESERVES			
Share capital	22	3,425	2,931
Share premium	22	3,659	1,213
Share-based payment reserve	27	163	-
Merger reserve	22	(1,624)	(2,499)
Retained earnings		2,906	2,814
TOTAL EQUITY		<u>8,529</u>	<u>4,459</u>
NON CURRENT LIABILITIES			
Borrowings	19	3,878	-
Obligations under finance leases	20	31	57
Deferred tax liabilities	28	957	20
		<u>4,866</u>	<u>77</u>
CURRENT LIABILITIES			
Borrowings	19	888	31
Obligations under finance leases	20	44	50
Current income tax liabilities		373	414
Trade and other payables	21	6,357	1,483
TOTAL CURRENT LIABILITIES		<u>7,662</u>	<u>1,978</u>
TOTAL EQUITY AND LIABILITIES		<u><u>21,057</u></u>	<u><u>6,514</u></u>

The financial statements on pages 37 to 71 were approved by the Board and authorised for issue on 13 July 2016 and signed on its behalf by **K O'Reilly**, Director. Company registration number: 09095860

Consolidated Statement of Cash Flows for the financial year ended 31 March 2016

	Notes	12 months ended 31 March 2016 £'000	14 months ended 31 March 2015 £'000
Net cash (used in)/ generated from operating activities	23	<u>(134)</u>	<u>95</u>
Cash flow from investing activities			
Interest received		2	-
Acquisition of subsidiary	30	(6,570)	-
Overdraft acquired on acquisition	30	(22)	-
Purchases of property, plant and equipment		(98)	(22)
Purchase of intangible assets		(38)	-
Proceeds on disposal of property, plant and equipment		55	376
Net cash (used in)/ generated from investing activities		<u>(6,671)</u>	<u>354</u>
Cash flow from financing activities			
Proceeds from borrowings		4,897	-
Repayment of borrowings		(1,003)	(262)
Interest paid		(103)	(20)
Interest received		2	-
Repayment of Director loans		-	(4)
Capital element of finance lease payments		(75)	(134)
Issue of ordinary share capital		2,950	2,500
Issue costs		(136)	(856)
Dividend paid		(1,051)	-
Net cash generated from financing activities		<u>5,479</u>	<u>1,224</u>
Net (decrease)/increase in cash and cash equivalents		<u>(1,326)</u>	<u>1,673</u>
Cash and cash equivalents at beginning of year/period		<u>1,770</u>	<u>97</u>
Cash and cash equivalents at end of year/period	18	<u><u>444</u></u>	<u><u>1,770</u></u>

Notes to the Consolidated Financial Statements for the financial year ended 31 March 2016

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 6-8 Powerscroft Road, Sidcup, DA14 5DT. The Company was incorporated on 20 June 2014.

The Group’s 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 2015.

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 (£).

The principal accounting policies adopted by the Group are set out in note 2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Going Concern

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled “Going Concern and Liquidity Risk Guidance for UK Companies 2009”.

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

On the basis of the above projections, the Directors are confident that the Group 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 consolidated financial statements.

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 over which the Company has the power to control the financial and operating policies so as to obtain benefits from their activities. The Group generally obtains and exercises control 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 company financial statements on page 77.

On 6 March 2015 the Company acquired the shares of P&R Installation Company Limited in exchange for its own shares. The Company issued 25,000,000 10p shares in exchange for the entire share capital of P&R Installation Company Limited. 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 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 Installation Company Limited by the Company has therefore been accounted for in accordance with the principles of merger accounting as set out in Financial Reporting Standard 6 - Acquisitions and Mergers. Accordingly, the consolidated financial statements for the Group has been presented as if the Company throughout the current and preceding periods has owned P&R Installation Company Limited. The comparative figures for the previous year include 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 Installation Company Limited and the nominal value of shares issued by the Company to acquire P&R Installation Company Limited is recorded as a merger reserve.

On 13 July 2015, the Company acquired the entire issued share capital of Purdy Holdings Limited and its subsidiary Purdy Contracts Limited for a total consideration of £8.07 million. The acquisition meets the definition of a business combination and has been accounted for using the acquisition method in accordance with the Group's accounting policy discussed below. Further details regarding the acquisition and consideration paid are included in note 30.

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.

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:

- 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 range between 2-3 months. 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. Revenue recognisable in relation to work completed and accredited is recognised as accrued income until invoiced.
- Gas Maintenance – Gas maintenance revenue is recognised when the services have been rendered.
- Electrical services – Electrical services revenue is recognised when the services have been rendered, that is when the individual job has been completed.
- Trade Counter – Revenue is recognised upon the point of sale of items sold over the trade counter.

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 underlying performance. Exceptional costs are disclosed on the face of the Consolidated Income Statement 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 Balance Sheet.

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.

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 the provision of support services. This segment incorporates four revenue streams, gas maintenance, building services, electrical services and sales from the trade counter.

2.8. Intangible Assets

In accordance with IFRS 3 (Revised) Business Combinations' 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 and development 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:

Client relationships	over the period expected to benefit, typically 7 years
Software and development cost	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 CGU's 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 Income Statement 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.

2.10. Property, Plant & 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
- Leasehold improvements 5% on Leasehold improvement cost
- Office & Computer equipment 25% reducing balance
- Fixtures, fittings & equipment 25% reducing balance
- Motor vehicles 25% reducing balance

Freehold land is not depreciated.

Subsequent expenditures are included in the assets 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.

Work in progress is measured at the lower of cost and net realisable value. Cost comprises of 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 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. 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.

(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.

(f) Convertible loan notes

Interest-bearing loans (including loan notes) are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement, redemption or conversion, are recognised in profit or loss over the term of the instrument using the effective rate of interest.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan note.

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

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 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.

(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 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.

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 period to the first rent review, so as to spread the benefit received.

2.16. Employee Benefits

The Group operates defined contribution pension schemes for employees of the Group. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension costs charged in the income statement 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 by the required date, 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.

2.18. New standards and interpretations

The following standards and interpretations that are anticipated to be relevant to the Group have an effective date after the date of these financial statements. The Group has not early adopted them and plans to adopt them from the effective dates once endorsed for application in the EU. They are not expected to have a material impact on the Group's results:

- IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces parts of IAS 39 that relate to the classification and measurement of financial instruments. The standard is the first step in the project to replace IAS 39, and the IASB also intends to add new requirements on hedge accounting and impairment. IFRS 9 is effective for accounting periods beginning on or after 1 January 2018.
- IFRS 15 'Revenue from contracts with customers' provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for accounting periods beginning on or after 1 January 2018.

- IFRS 16 'Leases' provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for accounting periods beginning on or after 1 January 2019

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.

(a) Interest rate risk

The Group has exposure to interest rate risk by virtue of its borrowings with HSBC 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 24 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 a dedicated function focussed 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 all of the Group bank accounts are held with National Westminster Bank (NatWest) and HSBC Bank Plc 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. The maturity of the Group's financial liabilities is disclosed in note 24.

