



Bilby<sub>PLC</sub>

Annual Report &  
Financial Statements  
2017



We have benefited directly from our buy and build growth strategy, and are pleased to have successfully integrated DCB and Spokemead into the Group. We have made considerable progress in the second half of the year further strengthening our position and market share in London and the South East, where our ongoing commitment to best in class customer service has enabled us to win major contracts that underpins our confidence in the future.

— **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.

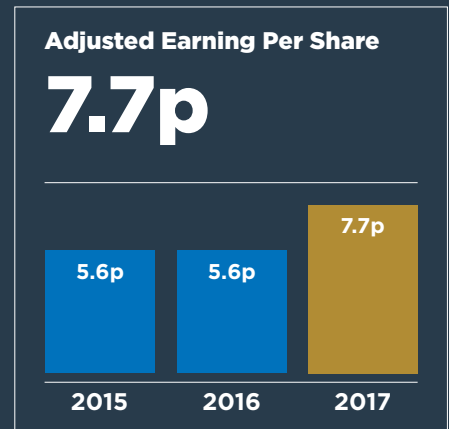
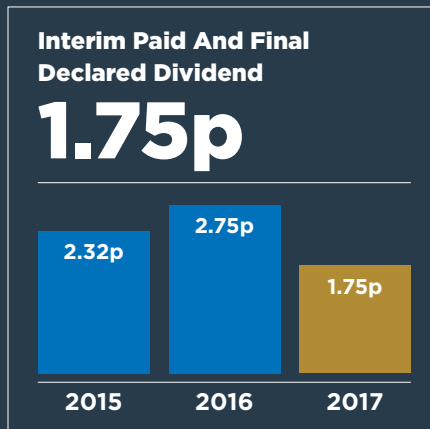
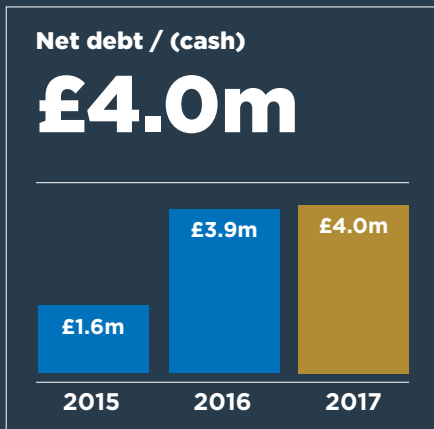
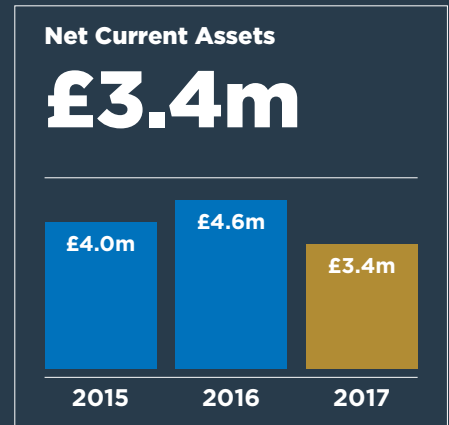
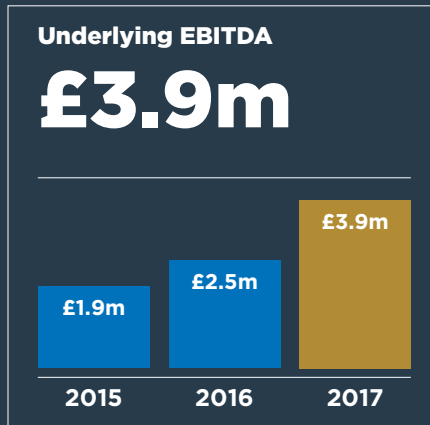
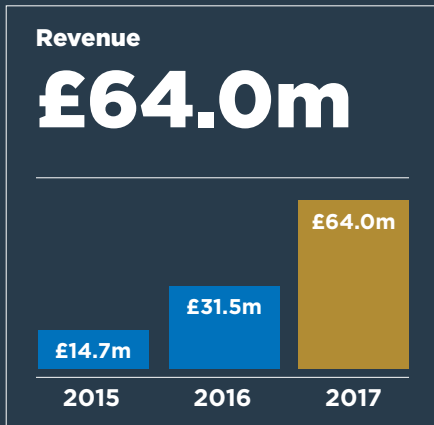
Through our award winning subsidiaries, P&R, Purdy, DCB and Spokemead, we provide general building, gas maintenance and electrical services to over 300,000 domestic and commercial dwellings across London and South East England. These services are predominately delivered to local authorities and housing 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.

## Contents

Company Overview.....	3
Strategic Report .....	18
Directors' Report.....	34
Auditor's Report.....	37
Consolidated Financial Statements .....	41
Company Financial Statements.....	82
Notice of Annual General Meeting.....	96

## Financial highlights



## Operational highlights

- Acquired DCB for a maximum consideration of £4.0 million and Spokemead for a maximum consideration of £8.7 million. The acquisitions have enabled Bilby to expand the range of services that it offers as well as broadening its customer base and geographical reach. Both acquired businesses have met their initial earn-out performance conditions and are successfully integrated within the Group.
- Significant contract momentum achieved in the second half should underpin a strong financial performance in successive years: P&R was awarded contracts from Carillon, the London Boroughs of Lambeth, Bexley, Haringey, Tower Hamlets and the housing associations Phoenix and Paradigm and East Kent Housing.
- P&R finished first in the framework tender for gas support work for the South-East Consortium and was appointed to Fusion 21's Heating Framework. As a result it was subsequently awarded contracts by Walerton and Elgin Community Homes and Sussex and Hampshire housing association Saxon Weald.
- DCB was awarded two major contracts to build and refurbish houses in Kent with the Borough of Ashford and West Kent Housing.
- Purdy has recently been appointed to the Fusion 21, (Electrical) and Eastern Procurement frameworks. Purdy has also secured a recent contract with Barnet Homes. Many of Purdy's clients have recently increased the scope of work to be undertaken by Purdy.
- The Group is now one of the largest gas contractors in London and the South East providing general building, gas maintenance and electrical services to over 300,000 domestic and commercial properties across London and South East England.
- Continued investment into operational systems and efficiencies during 2017 has enabled the Group to increase its cash reserves at the year end, which stood at £1.9 million.

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

Adjusted for share based payment charge, acquisition costs, framework development costs in 2016, amortisation of customer relationships, restructuring costs, change in estimate of accrued income and change in value of contingent considerations.

## 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

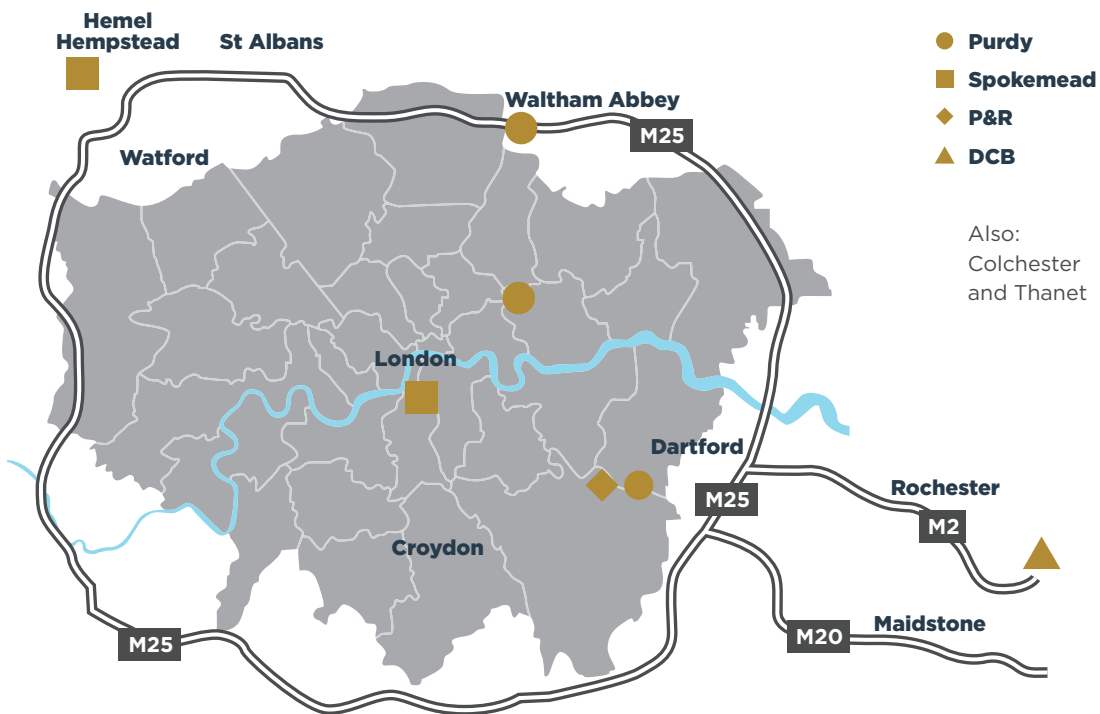
### Gas Services

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

I am delighted to report that the Group has continued to make solid progress.

Our strategy of organic growth bolstered by acquisitions has ensured the Group remains on track to increase its market share in the gas heating and general building services markets in London and the South East. This progress is underpinned by Bilby's commitment to consistently deliver outstanding customer service.

### Buy and build

In April 2016, Bilby completed its acquisition of DCB, a provider of high quality building, refurbishment and maintenance services to housing associations and local authorities, for a maximum consideration of £4.0 million. At the same time, the Group completed the acquisition of Spokemead, a specialist in electrical installation repairs and maintenance services for local authority-owned housing stock, for a maximum consideration of £8.7 million. The acquisitions, which were immediately earnings enhancing, were supported by a successful placing to new and existing institutional investors, which raised £5.0 million (before expenses).

The acquisitions of DCB and Spokemead have enhanced the Group's service offering as well as its customer and geographic reach. Both businesses have now been successfully integrated, have met their initial earn-out performance conditions and continue to trade strongly. When appropriate, the Group will seek to make further acquisitions to increase its growing presence and market share in London and South

East England, whilst progressing its organic growth strategy. Any potential acquisition will continue to meet Bilby's stringent criteria relating to: service synergies, management strength, geographic and customer reach, robust margins, cash flow and revenue visibility. We are pleased to report that all three acquisitions since Bilby's IPO in 2015 have continued to demonstrate and maintain these attributes.

### Organic growth

Whilst the Group finished the year with considerable commercial momentum, during the first half of this year trading was impacted when a major customer of the Group took a substantial amount of work in house, which impacted half year revenues and profitability. Despite this challenge, the Group continued to focus on its strategy of organic growth and significant progress was made in the second half of the year. This included existing customers extending the scope of contracted work and companies within the Group winning a number of new and sizeable long-term contracts.

The new large contract gains validate the Group's buy and build strategy. Furthermore, they are a clear endorsement of the strong reputation for operational excellence that Bilby companies command in the market place. Importantly, this clear momentum significantly increases the Group's revenue visibility for the current financial year and beyond.



**Sangita Shah**  
Chairman



**Dividend**

The Board has recommended a final dividend of 1.50p per ordinary share that, together with the interim dividend of 0.25p, represents a total of 1.75p per share. The final dividend will be paid, subject to shareholder approval, to those shareholders on the register at close of business on 28 July 2017. 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**

The Group’s leading reputation is driven by the passion and commitment of our employees. They are an integral asset to the Group and underpin our success. On behalf of the Board I would like to thank them all for their perseverance, continued hard work and commitment to ensuring that our customers are served in the best possible manner. The continual development of all our staff remains a priority and we are fully committed to being a best in class employer.

**Outlook**

Bilby has achieved a considerable amount during the financial year. Our successfully integrated companies continue to benefit from the opportunities and synergies that Bilby’s scale, service offering and customer reach provide. Critically, the Group’s strong commercial momentum in the second half, which has continued into the current period, gives Bilby a robust platform for future growth. Accordingly, we can look to the future with considerable confidence.

**Sangita Shah**  
 Chairman, 12 July 2017



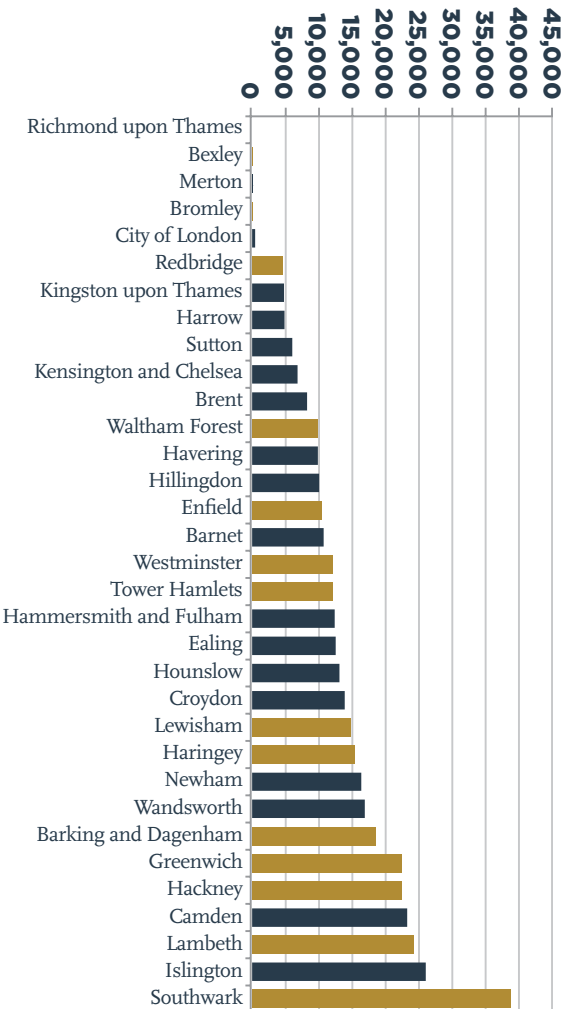
## The marketplace

### 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.

### Administered housing stock, London Boroughs

Bilby's London-based services address **14** out of a total of **33** Boroughs, comprising a housing stock of 205,420 dwellings, 51.1% of total.



