

19 December 2019

## Bilby plc

("Bilby" or the "Company")

### Interim Results

Bilby Plc (AIM:BILB), a leading gas heating, electrical and building services provider, announces its interim results for the six months ended 30 September 2019.

#### Financial Overview

	<b>Unaudited 6 months to 30 September 2019 £'000</b>	Unaudited 6 months to 30 September 2018 £'000	Audited 12 months to 31 March 2019 £'000
Group results			
Revenue <sup>1</sup>	<b>29,778</b>	36,359	66,528
Gross profit <sup>1</sup>	<b>7,819</b>	8,261	9,483
Underlying EBITDA <sup>2</sup>	<b>2,062</b>	2,678	3,164
Underlying operating profit	<b>1,917</b>	2,546	2,789
Underlying profit before taxation <sup>3</sup>	<b>1,702</b>	2,428	2,501
Profit/(loss) after taxation	<b>542</b>	1,133	(8,596)
Basis EPS	<b>1.34</b>	2.81	(21.29)
Basic EPS adjusted <sup>4</sup>	<b>3.78</b>	5.40	6.38
Dividend per share	<b>0.00</b>	2.00	2.50
Net Debt <sup>5</sup>	<b>11,068</b>	7,891	10,858

1. Underlying Revenue and Gross profit for the 12 months ended 31 March 2019 were £69.588 million and £15.131 million respectively. There are no adjustments to Revenue or Gross Profit for the 6 months ended 30 September 2018 or 30 September 2019.

2. Underlying EBITDA is earnings before interest, tax, depreciation and non-underlying items as set out in note 3.

3. Underlying profit before taxation is stated after interest and before charging non-underlying items.

4. Basic EPS adjusted is the profit before deducting non-underlying after tax divided by the weighted average number of ordinary shares.

5. Net debt comprises overdraft, term loans, mortgage and other loans less cash

#### Summary

- Robust performance from the underlying Group delivers an underlying EBITDA of £2.1 million (2018: £2.7 million) in a business that is historically weighted to the second-half
- The Group resolved its legacy issues and completed the restructuring of P&R
- Strong cash generation of £2.4m from underlying operations but impacted by £1.8m relating to P&R losses from year ending March 2019 and related restructuring, resulting in net cash generation from operating activities of £0.629m
- Appointment of David Bullen as Chief Executive Officer who accelerated the operational and financial review of the business which led to several conclusive actions:
  - The closure of P&R's gas division

- P&R's profitable building services contracts transferred to management responsibility of Purdy
  - Integration and alignment of R Dunham into Group
  - Standardisation and centralisation of operating systems, policies and controls to improve transparency, efficiency and profitability within the Group, remains ongoing
  - Appointment of an interim Group HR Director - a permanent position for this role will be confirmed in due course
- Significant operational progress securing new large scale contracts with no major contracts up for renewal in the financial year
    - Purdy won a contract with Enfield Council with a value of £1.2 million
    - DCB secured an extended contract with Port of Dover for £1.5 million
    - DCB secured a contract with Newlon Housing for £1.2 million
    - Spokemead secured additional work with its largest customer, Southwark Council

#### **Post period end & outlook**

- Fundraise of £2 million to provide additional resources to improve the working capital position
- Conclusion and closure of the resolution proceedings relating to the two severely loss-making contracts with Carillion Amey and East Kent Housing with nil settlement to all parties
- Strengthening of Board with the appointment of David Guest as Non-Executive Director and Chair of the Audit Committee
- Board remain confident of at least maintaining underlying revenues of £59 million with an underlying EBITDA of not less than £4.5 million for the full year

#### **Commenting on the results, David Bullen, Chief Executive of Bilby plc said:**

*"This has been a period of restructuring for the Group in which we finally resolved the legacy issues relating to P&R and continued the operational and financial review that collectively has achieved a positive reset for the Group. We have taken the positive steps to improve our levels of transparency and efficiency, as well as engaging staff at all levels to shape the future of the organisation. This will ensure that each subsidiary benefits from being part of a wider Group and will accelerate the trajectory of our future growth path. I am confident that the actions we have taken, and continue to undertake, will ensure that Bilby is best placed to capitalise on opportunities moving forward."*

#### **Enquiries**

##### **Bilby plc**

Sangita Shah, Chairman

+44 (0)20 7796 4133

David Bullen, Chief Executive Officer

(via Hudson Sandler)