As at 31 March 2016, the Group had positive cash and cash equivalents, of £444,000 (2015: £1,770,000).

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 in the European Union requires the 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.

Recoverability of trade receivable balances

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 at any date. Although this is an area of judgement, management are comfortable with this position due to the high credit ratings of the customers involved and the lack of any history of non-payment.

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 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.

Share based payment charge

The Group issued share options to Directors and employees of the Group in the year. 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.

Valuation of customer relationships

Determining the valuation of customer relationships does require use of 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.

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 values 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.

5. REVENUE

Revenue can be broken down as follows:

	12 months ended 31 March 2016	14 months ended 31 March 2015
	£'000	£'000
Gas Maintenance	12,096	6,362
Building Services	11,107	8,137
Electrical Services	8,104	-
Trade Counter	237	248
	<u>31,544</u>	<u>14,747</u>

All results in the current and prior period derive from continuing operations and all revenues are derived from the UK.

There are four customers who individually contribute 17%, 10%, 9% and 8% respectively towards the revenue. (31 March 2015: four contributing 19%, 17%, 11% and 11%).

6. OPERATING PROFIT

Operating profit is stated after charging all costs including Non Underlying Items.

	12 months ended 31 March 2016	14 months ended 31 March 2015
	£'000	£'000
Inventory recognised as an expense in cost of sales	5,882	2,936
Staff costs	7,407	3,016
Depreciation	139	126
Amortisation of software	8	-
Loss on disposal of property, plant and equipment	20	16
UK Auditor's remuneration and auditors' associates remuneration	84	34
Non-audit remuneration	-	23
Operating lease rentals	377	10

The depreciation and amortisation charge as stated in the table above is included within administration expenses in the statement of comprehensive income.

7. ADMINISTRATIVE EXPENSES

	12 months ended 31 March 2016	14 months ended 31 March 2015
	£'000	£'000
Computer expenses	102	36
Depreciation and amortisation	147	126
Legal and professional	418	23
Office costs	303	38
Vehicle costs	88	77
Premises costs	269	171
Wages and salaries	2,194	986
Other expenses	169	357
	<u>3,690</u>	<u>1,814</u>
Non underlying costs (see note 8)	1,479	-
Total administrative expenses	<u><u>5,169</u></u>	<u><u>1,814</u></u>

8. NON UNDERLYING ITEMS

Operating profit includes the following items which are considered by the board to be 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 Balance Sheet.

	12 months ended 31 March 2016	14 months ended 31 March 2015
	£'000	£'000
Framework development costs	275	-
Amortisation of acquisition intangible assets	582	-
Share based payment charge	163	-
Acquisition costs	459	-
	<u>1,479</u>	<u>-</u>

Since the date of the last Annual Report, the Group has been successful in being appointed to two frameworks, the SEC (South East Consortium) Framework (P&R is first place provider for gas services and Purdy is second place for electrical services) and the Fusion 21 Framework (P&R for gas services). The costs incurred are significant and consist of the salary of an individual who was specifically recruited to bring his expertise to the process and also some management time as the management team assisted with these tender projects themselves rather than incurring the added cost of external consultants. The directors are confident of deriving future economic benefit from these frameworks and have therefore separately identified these costs within the Consolidated Income Statement.

Amortisation of acquisition intangibles was £582,000 for the year (2015: £nil) and relates to nine months of amortisation of the customer relationships identified by the directors on the acquisition of Purdy Contracts.

A Group share option scheme is in place and 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.

Acquisition costs comprise legal, professional and other expenditure in relation to acquisition activity during the year and amounted to £459,000 (2015: £nil). Of the £459,000 of expenses incurred during the year ended 31 March 2016, £87,000 related to acquisition costs incurred on the acquisitions of Spokemead Maintenance Limited and DCB (Kent) Limited which took place shortly after the year end. In accordance with the requirements of IFRS 3 Business Combinations, these have been expensed as incurred. In addition, acquisition costs include the cost of the Group's Business Development and Managing Director who devotes all of his time to sourcing, researching and negotiating our acquisitions and an allocation of the cost of the Founder and Deputy Chairman who is involved in discussions with potential target companies from an early stage.

9. EMPLOYEE EXPENSES

Staff costs

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

	12 months ended 31 March 2016	14 months ended 31 March 2015
	£'000	£'000
Management	26	6
Administration	43	8
Engineers	194	67
	<u>263</u>	<u>81</u>

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

	12 months ended 31 March 2016	14 months ended 31 March 2015
	£'000	£'000
Wages and salaries	6,645	2,713
Social security costs	670	267
Pension costs	92	36
	<u>7,407</u>	<u>3,016</u>

The remuneration of the Directors and other key management personnel of the Group are shown in note 25 and in the Directors' Report.

10. FINANCE COSTS AND FINANCE INCOME

	12 months ended 31 March 2016	14 months ended 31 March 2015
	£'000	£'000
FINANCE COSTS		
Interest payable on bank borrowings and loans	108	4
Interest payable on hire purchase agreements	3	16
Interest payable on convertible loan notes	6	-
	<u>117</u>	<u>20</u>
FINANCE INCOME		
Bank interest received	<u>(2)</u>	<u>-</u>

11. DIVIDENDS

The Directors have recommended a final dividend for the year ended 31 March 2016 be paid. This is subject to approval at the Annual General Meeting and therefore no dividend liability has been recognised in the consolidated financial statements. The proposed dividend payable is 2 pence per share (2015: £2.32 pence per share).

12. INCOME TAX**Components of income tax expense**

	12 months ended 31 March 2016	14 months ended 31 March 2015
	£'000	£'000
Current income tax expense		
Current income tax charge	540	393
Total current tax	540	393
Deferred tax		
Interest payable on hire purchase agreements	(105)	-
Credit in connection with intangible assets acquired	(29)	-
Credit in connection with share options	14	1
Total deferred tax	(120)	1
Income tax expense reported in income statement	<u>420</u>	<u>394</u>

The tax assessed in each period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

Tax Reconciliation

	12 months ended 31 March 2016	14 months ended 31 March 2015
	£'000	£'000
Profit on ordinary activities before taxation	1,374	1,820
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2015 – 21.28%)	275	387
Effects of:		
Non-deductible expenses	130	5
Other tax adjustments	15	2
Tax on profits on ordinary activities	<u>420</u>	<u>394</u>

13. 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 3,137,067 potentially issuable shares all of which relates to potential dilution from the Group's share options issued to Directors and employees in the period.

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

	12 months ended 31 March 2016	14 months ended 31 March 2015
	£'000	£'000
Profit used in calculating basic and diluted earnings per share	954	1,426
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	32,854,523	25,359,195
Weighted average number of shares for the purpose of diluted earnings per share	33,440,052	25,493,534
Basic earnings per share (pence)	2.9	5.6
Diluted earnings per share (pence)	2.8	5.6

Adjusted EPS

Profit after tax is stated after deducting non underlying items totalling £1.48 million. Exceptional items 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 Balance Sheet. These are shown separately on the face of the Consolidated Income Statement.