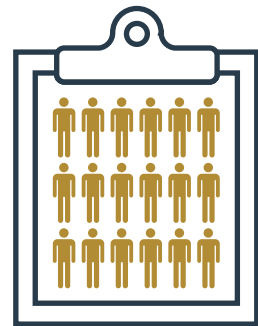
### Growing Demand for Bilby's Services is Driven by

**1.33 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

**£2.6 billion**



Spent on repair and maintenance for local authority and housing association homes in 2015/16 fiscal year

**FOR SALE**

**42,000** per year

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

**£26-£32 billion**

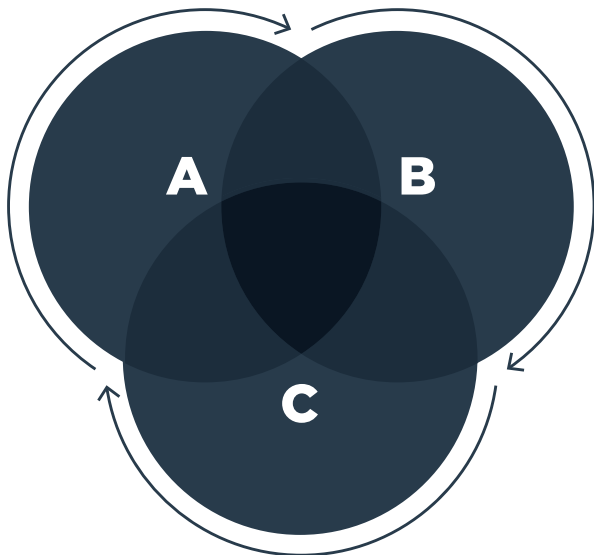
Estimated growth of total revenue spending resources for social housing in England between 2013 and 2017



## 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

# Bilby<sub>PLC</sub>



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 head-quartered 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.



## Hackney Council case study

# Hackney Council is committed to providing better homes for the Residents of the London Borough of Hackney.

Formed in 1964 from the separate municipal boroughs of Hackney, Shoreditch and Stoke Newington, the Borough of Hackney is home to over 250,000 people, a rich diversity of cultures and communities.

Purdy's major 5 year contract for Hackney Council, with a potential further 4 year extension and additional planned works, is a key example of Purdy's significant expansion and diversification into complementary work streams. The contract is for the provision of Responsive General Building Repairs and Maintenance and is a natural strategic extension to Purdy's core business activities of Mechanical and Electrical Services, mostly provided under similar Responsive Repair term contracts.

On award the Council estimated this reactive contract's value likely to be between £4m to £6m in annual turnover and two years in, Purdy's annual works appointments continue to grow in line with these expectations.

Working primarily within low, mid and high rise London Tower Blocks of Flats, the type of works our Operatives cover under this extensive contract includes:

- Reactive and Planned General Building Works
- Asbestos Removals
- Brickwork Repairs and Cleaning
- General Cleaning and Clearance Works
- Concrete Repairs and Replacements including Lintels and Sills
- Drainage Inspections and Renewals
- Excavation and Earthworks
- External Works including Fencing, Glazing, Metalwork's, Scaffolding
- Internal and External Decorations
- Plumbing
- Roofing
- Water Mains and Tanks Reactive Maintenance
- Window and Door Renewals and Replacements

- Woodwork Repairs
- Ventilation Equipment Installations and Repairs

The contract also included a very substantial Transfer of Undertakings (Protection of Employment) (TUPE) transfer of existing staff from the previous contractor to Purdy, alongside our new office and depot setup, all successfully achieved for Hackney during the short mobilisation timescale and with a smooth service transfer for Hackney's Residents.

The latest figures from Hackney's Annual Residents Report for 2015/16 for all their repair services show a continued improvement with 83.44% in 2015/16 of Residents satisfied with the quality of their repairs work, rising from 81.62% in 2014/15 and 95.97% of all repairs completed within target time.

Purdy's award winning 'Purdy Futures' Apprenticeship programme is again playing a leading role in the delivery of our new service for Hackney, as well as our employment of local small suppliers – all part of our commitment to work together with Hackney Council to deliver a lasting economic as well as a better housing legacy in Hackney's local estates.





Purdy, with a track record of working with a range of public sector Clients, were selected as our main repairs contractor. Together with our in house team, delivering approximately 90,000 reactive repairs to our tenants homes, they are, and continue to be, an essential component and in the forefront of our service improvements, which puts performance and resident satisfaction at the heart of our service.

— **Ian Saville,**  
Interim Head of Building Maintenance & Estate  
Environment Housing Services

## East Kent Housing case study

East Kent Housing is a company controlled by Canterbury City Council, Dover District Council, Shepway District Council and Thanet District Council within the meaning of part V of the Housing Act 1989.

They are an ‘arm’s length management organisation’ (ALMO) that manage the four council's housing services.

East Kent Housing is managed by a Board of Directors, which includes four residents, four local authority nominees representing each council area and four independent members.

### What East Kent Housing is:

- An organisation set up and owned by the four local councils to run its council housing services.
- Run by an independent management board, which includes tenants, independent members and councillors, but remains accountable through a contract with the four councils.
- According to the government’s watchdog the Audit Commission, this is the best approach to managing housing services.

Currently East Kent Housing manage nearly 17,000 properties, comprising of both individual domestic and sheltered

schemes for the elderly and disabled. They are the largest ALMO in Kent.

During 2016, a full procurement exercise was launched to find a new contractor with the expertise and experience to carry out Gas servicing, installs and repairs to all properties managed by East Kent Housing. The new contract also requires the contractor to take responsibility for the water hygiene across the 4 councils.

Following the stringent tender process, which saw local residents work together with East Kent Housing's Property Services team, P&R were selected for the new contract, which started to take customer enquiry calls from 5pm on Friday 31 March 2017.

P&R's award winning engineers will carry out high quality servicing, repair and maintenance works to a variety of central heating systems including gas, coal, wood and oil. They will also be responsible for annual gas safety checks, boiler installations and servicing as well as providing a 365 day, 24-hour emergency service.





**Key points that were measured were**

- Financial standing
- Previous experience on similar contracts
- A can-do attitude by all staff members
- Previous winners of multiple customer service awards
- The flexibility and enthusiasm to deliver on tight deadlines
- Ability and experience to integrate all 4 councils’ asset data into a joint working operating system with transparency throughout

100% of all services are being delivered by in house directly employed engineers and staff.

A new local office has been opened in Canterbury and the recruitment of local engineers has been completed.

The new contract will run for an initial 5 years with an option to extend the contract by a further 3 years.

East Kent Housing and P&R are excited about working alongside each other to provide an excellent service 24 hours a day, 365 days per year for all residents.

P&R were selected after a rigorous tender process and we very much looking forward to working with them again. Together with our residents, we were really impressed with their record of customer service, high standards of servicing and repairs as well as their exceptional gas safety standards. We are confident that East Kent Housing residents will receive the best possible repairs service for their central heating systems.

— **Mark Anderson,**  
Head of Property Services for East Kent Housing

## Operational review

In the 12 month period ended 31 March 2017, and reflecting a full years contribution from DCB and Spokemead, Group revenue increased 103% to £63.98 million (2016 restated: £31.45 million), with underlying operating profit before taxation increasing to £3.32 million (2016 restated: £2.20 million). Profit before taxation and non-underlying items was £0.06 million (2016 restated: £0.72 million).

The Board has recommended a final dividend of 1.50p per ordinary share, together with the interim dividend of 0.25p, representing a total of 1.75p per share for the full year.

Continued investment into operational systems and efficiencies during 2017 has enabled the Group to increase its positive cash reserves at the year-end, which stood at £1.9 million.

### Buy and build

The acquisition and successful integration of DCB and Spokemead has delivered a number of strategic benefits to the Group. The acquired businesses have significantly enhanced the Group's service offering, customer and geographic reach in Bilby's core London and South East markets.

Importantly, these businesses have given Bilby the critical mass required to tender for larger contracts, as well as the ability to cross-sell services now available within the Bilby Group. The newly won large contracts in the second half of the financial year have validated this strategy. Furthermore,

I am pleased to report that following the acquisitions, the cross fertilisation of services has gained real momentum with numerous joint projects for existing and new customers underway. This is testament to the significant opportunities that exist for the enlarged Group as well as the collaborative nature of the management and companies within Bilby.

### Customers – significant momentum in the second half

Whilst the first half saw the exciting addition of the newly acquired businesses the Group faced challenges with a long-standing customer of the Group changing the processes by which they manage their outsourced building services work. This resulted in both delays to expected work and certain work being taken in house by the customer. The Group remains confident that this occurrence is not reflective of any fundamental shift in market practise nor Bilby's highly regarded reputation for operational excellence. The significant trading progress made by Bilby since this development gives the management confidence that this view is validated.

The second half was characterised by the Group winning a substantial quantum of new customers which will result in the scaling up of associated revenues during current and future financial years. New client wins include Carillon (The Ministry of Defence), where, in addition to gas services, it is providing a wide range of building and support services work for one of its core regions. Additionally, the Group was pleased to add the London boroughs of Lambeth, Haringey, Tower Hamlets, Bexley and the Housing Associations Phoenix and Paradigm to its list of existing customers.

The Group's disciplined focus on the London and the South East markets and long-standing reputation for best in class gas services work led to P&R signing a 8 year contract to provide gas services for East Kent Housing. The contract, which commenced on 1 April 2017, is the largest gas services contract awarded in Kent and covers servicing and support for over 16,700 properties. Given the nature of the services provided, both of these gas contracts give the Group significant visibility on higher margin revenues.



As a result of P&R finishing first in the framework tender for gas support work for the South-East Consortium (SEC), giving it access to over 140,000 properties in South East England, it was awarded a contract by Walerton and Elgin Community Housing. The seven-year gas-servicing contract commenced prior to the year-end.

Additionally, following its appointment to Fusion 21's £200 million per annum Heating Framework in 2016, P&R has now secured a three year gas servicing contract, with a two year extension option, with Sussex and Hampshire housing association Saxon Weald. This contract has now started and covers over 4,000 properties.

DCB, Purdy and Spokemead have all performed well. DCB made good progress winning contracts to build and refurbish houses in Kent with the Borough of Ashford and West Kent Housing. During the year Purdy and Spokemead's high levels of customer service enabled them to trade ahead of expectations.

**Marketplace**

Whilst some customers have tightened their discretionary spending, we remain confident that the market will continue to benefit from initiatives such as the Decent Homes Standard and the Right to Repair scheme, which remain an ongoing focus for government investment. The growth Bilby has achieved during the year has enabled us to expand both our geographic presence in this core market and our service offering.

**Investment**

The Group continues to make substantial investment in its operational and IT systems required to realise the benefits and synergies available to the enlarged Group. This investment gives the Board confidence that it can maximise the efficiencies of scale and gain from cost savings generated from activities such as materials and insurance procurement.

**Current trading and outlook**

Considerable progress has been made in the second half with new contracts significantly increasing the Group's revenue visibility for the current financial year and beyond. Our commitment to the highest standards of service and operational excellence has supported our ongoing work with long-term customers where the scope of work has been extended. At present, no major contracts are due to be retendered during 2017. The enlarged Group continues to tender for a number of significant new local authority and social housing opportunities where spend is largely non-discretionary. This, combined with the customer momentum generated in the second half, ensures that the Board looks forward with confidence.

**Phil Copolo**  
 Founder and Deputy Chairman,  
 12 July 2017

## Financial review

### Our Financial Performance

#### Revenues

After a slow start to the financial year, we are delighted to report record revenues of £63.98 million for the year to 31 March 2017 (£31.45 million for the year to 31 March 2016). Included in the revenues of £63.98 million, are contributions from DCB (£22.3 million) and Spokemead (£2.89 million). Our revenue increased by £32.53 million representing a growth rate of 103%. Revenues recovered during the second half of the year to be ahead of market expectations.

#### Underlying Operating Profits

We are also pleased to report underlying (adjusted for the share based payment charge, restructuring costs, amortisation of customer relationships, acquisition costs, change in estimated accrued income and the change in value of contingent consideration) operating profits of £3.55 million (2016 – restated £2.31 million) and underlying profit before tax of £3.32 million (2016 – restated £2.20 million)

Our margins have varied during the year since the introduction of DCB and Spokemead to the Group. Our 2017 margin performance of 17.2% compares favourably when a comparison is made with our peer group.

Our direct costs are being closely monitored on all our contracts. The Group has benefited by the increased purchasing power the acquisitions and internal growth has afforded without compromising the service levels. We now have the opportunity for each company within the Group to enjoy a flexible workforce either through our direct labour or utilisation of sub-contractors. This flexibility and greater

purchasing power has enabled the Group to gain critical mass.

#### Overheads

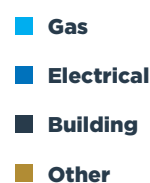
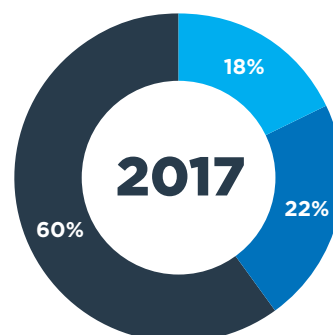
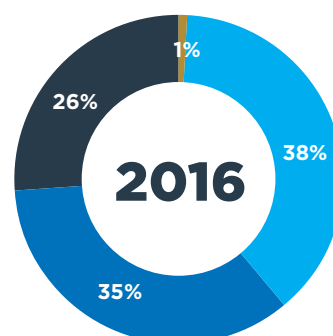
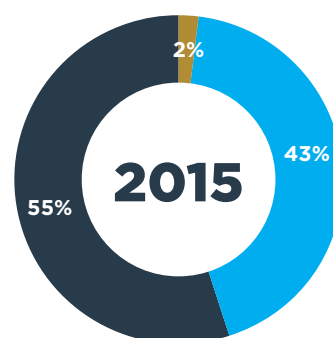
Our overhead cost base increased as a result of the acquisitions of DCB and Spokemead. Our central overhead costs have remained constant and are considerably lower than comparable AIM listed companies. We remain cost conscious with each subsidiary requiring group approval to increase their overhead expenditure. The integration of DCB and Spokemead into the Group has been funded from existing resource.

