Bilby Plc

("Bilby" or the "Group")

Interim Results

New major contracts help deliver record revenues and EBITDA

Bilby Plc (AIM: BILB.L) the holding company to P&R Installation Company Limited ("P&R"), Purdy Contracts Limited ("Purdy"), Spokemead Maintenance Limited ("Spokemead") and DCB (Kent) Limited ("DCB"), a leading gas heating, electrical and building services provider, is pleased to announce its interim results for the six months ended 30 September 2017.

Financial Overview

	Note	Unaudited 6 months to 30 September 2017 *£'000*	Unaudited 6 months to 30 September 2016 *£'000*	Audited Year ended 31 March 2017 *£'000*
Revenue		38,561	30,074	63,981
EBITDA	(1)	3,148	1,350	3,908
Underlying operating profit		2,994	1,186	3,545
Underlying profit before tax	(2)	2,880	1,052	3,318
Statutory profit/(loss) for the period		1,966	(833)	(180)
Statutory diluted EPS	(3)	4.93	(2.13)	(0.46)
Normalised diluted EPS	(3)	6.19	2.72	7.66
Interim dividend per share	(4)	0.5p	0.25p	1.75p

(1) EBITDA is earnings before interest, tax, depreciation and the deduction of exceptional and other items as outlined in note 3 and detailed within the Condensed Consolidated Statement of Comprehensive Income. EBITDA is a key performance measurement for management in the Group.
(2) Underlying operating profit less finance costs.
(3) Adjusted for share based payments, changes in fair value of future contingent consideration, amortisation of customer relationships, impact of above adjustments on Corporation Tax. For 2016 only, additional adjustments for change in estimate of accrual income, restructuring costs and acquisition costs.
(4) FY17 full year dividend.

Highlights

- Achieved record revenues and EBITDA as a result of strong trading that included the winning of a number of major new contracts.
- Interim dividend of 0.5p up 100% (H1 2016: 0.25p) reflecting the Board's confidence in the Group's long-term prospects.
- Strong performances from DCB and Spokemead triggered deferred consideration payments that were settled in full during the period. DCB's cash consideration was settled out of existing working capital. An additional further consideration of £497,115 was paid to the vendors of Spokemead in respect of the year ended 30 June 2017. The additional further consideration was settled as £250,000 in cash from existing working capital and the issue of £247,115 in new Bilby shares.
- Major new clients won during the period included:
    - P&R - East Kent Housing, Saxon Weald, Wandsworth and Bexley Councils, Groveland Care Homes and an additional two MOD regions.
    - DCB - Golding Homes, RSPCA, Islington and Shoreditch Housing Association.
    - Purdy - Notting Hill Housing Group, MHS, Barnet Homes and Harrow Council.
- Purdy appointed to Eastern Procurement – a framework of 17 Local Authorities and Housing Associations.
- Net debt of £5.99m as at 30 September 2017 (30 September 2016: £6.91m including cash of £0.69m)
- The Group now provides general building, gas maintenance and electrical services to over 300,000 domestic and commercial properties across London and South East England.
- Visible future revenues for the Group are currently in excess of £320m.

Commenting on the results, Phil Copolo, Executive Deputy Chairman of Bilby Plc said:

"The Group has continued to make significant progress in the period following the successful integration of the Spokemead and DCB acquisitions. This has been best evidenced by companies within the Group winning a number of large-scale, long-term contracts. The success in these tenders is a testament to the high levels of service delivery and customer satisfaction which the Group is renowned for. We are continuously assessing and implementing plans for growth and pursuing selective local opportunities to complement existing service offerings. This growth is supported by Bilby's sound financial position and cash generation. Our future visible revenues continue to grow, which, combined with the significant operational momentum the Group is achieving, ensures the Board remains confident in its future prospects".

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

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Chairman's Statement

Overview

The first half of the current financial year has produced excellent results with the Group delivering record revenues and profits. This has been driven by strong organic growth evidenced by Bilby companies winning a significant number of new large-scale contracts during the period, underpinned by the acquisitions of Spokemead and DCB in 2016.

Our Group now employs over 300 full time staff, providing a range of services predominantly in London and the South East of England. We now maintain, repair and upgrade over 300,000 domestic and commercial properties annually.