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

	12 months ended 31 March 2016	14 months ended 31 March 2015
	£'000	£'000
Profit after tax	954	1,426
Framework development costs	275	-
Amortisation of acquisition intangible assets	582	-
Share based payment charge	163	-
Acquisition costs	459	-
Adjusted profit after tax	2,433	1,426
Number of shares		
Weighted average number of shares for the purpose of adjusted earnings per share	32,854,523	25,359,195
Weighted average number of shares for the purpose of diluted adjusted earnings per share	33,440,052	25,493,534
Adjusted earnings per share (pence)	7.4	5.6
Diluted adjusted earnings per share (pence)	7.3	5.6

14. INTANGIBLE ASSETS

	Software costs	Customer relationships	Goodwill	Total acquisition related
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2015	-	-	-	-
Additions on acquisition	20	5,586	1,719	7,325
Additions in the year	38	-	-	38
At 31 March 2016	<u>58</u>	<u>5,586</u>	<u>1,719</u>	<u>7,363</u>
Amortisation				
At 1 April 2015	-	-	-	-
Charge for the year	8	582	-	590
At 31 March 2016	<u>8</u>	<u>582</u>	<u>-</u>	<u>590</u>
Net book value				
At 31 March 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2016	<u>50</u>	<u>5,004</u>	<u>1,719</u>	<u>6,773</u>

The Purdy Contracts customer relationship intangible asset is recognised and valued at £5.6m. This represents 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 revenue past performance by virtue of the customer relationship; but using an attrition rate of 80% where relationships are less than 5 years and 50% where relationships are more than 5 years. Associated cash outflows have been based on historically achieved margins and overhead run rates per £1 of revenue. The net cash flows are discounted using the rate of 13.3%, which the Directors consider is commensurate with the risks associated with capturing returns from the customer relationships. The estimated life for customer relationships is seven years based on the average of the contracted remaining life of contracted relationships and estimated life of the non contractual relationships.

Goodwill on consolidation of Purdy Contracts arises on the excess of cost of acquisition over the fair value of the net assets acquired on purchase of the company.

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 of 13.3% (as above for customer relationships). The Directors consider that on the basis of these post acquisition contract wins and also the year end contract wins, goodwill is not impaired.

Purdy Contracts is its own CGU for the purposes of the goodwill calculation and impairment reviews carried out by the Board and monitored on an ongoing basis.

15. PROPERTY, PLANT AND EQUIPMENT

At 31 March 2016	Freehold Land £'000	Freehold property £'000	Long leasehold improvement £'000	Motor vehicles £'000	Fixtures & fittings £'000	Office & Computer Equipment £'000	Total £'000
Cost							
At 1 April 2015	-	-	200	686	50	245	1,181
Addition on acquisition of subsidiary	300	484	-	61	9	61	915
Additions	-	-	-	14	5	79	98
Disposals	-	-	-	(111)	-	-	(111)
At 31 March 2016	<u>300</u>	<u>484</u>	<u>200</u>	<u>650</u>	<u>64</u>	<u>385</u>	<u>2,083</u>
Depreciation							
At 1 April 2015	-	-	(40)	(395)	(37)	(185)	(657)
Disposals	-	-	-	36	-	-	36
Charge for period	-	(15)	(8)	(72)	(6)	(38)	(139)
At 31 March 2016	<u>-</u>	<u>(15)</u>	<u>(48)</u>	<u>(431)</u>	<u>(43)</u>	<u>(223)</u>	<u>(760)</u>
Net book value							
At 1 April 2015	<u>-</u>	<u>-</u>	<u>160</u>	<u>291</u>	<u>13</u>	<u>60</u>	<u>524</u>
At 31 March 2016	<u>300</u>	<u>469</u>	<u>152</u>	<u>219</u>	<u>21</u>	<u>162</u>	<u>1,323</u>
<hr/>							
At 31 March 2015	Freehold Land £'000	Freehold property £'000	Long leasehold improvement £'000	Motor vehicles £'000	Fixtures & fittings £'000	Office & Computer Equipment £'000	Total £'000
Cost							
At 1 February 2014	-	375	193	664	48	225	1,505
Additions	-	-	7	105	2	20	134
Disposals	-	(375)	-	(83)	-	-	(458)
At 31 March 2015	<u>-</u>	<u>-</u>	<u>200</u>	<u>686</u>	<u>50</u>	<u>245</u>	<u>1,181</u>
Depreciation							
At 1 February 2014	-	-	(29)	(372)	(32)	(164)	(597)
Disposals	-	-	-	66	-	-	66
Charge for period	-	-	(11)	(89)	(5)	(21)	(126)
At 31 March 2015	<u>-</u>	<u>-</u>	<u>(40)</u>	<u>(395)</u>	<u>(37)</u>	<u>(185)</u>	<u>(657)</u>
Net book value							
At 1 February 2014	<u>-</u>	<u>375</u>	<u>164</u>	<u>292</u>	<u>16</u>	<u>61</u>	<u>908</u>
At 31 March 2015	<u>-</u>	<u>-</u>	<u>160</u>	<u>291</u>	<u>13</u>	<u>60</u>	<u>524</u>

The freehold property has been 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 2016 includes £219,000 (2015: £291,000) in respect of assets held under finance lease contracts which relate to the acquisition of motor vehicles.

16. INVENTORIES

	2016	2015
	£'000	£'000
Raw materials	723	320
Work in progress	-	27
	<u>723</u>	<u>347</u>

17. TRADE AND OTHER RECEIVABLES

	2016	2015
	£'000	£'000 Restated
Current		
Trade receivables	5,637	2,825
Other receivables	61	-
Prepayments and accrued income	5,878	1,048
	<u>11,576</u>	<u>3,873</u>

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

	2016	2015
	£'000	£'000 Restated
Between 1-2 months	1,163	1,185
Between 2-3 months	196	25
More than 3 months	618	319
	<u>1,977</u>	<u>1,529</u>

The above balances are past due at the reporting date, but the Group has not recognised an allowance against trade receivables, as 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 2016 is 65 days (31 March 2015: 70 days). No interest was charged on overdue receivables during any 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 Group's trade and other receivables are all denominated in Sterling.

18. CASH AND CASH EQUIVALENTS

	2016	2015
	£'000	£'000
Cash and bank balances	444	1,770
	<u>444</u>	<u>1,770</u>

Cash and cash equivalents comprise cash at bank. The carrying amount of these assets is approximately equal to their fair value.

The Group's cash and cash equivalents are held at floating interest rates and are held at NatWest Bank and HSBC Bank Plc 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.