#### Our Financial Position

The acquisitions of DCB and Spokemead continue to strengthen our financial position with Group Total Assets of £36.9 million at 31 March 2017 (2016 Restated £20.9 million). The Group Net Assets as at 31 March 2017 were £13.4 million (2016 Restated £8.0 million). Net debt (bank loans plus hire purchase liabilities less cash) at 31 March 2017 amount to £3.95 million (2016 Restated £3.89 million) with the majority of this balance being attributable to the 5 year term loan signed for the purpose of the acquisitions of Purdy, DCB and Spokemead.

The Group remains relatively ungeared with cash resource of £1.9 million (2016 £0.44 million). The Group has a working capital facility of £2.25 million as at 31 March 2017. During the year, a decision was taken to transfer the working capital requirement for DCB from invoice discounting to the Group's working capital facility. This was successfully completed in December 2016 and has substantially reduced the Group's future finance costs.

#### Revenue by Service



The Group has complied with all the financial covenants set by our bankers HSBC Bank Plc, during the financial year.

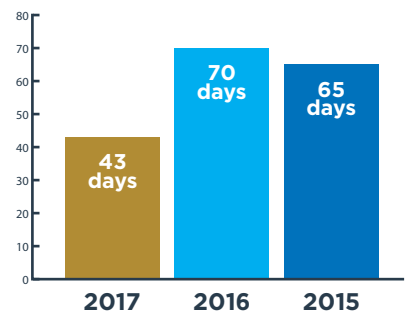
We are fortunate to enjoy long term client relationships with a number of local government organisations and other housing associations. This has resulted in an improvement in cash collections. Our recently appointed Group treasury manager understands our challenges especially as cash collections sometimes represent high volumes and low values. Our clients continually look to re-organise departments and divisions in order to generate cost savings. We continue to monitor cash collection on a daily basis. In addition, management have focused on improving financial and operating systems and the rollout of Bilby's enhanced financial software has enabled us to become more efficient. We have also managed to negotiate better terms with our suppliers which has enable us to take advantage of early settlement discounts.

We focus on a range of key indicators to assess our performance. Our key 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.

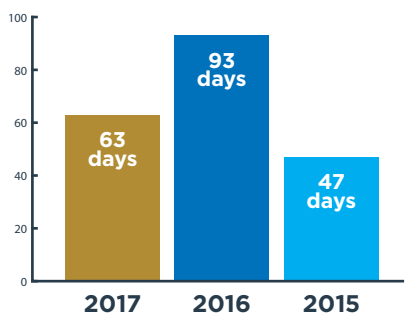
The key business drivers which are monitored on a regular basis are as follows:

- Customer Compliancy - currently running near 100% across our largest contracts
- Customer Satisfaction - currently running at 95%+ across our largest contracts
- Visible future revenues in excess of £275 million
- No major contract renewals in the next financial year

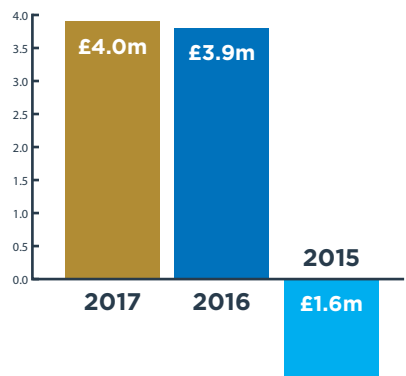
**Debtor Days**  
(based on invoiced amounts)



**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 2017	12 Months to 31st March 2016
Revenue	63.98	31.45
Gross profit	11.02	6.00
Gross margin	17.2%	19.1%
Underlying EBITDA 2	3.91	2.46
Underlying operating profit	3.55	2.31
Underlying profit before taxation 2	3.32	2.20
Basic EPS	(0.46)p	1.31p
EPS basic (adjusted) 1	7.66p	5.64p
Cash dividend per share	2.25p	3.07p
Cash	1.90	0.44
Total assets	36.91	20.96
Net working capital 3	7.00	5.73
Net assets	13.41	8.01

1. Adjusted for amortisation of customer relationships, share based payment charges, acquisition costs, framework development costs, change in estimate of accrued income, restructuring costs and change in value of contingent consideration.
2. Underlying measures stated before charging the share based payment charges, acquisition costs, framework development costs, amortisation of customer relationships, change in value of contingent consideration, change in estimate of accrued income and restructuring costs.
3. Calculated as inventories, trade and other receivables less trade and other payables.

## Dividends

The Board has recommended a final dividend of 1.50p per ordinary share, which subject to shareholder approval at the forthcoming Annual General Meeting, will be paid in August 2017 to those shareholders on the register at the close of business on 28 July 2017. Together with the interim dividend of 0.25p, this represents a total of 1.75p per ordinary share.

## Conclusion

The Group continues to make progress and is driven by a determined focus to increase shareholder value. Management intend to achieve this by continuing to implement the following:

- Increasing revenues, maintaining margins and growing earnings in a sustainable and profitable manner.
- Increasing our client base.
- Efficient and targeted investment of cash.
- Making full utilisation of our increased purchasing power.
- When appropriate implementing an earnings enhancing buy and build strategy.
- Applying a dividend policy which closely tracks earnings growth.

We look forward to providing our shareholders with updates regarding our key financial objectives during the course of the next financial year.

**David Ellingham**

Finance Director, 12 July 2017

## 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 had specifically responsibility for the Group's private equity investments.



**Leigh Copolo**  
Chief Operating Officer

Leigh Copolo has extensive operational experience having started with P&R in 2007, where he was appointed as a director in 2009. Leigh has managed teams of workforces and been responsible for controlling operations across all Bilby businesses.



**David Ellingham FCCA**  
Financial 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 of AIM listed companies.

## Corporate governance statement

The Board is fully committed to investing in the management systems and appropriate controls to ensure that the Company's high standard of corporate governance is reflective of the quality of its operations and service.

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.

— **David Ellingham,**  
Group Finance Director

## Board Effectiveness

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

There is a clear separation of the roles of Chairman and the Executive Deputy Chairman 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), Phil Copolo 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.

The company maintains a website ([www.bilbyplc.com](http://www.bilbyplc.com)) where the Group's statutory announcements and accounts are available. The website conforms to the requirements of AIM Rule 26 and all the relevant information can be found there.

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 2017 AGM will be held at the offices of Hudson Sandler, 29 Cloth Fair, London, EC1A 7NN, on 4 August 2017 at 10.00am and a formal Notice of Meeting and Form of Proxy are enclosed.

**Targeting under-represented Groups**

The Bilby Group is fully committed to a structured approach to target groups that are under-represented in our sector, such as females, black and minority groups

(BME) and those with disabilities. We give full and fair consideration to all applications. Through our extensive apprenticeship programmes we encourage training and career development to enhance promotion opportunities.



## 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 KPI's 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. Impact 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 safety, health, 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 exists 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

**Leigh Copolo**, Chief Operating Officer, 12 July 2017

## Directors' report

# The Directors' present their report together with the consolidated financial statements for the year ended 31 March 2017

### 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 Statement of Comprehensive Income. In accordance with s414C(11) of the companies act 2006, information required to be disclosed in respect of future developments is included within the Strategic Report.

### Dividend

The final dividend is proposed to be 1.50p per ordinary share and will be paid in August 2017 to shareholders on the Register of Members on 28 July 2017. This has not been included within the consolidated financial statements as no obligation existed as at 31 March 2017.

### Directors

The present membership of the Board is set out below with further biographical detail on pages 24 and 25.

### 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
Phil Copolo	Executive Deputy Chairman	20 June 2014
David Ellingham	Finance Director formerly Managing and Business Development Director	20 June 2014
Katie O'Reilly	Finance Director	1 February 2016 Resigned 15 December 2016
Leigh Copolo	Group Operations Director	16 December 2016
David Johnson	Non-Executive Director	19 January 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 2017.

## Directors' Remuneration

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

Executive Director	2017 £	2016 £
Phil Copolo	116,607	119,300
David Ellingham	71,509	64,898
Katie O'Reilly*	91,728	22,500
Leigh Copolo	89,407	–
Darren Dunnett (to 3 December 2015)	–	108,372
Share based payments	30,000	24,000
Non-Executive Directors		
Sangita Shah	35,000	35,000
David Johnson	30,000	30,000
	464,251	404,070

\* Katie O'Reilly resigned her position on 15 December 2016. As part of Katie's resignation agreement, her salary is to be paid until 30 June 2017, together with a settlement sum of £30,000.

## Options Granted to Directors

The Director has been granted the following Options over Ordinary Shares:-

Name	Number of Options	Date of Grant	Exercisable	Exercise Price £
David Ellingham	140,000	09/12/15	09-Dec-18	1.19

Katie O'Reilly was granted 100,000 options on 4 January 2016 (price £1.46) which were cancelled following her resignation on 15 December 2016.

## Substantial Shareholdings

As at 31 March 2017, 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
Phil Copolo	14,476,896	36.44
Miton Asset Management	5,836,538	14.69
Western Selection Plc	2,337,088	5.88
Amati Global Investors	2,258,024	5.68
David Ellingham	2,250,000	5.66
Darren Dunnett	2,250,000	5.66
Leigh Copolo	1,320,000	3.32
Close Asset Management	1,278,711	3.21
John Horlock	1,250,000	3.15

## 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 and;
- 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

Kingston Smith 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,**  
 Finance Director, 12 July 2017

## Independent Auditor's Report to the members of Bilby Plc for the financial year ended 31 March 2017

### Opinion

We have audited the financial statements of Bilby Plc for the year ended 31 March 2017 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Cash Flows, the Group Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Key audit matters

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

**Audit Area and Description*****Valuation of Accrued Income***

The group carries out work for clients that had not been invoiced at the year end. Income has been accrued in respect of work carried out prior to the balance sheet date. This represents a significant proportion of receivables.

***Cut-off of cost accruals***

Given that a prior year adjustment was required in this area we considered this to be a key audit area.

***Carrying value of intangibles***

As a result of the acquisitions made during this and in the prior period, intangible assets represented a significant part of the assets of the Group. The intangible assets arising on acquisition largely comprise customer relationships and goodwill.

**Accounting for acquisitions**

The Group made two acquisitions in the year which were accounted for under the purchase method of accounting. These acquisitions significantly increased the Group's assets, liabilities, income and expenditure.

**Audit approach**

We selected a sample of contracts where income had been accrued at the year end and:

- confirmed that calculations were arithmetically correct;
- agreed calculations to invoices raised after the year end; and
- agreed work done prior to the year end to confirmations from customers.

We performed cut-off testing to confirm that direct costs were recorded in the correct accounting period.

A sample of post year end payments and invoices were reviewed to confirm that costs had not been understated.

We reviewed the assumptions underpinning the valuation of customer relationships arising on acquisition.

We assessed the Directors' assertion that no impairment was required by reference to trading performance and forecasts.

We considered the appropriateness of the amortisation policy for customer relationships.

We checked the calculations of the cost of investment and the goodwill arising on acquisition.

We checked that the cash flows had been correctly recorded in the Statement of Cash Flows.

**Our application of materiality**

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

Due to the nature of the Group we considered income to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the Group to be £424,500, based on a percentage of revenue.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group was 60% of materiality, namely £254,700.

We agreed to report to the Audit Committee all audit differences in excess of £21,225, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### **An overview of the scope of our audit**

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

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

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

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

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient

and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

#### **Other matter**

We have reported separately on the parent company financial statements of Bilby Plc for the year ended 31 March 2017. That report includes details of the parent company key audit matters; how we applied the concept of materiality in planning and performing our audit and an overview of the scope of our audit.