**Canaccord Genuity Limited** (Nominated Adviser and Sole Broker)

+44 (0)20 7523 8000

Corporate Broking:  
Bobbie Hilliam  
Andrew Potts  
Georgina McCooke

Sales:  
Jonathan Barr

**Hudson Sandler** (Financial PR)  
Charlie Jack  
Bertie Berger

+44 (0)20 7796 4133

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

## Chair's statement

The first half of 2019 ("the Period") saw significant conclusive structural and reorganisational changes within the Group, in addition to a much needed strengthening of the Board. These actions were a necessity, and all arose from the vital need to fully address the legacy issues resulting from one poorly managed subsidiary and re-establish the Group on a robust platform for future growth.

Following an extensive search process, I was delighted to welcome David Bullen to the Group as Chief Executive in April 2019. David joined Bilby from Boleyn International Ltd, a strategic management consultancy he founded in 2016. He brings an impressive track record in turnaround situations and creating shareholder value as well as strong plc experience. On arrival, David immediately accelerated the operational and financial review the Board had implemented and will spearhead this until completion. His appointment has already made a huge impact: the Group has stabilised and we are now forging our strategy to return the business to solid calibrated growth.

As previously announced, the Group faced several challenges that had driven the poor financial outrun for the year ended 31 March 2019. These challenges were limited to one subsidiary, P&R. The poor financial performance of this subsidiary was driven by operational failings that resulted from governance failings at the subsidiary. Decisive action was undertaken, including restructuring P&R, which is now complete. Concurrently, under the aegis of David Bullen, an intensive operational review across the Group was instigated to ensure that the enormous challenges from a failing subsidiary are mitigated and fully addressed proactively. This operational and financial review of the business is ongoing and has resulted in the implementation of an investment programme that will ensure robust systems and governance across the Group.

Despite these challenges, the underlying health of the business is robust, and we are pleased to deliver underlying Group EBITDA of £2.1 million for the Period (2018: £2.7 million) in a business that is historically stronger in the second-half. As a result of this progress, in addition to securing new contracts and benefiting from the centralised functions, Bilby is pleased to report that we have visible revenues of £180.8 million to 2021 (2019: £162.3 million).

The net debt position was higher than in previous years as a result of the material losses on the exit of contracts within the gas division of P&R and the associated restructuring costs. These amounted to £1.8 million during the Period and significantly impacted the working capital of the Group.

Post Period end, in November 2019, the Group raised £2 million from existing shareholders and certain Directors and senior management to provide additional resources to improve the working capital position. We continue to regularly engage with our banking partners, HSBC, who remain supportive of the Board and the ongoing operational and financial review.

In addition, post Period end, we were delighted to augment our Board with the addition of a new Non-Executive Director, David Guest. David is currently the senior audit partner at UHY Hacker Young in

Brighton and is Chair of the Audit Committee. We are seeking to further enhance the non-executive board in the near future.

## **Outlook**

For the full year, the Board remains confident of at least maintaining underlying revenues of £59 million with an underlying EBITDA of not less than £4.5 million.

While the operational and financial review of the business is ongoing, the Group has now conclusively resolved its legacy issues relating to P&R and the underlying business remains solid. With our bolstered management team, spearheaded by a CEO who is dogged and impressive, I am confident Bilby can return to the rate of growth of previous years.

## **Chief Executive's statement**

During the Period, Group underlying revenue decreased 18% to £29.8 million (2018: £36.4 million) with underlying EBITDA decreasing by 23% to £2.1 million (2018: £2.7 million) and adjusted earnings per share down to 3.78 pence (2018: 5.40 pence). The decrease in the underlying EBITDA was primarily driven by the negative impact P&R had on the Group and the discontinuation of certain elements of that subsidiary.

Despite these challenges, the Group has performed commendably, making significant operational progress securing new contracts and completing substantial work during the Period.

### **Update on the operational and financial review**

The Period saw the completion of the restructuring of the P&R business that was the primary reason for the Group's underperformance for the year ended 31 March 2019. Since my arrival, I have focused on working with the Executive management team and Board to listen, understand and identify the underlying issues within the business and address them robustly with urgency. We have implemented relevant systems and processes to ensure that our effectiveness, our efficiencies and our offer are all of the highest standards.