19. BORROWINGS

	2016	2015
	£'000	£'000
Non-current		
Convertible loan notes	505	-
<i>Bank borrowings:</i>		
Term loans	2,888	-
Mortgage loan	485	-
	<u>3,373</u>	<u>-</u>
Non-current borrowings	<u>3,878</u>	<u>-</u>
Current borrowings:		
<i>Bank borrowings:</i>		
Other loans	-	31
Term loans	831	-
Mortgage loan	57	-
	<u>888</u>	<u>31</u>
Total borrowings		
Convertible loan notes	505	-
<i>Bank borrowings:</i>		
Other loans	-	31
Term loans	3,719	-
Mortgage loan	542	-
	<u>4,766</u>	<u>31</u>

The maturity analysis of borrowings, inclusive of finance charges is included in note 24. All of the loans are denominated in £ sterling.

Bank overdrafts are held at an interest rate of 3% above the Bank of England base rate. All cash at bank balances are denominated in £ sterling. As at 31 March 2016, the Group had unused overdraft facilities of £750,000 (2015: £250,000)

Non-current bank loans amounting to £3,373,000 as at 31 March 2016, (31 March 2015: £nil), and current bank loans amounting to £888,000 as at 31 March 2016 (31 March 2015: £31,271) are secured on related property, plant and equipment and debtor books of the Group and are repayable by quarterly instalments.

In relation to all facilities there is an Unlimited Composite Company Guarantee given by Bilby Plc, Purdy Contracts Limited, Purdy Holdings Limited and P&R Installation Company Limited to secure all liabilities of each borrower.

Details of the interest rates charged on the loans are as follows:

- A loan of £nil as at 31 March 2016 (31 March 2015: £31,271) is at 3.03% above the Bank of England base rate (2015: 3.03%). The loan was repaid in June 2015.
- A 5-year term loan of £4.2 million, with HSBC Bank Plc drawn down in July 2015, is at 2.75% above the Bank of England base rate.
- A 10-year mortgage loan of £570,000 with HSBC Bank Plc drawn down in July 2015, is at 1.9% above the Bank of England base rate. The mortgage is held over the freehold property of Purdy Contracts Limited known as Brooklyn Lodge, Mott Street, Chingford, London E4 7PW.

On 13 July 2015 Bilby PLC issued £500,000 of loan notes to Mr J R Horlock as part of the consideration for Purdy Holdings Limited. The loan notes are governed by an agreement containing the following terms:

- Interest will be charged at 1.5% per annum.
- Interest shall be accrued but not paid and will be taken into account when calculating the amount to be redeemed.
- If not converted or redeemed by the final maturity date then 5% interest will be accrued for the 24 month period.
- Convertible by the holder into equity shares on 13 July 2017, the conversion window starts 30 business days prior to 13 July 2017 and ends 20 business days after 13 July 2017.
- Conversion price will be the higher of the average closing mid-price for 60 days trading immediately prior to 13 July 2017 and £0.80p.

There is an Intercreditor Deed between Bilby Plc, Purdy Contracts Limited, Purdy Holdings Limited, P&R Installation Company Limited and John Horlock subordinating fully the loan notes and related security granted to John Horlock behind the Bank's facilities and security.

20. OBLIGATIONS UNDER FINANCE LEASES

	2016	2015
	£'000	£'000
Non-current:		
Minimum lease payments under finance leases	31	57
Current:		
Minimum lease payments under finance leases	44	50
	<u>75</u>	<u>107</u>

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:

	2016	2015
	£'000	£'000
Gross finance lease liabilities – minimum lease payments:		
No later than 1 year	46	54
Later than 1 year and no later than 5 years	33	60
Less: future finance charges on leases	(4)	(7)
	<u>75</u>	<u>107</u>

The present value of finance lease liabilities is as follows:

	2016	2015
	£'000	£'000
No later than 1 year	44	50
Later than 1 year and no later than 5 years	31	57
	<u>75</u>	<u>107</u>

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 2016, the effective borrowing rate was 2.5 % (31 March 2015: 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

	2016	2015
	£'000	£'000
Current		
Trade Payables	4,696	1,136
Other payables	62	-
Other taxation and social security	783	255
Accruals and deferred income	816	92
	<u>6,357</u>	<u>1,483</u>

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 93 days (2015: 47 days). Trade purchases includes the purchase of materials and subcontractor costs.

22. SHARE CAPITAL

Ordinary shares of £0.10 each	2016	2015
	£'000	£'000
At the beginning of the year/period	2,931	2,500
Issued in the year	494	431
At the end of the year/period	<u>3,425</u>	<u>2,931</u>
Number of shares	2016	2015
At the beginning of the year/period	29,310,345	-
Issued in the year in exchange for P&R Installation Company Limited shares	-	25,000,000
Placing of shares on admission to AIM	-	4,310,345
Issue of consideration shares in connection with Purdy Holdings Limited	1,250,000	-
Placing of shares on AIM in connection with the acquisition of Purdy Holdings Limited	3,687,500	-
At the end of the year/period	<u>34,247,845</u>	<u>29,310,345</u>
Share Premium	2016	2015
	£'000	£'000
At the beginning of the year/period	1,213	-
Issued in the year	2,582	2,069
Issue costs	(136)	(856)
At the end of the year/period	<u>3,659</u>	<u>1,213</u>

On 13 July 2015 the Company acquired the entire issued share capital of Purdy Holdings Limited satisfied by way of an initial cash payment of £6.57 million together with the issue of 1,250,000 new Bilby ordinary shares at a price of 80 pence per share (the "Consideration Shares") and the issue of a £500,000 Convertible Loan Note (the "Loan Note"), see note 19.

The acquisition was partly funded through the Placing of 3,687,500 ordinary shares at a price of 80 pence per share raising £2.95 million for the Group. Share issue costs amounted to £136,000.

	2016	2015
	£'000	£'000
At the beginning of the year/period	(2,499)	-
On acquisition of P&R Installation Company Limited	-	(2,499)
On acquisition of Purdy Holdings Limited	875	-
At the end of the year/period	<u>(1,624)</u>	<u>(2,499)</u>

The acquisition of Purdy Holdings Limited was partly funded through the Placing of 3,687,500 ordinary shares at a price of 80 pence per share. The difference between the nominal value of the shares issued and the Placing price gives rise to a premium of £875,000 which has been added to the merger reserve.

23. NOTE TO THE CASH FLOW STATEMENT

	12 months ended 31 March 2016	14 months ended 31 March 2015
	£'000	£'000 Restated
Cash flow from Operating Activities		
Profit before income tax	1,374	1,820
Adjustments for:		
Net Finance cost	115	20
Loss on disposal of property, plant and equipment	20	16
Depreciation	139	126
Amortisation of intangible assets	590	-
Share based payments	163	-
Movement in receivables	(4,543)	(2,269)
Movement in payables	2,555	597
Movement in inventories	(122)	(27)
Tax paid	(425)	(188)
Net cash (used in)/from operating activities	<u>(134)</u>	<u>95</u>

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.