---

#### **MATTHEW MEADOWS (Senior Statutory Auditor)**

for and on behalf of Kingston Smith LLP, Statutory Auditor  
Devonshire House  
60 Goswell Road  
London EC1M 7AD

12 July 2017

## Consolidated Statement of Comprehensive Income for the year ended 31 March 2017

	Notes	12 months ended 31 March 2017			12 months ended 31 March 2016		
		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
<b>REVENUE</b>	5	63,981	-	63,981	31,445	-	31,445
Cost of sales		(52,966)	-	(52,966)	(25,442)	-	(25,442)
<b>GROSS PROFIT</b>		11,015	-	11,015	6,003	-	6,003
Administrative expenses	7	(7,470)	(3,254)	(10,724)	(3,691)	(1,479)	(5,170)
<b>OPERATING PROFIT</b>	6	3,545	(3,254)	291	2,312	(1,479)	833
Finance income	10	-	-	-	2	-	2
Finance costs	10	(227)	-	(227)	(117)	-	(117)
Net finance costs		(227)	-	(227)	(115)	-	(115)
<b>PROFIT BEFORE TAX</b>		3,318	(3,254)	64	2,197	(1,479)	718
Income tax expense	12			(244)			(288)
<b>(LOSS)/PROFIT FOR THE YEAR</b> attributable to the equity holders of the parent company				(180)			430
<b>Total comprehensive income for the year/period</b> attributable to the equity holders of the parent company				(180)			430
Basic (loss)/earnings per share (pence)	13			(0.46)p			1.31p
Diluted (loss)/earnings per share (pence)	13			(0.46)p			1.29p

## Consolidated Statement of Financial Position as at 31 March 2017

	Notes	2017 £'000	2016 £'000 Restated
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Intangible assets	14	15,843	6,773
Property, plant and equipment	15	1,821	1,323
Deferred tax assets	28	-	218
		<u>17,664</u>	<u>8,314</u>
<b>CURRENT ASSETS</b>			
Inventories	16	1,993	723
Trade and other receivables	17	15,358	11,477
Cash and cash equivalents	18	1,895	444
<b>TOTAL CURRENT ASSETS</b>		<u>19,246</u>	<u>12,644</u>
<b>TOTAL ASSETS</b>		<u><u>36,910</u></u>	<u><u>20,958</u></u>
<b>EQUITY AND LIABILITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
Share capital	22	3,973	3,425
Share premium	22	8,076	3,659
Share-based payment reserve	27	505	163
Merger reserve	22	(248)	(1,624)
Retained earnings		1,104	2,382
<b>TOTAL EQUITY</b>		<u>13,410</u>	<u>8,005</u>
<b>NON CURRENT LIABILITIES</b>			
Borrowings	19	4,363	3,373
Obligations under finance leases	20	78	31
Deferred consideration	29	1,000	505
Deferred tax liabilities	28	2,184	957
		<u>7,625</u>	<u>4,866</u>
<b>CURRENT LIABILITIES</b>			
Borrowings	19	1,276	888
Obligations under finance leases	20	131	44
Current income tax liabilities		225	242
Deferred consideration	29	2,013	-
Trade and other payables	21	12,230	6,913
<b>TOTAL CURRENT LIABILITIES</b>		<u>15,875</u>	<u>8,087</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>36,910</u></u>	<u><u>20,958</u></u>

Approved by the Board on 12 July 2017

D Ellingham, Finance Director. Company registration number: 09095860

## Consolidated Statement of Changes in Equity for the financial year ended 31 March 2017

	Issued share capital	Share premium	Share based payment reserve	Merger reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2015</b>	<u>2,931</u>	<u>1,213</u>	<u>-</u>	<u>(2,499)</u>	<u>2,814</u>	<u>4,459</u>
Profit and total comprehensive income for the year (as restated note 8.2)	-	-	-	-	430	430
Issue of share capital	<u>494</u>	<u>2,582</u>	<u>-</u>	<u>875</u>	<u>-</u>	<u>3,951</u>
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>
<b>Balance at 31 March 2016 (as restated)</b>	<u>3,425</u>	<u>3,659</u>	<u>163</u>	<u>(1,624)</u>	<u>2,382</u>	<u>8,005</u>
Loss and total comprehensive income for the year	-	-	-	-	(180)	(180)
Issue of share capital	<u>548</u>	<u>4,575</u>	<u>-</u>	<u>1,376</u>	<u>-</u>	<u>6,499</u>
Issue costs	-	(158)	-	-	-	(158)
Share-based payment charge	-	-	342	-	-	342
Tax debit relating to share option scheme	-	-	-	-	(204)	(204)
Dividends paid	-	-	-	-	(894)	(894)
Total transactions with owners recognised directly in equity	<u>548</u>	<u>4,417</u>	<u>342</u>	<u>1,376</u>	<u>(1,098)</u>	<u>5,585</u>
<b>Balance at 31 March 2017</b>	<u><u>3,973</u></u>	<u><u>8,076</u></u>	<u><u>505</u></u>	<u><u>(248)</u></u>	<u><u>1,104</u></u>	<u><u>13,410</u></u>

## Consolidated Statement of Cash Flows for the financial year ended 31 March 2017

	Notes	12 months ended 31 March 2017 £'000	12 months ended 31 March 2016 £'000 Restated
<b>Net cash generated from/(used in) operating activities</b>	23	<u>3,357</u>	<u>(134)</u>
<b>Cash flow from investing activities</b>			
Interest received		-	2
Acquisition of subsidiaries	29	(8,700)	(6,570)
Net cash/(overdraft) acquired on acquisition	29	2,066	(22)
Purchases of property, plant and equipment		(120)	(98)
Purchase of intangible assets		(57)	(38)
Proceeds on disposal of property, plant and equipment		<u>69</u>	<u>55</u>
<b>Net cash used in investing activities</b>		<b>(6,742)</b>	<b>(6,671)</b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		2,500	4,897
Repayment of borrowings		(1,182)	(1,003)
Interest paid		(219)	(103)
Capital element of finance lease payments		(211)	(75)
Issue of ordinary share capital		5,000	2,950
Issue costs		(158)	(136)
Dividend paid		<u>(894)</u>	<u>(1,051)</u>
<b>Net cash generated from financing activities</b>		<b>4,836</b>	<b>5,479</b>
Net increase/(decrease) in cash and cash equivalents		<u>1,451</u>	<u>(1,326)</u>
Cash and cash equivalents at beginning of year/period		<u>444</u>	<u>1,770</u>
<b>Cash and cash equivalents at end of year</b>	18	<u><u>1,895</u></u>	<u><u>444</u></u>

**Notes to the Consolidated Financial Statements for the financial year ended 31 March 2017**

**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 2016.

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 “Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risk”, issued April 2016.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of these 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 7 of the company financial statements on page 87.

**(a) P&R Installation Company Limited**

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 Section 19 of FRS102 relating to group reconstructions and previously Financial Reporting Standard 6 - Acquisitions and Mergers. Accordingly, the consolidated financial statements for the Group for the period in which the acquisition occurred were presented as if the Company throughout that and preceding periods had owned P&R Installation Company Limited. In those financial statements, the comparative figures included 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.

**(b) Purdy Contracts Limited**

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 met 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.

**(c) DCB (Kent) Limited**

On 12 April 2016, the Company acquired the entire issued share capital of DCB (Kent) Limited for a maximum consideration of £4 million. The acquisition met the definition of a business combination and has been accounted for using the acquisition method in accordance with the Group's accounting policy.

**(d) Spokemead Maintenance Limited**

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

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 typically 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.
- **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 performance. Exceptional costs are disclosed on the face of the Consolidated Statement of Comprehensive Income as "non-underlying items" where these are material and considered necessary to explain the underlying financial performance of the Group. They are either one-off in nature, non-cash expenses or necessary elements of expenditure to derive future benefits for the Group which have not been capitalised in the Consolidated Statement of Financial Position.

#### 2.6. Dividends

The Group has a policy of paying dividends to shareholders in accordance with the amount recommended by the Directors. If the Directors believe the dividends are justified by the profits of the Group available for distribution, they also pay interim dividends. Dividends are recognised when they become legally payable. In the case of interim dividends, this is when dividends are paid. In the case of final dividends, this is when the dividends are approved by the shareholders at the Annual General Meeting.

#### 2.7. Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. In the opinion of the Board of Directors, there is currently only one operating segment, being facilities management. This segment incorporates 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 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 CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the 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
- Long leasehold improvements    5% on Long leasehold improvements cost
- Office & Computer equipment    25% reducing balance
- Fixtures, & fittings                    25% reducing balance
- Motor vehicles                          25% reducing balance

Freehold land is not depreciated.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of comprehensive income.

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

## 2.11. Impairment of property, plant and equipment

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. For assets other than goodwill, where conditions giving rise to

impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the statement of comprehensive income, net of any depreciation or amortisation that would have been charged since the impairment.

#### **2.12. Inventories**

Raw materials and consumables are measured at the lower of cost and net realisable value.

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

#### **2.13. Financial Instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets 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 a defined contribution pension scheme for certain employees of the Group. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension costs charged 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, 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 IFRS and IFRIC Interpretations have been issued but have not been applied by the Group in preparing these financial statements as they are not as yet effective and in some cases had not yet been adopted by the EU. The

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

- IFRS 9, 'Financial Instruments'
- IFRS 15, 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'
- IFRS 10 and IAS 28 (amendments), 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- Amendments to IFRS 2, 'Classification and Measurement of Share-based Payment Transactions'
- Amendments to IAS 7, 'Disclosure Initiative'
- Amendments to IAS 12, 'Recognition of Deferred Tax Assets for Unrealised Losses'

The directors do not expect that the adoption of the Standards listed above will have a material impact on the Group in future periods except that IFRS 9 will impact both the measurement and disclosure of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond this, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

IFRS 16 is a significant change to lessee accounting and all leases will require balance sheet recognition of a liability and a right-of-use asset except short term leases and leases of low value assets. The effect on the Group cannot be accurately quantified at this stage.

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

### 3. FINANCIAL RISK MANAGEMENT

#### 3.1. Financial risk factors

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

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

#### 3.2. Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates.

##### *(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 19 to these consolidated financial statements. No hedging arrangements are currently in place but the Board keeps this under constant review.

#### 3.3. Credit risk

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

The Group has a number of policies for managing the credit risk of their new and existing customers, and have 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 .

As at 31 March 2017, the Group had cash and cash equivalents, of £1,895,000 (2016: £444,000).

### **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.

### **4.1. 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.

### **4.2. Valuation of accrued income**

Revenue recognisable in relation to work completed and accredited is recognised as accrued income until invoiced based on actual purchase order value, plus any variations or based on the estimated cost of the job using recent past performance as a basis for the price of the work. Some judgement is therefore required in assessing the estimated cost but management are comfortable with their basis of estimation which has been supported by post year end invoice values.

### **4.3. Share based payment charge**

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

### **4.4. 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.

#### 4.5. Impairment of goodwill

Determining whether goodwill is impaired requires an estimate of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation involves an estimate of the future cash flows of the CGUs and also the selection of appropriate discount rates to calculate present values. Future cash flows are estimated based on contract 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 analysed as follows:

	Continuing Operations	Acquisitions	12 months ended 31 March 2017	12 months ended 31 March 2016
	£'000	£'000	Total £'000	(Re-stated) £'000
Gas Maintenance	11,563	-	11,563	11,997
Building Services	15,769	22,303	38,072	11,107
Electrical Services	11,295	2,888	14,183	8,104
Trade Counter	163	-	163	237
	<u>38,790</u>	<u>25,191</u>	<u>63,891</u>	<u>31,445</u>

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

There are four customers who individually contribute 11%, 10%, 6% and 6% respectively towards the revenue. (31 March 2016: four contributing 17%, 10%, 9% and 8%).

#### 6. OPERATING PROFIT

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

	12 months ended 31 March 2017	12 months ended 31 March 2016
	£'000	£'000
Inventory recognised as an expense in cost of sales	12,625	5,882
Staff costs	13,589	7,407
Depreciation	310	139
Amortisation of software	32	8
Loss on disposal of property, plant and equipment	21	20
Auditor's remuneration	95	84
Non-audit remuneration – previous auditor	44	-
Operating lease rentals	<u>547</u>	<u>377</u>

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

**7. ADMINISTRATIVE EXPENSES**

	12 months ended 31 March 2017	12 months ended 31 March 2016
	£'000	£'000
Computer expenses	172	103
Depreciation and amortisation	362	147
Legal and professional	592	418
Office costs	457	303
Vehicle costs	250	88
Premises costs	692	269
Wages and salaries	4,555	2,194
Other expenses	390	169
	<u>7,470</u>	<u>3,691</u>
Non-underlying items (see note 8.1)	3,254	1,479
<b>Total administrative expenses</b>	<u><u>10,724</u></u>	<u><u>5,170</u></u>

**8. NON-UNDERLYING ITEMS & RESTATEMENT OF THE PRIMARY STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****8.1. 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 2017	12 months ended 31 March 2016
		£'000	£'000
Change in fair value of future contingent consideration	<i>a</i>	102	-
Restructuring costs	<i>b</i>	358	-
Framework development costs	<i>c</i>	-	275
Amortisation of customer relationships	<i>d</i>	1,792	582
Share based payment charge	<i>e</i>	341	163
Acquisition costs	<i>f</i>	395	459
Change in estimate of accrued income	<i>g</i>	266	-
		<u>3,254</u>	<u>1,479</u>

*(a) Change in fair value of future contingent consideration*

On initial recognition deferred consideration was discounted to present value. The difference between the present value and the amount payable is released to the Statement of Comprehensive Income over the period the deferred consideration remains outstanding. This represents a non-recurring and non-cash item.

*(b) Restructuring costs*

Restructuring costs comprise redundancy and other related costs as well as the cost of reorganisation arising from new contracts awarded during the financial year. Restructuring costs are one-off and non-recurring.

*(c) Framework development costs*

In the previous year significant costs were incurred in relation to successful tenders for framework contracts. The costs incurred consisted 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 were confident of deriving future economic benefit from these frameworks and have therefore separately identified these costs within the Statement of Comprehensive Income.

*(d) Amortisation of customer relationships*

Amortisation of acquisition intangibles was £1,792,000 for the year (2016: £582,000) and relates to amortisation of the customer relationships identified by the directors on the acquisition of Purdy Contracts, DCB (Kent) and Spokemead.

*(e) Share based payment charge*

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.

*(f) Acquisition costs*

Acquisition costs comprise legal, professional and other expenditure in relation to acquisition activity during the year and amounted to £395,000 (2016: £459,000). Acquisition costs include the cost of the group's Business Development and Managing Director who devotes most 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.

*(g) Change in estimate of accrued income*

Income totalling £266,000 was included in the 2016 financial statements based on work carried out but not invoiced at the period end. This amount was subject to dispute with the customer and has been provided for in full in the current year. The directors consider that this represents an exceptional "bad debt".

**8.2. Prior Year Adjustment**

During the course of the preparation of post 31 March 2016 management information, certain entries were identified which on subsequent investigation should have been included in the results for the year ended 31 March 2016.

It was determined by the Board of Directors that adjustments should be made to restate the results for the year ended 31 March 2016 to reflect the actual position and performance of the Group for the year.