A key outcome of the review established the need for providing consistency amongst all the subsidiaries, specifically on the internal reporting and controls, aligning accounting and performance procedures across the Group through the same centralised operating systems. These systems include providing vital end-to-end data on engineering time and identifying opportunities for improvement that enables all employees to manage, measure and meet the same high standards through the transparency and accountability of performance; job by job, contract by contract. The implementation of this programme is already showing positive results and delivering efficiencies, with each subsidiary benefitting as a result.

In parallel and additionally, this improved transparency and accountability will facilitate the opportunity for the Group to initiate and implement a Group-wide incentive programme to suitably reward and recognise, on a personal level, the significance of the value each of our employees contributes to the success of the business.

As previously announced, as part of the P&R restructuring, all profitable building services contracts were transferred to the management responsibility of Purdy and its centralised systems and are already benefitting from the consolidation and cohesion that this has delivered. Importantly, the remaining building services employees have both welcomed and embraced the change to align itself with the rest of the Group, contributing to a strengthened morale within the subsidiary.

### **People**

Immediately following my arrival, the Board strengthened the Group HR function by instilling an interim HR Director with an expectation to fulfil this role on a permanent basis. In conjunction, I have pro-actively sought to engage with employees at all levels across the subsidiaries with other Members of the Board and Senior Management, also having detailed consultations with our stakeholders.

The review and continuing turnaround of the Group could not have happened without the engaged involvement of all key stakeholders and we are hugely appreciative of their feedback and dedication. As

part of this process, the Board is committed to ensuring employees are receiving optimum personal and professional development and training to maximise their potential. The Board is also committed to ensuring all our employees have the opportunity to share the success of the Group. It is vital they are all adequately rewarded and recognised for their individual contributions to the best in class service Bilby offers its companies. This will ensure our profitable growth is sustainable.

## **Operational review of subsidiaries**

### **Purdy**

Purdy has continued the strong momentum it delivered in 2019 by successfully securing new contracts and undertaking ongoing work for existing customers. Purdy strengthened its relationship with Hackney Council by conducting electrical works on some of its housing stock, with anticipated revenue of £0.4 million. The subsidiary also secured a contract with Enfield Council for rewiring work and boiler installations with a total value of £1.1 million. In addition, it won a £0.5 million contract with Tower Hamlets Community Housing for kitchen and bathroom maintenance work. The robustness of Purdy's performance during the Period has been excellent and is a testament to the quality of the business, the strength of relationships with their client base and the resolve of the staff.

### **DCB**

DCB's progress has been sluggish during the Period, as deferred starts and deferred contracts on projects limited the opportunities for the business. However, these projects have now begun to gather pace post Period end and will continue to accelerate to the end of the financial year. DCB built on its relationship with the Port of Dover by securing a £1.5 million contract for Fire Risk Assessment upgrades to 140 buildings in the area. The contract DCB held with the Tunbridge Wells Borough Council for the last seven years to conduct corporate maintenance was extended for an additional five years. In addition, DCB signed a new contract with Newlon Housing for £1.3 million and a £1.2 million contract with NHS Health Living Centres for remodelling and refurbishment work.

### **Spokemead**

Despite the reduction in contracted work, following their tender win last year with Southwark Council, Spokemead continues to progress positively and has recently secured some new emergency lighting instalments which will commence in the final quarter of the year.

### **R Dunham**

Following the acquisition of R Dunham, a significant amount of work has been undertaken during the Period to align the subsidiary with the rest of the Group. Historically the subsidiary was entirely paper-based. It has now been integrated on the centralised operating systems and will benefit significantly from the efficiencies this will deliver. The former owner and son have now left the business. Lee Venables, Bilby COO will undertake overall responsibility of the subsidiary whilst we assess the potential for further consolidation within the Group. The opportunity for strengthening inter-company synergies have already been clearly demonstrated between R Dunham and Purdy, where they have successfully coordinated key services relating to Hackney Council, a Purdy customer.

**Summary**

During the Period, there has been a great deal of focus on the operational and financial review of the Group. However, despite the challenges inherited as a result of P&R, the commitment of our exceptional workforce has ensured the subsidiaries have performed and gained further momentum by securing new contracts. We have continued to deliver a high-quality service to our customers throughout. Importantly, no major contracts are up for renewal in the current financial year.

There is still work to be done but the turnaround of the Group is well on track. Our actions during the period and the recent fund raise post-Period has stabilised our operations, enabling the Group to focus on achieving growth. As a result, the Board has confidence in meeting its expectations for the full year.