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

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

	2016	2015
	£'000	£'000
Loans and receivables:		
Trade receivables	5,637	2,825
Accrued income	5,591	874
Other receivables	61	-
Cash and cash equivalents	444	1,770
	<u>11,733</u>	<u>4,595</u>

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

	2016	2015
	£'000	£'000
Held at amortised cost:		
Bank loans	4,261	31
Convertible loan notes	505	-
Obligations under finance leases	75	107
Accruals	758	92
Trade payables	4,696	1,136
Other payables	62	-
	<u>10,357</u>	<u>1,366</u>

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.

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 totalling £4.3 million at variable interest rates. If the interest rate had been 6.5%, being 50% higher, and all other variable were constant, the Group's profit after tax for the year and reserves would decrease by £156,000 (2015: £nil). The actual interest expense, in the year to 31 March 2016, is not equivalent to a full years charge as the loan were drawn down in July 2015.

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 2016 was at an average rate of less than 1% (31 March 2015: 2.9%).

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.

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.

Trade and other receivables

The Group is exposed to the risk of default by its customers. At 31 March 2016, the Group had 5 customers with an outstanding balance over £250,000 (31 March 2015: three). The Directors believe that there is no 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 2016, 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. No impairment of financial assets has been made at any date shown in these consolidated financial statements. Management considers the above measures to be sufficient to control the credit risk exposure.

Liquidity risk management

Borrowing facilities

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 is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation.

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. The quantum of committed borrowing facilities of the Group is regularly reviewed and is designed to exceed forecasted peak gross debt levels. For short-term working capital requirements, the Group utilises bank overdrafts as required. These facilities are regularly reviewed and are renegotiated ahead of their expiry date.

The Group had total available working capital facilities at an interest rate of 3% over base amounting to £750,000 with HSBC Bank plc of which at 31 March 2016. The facilities are reviewed and renewed on an annual basis. The Group maintains good relationships with its bank, which has a high credit rating.

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

2016	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Non-derivative financial liabilities					
HSBC mortgage	57	57	171	257	542
HSBC term loan	831	840	2,048	-	3,719
Convertible loan notes	-	505	-	-	505
Trade payables	4,696	-	-	-	4,696
	<u>5,584</u>	<u>1,402</u>	<u>2,219</u>	<u>257</u>	<u>9,462</u>
2015	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Non-derivative financial liabilities					
Bank borrowings	-	-	-	-	-
Trade payables	1,136	-	-	-	1,136
	<u>1,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,136</u>

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.

	2016	2015
	£'000	£'000
Cash and cash equivalents comprised as follows;		
– Cash at bank and in hand	444	1,770
– Bank borrowings and overdrafts	(4,261)	(31)
– Convertible loan notes	(505)	-
	<u>(4,322)</u>	<u>1,739</u>

25. RELATED PARTY TRANSACTIONS

During the current period and previous year, the Group operated from headquarters at 6-8 Powerscroft Road, Sidcup, Kent. The freehold of the property is owned by Mr P Copolo, the majority shareholder of the Group as at 31 March 2016. A formal 20 year lease was entered into on the 6th March 2015 between Mr Copolo and the Group. Under the terms of the lease, the initial rent is £50,000 per annum with the Group being responsible for all ongoing costs.

Key management compensation

The Group’s key management are considered to comprise the directors of Bilby Plc and two members of the senior management team of the Group who are also subsidiary company directors. Their remuneration is as follows:

	2016	2015
	£'000	£'000
The aggregate remuneration comprised:		
Aggregate emoluments	402	146
Consultancy fees	65	90
	<u>467</u>	<u>236</u>
Social security costs	54	14
Share based payments	24	-
Total remuneration	<u>545</u>	<u>250</u>

The remuneration of the highest paid director during the year was £119,300 (14 months to 31 March 2015: £94,040). 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:

	2016	2015
	£'000	£'000
Less than 1 year	519	12
More than 1 year but less than 5 years	706	13
More than 5 years	1,708	-
	<u>2,933</u>	<u>25</u>

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 Group's 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 period to 31 March 2015 was £1,409. This charge was not been recognised in the financial statements for the period ended 31 March 2015 due to the immaterial amounts concerned. The total charge for the year to 31 March 2016 was £163,313.

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 share options issued, 439,655 of them are subject to a performance condition based on a total shareholder return over the period up to 6 March 2018.

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 2016 for the options issued in March 2015 totals £52,379.

b) Options issued in July 2015

The Group issued 1,085,000 options to nine employees on 16 July 2015. 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 2016 for the options issued in July 2015 totals £91,063.

c) Options issued in December 2015

The Group issued 340,000 options to one director and three employees on 9 December 2015. The options are exercisable at a price of £1.28 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.

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

Weighted average exercise price	£1.28
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 2016 for the options issued in December 2015 totals £15,597.

d) Options issued in January 2016

The Group issued 100,000 options to a director on 4 January 2016. The options are exercisable at a price of £1.46 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. 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 inputs into the option pricing model for the options granted in January 2016 are as follows:

Weighted average exercise price	£1.46
Expected volatility	47.7%
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 with reference to the Company share price rather than comparable companies.

The charge for the year ended 31 March 2016 for the options issued in January 2016 totals £4,274.

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

	2016		2015	
	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)
Outstanding at the beginning of the year/period	1,612,067	0.58	-	-
Granted during the year/period	1,590,000	1.13	1,612,067	0.58
Forfeited during the year/period	(65,000)	(1.02)	-	-
Exercised during the year/period	-	-	-	-
Outstanding at the end of the year/period	<u>3,137,067</u>	<u>0.80</u>	<u>1,612,067</u>	<u>0.58</u>

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

	2016	2015
	£'000	£'000
March 2015	52	-
July 2015	91	-
December 2015	16	-
January 2016	4	-
	<u>163</u>	<u>-</u>

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	Share options	Short term timing differences	Total
	£'000	£'000	£'000	£'000
At 1 February 2014	-	-	(19)	(19)
(Charge) to the income statement	-	-	(1)	(1)
At 31 March 2015	-	-	(20)	(20)
Acquisition of subsidiary	(1,005)	-	(23)	(1,028)
Credit/(Charge) to income statement and other comprehensive income	105	29	(14)	120
Credit/(charge) taken directly to equity	-	189	-	189
At 31 March 2016	<u>(900)</u>	<u>218</u>	<u>(57)</u>	<u>(739)</u>
			2016	2015
			£'000	£'000
Deferred tax asset			218	-
Deferred tax liability			(957)	(20)
Net deferred tax liability			<u>(739)</u>	<u>(20)</u>

29. PRIOR YEAR ADJUSTMENT

During the year ended 31 March 2016 the Group was notified by one of its customers that they had discovered a billing system error in relation to the year ended 31 March 2015. The result of this error was they had incorrectly advised the Group to invoice for certain work twice and had paid for this work twice. The customer recouped these duplications by deducting them from valuations raised in the year ended 31 March 2016 rather than requesting a credit note. Therefore income for this customer in the year ended 31 March 2016 was understated and the income in the year ended 31 March 2015 was overstated. This has been quantified at £160,000 by the Directors and this amount has been agreed by the customer. Costs incurred remain unaffected. This has resulted in an adjustment to the revenue and profits in the year ended 31 March 2015 of £160,000 and gives rise to a tax refund of £33,600. The net adjustment is £126,400.