The adjustments to the financial statements for the year ended 31 March 2016 are as follows:

1. Reversal of a disputed invoice valued at £99,000. The adjustment was made to reduce revenue and trade receivables.
2. Understatement of sub-contractor costs due to a change in the terms of trade with certain sub-contractors. The adjustment of £556,000 was made to increase cost of sales and trade payables.
3. The corporation tax impact of the adjustments to revenue and costs of sales noted above at a rate of 20% amounted to £131,000. The adjustment was made to reduce corporation tax and current tax liabilities.

Extracts from restated Consolidated Statement of Comprehensive Income for the year ended 31 March 2016		As previously stated	Adjustments	Restated
		£'000	£'000	£'000
Revenue	1	31,544	(99)	31,445
Cost of sales	2	(24,886)	(556)	(25,442)
Gross profit		6,658	(655)	6,003
Profit before tax		1,373	(655)	718
Income tax expense	3	(419)	131	(288)
Profit for the period attributable to the equity holders of the group		<u>954</u>	<u>(524)</u>	<u>430</u>

Extracts of the restated Statement of Financial Position as at 31 March 2016		As previously stated	Adjustments	Restated
		£'000	£'000	£'000
Trade and other receivables	1	11,576	(99)	11,477
Other current assets		1,167	-	1,167
<b>TOTAL CURRENT ASSETS</b>		<u>12,743</u>	<u>(99)</u>	<u>12,644</u>
<b>TOTAL ASSETS</b>		<u>21,057</u>	<u>(99)</u>	<u>20,958</u>
<b>CURRENT LIABILITIES</b>				
Current tax liabilities	3	373	(131)	242
Trade and other payables	2	6,357	556	6,913
Other current liabilities		932	-	932
<b>TOTAL CURRENT LIABILITIES</b>		<u>7,662</u>	<u>425</u>	<u>8,087</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>21,057</u>	<u>(99)</u>	<u>20,958</u>

## 9. EMPLOYEE EXPENSES

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

	12 months ended 31 March 2017	12 months ended 31 March 2016
	No	No
Management	51	26
Administration	42	43
Engineers	262	194
	<u>355</u>	<u>263</u>

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

	12 months ended 31 March 2017	12 months ended 31 March 2016
	£'000	£'000
Wages and salaries	12,260	6,645
Social security costs	989	670
Pension costs	100	92
	<u>13,349</u>	<u>7,407</u>

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

#### 10. FINANCE COSTS AND FINANCE INCOME

	12 months ended 31 March 2017	12 months ended 31 March 2016
	£'000	£'000
<b>FINANCE COSTS</b>		
Interest payable on bank borrowings and loans	194	108
Interest payable on hire purchase agreements	25	3
Interest payable on convertible loan notes	8	6
	<u>227</u>	<u>117</u>
<b>FINANCE INCOME</b>		
Bank interest received	-	(2)
	<u>-</u>	<u>(2)</u>

#### 11. DIVIDENDS

The Directors have recommended a final dividend for the year ended 31 March 2017 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 final dividend payable is 1.50 pence per ordinary share (2016: 2.00 pence per share) making a total dividend relating to the year of 1.75 pence per ordinary share (2016: 2.75 pence per share).

	(p)	£'000	12 months ended 31 March 2017	12 months ended 31 March 2016
	Per share	Total paid	(p)	£'000
	Per share	Total Paid	Per share	Total Paid
Dividend paid during the year relating to final dividend declared for previous period	2.00	795	2.32	795
Interim dividend paid during the year	0.25	99	0.75	256
	<u>2.25</u>	<u>894</u>	<u>3.07</u>	<u>1,051</u>

## 12. INCOME TAX

### 12.1. Components of income tax expense

	12 months ended 31 March 2017	12 months ended 31 March 2016
	£'000	£'000
<b>Current income tax expense</b>		<b>Restated</b>
Current income tax charge	560	408
Total current tax	560	408
<b>Deferred tax</b>		
Credit in connection with intangible assets acquired	(323)	(105)
Debit/(Credit) in connection with share options	29	(29)
Relating to origination and reversal of temporary differences	(22)	14
<b>Total deferred tax</b>	<b>(316)</b>	<b>(120)</b>
Income tax expense reported in income statement	<u>244</u>	<u>288</u>

### 12.2. Tax Reconciliation

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

	12 months ended 31 March 2017	12 months ended 31 March 2016
	£'000	£'000
		<b>Restated</b>
<b>Profit on ordinary activities before taxation</b>	<b>64</b>	<b>718</b>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2016 – 20%)	13	143
<b>Effects of:</b>		
Non-deductible expenses	182	130
Other tax adjustments	49	15
Tax on profits on ordinary activities	<u>244</u>	<u>288</u>

## 13. EARNINGS PER SHARE

### 13.1. Basic and Diluted Earnings Per Share

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

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

The Group has potentially issuable shares all of which relate to the Group's share options issued to Directors and employees in the period. In the year ended 31 March 2017 none of the options had a dilutive effect on the loss for the year.

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

	12 months ended 31 March 2017	12 months ended 31 March 2016 Restated
	£'000	£'000
(Loss)/profit used in calculating basic and diluted earnings per share	<u>(180)</u>	<u>430</u>
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic earnings per share	<u>39,433,083</u>	<u>32,854,523</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>39,443,083</u>	<u>33,440,052</u>
Basic (loss)/earnings per share (pence)	<u>(0.46)p</u>	<u>1.31p</u>
Diluted (loss)/earnings per share (pence)	<u>(0.46)p</u>	<u>1.29p</u>
Basic earnings per share prior to re-statement (pence)		<u>2.9p</u>
Diluted earnings per share prior to re-statement (pence)		<u>2.8p</u>

### 13.2. Adjusted Earnings Per Share

(Loss)/profit after tax is stated after deducting non-underlying items totalling £3,254,000 (2016: £1,479,000) as set out in note 8.1 and the impact of these items on Corporation Tax. 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 Statement of Financial Position. These are shown separately on the face of the Consolidated Statement of Comprehensive Income.

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

	12 months ended 31 March 2017	12 months ended 31 March 2016 Restated
	£'000	£'000
(Loss)/profit after tax	(180)	430
<i>Add back</i>		
Change in fair value of future contingent consideration	102	-
Restructuring costs	358	-
Framework development costs	-	275
Amortisation of customer relationships	1,792	582
Share based payment charge	341	163
Acquisition costs	395	459
Change in estimate of accrued income	266	-
Impact of above adjustments on Corporation tax	<u>(53)</u>	<u>(55)</u>
Adjusted profit after tax	<u>3,021</u>	<u>1,854</u>
<b>Number of shares</b>		

Weighted average number of shares for the purpose of adjusted earnings per share	39,433,083	32,854,523
Weighted average number of shares for the purpose of diluted adjusted earnings per share	40,055,023	33,440,052
Adjusted earnings per share (pence)	7.7	5.6
Diluted adjusted earnings per share (pence)	7.5	5.5

#### 14. INTANGIBLE ASSETS

	Software costs	Customer relationships	Goodwill	Total acquisition related
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2016	58	5,586	1,719	7,363
Additions on acquisition of subsidiaries	54	8,246	2,537	10,837
Additions in the year	57	-	-	57
At 31 March 2017	<u>169</u>	<u>13,832</u>	<u>4,256</u>	<u>18,257</u>
<b>Amortisation</b>				
At 1 April 2016	8	582	-	590
Charge for the year	32	1,792	-	1,824
At 31 March 2017	<u>40</u>	<u>2,374</u>	<u>-</u>	<u>2,414</u>
<b>Net book value</b>				
At 31 March 2016	<u>50</u>	<u>5,004</u>	<u>1,719</u>	<u>6,773</u>
At 31 March 2017	<u>129</u>	<u>11,458</u>	<u>4,256</u>	<u>15,843</u>

##### 14.1. Customer Relationships

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

	Purdy Contracts Limited	Spokemead Maintenance Limited	DCB (Kent) Limited	Total
Attrition rate where relationship < 5 years.	80%	n/a	100%	
Attrition rate where relationship > 5 years.	50%	n/a	100%	
Discount rate	13.3%	12.84%	12.84%	
Estimated life of relationship	7 years	7.5 years	1 to 8 years	
Fair value of customer relationships	£5,586,000	£5,922,000	£2,324,000	£13,832,000

## 14.2. Goodwill

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

Goodwill is supported by cash flows derived from contracts won in the post acquisition period. Contracted cash inflows have been projected for the duration of the contracts. Associated costs, included in the cash flows, have been forecast based on historically achieved margins and overhead run rates per £1 of revenue. Net cash flows are then discounted back using a rate 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.

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

## 15. PROPERTY, PLANT AND EQUIPMENT

At 31 March 2017	Freehold Land	Freehold property	Long leasehold improvements	Motor vehicles	Fixtures & fittings	Office & Computer Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At 1 April 2016	300	484	200	650	64	385	2,083
Addition on acquisition of subsidiary	-	-	194	454	-	130	778
Additions	-	-	-	-	4	116	120
Disposals	-	-	-	(227)	-	(34)	(261)
At 31 March 2017	<u>300</u>	<u>484</u>	<u>394</u>	<u>877</u>	<u>68</u>	<u>597</u>	<u>2,720</u>
<b>Depreciation</b>							
At 1 April 2016	-	(15)	(48)	(431)	(43)	(223)	(760)
Charge for the year	-	(21)	(31)	(163)	(6)	(89)	(310)
Disposals	-	-	-	159	-	12	171
At 31 March 2017	<u>-</u>	<u>(36)</u>	<u>(79)</u>	<u>(435)</u>	<u>(49)</u>	<u>(300)</u>	<u>(899)</u>
<b>Net book value</b>							
At 1 April 2016	<u>300</u>	<u>469</u>	<u>152</u>	<u>219</u>	<u>21</u>	<u>162</u>	<u>1,323</u>
At 31 March 2017	<u>300</u>	<u>448</u>	<u>315</u>	<u>442</u>	<u>19</u>	<u>297</u>	<u>1,821</u>

At 31 March 2016	Freehold Land £'000	Freehold property £'000	Long leasehold improvements £'000	Motor vehicles £'000	Fixtures & fittings £'000	Office & Computer Equipment £'000	Total £'000
<b>Cost</b>							
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>
<b>Depreciation</b>							
At 1 April 2015	-	-	(40)	(395)	(37)	(185)	(657)
Charge for the year	-	(15)	(8)	(72)	(6)	(38)	(139)
Disposals	-	-	-	36	-	-	36
At 31 March 2016	<u>-</u>	<u>(15)</u>	<u>(48)</u>	<u>(431)</u>	<u>(43)</u>	<u>(223)</u>	<u>(760)</u>
<b>Net book value</b>							
At 1 April 2015	-	-	160	291	13	60	524
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>

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 2017 includes £191,000 (2016: £219,000) in respect of assets held under finance lease contracts which relate to the acquisition of motor vehicles.

## 16. INVENTORIES

	2017 £'000	2016 £'000
Raw materials	1,002	723
Work in progress	991	-
	<u>1,993</u>	<u>723</u>

**17. TRADE AND OTHER RECEIVABLES**

	2017	2016
	£'000	Restated £'000
<b>Current</b>		
Trade receivables	9,050	5,538
Other receivables	92	61
Prepayments	444	437
Accrued income	5,039	5,441
Amounts due from long term contracts	733	-
	<u>15,358</u>	<u>11,477</u>

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

	2017	2016
	£'000	£'000
Between 1-2 months	5,063	1,163
Between 2-3 months	111	196
More than 3 months	567	618
	<u>5,741</u>	<u>1,977</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 24.2 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 2017 is 43 days (31 March 2016: 65 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**

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

	2017	2016
	£'000	£'000
Cash and bank balances	1,895	444
	<u>1,895</u>	<u>444</u>

**19. BORROWINGS**

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

	2017	2016
	£'000	£'000
<b>Non-current</b>		
Convertible loan notes	-	505
<i>Bank borrowings:</i>		
Term loans	3,936	2,888
Mortgage loan	427	485
	<u>4,363</u>	<u>3,373</u>
<b>Total non-current borrowings</b>	<u><u>4,363</u></u>	<u><u>3,878</u></u>
<b>Current borrowings:</b>		
<i>Bank borrowings:</i>		
Convertible loan notes	513	-
Term loans	1,219	831
Mortgage loan	57	57
	<u>1,276</u>	<u>888</u>
<b>Total current borrowings</b>	<u><u>1,789</u></u>	<u><u>888</u></u>
<b>Total borrowings</b>		
Convertible loan notes	513	505
<i>Bank borrowings:</i>		
Term loans	5,154	3,719
Mortgage loan	485	542
	<u>5,639</u>	<u>4,261</u>
	<u><u>6,152</u></u>	<u><u>4,766</u></u>

**(a) Working capital facilities**

On 28 November 2016, the Group extended its working capital facility to £2.25m to accommodate a transfer of DCB (Kent) Limited's banking from invoice discounting to the Group's working capital facility.

Bank overdrafts are held at an interest rate of 2.5% above the Bank of England base rate. All cash at bank balances are denominated in £ sterling. As at 31 March 2017, the Group had unused overdraft facilities of £2,250,000 (2016: £750,000).

**(b) Bank loans**

The non-current proportion of bank loans amounted to £4,363,000 as at 31 March 2017 (31 March 2016: £3,373,000), and the current proportion of bank loans amounted to £1,276,000 as at 31 March 2017 (31 March 2016: £888,000). Bank loans are repayable by quarterly instalments.

**(c) Security**

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

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

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

**(d) Interest**

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

- A 5-year term loan of £5.7 million, with HSBC Bank Plc originally drawn down in July 2015 (£4.2 million), increased in April 2016 (by £1.5 million) and August 2016 (by £1m), 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.