Business Review

We are pleased to announce our record interim results for the six months ended 30 September 2017 have exceeded management expectations. Group revenue increased to £38.56m (2016: £30.0m). Profit before taxation and before non-underlying items increased to £2.99m (2016: £1.19m) an increase of 151%. Normalised diluted earnings per share increased by 127% to 6.19p (2016: 2.72p).

We continue to tender for a number of significant new local authority and social housing opportunities. Our focus remains on delivering operational excellence and ensuring customer satisfaction. Our objective and desire to continue our buy and build strategy remains.

Dividend

The Board is recommending an Interim dividend of 0.5p per share (2016: 0.25p per share). The proposed interim dividend for the six months ended 30 September 2017 was approved by the Board on 21 November 2017. The Group's shares will be marked ex-dividend on 30 November 2017 and the Interim dividend will be paid in January 2018 to shareholders on the register at close of business on 1 December 2017. The Bilby Board continuously reviews the dividend policy to maximise returns to shareholders whilst maintaining a prudent capital structure without jeopardising the ability to invest for growth.

People

I would like to commend and thank all of our employees for the continued high quality of their work and their commitment to the success of the Group. As our Group continues to develop and grow, we look to their professionalism and dedication to support each of the operating businesses. Respect and diversity remains vital in our recruitment, induction and customer care initiatives.

Outlook

Bilby continues to tender successfully for a growing number of important contracts. The Group has, through a combination of acquisition and organic growth, developed a compelling service offering to address our clients' complex challenges. Additionally, we anticipate a consistent level of new bidding opportunities over the coming period. Furthermore, Bilby has very few significant contracts coming up for renewal in the next two years.

The social housing sector provides opportunity for growth in new and existing assets. Bilby is well placed to take advantage of the increase in demand. This, combined with our enhanced service offering, customer and geographic reach, together with significant recent contract wins, underpins the Board's confidence for the future.

Sangita Shah, Non-Executive Chairman

Operational Review - Phil Copolo Deputy Chairman

Financial Performance

In the six month period ended 30 September 2017, Group revenue increased by 29% to £38.56m (H1 2016: £30.0m), with underlying operating profit increasing to £2.99m (H1 2016: £1.19m). Underlying profit before taxation (before share based payments of £0.95m, amortisation of acquisition intangibles of £0.9m) was £2.88m (H1 2016: £1.05m), an increase of 174%. Reported profit before taxation was £1.97m (H1 2016: loss £0.83m).

Normalised diluted earnings per share for the six month period was 6.19p (H1 2016: 2.72p) and Statutory diluted earnings per share for the six month period was 4.93p (H1 2016: (2.13)p).

Current Banking Facilities

The Group operates within a working capital facility of £2.25m. During the six month trading period to 30 September 2017, the Group settled the cash element of the further considerations due following the acquisitions of DCB and Spokemead (£625k) plus settled the outstanding convertible loan note (£515k) both out of existing working capital facilities. The Group has a 12 month rolling working capital facility which was renewed in July 2017. As of today, the Group has an outstanding medium term loan balance of £4.49m with a maturity date of July 2020. The Group also has a commercial mortgage with an outstanding balance of £456,000 and a maturity date of July 2025.

Deferred Consideration

The maximum final remaining deferred consideration payable to DCB and Spokemead within the next 12 months from the date of this announcement is £1m (£875k deferred cash, £125k deferred equity consideration). In the event the maximum cash consideration becomes payable it is envisaged it will be paid from available working capital facilities.

Marketplace

During the period, the Group was delighted to win a significant number of new and large-scale contracts with both existing and new customers. This is testament to the consistent recognition that Bilby companies receive as a result of our dedication to high standards and customer care. The acquisitions of DCB and Spokemead continue to make a significant contribution to the Group's service offering. The Board is pleased to note all companies within the Group are already working together on joint projects for new and mutual customers, tendering together for larger contracts and cross-selling the wider range of services available within the Bilby Group.

We remain confident the existing initiatives, such as the Decent Homes Standard and the Right to Repair scheme, will be a critical focus with investment levels being maintained. These initiatives, combined with its increased service offering, customer and geographic reach, provide Bilby with significant opportunities.

The impact of the tragic fire at Grenfell Tower in June 2017 has undoubtedly led to an ever-greater focus on compliance, with many organisations within the sector undertaking immediate reviews of the commissioning and safety practices at their properties.

We continue to review opportunities for strategic acquisitions in our targeted geographical area which remain subject to market conditions. Our acquisition policy remains robust, ensuring that any potential acquisition meets our strict criteria concerning; service synergies; management strength; geographic and customer reach; robust margins; cash flow and revenue visibility.