The income statement and statement of financial position have been restated for the above adjustments with a reconciliation of reserves being presented in the Consolidated Statement of Changes in Equity.

30. ACQUISITIONS

On 13 July 2015 the Group acquired the entire issued capital of Purdy Holdings Limited for a total consideration of £8.07m. Purdy Holdings Limited contributed £18.5million to revenue and £1.8 million to the Group's operating profit for the period. If the acquisition had taken place at the start of the period, the Group's revenue and operating profit would have been approximately £34.9 million and £1 million respectively.

Purdy Holdings Limited, through its sole subsidiary Purdy Contracts Limited, operates predominantly as a gas and electrical contractor carrying out all types of gas and electrical work to both commercial and domestic markets, predominantly focused on social housing and local authority customers. The acquisition represents an expansion of services and geographical scope which is complementary to P&R Installation Company Limited.

The fair value of the assets acquired and liabilities assumed were as follows:

	Fair values	
	£'000	£'000
Assets		
Non-current		
Intangible assets		7,325
Property, plant and equipment		915
		<u>8,240</u>
Current		
Inventory and work in progress	254	
Trade and other receivables	3,103	
Cash and cash equivalents	(22)	
		<u>3,335</u>
Total assets		<u>11,575</u>
Liabilities		
Current		
Borrowings	362	
Trade and other payables	2,214	
Corporation tax	(76)	
Deferred tax	1,005	
		<u>3,505</u>
Total liabilities		<u>3,505</u>
Net assets		<u><u>8,070</u></u>
Satisfied by		
Cash paid		6,570
Fair value of shares issued		1,000
Loan notes issued		500
		<u><u>8,070</u></u>

The consideration was satisfied by way of an initial cash payment of £6.57m together with the issue of 1,250,000 new Bilby Plc ordinary shares at a price of £0.80p per share and the issue of £500,000 convertible loan notes. The acquisition was funded through a new term loan of £4.2 million and a mortgage loan of £0.57m from HSBC Bank Plc together with the share placing which raised a further £2.95 million for the Group by the issue of 3,687,000 new ordinary shares at £0.80p per ordinary share.

31. ULTIMATE CONTROLLING PARTY

By virtue of his majority shareholding, as at 31 March 2016, Mr P Copolo is the ultimate controlling party of Bilby Plc.

32. EVENTS AFTER THE BALANCE SHEET DATE

On 12 April 2016, the Company acquired the entire issued share capital of DCB (Kent) Limited for a maximum consideration of £4.0 million and the entire issued share capital of Spokemead Maintenance Limited for a maximum consideration of £8.7 million. The acquisition consideration was financed by a placing of 4,237,288 new Ordinary Shares to new and existing institutional investors to raise £5.0 million (before expenses) and debt funding by way on an extension of existing debt facilities provided by HSBC Bank plc.

DCB (Kent) Limited	Provisional fair value
	£'000
Intangible assets	3,372
Tangible assets	750
Inventories	146
Trade and other receivables	4,395
Current liabilities	(4,381)
Non-current liabilities	(188)
Deferred tax	(94)
Maximum value of consideration	<u>4,000</u>
	<u>4,000</u>
	Provisional fair value
	£'000
Intangible assets	6,132
Tangible assets	23
Inventories	9
Trade and other receivables	3,083
Current liabilities	(547)
Maximum value of consideration	<u>8,700</u>
	<u>8,700</u>

Parent Company Statement of Financial Position as at 31 March 2016

	Notes	2016 £'000	2015 £'000
FIXED ASSETS			
Investments	6	22,912	14,500
CURRENT ASSETS			
Trade and other receivables	7	2,775	1,052
Cash and cash equivalents		27	1,579
TOTAL CURRENT ASSETS		<u>2,802</u>	<u>2,631</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(1,340)</u>	<u>(9)</u>
NET CURRENT ASSETS		<u>1,462</u>	<u>2,622</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		24,374	17,122
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	<u>(3,877)</u>	<u>-</u>
NET ASSETS		<u><u>20,497</u></u>	<u><u>17,122</u></u>
EQUITY			
Ordinary shares	13	3,425	2,931
Share premium	14	3,659	1,213
Merger reserve	15	12,875	12,000
Share based payment reserve	12	163	-
Retained earnings		375	978
TOTAL SHAREHOLDERS' FUNDS		<u><u>20,497</u></u>	<u><u>17,122</u></u>

The notes on pages 75 to 85 are an integral part of these financial statements.

The financial statements on pages 72 to 85 were approved by the Board and authorised for issue on 13 July 2016 and signed on its behalf by

K O'Reilly, Director.

Parent Company Statement of Changes in Equity for the financial year ended 31 March 2016

	Called up share capital	Share Premium	Share based payment reserve	Merger reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
On incorporation on 20 June 2014	-	-	-	-	-	-
Loss and total comprehensive income for the period	-	-	-	-	978	978
Issue of shares for acquisition of P&R Installation Company Limited via share for share exchange	2,500	-	-	12,000	-	14,500
Issue of shares on admission to AIM	431	2,069	-	-	-	2,500
Issue costs	-	(856)	-	-	-	(856)
Total transactions with owners recognised directly in equity	<u>2,931</u>	<u>1,213</u>	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>17,144</u>
At 31 March 2015	2,931	1,213	-	12,000	978	17,122
At 1 April 2015	2,931	1,213	-	12,000	978	17,122
Profit and total comprehensive income for the year	-	-	-	-	259	259
Issue of shares	494	2,582	-	875	-	3,951
Issue costs	-	(136)	-	-	-	(136)
Share based payment charge	-	-	163	-	-	163
Tax credit relating to share options	-	-	-	-	189	189
Equity dividends paid	-	-	-	-	(1,051)	(1,051)
Total transactions with owners recognised directly in equity	<u>494</u>	<u>2,446</u>	<u>163</u>	<u>875</u>	<u>(862)</u>	<u>3,116</u>
At 31 March 2016	<u><u>3,425</u></u>	<u><u>3,659</u></u>	<u><u>163</u></u>	<u><u>12,875</u></u>	<u><u>375</u></u>	<u><u>20,497</u></u>

Parent Company Statement of Cash Flows for the financial year ended 31 March 2016

	Notes	12 months ended 31 March 2016 £'000	9 months ended 31 March 2015 £'000
Net cash used in operating activities	16	(570)	(65)
Cash flow from investing activities			
Acquisition of subsidiary, net of cash acquired		(6,911)	-
Net cash generated from / (used in) investing activities		(6,911)	-
Cash flow from financing activities			
Proceeds from borrowings		4,770	-
Repayment of borrowings		(509)	-
Interest paid		(95)	-
Issue of ordinary share capital		2,950	2,500
Issue costs		(136)	(856)
Dividend paid		(1,051)	-
Net cash generated from financing activities		5,929	1,644
Net increase / (decrease) in cash and cash equivalents		(1,552)	1,579
Cash and cash equivalents at beginning of year/period		1,579	-
Cash and cash equivalents at end of year/period		27	1,579

Notes to the Company Financial Statements for the financial year ended 31 March 2016

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). The company transitioned from previously extant UK GAAP to FRS 101 on 20 June 2014. There have been 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.