**(e) Loan notes**

On 13 July 2015 Bilby PLC issued £500,000 of loan notes to 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 £0.80.

## 20. OBLIGATIONS UNDER FINANCE LEASES

	2017 £'000	2016 £'000
<b>Non-current:</b>		
Minimum lease payments under finance leases	78	31
<b>Current:</b>		
Minimum lease payments under finance leases	131	44
	<u>209</u>	<u>75</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:

	2017 £'000	2016 £'000
Gross finance lease liabilities – minimum lease payments:		
No later than 1 year	87	46
Later than 1 year and no later than 5 years	139	33
Less: future finance charges on leases	(17)	(4)
	<u>209</u>	<u>75</u>

The present value of finance lease liabilities is as follows:

	2017 £'000	2016 £'000
No later than 1 year	131	44
Later than 1 year and no later than 5 years	78	31
	<u>209</u>	<u>75</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 2017, the effective borrowing rate was 2.5% (31 March 2016: 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

	2017 £'000	2016 Restated £'000
<b>Current</b>		
Trade Payables	9,713	5,252
Other payables	94	62
Other taxation and social security	1,872	783
Accruals and deferred income	551	816
	<u>12,230</u>	<u>6,913</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 63 days (2016: 93 days). Trade purchases include the purchase of materials and subcontractor costs.

## 22. SHARE CAPITAL

### 22.1. Ordinary Shares

Ordinary shares of £0.10 each	2017	2016
	£'000	£'000
At the beginning of the year/period	3,425	2,931
Issued in the year	548	494
At the end of the year/period	<u>3,973</u>	<u>3,425</u>
<b>Number of shares</b>	<b>2017</b>	<b>2016</b>
At the beginning of the year	34,247,845	29,310,345
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
Issue of initial consideration shares in connection with DCB (Kent) Limited	423,729	-
Issue of initial consideration shares in connection with Spokemead Maintenance Limited	423,729	-
Placing of shares on AIM in connection with the acquisitions of DCB (Kent) Limited and Spokemead Maintenance Limited	4,237,288	-
Issue of further consideration shares in connection with DCB (Kent) Limited	397,140	-
At the end of the year/period	<u>39,729,731</u>	<u>34,247,845</u>

#### (a) Acquisition of Purdy Holdings Limited

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").

#### (b) Placing

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 raising £2.95 million for the Group. Share issue costs amounted to £136,000.

#### (c) Acquisition of DCB (Kent) Limited

On 12 April 2016, the Company acquired the entire issued share capital of DCB (Kent) Limited. The initial consideration for DCB (Kent) Limited was satisfied by a cash payment of £1,500,000 together with an issue of 423,729 new Bilby ordinary shares at a price of 118 pence per share (the "Consideration Shares").

#### (d) Acquisition of Spokemead Maintenance Limited

On 12 April 2016, the Company also acquired the entire issued share capital of Spokemead Maintenance Limited. The initial consideration for Spokemead Maintenance Limited was satisfied by a cash payment of £5,700,000 together with an issue of 423,729 new Bilby ordinary shares at a price of 118 pence per share (the "Consideration Shares").

**(e) Placing**

The acquisitions were partly funded through the placing of 4,237,288 new ordinary shares at a price of 118 pence per share raising £5 million for the Group. Share issue costs amounted to £158,000.

**(f) DCB (Kent) Limited further consideration**

Further consideration for DCB (Kent) Limited was satisfied by a cash payment of £500,000 together with an issue of 397,140 new Bilby ordinary shares at a price of 126 pence per share (the "Further Consideration Shares").

**(g) Spokemead Maintenance Limited further consideration**

Further consideration for Spokemead Maintenance Limited was satisfied by a cash payment of £1 million paid in August 2016.

**22.2. Share Premium**

	2017	2016
	£'000	£'000
At the beginning of the year/period	3,659	1,213
Issued in the year	4,575	2,582
Issue costs	(158)	(136)
At the end of the year/period	<u>8,076</u>	<u>3,659</u>

**22.3. Merger Reserve**

	2017	2016
	£'000	£'000
At the beginning of the year	(1,624)	(2,499)
On acquisition of Purdy Holdings Limited	-	875
On acquisition of DCB (Kent) Limited	919	-
On acquisition of Spokemead Maintenance Limited	457	-
At the end of the year/period	<u>(248)</u>	<u>(1,624)</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.

The acquisitions of DCB (Kent) Limited and Spokemead Maintenance Limited were partly funded through a placing of 4,237,238 new ordinary shares at a price of 118 pence per share. The difference between the nominal value of the shares issued and the placing price gives rise to a premium of £1.37 million which has been added to the merger reserve.

**23. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**

	12 months ended 31 March 2017	12 months ended 31 March 2016
	£'000	£'000 Restated
<b>Cash flow from Operating Activities</b>		
Profit before income tax	64	718
Adjustments for:		
Net Finance cost	227	115
Loss on disposal of property, plant and equipment	21	20
Depreciation	310	139
Amortisation of intangible assets	1,824	590
Share based payments	342	163
Unwinding of fair value discount	102	-
Movement in receivables	586	(4,444)
Movement in payables	1,649	3,112
Movement in inventories	(1,115)	(122)
Tax paid	(653)	(425)
<b>Net cash generated from/(used in) operating activities</b>	<b><u>3,357</u></b>	<b><u>(134)</u></b>

**24. FINANCIAL INSTRUMENTS**

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

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

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

**24.1. Principal financial instruments**

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

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

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

	2017	2016
	£'000	£'000
<b>Loans and receivables:</b>		
Trade receivables	9,050	5,537
Accrued income	5,235	5,878
Amounts due from long term contracts	733	-
Other receivables	340	61
Cash and cash equivalents	1,895	444
	<u>17,253</u>	<u>11,920</u>

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

	2017	2016
	£'000	£'000
<b>Held at amortised cost:</b>		
Bank loans	5,639	4,261
Convertible loan notes	513	505
Obligations under finance leases	209	75
Accruals	551	783
Trade payables	9,713	5,252
Other payables	94	62
	<u>16,719</u>	<u>10,938</u>

## 24.2. Financial risk management

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

### (a) Interest rate risk management

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

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

The Group currently has loans totalling £5.6 million (2016: £4.3 million) at variable interest rates. If the interest rate had been 6.5%, being 50% higher, and all other variables were constant, the Group's profit after tax for the year and reserves would decrease by £114,000 (2016: £156,000). The actual interest expense, in the year to 31 March 2017, is not equivalent to a full year's charge as the loan was increased in April 2016 and August 2016.

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 2017 was at an average rate of less than 1% (31 March 2016: less than 1%).

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

**(b) Credit risk management**

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

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

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

**(c) Trade and other receivables**

The Group is exposed to the risk of default by its customers. At 31 March 2017, the Group had eight customers with an outstanding balance over £250,000 (31 March 2016: five). 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 2017, 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.

**(d) Liquidity risk management**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk 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 2.5% over base amounting to £2,250,000 with HSBC Bank plc as at 31 March 2017. The facilities are reviewed and renewed on an annual basis. The Group maintains a good relationship with its bank, which has a high credit rating.

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

2017	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
<b>Non-derivative financial liabilities</b>					
HSBC mortgage	57	57	171	199	484
HSBC term loan	1,219	1,219	2,717	-	5,155
Convertible loan notes	513	-	-	-	513
Trade payables	9,713	-	-	-	9,713
	<u>11,502</u>	<u>1,276</u>	<u>2,888</u>	<u>199</u>	<u>15,865</u>
2016	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
<b>Non-derivative financial liabilities</b>					
HSBC mortgage	57	57	171	257	542
HSBC term loan	831	840	2,048	-	3,719
Convertible loan notes	-	505	-	-	505
Trade payables	5,252	-	-	-	5,252
	<u>6,140</u>	<u>1,402</u>	<u>2,219</u>	<u>257</u>	<u>10,018</u>

#### (e) Capital management risk

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

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

	2017 £'000	2016 £'000
<b>Net debt comprised as follows:</b>		
- Cash and cash equivalents	1,895	444
- Bank borrowings and overdrafts	(5,639)	(4,261)
- Finance leases	(209)	(75)
	<u>(3,953)</u>	<u>(3,892)</u>

#### 25. RELATED PARTY TRANSACTIONS

During the current and previous years, the Group operated from headquarters at 6-8 Powerscroft Road, Sidcup, Kent, DA14 5DT. The freehold of the property is owned by P Copolo, the majority shareholder of the Group as at 31 March 2017. A formal 20 year lease was entered into on the 6 March 2015 between P 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.

P Copolo purchased goods through DCB (Kent) Limited to the sum of £69,533 (inc. of VAT) during the course of the year. The total cost was settled by P Copolo during the year.

### 25.1. Key management compensation

The Group's key management are considered to comprise the directors of Bilby Plc and two non-executive directors of Bilby Plc. Their remuneration is as follows:

	2017	2016
	£'000	£'000
<b>The aggregate remuneration comprised:</b>		
Aggregate emoluments	369	402
Consultancy fees	65	65
	<u>434</u>	<u>467</u>
Share based payments	30	24
Total remuneration	<u><u>464</u></u>	<u><u>491</u></u>

The remuneration of the highest paid director during the year was £116,607 (2016: £119,300). 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:

	2017	2016
	£'000	£'000
Less than 1 year	524	519
More than 1 year but less than 5 years	748	706
More than 5 years	4	1,708
	<u>1,276</u>	<u>2,933</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 year to 31 March 2016 was £163,313. The total charge to the Consolidated Statement of Comprehensive Income for the year to 31 March 2017 was £342,000.

#### (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 2017 for the options issued in March 2015 totals £47,880 (31 March 2016: £52,379).

**(b) Options issued in July 2015**

The Group issued 1,150,000 options to 13 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 2017 for the options issued in July 2015 totals £215,140 (31 March 2016: £91,063).

**(c) Options issued in December 2015**

The Group issued 340,000 options to 1 director and 3 employees on 9 December 2015. The options are exercisable at a price of £1.19 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	£1.19
Expected volatility	45.4%
Expected life	6.5 years
Risk free interest rate	4%
Expected dividends	2.15%

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

The charge for the year ended 31 March 2017 for the options issued in December 2015 totals £26,367 (31 March 2016: £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 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 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 2017 for the options issued in January 2016 totals £9,850 (31 March 2016: £4,274).

**(e) Options issued in July 2016**

The Group issued 770,000 options to 1 director and 12 employees in July 2016. The options are exercisable at a price of £1.26 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 July 2016 are as follows:

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

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

The charge for the year ended 31 March 2017 for the options issued in July 2016 totals £42,758 (31 March 2016: £nil).

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

	2017		2016	
	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)
Outstanding at the beginning of the year	3,137,067	0.80	1,612,067	0.58
Granted during the year	770,000	1.26	1,590,000	1.13
Forfeited during the year	(535,000)	(1.26)	(65,000)	(1.02)
Exercised during the year	-	-	-	-
Outstanding at the end of the year	<u>3,372,067</u>	<u>0.83</u>	<u>3,137,067</u>	<u>0.80</u>

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

Date Granted	2017 £'000	2016 £'000
March 2015	48	52
July 2015	215	91
December 2015	26	16
January 2016	10	4
July 2016	43	-
	<u>342</u>	<u>163</u>

	Intangible assets acquired £'000	Share options £'000	Short term timing differences £'000	Total £'000
<b>At 31 March 2015</b>	-	-	(20)	(20)
Acquisition of subsidiary	(1,005)	-	(23)	(1,028)
Credit/(Charge) to income statement and other comprehensive income	105	29	(14)	120
Credit taken directly to equity	-	189	-	189
<b>At 31 March 2016</b>	<u>(900)</u>	<u>218</u>	<u>(57)</u>	<u>(739)</u>
Acquisition of subsidiary	(1,484)	-	(88)	(1,572)
Credit/(Charge) to income statement and other comprehensive income	323	(29)	22	316
Credit taken directly to equity	-	(189)	-	(189)
<b>At 31 March 2017</b>	<u>(2,061)</u>	<u>-</u>	<u>(123)</u>	<u>(2,184)</u>
			2017 £'000	2016 £'000
Deferred tax asset			-	218
Deferred tax liability			(2,184)	(957)
Net deferred tax liability			<u>(2,184)</u>	<u>(739)</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.

## 29. ACQUISITIONS

On 12 April 2016, the Company acquired the entire issued share capital of DCB (Kent) Limited and the entire issued share capital of Spokemead Maintenance Limited. The consideration was financed by a placing and debt funding by way of an extension of existing debt facilities provided by HSBC Bank plc.

### 29.1. Acquisition of DCB (Kent) Limited

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

	£'000
Goodwill	1,375
Intangible assets	2,324
Tangible assets	750
Inventories	146
Trade and other receivables	4,071
Cash and cash equivalents	(691)
Current liabilities	(3,369)
Non-current liabilities	(188)
Deferred tax	(418)
	<u>4,000</u>

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

	£'000
Initial Cash Consideration – Paid	1,500
Initial Equity Consideration – Paid	500
Contingent Cash Consideration (March 2016 Results) – Paid	500
Contingent Equity Consideration (March 2016 Results) – Paid	500
Contingent Deferred Cash Consideration (March 2017 Results) – Paid post year end	375
Contingent Deferred Equity Consideration (March 2017 Results) – Agreed to be issued	125
Contingent Deferred Cash Consideration (March 2018 results)	375
Contingent Deferred Equity Consideration (March 2018 results)	125
	<u>4,000</u>

Bilby acquired the entire issued share capital of DCB for a total consideration of £4 million as set out above. In July 2016, Bilby was pleased to announce that DCB had achieved the required minimum adjusted profit before taxation of at least £650,000 in respect of the year ended 31 March 2016. This led to the payment of contingent consideration as set out above.