## Financial Review

The Board are satisfied with the performance of the Group in the 6 months to 30 September 2019 considering the significant challenges that were faced in the Period.

Revenues of £29.8 million and underlying EBITDA of £2.1 million in the Period compares to underlying revenues of £33.2 million and underlying EBITDA of £0.486 million in the second half of the year ended 31 March 2019, reflecting the consolidation of the business and elimination of loss making activities. Underlying revenues in the six month period to 30 September 2018 were £36.4 million and underlying EBITDA £2.7 million. The reduction in revenues primarily relates to the exit from the P&R gas division and lower activity in DCB due to some delays in the start of contracted projects which are now starting to progress.

The exit from loss making gas contracts in P&R and transfer of the other day-to-day operations of P&R is complete and the claim proceedings with East Kent Housing were resolved post the Period end with nil settlement to either party. Good progress has been made on the investment in operational and finance systems, processes and structures for the Group.

Underlying cash generated of £2.4 million demonstrates a positive cash conversion in the period. Net cash generated from operating activities was £0.629 million after absorbing non-underlying cash payments of approximately £1.8 million relating to the loss on exit from onerous contracts, the closure of the gas division of P&R and restructuring costs, which had an impact on the working capital position of the Group. Operating cash outflow in the year ended 31 March 2019 was £2 million.

Total borrowings increased in the period by £0.2 million to £11.1 million, with the cash generated by operating activities absorbed mainly by the payment of the deferred consideration of £0.476 million for the acquisition of R Dunham and finance costs relating to interest payable on term loans, mortgage loans and overdraft. Net debt for covenant purposes was £13.7 million at 30 September 2019 and £12.6 million at 30 November 2019, with total facilities of £13.9 million.

Post the Period end, in November 2019, the Group undertook a successful share placing raising £2 million (£1.8 million net of costs). The net proceeds were used to improve the Group's working capital position, with £1.2m reducing trade creditors and the balance improving working capital. We expect to further reduce the stretch in our trade creditors by up to c.£1 million in the coming months. The Group has been granted temporary amendments to its financial covenants with HSBC until June 2020 which will provide additional time and flexibility to agree new debt facilities with rebased financial covenants. The Bank remains supportive and discussions are already underway to agree new facilities.

The Board remains confident in achieving revenues of £59 million for the year ending 31 March 2020 with underlying EBITDA of not less than £4.5 million.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**For the six month period ended 30 September 2019**

	Unaudited 6 months to 30 September 2019 £'000	Unaudited 6 months to 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
Underlying revenue	29,778	36,359	69,588
Non-underlying revenue	-	-	(3,060)
<b>Total revenue</b>	<b>29,778</b>	<b>36,359</b>	<b>66,528</b>
Underlying cost of sales	(21,959)	(28,098)	(54,457)
Non-underlying cost of sales	-	-	(2,618)
<b>Gross Profit</b>	<b>7,819</b>	<b>8,261</b>	<b>9,453</b>
Other operating expenses	(5,902)	(5,715)	(12,342)
<b>Operating profit before non-underlying items</b>	<b>1,917</b>	<b>2,546</b>	<b>(2,889)</b>
<i>Non-underlying operating expenses</i>			
Amortisation of customer relationships	(963)	(896)	(1,836)
Impairment of customer relationships	-	-	(1,802)
Share based payment charge	(28)	(64)	(128)
Acquisition costs	-	-	(120)
Restructuring costs	-	(82)	(975)
Loss on exit from onerous contracts and gas division of P&R	-	-	(2,350)
<i>Total non-underlying operating expenses</i>	<i>(991)</i>	<i>(1,042)</i>	<i>(7,211)</i>
<b>Operating profit/(loss)</b>	<b>926</b>	<b>1,504</b>	<b>(10,100)</b>
Finance costs	(215)	(118)	(288)
<b>Profit/(loss) before taxation</b>	<b>711</b>	<b>1,386</b>	<b>(10,388)</b>
Income tax (expense)/credit	(169)	(253)	1,792
<b>Total profit/(loss) for the period attributable to the equity holders of the parent company</b>	<b>542</b>	<b>1,133</b>	<b>(8,596)</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income/(loss) for the period attributable to the equity holders of the parent company</b>	<b>542</b>	<b>1,133</b>	<b>(8,596)</b>
<b>Earnings per share (note 5)</b>			
Basic (pence)	1.34	2.81	(21.29)
Diluted (pence)	1.34	2.76	(21.29)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****At 30 September 2019**