Our Group Services

P&R Installation

P&R is an established, award winning provider of gas heating and building maintenance services. Founded in 1977, P&R now provides both planned and responsive services to over 120,000 domestic and commercial properties across London and the South East of England. It is largely focussed on providing a range of services to the public sector social housing market and has a number of long term contracts with local authorities and housing associations. The company is head-quartered in Sidcup and employs over 100 permanent staff, many of whom have been employed by P & R for over 10 years. Gas compliancy for P & R's clients is running at 100% and customer satisfaction at 96.3% across all major contracts.

Purdy Contracts

Purdy is an award-winning Contractor based in London and South East England, established in 1984. Its three divisions undertake Electrical, Mechanical and Property Services work in both the domestic and commercial sectors. Purdy's services include internal and external refurbishment, repairs for both planned and reactive works programmes working closely with many local authorities and housing associations.

Purdy provides a range of 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 utilises a number of performance monitoring processes in order to achieve continuous improvement and customer care throughout the duration of all contracts. Performance is measured in all contractual partnerships by a formal Service Level Agreement which contains Key Performance Indicators.

DCB

DCB was established in 1998 and has continually increased revenues and profit. DCB now contracts for new building housing contracts and large scale refurbishment projects exceeding £7m in value in London and the South East. Its four divisions undertake the following activities:

- Planned Maintenance-large scale term contracts for kitchen and bathroom replacements for local and housing associations.

- Reactive Maintenance-serving local authorities through Kent and Sussex including the Port of Dover.

- New Construction-high quality design and build housing schemes for local authorities and housing associations in Kent. DCB has recently constructed two community centres, one in Maidstone, the other in Ashford.

- Refurbishment- re-modelling and refurbishing existing buildings for housing providers, care homes, universities and schools.

Spokemead

Spokemead has been established for over 35 years and specialises in electrical installation, repairs and maintenance services for local authority owned housing assets. It is committed to providing high quality, cost effective solutions encompassing all aspects of design, installation and commissioning of electrical services. These services range from new build to existing real estate across social, domestic and commercial sectors.

The core activities of Spokemead include planned and reactive maintenance, remedial works (including fault finding), testing and inspection, installation and out of hours call out service. Certification, asset management implementation and monitoring, component warranty compliance and remedial repairs are all important services provided by Spokemead.

People

As the Group continues to expand, Bilby's total headcount continues to increase. We remain wholly committed to ensuring a best in class approach across the Group and I am proud to report that we remain committed to constantly investing in the training and development of our employees, ensuring they have the necessary technical skills to ensure we continue to deliver the highest standards our customers expect. The Group keeps a firm eye on the future and is pleased to report that its apprentice scheme has continued to grow.

Current Trading and Outlook

Whilst we are pleased to announce record Revenues and EBITDA for the six-month period ended 30 September 2017, we have continued to make significant progress since the period end. The Shepway and East Kent Housing contract awarded to P&R, which commenced on 1 April 2017 and contributed to the Group's record performance, is now fully operational. The Group's revenue visibility for 2018 and beyond is encouraging and reflects the customer service and operational excellence Bilby offers.

The momentum achieved in the last six months of the financial year ended 31 March 2017 and in the first six months of the current financial year enables the Board to look forward with confidence.

Phil Copolo, Founder and Deputy Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six month period ended 30 September 2017

	Unaudited 6 months to 30 September 2017 £'000	Unaudited 6 months to 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
Revenue	38,561	30,074	63,981
Cost of sales	(32,722)	(25,140)	(52,966)
Gross Profit	5,839	4,934	11,015
Other operating expenses	(2,845)	(3,748)	(7,470)
Operating profit before non-underlying items	2,994	1,186	3,545
Non-Underlying Items			
Framework and contract development costs	-	(191)	(358)
Change in fair value of future contingent consideration	-	-	(102)
Amortisation of customer relationships	(896)	(773)	(1,792)
Share based payment charge	(95)	(306)	(341)
Acquisition costs	-	(360)	(395)
Change in estimate of accrued income	-	(266)	(266)
Adjustment to deferred consideration	488	-	-
Total non-underlying items	(503)	(1,896)	(3,254)
Operating profit/(loss)	2,491	(710)	291
Finance costs	(114)	(134)	(227)
Profit/(loss) before taxation	2,377	(844)	64
Income tax expenses	(411)	11	(244)
Total profit/(loss) for the period attributable to the equity holders of the parent company	1,966	(833)	(180)
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the period attributable to the equity holders of the parent company	1,966	(833)	(180)
Earnings/(loss) per share (note 5**)**			
Basic (pence)	4.94	(2.13)	(0.46)
Diluted (pence)	4.93	(2.13)	(0.46)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2017