The performance conditions relating to the deferred consideration payable on the DCB March 2017 results have been met and the cash consideration has been settled. Shares to the value of £125,000 will be issued shortly after approval of the 2017 Financial Statements.

In respect of the year ended 31 March 2018, Bilby will pay an additional consideration equal to 25% of the amount by which DCB's turnover for the year exceeds £21million (subject to a maximum of £23million). Such payment shall be made 75% in cash and 25% in shares. The shares to be issued shall be valued at the average closing mid-market price for an Ordinary Share of Bilby on AIM for 20 trading days immediately preceding the date of their issue.

### 29.2. Acquisition of Spokemead Maintenance Limited

Spokemead specialises in electrical installation, repairs and maintenance services for local authority owned stock. The fair value of the assets acquired and liabilities assumed were as follows:

	£'000
Goodwill	1,228
Intangible assets	5,922
Tangible assets	29
Inventories	9
Trade and other receivables	336
Cash and cash equivalents	2,757
Current liabilities	(515)
Deferred tax	(1,066)
	<u>8,700</u>

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

	£'000
Initial Cash Consideration – Paid	5,700
Initial Equity Consideration – Paid	500
Contingent Cash Consideration (June 2016 Results) – Paid	1,000
Contingent Deferred Equity Consideration (June 2017 Results) – Included in liabilities	1,000
Contingent Deferred Cash Consideration (2018 contract renewal) – Included in liabilities	500
	<u>8,700</u>

Bilby acquired the entire issued share capital of Spokemead for a total consideration of £8.7 million as set out above. In August 2016 Bilby was pleased to announce that Spokemead had achieved the minimum required adjusted profit before taxation of £1.1 million for the year ended 30 June 2016 as set out above.

At the year-end further consideration of up to £1m is payable in Additional Consideration Shares subject to Spokemead achieving a profit before taxation of £1.6m for the year ending 30 June 2017. To the extent that the adjusted profits are less than £1.6m, the value of the Additional Consideration Shares issued shall be reduced on a pound for pound basis by an amount equal to any such shortfall. Any Additional Consideration Shares are subject to a lock-in for six months from the date of issue and shall be valued at the average mid-market closing price for an Ordinary Share of the Company on AIM for 20 trading days immediately preceding the date of their issue.

An additional cash consideration of £500,000 is payable subject to renewal of a customer contract.

### 30. ULTIMATE CONTROLLING PARTY

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

### 31. EVENTS AFTER THE BALANCE SHEET DATE

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

## Independent Auditor's Report to the members of Bilby Plc

### Opinion

We have audited the parent company financial statements of Bilby Plc for the year ended 31 March 2017 which comprise the Parent Company Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 'Reduced Disclosure Framework'.

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of financial statements section of our report. We are

independent of the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

### Key audit matters

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

#### Audit Area and Description

##### *Carrying value of investments*

As a result of the acquisitions made during this and in the prior period, investments represented a significant part of the assets of the Company.

##### *Accounting for acquisitions*

The Group made two acquisitions in the year which were accounted for under the purchase method of accounting. These acquisition significantly increased the cost of investments and liabilities in the parent company financial statements.

#### Audit approach

We assessed the Directors' assertion that no impairment was required by reference to trading performance and forecasts.

We checked the calculations of the cost of investment.

We checked that the cash flows had been correctly recorded in the Statement of Cash Flows.

### Our application of materiality

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

Due to the nature of the Company we considered net assets to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the Company to be £186,000, based on a sliding percentage of net assets.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company was 60% of materiality, namely £111,600.

We agreed to report to the Audit Committee all audit differences in excess of £9,300, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### An overview of the scope of our audit

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

### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

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

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

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

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor’s responsibilities for the audit of the financial statements**

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

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

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

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the parent company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

**Other matter**

We have reported separately on the group financial statements of Bilby Plc for the year ended 31 March 2017. That report includes details of the group key audit matters; how we applied the concept of materiality in planning and performing our audit and an overview of the scope of our audit.

**MATTHEW MEADOWS (Senior Statutory Auditor)**

for and on behalf of Kingston Smith LLP, Statutory Auditor  
 Devonshire House  
 60 Goswell Road  
 London EC1M 7AD

12 July 2017

## Parent Company Statement of Financial Position as at 31 March 2017

	Notes	2017 £'000	2016 £'000
<b>FIXED ASSETS</b>			
Investments	7	35,480	22,571
Intangible assets	8	27	-
		<u>35,507</u>	<u>22,571</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	9	4,702	2,775
Cash and cash equivalents		627	27
<b>TOTAL CURRENT ASSETS</b>		<u>5,329</u>	<u>2,802</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	<u>(8,271)</u>	<u>(1,340)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(2,942)</u>	<u>1,462</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		32,565	24,033
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	12	<u>(5,363)</u>	<u>(3,877)</u>
<b>NET ASSETS</b>		<u>27,202</u>	<u>20,156</u>
<b>EQUITY</b>			
Ordinary shares	15	3,973	3,425
Share premium	16	8,076	3,659
Merger reserve	17	14,251	12,875
Share based payment reserve		505	163
Retained earnings		397	34
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>27,202</u>	<u>20,156</u>

The notes on pages 84 to 95 are an integral part of these financial statements.

The financial statements on pages 82 to 95 were approved by the Board and authorised for issue on 12 July 2017 and signed on its behalf by  
**D Ellingham**, Director.

**Parent Company Statement of Changes in Equity for the year ended 31 March 2017**

	Called up share capital	Share Premium	Share based payment reserve	Merger reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	Restated £'000	£'000
<b>At 31 March 2015</b>	2,931	1,213	-	12,000	978	17,122
Loss and total comprehensive income for the year as restated (note 4)	-	-	-	-	(82)	(82)
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 options	-	-	-	-	189	189
Equity dividends paid	-	-	-	-	(1,051)	(1,051)
Total transactions with owners recognised directly in equity	494	2,446	163	875	(862)	3,116
<b>At 31 March 2016</b>	<b>3,425</b>	<b>3,659</b>	<b>163</b>	<b>12,875</b>	<b>34</b>	<b>20,156</b>
Profit and total comprehensive income for the period	-	-	-	-	1,446	1,446
Issue of share capital	548	4,575	-	1,376	-	6,499
Issue costs	-	(158)	-	-	-	(158)
Share based payment charge	-	-	342	-	-	342
Tax credit relating to share options	-	-	-	-	(189)	(189)
Equity dividends paid	-	-	-	-	(894)	(894)
Total transactions with owners recognised directly in equity	548	4,417	342	1,376	(1,083)	5,600
<b>At 31 March 2017</b>	<b>3,973</b>	<b>8,076</b>	<b>505</b>	<b>14,251</b>	<b>397</b>	<b>27,202</b>

**Parent Company Statement of Cash Flows for the financial year ended 31 March 2017**

	Notes	12 months ended 31 March 2017 £'000	12 months ended 31 March 2016 £'000
Net cash generated by/(used in) operating activities	18	4,259	(570)
<b>Cash flow from investing activities</b>			
Acquisition of subsidiaries		(8,700)	(6,911)
<b>Net cash used in investing activities</b>		(8,700)	(6,911)
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		2,500	4,770
Repayment of borrowings		(1,182)	(509)
Interest paid		(192)	(95)
Issue of ordinary share capital		5,000	2,950
Issue costs		(158)	(136)
Purchase of intangible fixed assets		(31)	-
Dividends paid		(894)	(1,051)
<b>Net cash generated from financing activities</b>		5,043	5,929
Net increase / (decrease) in cash and cash equivalents		602	(1,552)
Cash and cash equivalents at beginning of year/period		27	1,579
<b>Cash and cash equivalents at end of year/period</b>		<b>629</b>	<b>27</b>

**Notes to the Company Financial Statements for the financial year ended 31 March 2017****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 £1,446,000 (2016: Restated loss of £82,000).

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

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

**1.2. Going concern**

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

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

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. Expenses incurred relating to acquisitions are expensed to the Income Statement.

### **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.

**3.1. 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. PRIOR YEAR ADJUSTMENT**

Following a change in accounting policy, costs incurred in making acquisitions are expensed to the Statement of Comprehensive Income as opposed to capitalised as part of the cost of investment. This change in accounting policy resulted in a charge of £341,000.

**5. AUDITOR'S REMUNERATION**

	2017	2016
	£'000	£'000
Audit fees payable to the Company's auditor	<u>30</u>	<u>15</u>

## 6. EMPLOYEE EXPENSES

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

	2017	2016
	No	No
Management	<u>6</u>	<u>3</u>

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

	2017	2016
	£'000	£'000
Wages and salaries	390	291
Social security costs	<u>47</u>	<u>34</u>
	<u>437</u>	<u>325</u>

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

## 7. INVESTMENTS

	Total
	£'000
<b>Cost and net book value</b>	
As at 31 March 2016 as restated	22,571
Acquisition of DCB (Kent) Limited	3,940
Acquisition of Spokemead Maintenance Limited	8,657
Share option charge for subsidiaries	<u>312</u>
As 31 March 2017	<u>35,480</u>

The principal subsidiaries of the Company as at 31 March 2017 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 Contracts Limited	100%	England and Wales	Provision of gas, electrical and buildings services
DCB (Kent) Limited	100%	England and Wales	Provision of building services
Spokemead Maintenance Limited	100%	England and Wales	Provision of electrical services

## 8. INTANGIBLE ASSETS

	Software costs £'000
<b>Cost</b>	
At 1 April 2016	-
Additions in the year	31
At 31 March 2017	<u>31</u>
<b>Amortisation</b>	
At 1 April 2016	-
Charge for the year	4
At 31 March 2017	<u>4</u>
<b>Net book value</b>	
At 31 March 2016	-
At 31 March 2017	<u>27</u>

## 9. TRADE AND OTHER RECEIVABLES

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

	2017 £'000	2016 £'000
<b>Due within one year</b>		
Amount due from subsidiary undertaking	4,611	2,483
Prepayments and accrued income	91	74
	<u>4,702</u>	<u>2,557</u>
<b>Due after more than one year</b>		
Deferred tax (note 10)	-	218
	<u>4,702</u>	<u>2,775</u>

**10. 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 31 March 2016	218	-	218
Debited to the income statement	(29)	-	(29)
	189	-	189
(Charged)/Credited to equity	(189)	-	(189)
At 31 March 2017	-	-	-

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017	2016
	£'000	£'000
Bank loans (note 13)	1,276	888
Trade payables	183	163
Deferred consideration (note 12.2)	1,500	-
Amounts due to subsidiary undertakings	4,630	-
Other creditors	5	-
Convertible loan notes (note 12.1)	513	-
Corporation tax	-	64
Other taxes and social security	42	132
Accruals	122	93
	<u>8,271</u>	<u>1,340</u>

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2017	2016
	£'000	£'000
Bank loans (note 13)	4,363	3,372
Deferred consideration (note 12.2)	1,000	-
Convertible loan notes (note 12.1)	-	505
	<u>5,363</u>	<u>3,877</u>

### 12.1. Convertible loan notes

On 13 July 2015 Bilby PLC issued £500,000 of loan notes to 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, P&R Installation Company Limited and John Horlock subordinating fully the loan notes and related security granted to JR Horlock behind the Bank's facilities and security.

### 12.2. Deferred consideration

At the year end, following the acquisitions of Spokemead Maintenance Limited and DCB (Kent) Limited during the year, up to £2,500,000 of deferred consideration was payable, £1,500,000 of which is payable within one year. See note 29 of the Consolidated Financial Statements for details.

## 13. LOANS AND OTHER BORROWINGS

Loans repayable, included within creditors, are analysed below:

	2017	2016
	£'000	£'000
<b>Current</b>		
HSBC term loan	1,219	831
HSBC Mortgage	57	57
	<u>1,276</u>	<u>888</u>
<b>Non current</b>		
HSBC term loan	3,936	2,887
HSBC Mortgage	427	485
	<u>4,363</u>	<u>3,372</u>

### 13.1. Bank loans

Non-current bank loans amounting to £4,363,000 as at 31 March 2017, (31 March 2016: £3,372,000), and current bank loans amounting to £1,276,000 as at 31 March 2017 (31 March 2016: £888,000) 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, P&R Installation Company Limited, DCB (Kent) Limited and Spokemead Maintenance 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 £5.7 million, with HSBC Bank Plc originally drawn down in July 2015 (£4.2m) and subsequently increased in March 2016 (by £1.5m) and August 2016 (by £1m), 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.

#### 14. 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 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 2017 was £342,000 (31 March 2016 £163,000).

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	Expiry date	Exercise price in £ per share	No of Options			
			2016	Issued in year	Forfeited	2017
March 2015	March 2018	0.58	1,612,067	-	-	1,612,067
July 2015	July 2018	0.95	1,085,000	-	(35,000)	1,050,000
December 2015	December 2018	1.19	340,000	-	(100,000)	240,000
January 2016	January 2019	1.46	100,000	-	(100,000)	--
July 2016	July 2019	1.259	-	770,000	(300,000)	470,000
Outstanding at the end of the year/period			<u>3,137,067</u>	<u>770,000</u>	<u>(535,000)</u>	<u>3,372,067</u>

#### 15. SHARE CAPITAL

##### 15.1. Ordinary Shares

Ordinary shares of £0.10 each	2017	2016
	£000	£000
At the beginning of the year	3,425	2,931
Issued in the year	548	494
At the end of the year	3,973	3,425
<b>Number of shares</b>	<b>2017</b>	<b>2016</b>
At the beginning of the year	34,247,845	29,310,345
Issue of consideration shares in connection with Purdy Holdings Limited	a) -	1,250,000
Placing of shares on AIM in connection with the acquisition of Purdy Holdings Limited	b) -	3,687,500
Issue of initial consideration shares in connection with DCB (Kent) Limited	c) 423,729	-
Issue of initial consideration shares in connection with Spokemead Maintenance Limited	d) 423,729	-
Placing of shares on AIM in connection with the acquisitions of DCB (Kent) Limited and Spokemead Maintenance Limited	e) 4,237,288	-
Issue of further consideration shares in connection with DCB (Kent) Limited	f) 397,140	-
At the end of the year	<u>39,729,731</u>	<u>34,247,845</u>

**(a) Acquisition of Purdy Holdings Limited**

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”).