	Unaudited 6 months to 30 September 2019 £'000	Unaudited 6 months to 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible fixed assets	10,930	13,122	11,750
Property plant and equipment	1,684	1,606	1,661
<b>Total non-current assets</b>	<b>12,614</b>	<b>14,728</b>	<b>13,411</b>
<b>Current assets</b>			
Inventories	3,425	4,445	3,134
Trade and other receivables	17,555	20,488	18,548
Cash and cash equivalents	11	161	21
<b>Total current assets</b>	<b>20,991</b>	<b>25,094</b>	<b>21,703</b>
<b>Total assets</b>	<b>33,605</b>	<b>39,822</b>	<b>35,114</b>
<b>Issued share capital and reserves</b>			
Share capital	4,054	4,029	4,054
Share premium	8,609	8,391	8,609
Share based payment reserve	855	763	827
Merger reserve	(248)	(248)	(248)
Retained earnings	(5,312)	4,080	(5,854)
<b>Total equity attributable to the equity of the group</b>	<b>7,958</b>	<b>17,015</b>	<b>7,388</b>
<b>Non-current liabilities</b>			
Borrowings	212	2,200	236
Obligations under finance leases	47	1	-
Deferred tax liabilities	599	1,722	431
	<b>858</b>	<b>3,923</b>	<b>667</b>
<b>Current liabilities</b>			
Overdraft	6,303	4,354	5,219
Borrowings	4,564	1,498	5,424
Obligations under finance leases	16	28	10
Current income tax liabilities	-	1,481	-
Deferred consideration	-	500	476
Trade and other payables	13,906	11,023	15,930
	<b>24,789</b>	<b>18,884</b>	<b>27,059</b>
<b>Total equity and liabilities</b>	<b>33,605</b>	<b>39,822</b>	<b>35,114</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the six month period ended 30 September 2019**

	Unaudited 6 months to 30 September 2019 £'000	Unaudited 6 months to 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
<b>Net cash generated from/(used in) operating activities</b>	629	(1,005)	(2,026)
<b>Cash flow from investing activities</b>			
Acquisition of subsidiaries	(476)	(500)	(1,750)
Net cash acquired on acquisition	-	-	79
Purchases of property, plant and equipment	(85)	(80)	(158)
Purchase of intangible assets	(54)	(2)	(9)
Proceeds on disposal of property, plant and equipment	-	-	9
<b>Net cash used in investing activities</b>	(615)	(582)	(1,829)
<b>Cash flow from financing activities</b>			
Proceeds from borrowings	-	-	6,100
Repayment of borrowings	(883)	(749)	(5,193)
Interest paid	(215)	(118)	(288)
Capital element of finance lease payments	(10)	(52)	(71)
Dividends paid	-	(805)	(1,009)
<b>Net cash used in financing activities</b>	(1,108)	(1,724)	(461)
Net decrease in cash and cash equivalents	(1,094)	(3,311)	(4,316)
Cash and cash equivalents at beginning of period/year	(5,198)	(882)	(882)
<b>Cash and cash equivalents at end of period/year</b>	<b>(6,292)</b>	<b>(4,193)</b>	<b>(5,198)</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the six month period ended 30 September 2019 (unaudited)**

	Issued share capital	Share premium	Share based payment reserve	Merger reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	4,054	8,609	827	(248)	(5,854)	7,388
Profit and total comprehensive income for the period	-	-	-	-	542	542
Share-based payment charge	-	-	28	-	-	28
Dividends paid	-	-	-	-	-	-
Balance at 30 September 2019	<u>4,054</u>	<u>8,609</u>	<u>855</u>	<u>(248)</u>	<u>(5,312)</u>	<u>7,958</u>

**For the six month period ended 30 September 2018 (unaudited)**

Balance at 1 April 2018	4,029	8,392	699	(248)	3,751	16,623
Profit and total comprehensive income for the period	-	-	-	-	1,133	1,133
Share-based payment charge	-	-	64	-	-	64
Dividends paid	-	-	-	-	(805)	(805)
Balance at 30 September 2018	<u>4,029</u>	<u>8,392</u>	<u>763</u>	<u>(248)</u>	<u>4,079</u>	<u>17,015</u>