Bilby PLC has taken advantage of Section 408 of the Companies Act 2006 and has not included its own Statement of Comprehensive Income in these financial statements. The Parent Company profit for the year was £259,000 (2015: £978,000).

These financial statements are presented in Pounds 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 "Going Concern and Liquidity Risk Guidance for UK Companies 2009".

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.

On the basis of the above projections, 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.

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.

2.6. 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. Convertible loan notes

Interest-bearing loans (including loan notes) are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement, redemption or conversion, are recognised in profit or loss over the term of the instrument using the effective rate of interest.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan note.

2.8. 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.

2.9. 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 JUDGMENTS

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.

Share based payment charge

The company issued share options to Directors and employees of the Group in the year. 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. AUDITOR’S REMUNERATION

	2016	2015
	£’000	£’000
Audit fees payable to the Company’s auditor	<u>15</u>	<u>5</u>

5. EMPLOYEE EXPENSES

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

	2016	2015
	No	No
Management	<u>3</u>	<u>3</u>

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

	2016	2015
	No	No
Wages and salaries	291	28
Social security costs	<u>34</u>	<u>1</u>
	<u>325</u>	<u>29</u>

The remuneration of the Directors and other key management personnel of the company are shown in the Directors' Report and note 25 and of the consolidated financial statements of the Group.

6. INVESTMENTS

	Total
	£'000
Cost and net book value	
On incorporation	-
Acquisition of P&R Installation Company Limited	<u>14,500</u>
At 31 March 2015	<u>14,500</u>
Acquisition of Purdy Holdings Limited	8,411
Bilby Australia Pty	<u>1</u>
As 31 March 2016	<u>22,912</u>

The principal subsidiaries of the Company as at 31 March 2016 are shown below:

	Percentage of voting rights held	Country of registration	Nature of business
P&R Installation Company Limited	100%	England and Wales	Provision of gas heating, plumbing and building services
Purdy Holdings Limited	100%	England and Wales	Holding company
Purdy Contracts Limited	100%	England and Wales	Provision of gas, electrical and buildings services
Bilby Australia Pty	100%	Australia	Non trading entity

7. TRADE AND OTHER RECEIVABLES

	2016	2015
	£'000	£'000
Due within one year		
VAT recoverable	-	46
Amount due from subsidiary undertaking	2,483	1,000
Prepayments and accrued income	74	-
	<u>2,557</u>	<u>1,046</u>
Due after more than one year		
Deferred tax (note 8)	218	6
	<u>2,775</u>	<u>1,052</u>

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

8. DEFERRED TAXATION

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

	Share options	Trading losses	Total
	£'000	£'000	£'000
At 20 June 2014	-	-	-
Credited to the income statement	-	6	6
At 31 March 2015	-	6	6
(Charged)/Credited to statement of comprehensive income	29	(6)	23
Credit taken directly to equity	189	-	189
At 31 March 2015	<u>218</u>	<u>-</u>	<u>218</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000	£'000
Bank loans (note 11)	888	-
Trade payables	163	-
Other payables	-	9
Corporation tax	64	-
Other taxes and social security	132	-
Accruals	93	-
	<u>1,340</u>	<u>9</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016	2015
	£'000	£'000
Bank loans (note 11)	3,372	-
Convertible loan notes	505	-
	<u>3,877</u>	<u>-</u>

Convertible loan notes

On 13 July 2015 Bilby PLC issued £500,000 of loan notes to Mr J R Horlock as part of the consideration for Purdy Holdings Limited. The loan notes are governed by a document containing the following terms:

- Interest will be charged at 1.5% per annum
- Interest shall be accrued but not paid and will be taken into account when calculating the amount to be redeemed.
- If not converted or redeemed by the final maturity date then 5% interest will be accrued for the 24 month period
- Convertible by the holder into equity shares on 13 July 2017, the conversion window starts 30 business days prior to 13 July 2017 and ends 20 business days after 13 July 2017
- Conversion price will be the higher of the average closing mid-price for 60 days trading immediately prior to 13 July 2017 and £0.80p.

There is an Intercreditor Deed between Bilby Plc, Purdy Contracts Limited, Purdy Holdings Limited, P&R Installation Company Limited and John Horlock subordinating fully the loan notes and related security granted to John Horlock behind the Bank's facilities and security.

11. LOANS AND OTHER BORROWINGS

Loans repayable, included within creditors, are analysed below:

	2016	2015
	£'000	£'000
Current		
HSBC term loan	831	-
HSBC Mortgage	57	-
	<u>888</u>	<u>-</u>
Current		
HSBC term loan	2,887	-
HSBC Mortgage	485	-
	<u>3,372</u>	<u>-</u>

Bank loans

Non-current bank loans amounting to £3,372,000 as at 31 March 2016, (31 March 2015: £nil), and current bank loans amounting to £888,000 as at 31 March 2016 (31 March 2015: £nil) are secured on related property, plant and equipment and debtor books of the Group and are repayable by quarterly instalments.

In relation to all facilities there is an Unlimited Composite Company Guarantee given by Bilby Plc, Purdy Contracts Limited, Purdy Holdings Limited and P&R Installation Company Limited to secure all liabilities of each borrower.

Details of the interest rates charged on the loans are as follows:

- A 5-year term loan of £4.2 million, with HSBC Bank Plc drawn down in July 2015, is at 2.75% above the Bank of England base rate.
- A 10-year mortgage loan of £570,000 with HSBC Bank Plc drawn down in July 2015, is at 1.9% above the Bank of England base rate.

12. SHARE BASED PAYMENTS

The Company has a share option scheme for certain directors and employees. Options are generally exercisable at a price equal to the market price of the Group's 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 period to 31 March 2015 was £1,409. This charge has not been recognised in the financial statements for the period ended 31 March 2015 due to the immaterial amounts concerned. The total charge for the year to 31 March 2016 was £163,313.

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 balance sheet date.