**(b) Placing**

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 raising £2.95 million for the Group. Share issue costs amounted to £136,000.

**(c) Acquisition of DCB (Kent) Limited**

On 12 April 2016, the Company acquired the entire issued share capital of DCB (Kent) Limited. The initial consideration for DCB (Kent) Limited was satisfied by a cash payment of £1,500,000 together with an issue of 423,729 new Bilby ordinary shares at a price of 118 pence per share (the “Consideration Shares”).

**(d) Acquisition of Spokemead Maintenance Limited**

On 12 April 2016, the Company also acquired the entire issued share capital of Spokemead Maintenance Limited. The initial consideration for Spokemead Maintenance Limited was satisfied by a cash payment of £5,700,000 together with an issue of 423,729 new Bilby ordinary shares at a price of 118 pence per share (the “Consideration Shares”).

**(e) Placing**

The acquisitions were partly funded through the placing of 4,237,288 new ordinary shares at a price of 118 pence per share raising £5 million for the Group. Share issue costs amounted to £158,000.

**(f) DCB (Kent) Limited further consideration**

Further consideration for DCB (Kent) Limited was satisfied by a cash payment of £500,000 together with an issue of 397,140 new Bilby ordinary shares at a price of 126 pence per share (the “Further Consideration Shares”).

**(g) Spokemead Maintenance Limited further consideration**

Further consideration for Spokemead Maintenance Limited was satisfied by a cash payment of £1 million paid in August 2016.

**16. SHARE PREMIUM**

	2017	2016
	£'000	£'000
At the beginning of the year	3,659	1,213
Issues in the year	4,575	2,582
Issue costs	(158)	(136)
	<u>8,076</u>	<u>3,659</u>

**17. MERGER RESERVE**

	2017	2016
	£'000	£'000
At the beginning of the year	12,875	12,000
Acquisition of Purdy Holdings Limited	-	875
Acquisition of DCB (Kent) Limited	919	-
Acquisition of Spokemead Maintenance Limited	457	-
At the end of the year	<u>14,251</u>	<u>12,875</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.

The acquisitions of DCB (Kent) Limited and Spokemead Maintenance Limited was partly funded through a placing of 4,237,238 new ordinary shares at a price of 118 pence per share. The difference between the nominal value of the shares issued and the placing price gives rise to a premium which has been added to the merger reserve.

#### 18. NOTE TO THE CASH FLOW STATEMENT

	2017	2016
	£'000	£'000
<b>Cash flow from Operating Activities</b>		
(Loss)/Profit before income tax	(1,323)	299
Adjustments for:		
Net finance cost	200	109
Share based payments	30	163
Unwinding of fair value discount	102	-
Amortisation	4	-
Movement in receivables	(1,345)	(1,511)
Movement in payables	6,654	370
Income tax paid	(63)	-
<b>Net cash generated by/(used in) operating activities</b>	<b><u>4,259</u></b>	<b><u>(570)</u></b>

#### 19. 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:

	2017	2016
	£'000	£'000
<b>Loans and receivables:</b>		
Other receivables	3,899	2,483
Cash and cash equivalents	629	27
	<b><u>4,528</u></b>	<b><u>2,510</u></b>

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

	2017	2016
	£'000	£'000
<b>Held at amortised cost:</b>		
Bank loans	5,639	4,261
Convertible loan notes	513	505
Deferred consideration	2,500	-
Accruals	122	93
Trade payables	183	163
Amounts due to subsidiary undertakings	4,630	-
	<u>13,587</u>	<u>5,022</u>

The table below shows the maturity profile of the Company's financial liabilities as at 31 March 2017:

2017	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000
<b>Non-derivative financial liabilities</b>					
HSBC mortgage	57	57	171	199	484
HSBC term loan	1,219	1,219	2,717	-	5,155
Deferred consideration	1,500	1,000	-	-	2,500
Convertible loan notes	513	-	-	-	513
Trade payables	183	-	-	-	183
Accruals	122	-	-	-	122
Amounts due to subsidiary undertakings	4,630	-	-	-	4,630
	<u>8,224</u>	<u>2,276</u>	<u>2,888</u>	<u>199</u>	<u>13,587</u>

### 19.1. Capital management risk

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

	2017	2016
	£'000	£'000
<b>Net debt comprised as follows:</b>		
- Cash at bank and in hand	629	27
- Bank borrowings and overdrafts	(5,639)	(4,261)
	<u>(5,010)</u>	<u>(4,234)</u>

## 20. RELATED PARTY TRANSACTIONS

### 20.1. 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 2017	304	2,800
Year ended 31 March 2016	900	260
	<u>          </u>	<u>          </u>

As at 31 March 2017 amounts owed by subsidiary undertakings totalled £3,871,000 (2016: £2,483,000) and £6,640,000 was owed to subsidiary undertakings (2016: £nil).

## 21. OPERATING LEASES

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

Land and Buildings	2017	2016
	£'000	£'000
Less than 1 year	60	60
More than 1 year but less than 5 years	<u>190</u>	<u>240</u>
	<u>250</u>	<u>300</u>

## 22. ULTIMATE CONTROLLING PARTY

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

## 23. EVENTS AFTER THE REPORTING DATE

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

## 24. PARENT COMPANY GUARANTEE

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

## Notice of Annual General Meeting

### THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

Bilby plc (the **Company**), incorporated in England and Wales (registered number 09095860), gives notice that its annual general meeting (the **Meeting**) will be held at the offices of Hudson Sandler Limited, 29 Cloth Fair, London, EC1A 7NN on Friday 4 August 2017 at 10:00 a.m. to consider and if thought fit, to pass the resolutions (set out below), of which resolutions 1 to 9 are proposed as ordinary resolutions and resolution 10 is proposed as a special resolution.

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

### ORDINARY RESOLUTIONS

1. To receive and adopt the Annual Report and Accounts of the Company for the financial year ended 31 March 2017 together with the Directors' Report and Auditors Report on those accounts.
2. To declare a final dividend for the financial year ended 31 March 2017 of 1.50 pence per ordinary share.
3. To reappoint Philip Copolo as a director of the company who has held office for two preceding annual general meetings and has retired by rotation in accordance with the Company's articles of association.
4. To reappoint David Ellingham as a director of the company who has held office for two preceding annual general meetings and has retired by rotation in accordance with the Company's articles of association.
5. To reappoint David Johnson as a director of the company who has held office for two preceding annual general meetings and has retired by rotation in accordance with the Company's articles of association.
6. To reappoint Sangita Shah as a director of the company who has held office for two preceding annual general meetings and has retired by rotation in accordance with the Company's articles of association.
7. To reappoint Leigh Copolo as a director of the Company, who has been appointed by the board since the last annual general meeting and retired by rotation in accordance with the Company's articles of association.
8. To appoint Kingston Smith LLP as auditors of the Company to hold office from the conclusion of the Meeting until the conclusion of the next annual general meeting of the Company at which the accounts are laid.
9. The directors be generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 (the **Act**) to exercise all powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares up to a nominal amount of £1,324,975 such authority to expire at the end of the next Annual General Meeting or on 19 October 2018, whichever is the earlier but, in each case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority ends.

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

## SPECIAL RESOLUTION

10. That subject to the passing of Resolution 9 above, the Directors be generally empowered to allot equity securities wholly for cash pursuant to the authority given by Resolution 9 above, or where the allotment constitutes an allotment of equity securities by virtue of Section 560(3) of the 2006 Act, in each case:
  - a. in connection with a pre-emptive offer; and
  - b. otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount of £1,324,975; and

as if Section 561(1) of the 2006 Act did not apply to any such allotment, such power to expire at the end of the next Annual General Meeting or on 19 October 2018, whichever is the earlier but so that the Company may make offers and enter into agreements during this period which would, or might, require equity securities to be allotted after the power ends.

## Explanation of Resolutions

1. *The Company is required to present the accounts for the year ended 31 March 2017 and the reports of the Directors and Auditors to the Annual General Meeting for approval. These are contained in the Company's Annual Report and Accounts for the year ended 31 March 2017. Shareholders have the opportunity to put forward questions on the Annual Report and Accounts.*
2. *The directors are recommending a final dividend of 1.50 pence per ordinary share in respect of the year ended 31 March 2017, which if approved, will be payable in [August 2017] to shareholders on the register of members on [31 July 2017].*
3. *Where any director has held office for two preceding annual general meetings, such director is required to retire and may be reappointed. Resolution 3 seeks shareholder approval to reappoint Philip Copolo as a director of the Company.*
4. *Where any director has held office for two preceding annual general meetings, such director is required to retire and may be reappointed. Resolution 4 seeks shareholder approval to reappoint David Ellingham as a director of the Company.*
5. *Where any director has held office for two preceding annual general meetings, such director is required to retire and may be reappointed. Resolution 5 seeks shareholder approval to reappoint David Johnson as a director of the Company.*
6. *Where any director has held office for two preceding annual general meetings, such director is required to retire and may be reappointed. Resolution 6 seeks shareholder approval to reappoint Sangita Shah as a director of the Company.*
7. *At each general meeting any director who has been appointed by the board since the last annual general meeting is required to retire and may be reappointed. Resolution 7 seeks shareholder approval to reappoint Leigh Copolo as director of the Company.*
8. *The Company is required to appoint auditors at each general meeting at which the accounts are presented to shareholders to hold office until the conclusion of the next such meeting. Resolution 8 seeks shareholder approval to appoint Kingston Smith LLP as auditor to hold office from the conclusion of the Meeting until the conclusion of the next annual general meeting of the Company at which the accounts are laid.*
9. *The directors are prevented, subject to certain exceptions, from allotting shares in the Company or granting rights to subscribe for, or convert any security into, shares in the Company without the authority of the shareholders. The authority to allot granted on 26 August 2016 expires at the end of the Meeting and therefore the directors are seeking to renew the authority to allot up to a maximum of £1,324,975. The directors authority granted in Resolution 9 will expire at the next annual general meeting or on 19 October 2018, whichever is the earlier.*
10. *Subject to certain exceptions, when new shares are allotted, they must be first offered to existing shareholders pro rata to their holdings. This Resolution 10 would give the directors the authority to allot ordinary shares in the Company without first having to offer such securities to existing shareholders in proportion to their existing shareholdings. The authority would be limited to allotments or sales in connection with (a) a pre-emptive offer and (b) up to an aggregate nominal amount of £1,324,975. The directors authority granted in Resolution 10 will expire at the next annual general meeting or on 19 October 2018, whichever is the earlier.*

---

By order of the Board  
**Paul Castle**, Company secretary  
 6-8 Powerscroft Road  
 Sidcup  
 Kent DA14 5DT  
 12 July 2017

## NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

### Entitlement to attend and vote

1. Only those shareholders registered in the Company's register of members at:
  - 6:00 p.m. on 2 August 2017; or,
  - if this meeting is adjourned, at 6:00 p.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

### Website giving information regarding the meeting

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

### Appointment of proxies

3. If you are a shareholder who is entitled to attend and vote at the meeting, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
4. A proxy does not need to be a shareholder of the Company but must attend the meeting to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrar: Neville Registrars Limited (**Neville Registrars**), Neville House, 18 Laurel Lane, Halesowen, B63 3DA.
5. Shareholders can:
  - Appoint a proxy and give proxy instructions by returning the enclosed proxy form by post (see note 7).
  - If a CREST member, register their proxy appointment by utilising the CREST electronic proxy appointment service (see note 8).

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

6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

### Appointment of proxy by post

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

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

- completed and signed;
- sent or delivered to Neville Registrars at Neville House, 18 Laurel Lane, Halesowen, B63 3DA; and
- received by Neville Registrars no later than 10:00 a.m. on 2 August 2017.

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

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

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

### Appointment of proxies through CREST

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

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

the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID 7RA11) no later than 10:00 a.m. on 2 August 2017 or, in the event of an adjournment of the meeting, 48 hours before the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

#### Changing proxy instructions

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

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

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

#### Termination of proxy appointments

10. A shareholder may change a proxy instruction but to do so you will need to inform the Company in writing by either:
  - Sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
  - Sending an e-mail to [info@nevilleregistrars.co.uk](mailto:info@nevilleregistrars.co.uk).

In either case, the revocation notice must be received by Neville Registrars no later than 10:00 a.m. on 2 August 2017.

#### Corporate representatives

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

#### Communication

12. Except as provided above, shareholders who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):
  - contact Neville Registrars by email [info@nevilleregistrars.co.uk](mailto:info@nevilleregistrars.co.uk) or by telephone on 0121 585 1131; or
  - contact the Company Secretary in writing at the Company's registered office.

You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the chairman's letter and proxy form),

to communicate with the Company for any purposes other than those expressly stated.

## **Company information and advisors**

### **Registered Office**

6-8 Powerscroft Road  
Sidcup  
Kent DA14 5DT

### **Company Secretary**

Paul Castle FCA

### **Website**

[www.bilbyplc.com](http://www.bilbyplc.com)

### **Nominated Adviser & Broker to the Company**

Northand Capital Partners Limited  
60 Gresham Street  
London EC2V 7BB

### **Auditor to the Company**

Kingston Smith LLP  
60 Goswell Road  
London EC1M 7AD

### **Solicitors to the Company**

Dentons UKMEA LLP  
One Fleet Place  
London EC4M 7WS

### **Financial PR**

Hudson Sander Limited  
29 Cloth Fair  
London EC1A 7NN

### **Registrars**

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



NS

CO

LT

PL