**For the year ended 31 March 2019**

Balance at 1 April 2018	4,029	8,392	699	(248)	3,751	16,623
Loss and total comprehensive income for the period	-	-	-	-	(8,596)	(8,596)
Issue of share capital	25	217	-	-	-	242
Share-based payment charge	-	-	128	-	-	128
Dividends paid	-	-	-	-	(1,009)	(1,009)
Balance at 31 March 2019	<u>4,054</u>	<u>8,609</u>	<u>827</u>	<u>(248)</u>	<u>(5,854)</u>	<u>7,388</u>

## **NOTES TO THE INTERIM STATEMENT**

### **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 201 Temple Chambers, 3-7 Temple Avenue, London EC4Y 0DT.

These interim financial statements of the Group 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 2019.

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 2019, 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 2019 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 expected to be adopted in the preparation of the Group's annual financial statements for the year ending 31 March 2020.

### **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 return to profitability in the period and the above projections, the successful share placing in November 2019 and the constructive discussion with HSBC as set out below, 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 2019 and 30 September 2018 are unaudited and have not been reviewed by the auditor. Statutory accounts for the year ended 31 March 2019, on which the auditors gave an audit report which included a material uncertainty related to going concern 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. In November 2019, the Group undertook a successful share placing raising £2 million (£1.8 million net of costs). The net proceeds were used to improve the Group's working capital position. The Group has been granted temporary amendments to its financial covenants with HSBC until June 2020 which will provide additional time and flexibility to agree new debt facilities with rebased financial covenants.

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 2019. 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 2019 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 2019 detailed how we embrace governance. The Bilby Board recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its shareholders.

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”). Bilby has adopted the QCA Code.

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 2019. The main points are listed below:

- Profitable growth – the growth of our Group is dependent on its ability to win new business and increase the amount of work we do for our existing customers. It also relies on our ability to successfully bid, mobilise, operate and manage contracts profitably.
- Reputational management – maintaining our reputation is vital to the success of our business and a loss of confidence from our customers and the residents we serve will affect our ability to retain and win business. This in turn can adversely affect our financial performance and growth prospects.
- Financial controls – ensuring we have strong financial controls, access to funding and effective cash conversion is essential to our ability to deliver our contracts and grow our business.
- Compliance and regulation – delivering on our contractual obligations and meeting and reporting against agreed service levels directly affect our ability to retain and win business. In order to conduct our business we need to work to regulatory frameworks and comply with legal requirements.
- Significant health, safety or environmental incident – due to our diverse operational portfolio, the potential to cause significant harm to our employees, our business partners or members of the public, or to damage the environment will always exist. We are committed to safeguarding our people and protecting the environment wherever we operate.
- IT - as a business we are reliant on our IT infrastructure to be able to conduct our work. IT provides the platform for our contract management and business support activities. We are reliant on these systems to improve our operational efficiency and they provide the foundation for our administrative functions and financial reporting.
- Attracting and retaining skilled people – attracting and retaining the best skilled people at all levels of the business is critical to the success of our performance. This is particularly the case in ensuring we have access to a diverse range of views and experience and in attracting expertise at both managerial and operational levels where the market may be highly competitive. We need to maintain good relations with our staff, invest in their training and the development of their careers.

## **3. Non-underlying items**

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

		Unaudited 6 months to 30 September 2019 £'000	Unaudited 6 months to 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
Amortisation of customer relationships	(a)	963	896	1,836
Impairment of customer relationships	(a)	-	-	1,802
Share based payment charge	(b)	28	64	128
Acquisition costs	(c)	-	-	120
Restructuring costs	(d)	-	82	975
Loss on exit from onerous contracts and gas division of P&R	(e)	-	-	7,604
Impairment of accrued income	(f)	-	-	424
		991	1,042	12,889

All non-underlying items have been charged to other operating expenses except that in the year ended 31 March 2019 £2.636 million and £2.618 million of the loss on exit from onerous contracts and gas division of P&R were charged to revenues and cost of sales respectively and the impairment of accrued income was charged to revenues.

*(a) Amortisation and impairment of customer relationships*

Amortisation of acquisition intangibles was £0.963 million for the period (H1 2018: £0.896 million) and relates to amortisation of the customer relationships identified by the Directors on the acquisition of Purdy, DCB, Spokemead and R. Dunham. Impairment of customer relationships of £1.802 million in the year ended 31 March 2019 related to Spokemead.