	Unaudited 6 months to 30 September 2017 £'000	Unaudited 6 months to 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
Assets			
Non current assets			
Intangible fixed assets	14,943	16,961	15,843
Property plant and equipment	1,765	1,968	1,821
Deferred tax	-	73	-
Total non current assets	16,708	19,002	17,664
Current assets			
Inventories	1,638	1,056	1,993
Trade and other receivables	19,789	14,988	15,358
Cash and cash equivalents	368	689	1,895
Total current assets	21,795	16,733	19,246
Total assets	38,503	35,735	36,910
Issued share capital and reserves			
Share capital	4,029	3,973	3,973
Share premium	8,391	8,074	8,076
Share based payment reserve	600	469	505
Merger reserve	(248)	(248)	(248)
Retained earnings	2,472	617	1,104
Total equity attributable to the equity of the group	15,244	12,885	13,410
Non current liabilities			
Borrowings	3,698	4,782	4,363
Obligations under finance leases	31	135	78
Deferred consideration	-	897	1,000
Deferred tax liabilities	2,023	2,370	2,184
	5,752	8,184	7,625
Current liabilities			
Overdraft	1,025	570	-
Borrowings	1,498	1,949	1,276
Obligations under finance leases	108	160	131
Current income tax liabilities	780	481	225
Deferred consideration	1,000	1,500	2,013
Trade and other payables	13,096	10,006	12,230
	17,507	14,666	15,875
Total equity and liabilities	38,503	35,735	36,910

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six month period ended 30 September 2017

	Unaudited 6 months to 30 September 2017 £'000	Unaudited 6 months to 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
Net cash generated from/(used in) operating activities	(81)	658	3,357
Cash flow from investing activities			
Interest received	-	-	-
Acquisition of subsidiaries	-	(8,700)	(8,700)
Net cash/(overdraft) acquired on acquisition	-	2,066	2,066
Purchases of property, plant and equipment	(79)	(82)	(120)
Purchase of intangible assets	(16)	(57)	(57)
Proceeds on disposal of property, plant and equipment	-	65	69
Net cash used in investing activities	(95)	(6,708)	(6,742)
Cash flow from financing activities			
Proceeds from borrowings	250	2,500	2,500
Repayment of borrowings	(693)	(544)	(1,182)
Interest paid	(140)	(134)	(219)
Capital element of finance lease payments	(70)	(141)	(211)
Issue of ordinary shares	-	5,000	5,000
Issue costs	-	(161)	(158)
Dividends paid	(598)	(795)	(894)
Payment of deferred consideration	(1,125)	-	-
Net cash (used in)/generated from financing activities	(2,376)	5,725	4,836
Net increase/(decrease) in cash and cash equivalents	(2,552)	(325)	1,451
Cash and cash equivalents at beginning of period/year	1,895	444	444
Cash and cash equivalents at end of period/year	**(657)**	**119**	**1,895**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six month period ended 30 September 2017

	Issued share capital £'000	Share premium £'000	Share based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2017	3,973	8,076	505	(248)	1,104	13,410
Profit and total comprehensive income for the period	-	-	-	-	1,966	1,966
Issue of share capital	56	315	-	-	-	371
Issue costs	-	-	95	-	-	95
Share-based payment charge	-	-	-	-	-	-
Tax credit relating to share option scheme	-	-	-	-	-	-
Dividends paid	-	-	-	-	(598)	(598)
Balance at 30 September 2017	4,029	8,391	600	(248)	2,472	15,244

For the six month period ended 30 September 2016 (unaudited)

	Issued share capital £'000	Share premium £'000	Share based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2016	3,425	3,659	163	(1,624)	2,382	8,005
Profit and total comprehensive income for the period	-	-	-	-	(833)	(833)
Issue of share capital	548	4,576	-	1,376	-	6,500
Issue costs	-	(161)	-	-	-	(161)
Share-based payment charge	-	-	306	-	-	306
Tax debit relating to share option scheme	-	-	-	-	(137)	(137)
Dividends paid	-	-	-	-	(795)	(795)
Balance at 30 September 2016	3,973	8,074	469	(248)	617	12,885