Grant date	Grant date	Exercise price in £ per share	No of share options	
			2016 No	2015 No
March 2015	March 2018	0.58	1,612,067	1,612,067
July 2015	July 2018	0.95	1,085,000	-
December 2015	December 2018	1.19	340,000	-
January 2016	January 2019	1.46	100,000	-
Outstanding at the end of the year/period			<u>3,137,067</u>	<u>1,612,067</u>

On 13 July 2015 the Company acquired the entire issued share capital of Purdy Holdings Limited satisfied by way of an initial cash payment of £6.57 million together with the issue of 1,250,000 new Bilby ordinary shares at a price of 80 pence per share (the "Consideration Shares") and the issue of a £500,000 Convertible Loan Note (the "Loan Note"), see note 10.

The acquisition was partly funded through the Placing of 3,687,500 ordinary shares at a price of 80 pence per share raising £2.95 million for the Group. Share issue costs amounted to £136,000.

13. SHARE CAPITAL

Allotted, called up and fully paid: Ordinary shares of £0.10 each

	2016		2015	
	No	£'000	No	£'000
At the beginning of the period	29,310,345	2,931	-	-
On incorporation	-	-	20	-
Issue of shares to existing shareholders of P&R	-	-	980	-
Issue of shares for acquisition of P&R via share for share exchange	-	-	24,999,000	2,500
Issue of shares on admission to AIM	-	-	4,310,345	431
Consideration shares in connection with Purdy Holdings Limited	1,250,000	125	-	-
Placing on AIM	3,687,500	369	-	-
At the end of the period	<u>34,247,845</u>	<u>3,425</u>	<u>29,310,345</u>	<u>2,931</u>

On 13 July 2015 the Company acquired the entire issued share capital of Purdy Holdings Limited satisfied by way of an initial cash payment of £6.57 million together with the issue of 1,250,000 new Bilby ordinary shares at a price of 80 pence per share (the "Consideration Shares") and the issue of a £500,000 Convertible Loan Note (the "Loan Note"), see note 10.

The acquisition was partly funded through the Placing of 3,687,500 ordinary shares at a price of 80 pence per share raising £2.95 million for the Group. Share issue costs amounted to £136,000.

14. SHARE PREMIUM

	2016	2015
	£'000	£'000
At the beginning of the year/period	1,213	-
Issued in the year	2,582	2,069
Issue costs	(136)	(856)
At the end of the year/period	<u>3,659</u>	<u>1,213</u>

15. MERGER RESERVE

	2016	2015
	£'000	£'000
At the beginning of the year/period	12,000	-
Acquisition of P&R Installation Company Limited	-	12,000
Acquisition of Purdy Holdings Limited	875	-
At the end of the year/period	<u>12,875</u>	<u>12,000</u>

The acquisition of its P&R Installation Company Limited during the period to 31 March 2015 did not meet the definition of a business combination and therefore falls outside the scope of IFRS3. The acquisition has therefore been accounted for in accordance with the principles of merger accounting as set out in Financial Reporting Standard 6 – Acquisitions and Mergers.

The consideration paid to the shareholders of P&R Installation Company Limited was 25,000,000 ordinary shares of 10p each. A merger reserve arises on consolidation being the difference between the nominal value of the shares issued on acquisition and the share capital of P&R Installation Company Limited.

The acquisition of Purdy Holdings Limited was partly funded through the Placing of 3,687,500 ordinary shares at a price of 80 pence per share. The difference between the nominal value of the shares issued and the Placing price gives rise to a premium of £875,000 which has been added to the merger reserve.

16. NOTES TO THE CASH FLOW STATEMENT

	2016	2015
	£'000	£'000
Cash flow from Operating Activities		
Profit before income tax	299	972
Adjustments for:		
Net finance cost	109	-
Share based payments	163	-
Movement in receivables	(1,511)	(1,046)
Movement in payables	370	9
Net cash used in operating activities	<u>(570)</u>	<u>(65)</u>

17. 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 Group Consolidated Financial Statements.

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

	2016	2015
	£'000	£'000
Loans and receivables:		
Other receivables	2,483	1,000
Cash and cash equivalents	27	1,579
	<u>2,510</u>	<u>2,579</u>

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

	2016	2015
	£'000	£'000
Held at amortised cost:		
Bank loans	4,261	-
Convertible loan notes	505	-
Accruals	93	-
Trade payables	163	-
	<u>5,022</u>	<u>-</u>

The table below shows the maturity profile of the Company's financial liabilities as at 31 March 2016:

2016	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Non-derivative financial liabilities					
HSBC mortgage	57	57	171	257	542
HSBC term loan	831	840	2,048	-	3,719
Convertible loan notes	-	505	-	-	505
Trade payables	163	-	-	-	163
	<u>1,051</u>	<u>1,402</u>	<u>2,219</u>	<u>257</u>	<u>4,929</u>

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.

	2016	2015
	£'000	£'000
Cash and cash equivalents comprised as follows;		
– Cash at bank and in hand	27	1,579
– Bank borrowings and overdrafts	(4,261)	-
– Convertible loan notes	(505)	-
	<u>(4,739)</u>	<u>1,579</u>

18. RELATED PARTY TRANSACTIONS

Transactions with group undertakings

During the year the Company entered into the following transactions with its subsidiary undertakings.

	Management charges to subsidiaries	Dividends
	£'000	£'000
Year ended 31 March 2016	900	260
Period ended 31 March 2015	-	-
	<u>900</u>	<u>260</u>

As at 31 March 2016 amounts owed by subsidiary undertakings totalled £2,483,000 (2015: £1,000,000).

19. OPERATING LEASES

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

	2016	2015
	£'000	£'000
Less than 1 year	72	-
More than 1 year but less than 5 years	288	-
	<u>360</u>	<u>-</u>

20. ULTIMATE CONTROLLING PARTY

The directors consider that Mr P Copolo, by virtue of his majority shareholding as at 31 March 2016, is the ultimate controlling party of Bilby Plc.

21. EVENTS AFTER THE REPORTING DATE

On 12 April 2016, the Company acquired the entire issued share capital of DCB (Kent) Limited for a maximum consideration of £4.0 million and the entire issued share capital of Spokemead Maintenance Limited for a maximum consideration of £8.7 million. The acquisition consideration was financed by a placing of 4,237,288 new Ordinary Shares to new and existing institutional investors to raise £5.0 million (before expenses) and debt funding by way on an extension of existing debt facilities provided by HSBC Bank Plc.

22. PARENT COMPANY GUARANTEES

Parent company guarantees are in place in relation to two group customers. The form of guarantee provided by Bilby obliges the group to undertake the work of the service provider (in these cases Purdy Contracts) should Purdy Contracts be unable to fulfil the services provision required; indemnify the customer against any losses incurred due to failure of Purdy Contracts to fulfil the service and owe a duty of care to the customer as if Bilby itself was the service provider. The guarantees are in place until the services under the contract have been satisfied in full for both contracts being 30 June 2022 and 30 November 2020 respectively. In addition for one of the guarantees, the obligation to provide a continuing guarantee extends to 12 years after the end of the contract period, being 30 June 2034.

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