For the year ended 31 March 2017

	Issued share capital £'000	Share premium £'000	Share based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2016	3,425	3,659	163	(1,624)	2,382	8,005
Profit and total comprehensive income for the period	-	-	-	-	(180)	(180)
Issue of share capital	548	4,575	-	1,376	-	6,499
Issue costs	-	(158)	-	-	-	(158)
Share-based payment charge	-	-	342	-	-	342
Tax debit relating to share option scheme	-	-	-	-	(204)	(204)
Dividends paid	-	-	-	-	(894)	(894)
Balance at 31 March 2017	3,973	8,076	505	(248)	1,104	13,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

Bilby Plc and its subsidiaries (together 'the Group') operate in the gas heating, electrical and general building services industries. The Group is a public company operating on the AIM Market of the London Stock Exchange 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 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 interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements, being the statutory financial statements for Bilby Plc as at 31 March 2017, which have been prepared in accordance with IFRS as adopted by the European Union.

The interim financial information for the six months ended 30 September 2017 do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim financial information has not been audited.

Significant accounting policies

The accounting policies adopted in the preparation of the interim financial information is consistent with those set out in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

Going concern

The Directors have prepared detailed financial forecasts and cash flows looking beyond twelve 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.

Publication of non-statutory financial statements

The results for the six months ended 30 September 2017 and 30 September 2016 are unaudited and have not been reviewed by the auditor. Statutory accounts for the year ended 31 March 2017, on which the auditors gave an audit report which was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies

The interim financial information has been prepared on the basis of the same accounting policies as published in the audited financial statements for the year ended 31 March 2017. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee ("IFRIC") pronouncements as adopted by the European Union Comparative figures for the year ended 31 March 2017 have been extracted from the statutory financial statements for that period.

2. Corporate governance, principal risks and uncertainties

The Corporate Governance Report included with our Annual Report and Financial Statements for 2017 detailed how we embrace governance. The Bilby Board continues to demand high standards of corporate governance.

The nature of the principal risks and uncertainties faced by the Group have not changed significantly from those set out within the Bilby Plc annual report and accounts for the year ended 31 March 2017. The main points are listed below:

- The Group's trading operations are dependent on UK and Local government policy with regard to expenditure on maintaining and improving social housing and other public buildings;
- The Group continues to compete effectively on gaining additional new work as well as maintaining existing contracts. Some of these contracts are zero value or piece work contracts which means that work levels are not guaranteed;
- There is a growing trend towards tendering for frameworks with multiple participants. Contracts are then secured either by rotation or further mini tenders;
- The Group relies on recruiting, training, motivating and retaining skilled and competent personnel to ensure continued success;
- The Group could suffer an impact on performance if it is unable to maintain long term relationships with its principal sub-contractors and suppliers; and
- The Group has a buy and build acquisition strategy. No assurance can be given that future acquisitions will be successfully integrated within the Group without incurring additional costs or delays following acquisition.
- The Group provides services in a range of high risk environments; in public buildings, domestic and commercial properties sometimes at height and with lone engineers in vans.

3. Exceptional and other items, including amortisation of acquisition intangibles

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.

	Note	Unaudited 6 months to 30 September 2017 £'000	Unaudited 6 months to 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
Change in fair value of future contingent consideration	(a)	-	-	102
Restructuring costs including development costs	(b)	-	191	358
Amortisation of customer relationships	(c)	896	773	1,792
Share based payment charge	(d)	95	306	341
Acquisition costs	(e)	-	360	395
Change in estimate of accrued income	(f)	-	266	266
Adjustment to deferred consideration	(g)	(488)	-	-
		503	1,896	3,254

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

(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 including framework development 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. 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.

(c) Amortisation of customer relationships
Amortisation of acquisition intangibles was £896,000 for the period (H1 2016: £773,000) and relates to amortisation of the customer relationships identified by the Directors on the acquisition of Purdy Contracts, DCB (Kent) and Spokemead.

(d) Share based payment charge
A group share option scheme is in place and options were granted during the period. The share based payment charge has been separately identified as it is a non-cash expense.

(e) Acquisition costs
Acquisition costs comprise legal, professional and other expenditure in relation to acquisition activity during the year ended 31 March 2017 and amounted to £395,000.

(f) 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 was provided for in full in the year ended 31 March 2017.

(g) Adjustment to deferred consideration
An adjustment to deferred consideration of £488,000 was made during the period to recognise the fact that the actual amount paid was lower than the estimated figure of the previous year end.

4. Cash flows from operating activities

	Unaudited 6 months to 30 September 2017 £'000	Unaudited 6 months to 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
Profit/(loss) before income tax	2,377	(844)	64
Adjusted for:			
Finance costs	114	134	227
Depreciation	135	149	310
Amortisation	915	788	1,824
Share based payments	95	305	342
Gain on deferred consideration	(488)	-	-
Loss on disposal of tangible fixed assets	-	-	21
Movement in receivables	(4,431)	1,147	586
Unwinding of fair value discount	-	-	102
Movement in payables	847	(728)	1,649
Movement in inventories	355	(178)	(1,115)
Tax paid	-	(115)	(653)
Net cash from/(used in) operating activities	(81)	658	3,357

5. 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/(loss) 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.

Basic and diluted profit/(loss) per share from continuing operations is calculated as follows:

	Unaudited 6 months to 30 September 2017 £'000	Unaudited 6 months to 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
Profit/(loss) used in calculating basic and diluted earnings/(loss) per share	1,967	(833)	(180)
Weighted average number of shares for the purpose of basic earnings/(loss) per share	39,796,039	39,129,906	39,433,083
Weighted average number of shares for the purpose of diluted earnings/(loss) per share	39,924,164	41,811,275	39,433,083
Basic earnings/(loss) per share (pence)	4.94	(2.13)	(0.46)
Diluted earnings/(loss) per share (pence)	4.93	(2.13)	(0.46)

Adjusted EPS

Profit after tax is stated after deducting non-underlying items totalling £0.503m. 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.

	Unaudited 6 months to 30 September 2017 £'000	Unaudited 6 months to 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
Adjusted Earnings Per Share			
Profit/(loss) after tax	1,967	(833)	(180)
Add back			
Change in fair value of future contingent consideration	(488)	-	102
Framework development costs	-	45	-
Amortisation of acquisition intangible assets	896	773	1,792
Share based payment charge	95	306	341
Acquisition costs	-	360	395
Change in estimate of accrued income	-	266	266
Impact of above adjustments on Corporation Tax	-	-	(53)
Restructuring costs	-	146	358
	2,470	1,063	3,021
Weighted average number of shares for the purpose of basic adjusted earnings per share	39,796,039	39,129,906	39,433,083
Weighted average number of shares for the purpose of diluted adjusted earnings per share	39,924,164	41,811,275	40,055,023
Basic adjusted earnings per share (pence)	6.21	2.72	7.66
Diluted adjusted earnings per share (pence)	6.19	2.54	7.54

6. Share capital

Ordinary shares of £0.10 each	Unaudited 6 months to 30 September 2017 *£'000*
At the beginning of the period	3,973
Issued in the period	56
At the end of the period	**4,029**

Number of shares	Unaudited 6 months to 30 September 2017
At the beginning of the period	39,729,731
Issue of further consideration shares in connection with DCB*	167,113
Issue of further consideration shares in connection with Spokemead**	393,183
At the end of the period	**40,290,027**

* 19 July 74.8p £125,000
** 30 September 62.85p £247,115

7. Dividends

The Board is recommending an interim dividend of 0.5p per share (2016: 0.25p per share). The proposed interim dividend for the six months ended 30 September 2017 was approved by the Board on 21 November 2017. The Group's shares will be marked ex-dividend on 30 November 2017 and the Interim dividend will be paid in January 2018 to shareholders on the register at close of business on 1 December 2017. The dividend has not been recognised as a financial liability in the consolidated financial statements.

8. Taxation

The income tax charge for the six months ended 30 September 2017 is calculated based upon the effective tax rates expected to apply to the Group for the full year of 18% (2017: 20%). Differences between the estimated effective rate of 18% and the statutory rate of 18% are due to non-deductible expenses.

9. Related party transactions

There have been no related party transactions which have affected the financial position or performance of the Group in the six months to 30 September 2017.

10. Forward-Looking statements

This report contains certain forward-looking statements with respect to the financial condition of Bilby Plc. These statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There could be a number of factors which influence the actual results and developments. These could impact on the forward-looking statements included in this report.

11. Interim Report

Copies of this Interim Report will be available to download from the investor relations section on the Group's website www.bilbyplc.com.