*(b) Share based payment charge*

A group share option scheme is in place during the period. The share based payment charge has been separately identified as it is a non-cash expense.

*(c) Acquisition costs*

Acquisition costs comprise legal, professional and other expenditure in relation to the acquisition of R. Dunham in the year ended 31 March 2019.

*(d) Restructuring costs*

Comprise redundancy costs, compromise agreements, legal and professional fees and other related costs and were one off and non-recurring.

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

Comprise trading losses, legal and professional fees, impairment of financial assets and inventory and provisions for claims in relation to the exit of two contracts in P&R and the exit from the gas division of P&R.

*(f) Impairment of accrued income*

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



#### 4. Cash flows from operating activities

	Unaudited 6 months to 30 September 2019 £'000	Unaudited 6 months to 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
Profit/(loss) before income tax	711	1,386	(10,388)
Adjusted for:			
Finance costs	215	118	288
Loss on disposal of property, plant and equipment	12	-	75
Depreciation	122	112	256
Amortisation of intangible assets	973	916	1,880
Impairment of intangible assets	-	-	1,802
Share based payments	28	64	128
Fair value adjustment	(100)	-	-
Movement in receivables	993	73	2,980
Movement in payables	(2,033)	(2,375)	1,870
Movement in inventories	(292)	(1,292)	186
Tax paid	-	(7)	(1,103)
Net cash from/(used in) operating activities	629	(1,005)	(2,026)

#### 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 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 earnings per share is calculated as follows:

	Unaudited 6 months to 30 September 2019 £'000	Unaudited 6 months to 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
Profit/(loss) used in calculating basic and diluted earnings per share	542	1,133	(8,596)

Weighted average number of shares for the purpose of basic earnings per share	40,540,027	40,290,027	40,373,589
Weighted average number of shares for the purpose of diluted earnings per share	40,540,027	41,121,286	40,373,589
Basic earnings per share (pence)	1.34	2.81	(21.29)
Diluted earnings per share (pence)	1.34	2.76	(21.29)

#### Adjusted earnings per share

Profit after tax is stated after deducting non-underlying items totalling £0.991 million. Non-underlying items are either exceptional or one-off in nature, non-cash expenses or necessary elements of expenditure to derive future benefits for the Group which have not been capitalised in the Consolidated Statement of Financial Position. These are shown separately on the face of the Consolidated Statement of Comprehensive Income.

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

	Unaudited 6 months to 30 September 2019 £'000	Unaudited 6 months to 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
<b>Adjusted Earnings Per Share</b>			
Profit after tax	542	1,133	(8,596)
Add back:			
Restructuring costs	-	82	975
Loss on exit from onerous contracts and gas division of P&R	-	-	7,604
Impairment of accrued income	-	-	424
Amortisation of acquisition intangible assets	963	896	1,836
Impairment of customer relationships	-	-	1,802
Share based payment charge	28	64	128
Acquisition costs	-	-	120
Impact of above adjustments on corporation tax	-	-	(1,716)
	<u>1,533</u>	<u>2,175</u>	<u>2,577</u>
Weighted average number of shares for the purpose of basic adjusted earnings per share	40,540,027	40,290,027	40,373,589
Weighted average number of shares for the purpose of diluted adjusted earnings per share	40,540,027	41,121,286	40,509,079
Basic adjusted earnings per share (pence)	3.78	5.40	6.38
Diluted adjusted earnings per share (pence)	3.78	5.29	6.36

## 6. Share capital

Ordinary shares of £0.10 each	Unaudited 6 months to 30 September 2019 £'000
At the beginning of the period	4,054
Issued in the period	-
At the end of the period	<u><u>4,054</u></u>

Number of shares	Unaudited 6 months to 30 September 2019
At the beginning of the period	40,540,027
Issued in the period	-
At the end of the period	<u><u>40,540,027</u></u>

## 7. Dividends

The Board do not recommend an interim dividend for the year ending 31 March 2020 due to the overall level of indebtedness that resulted from the loss for the year ended 31 March 2019.

## 8. Taxation

The income tax charge for the six months ended 30 September 2019 is calculated based upon the effective tax rates expected to apply to the Group for the full year of 19% (2018: 19%). Differences between the estimated effective rate and the statutory rate of 19% are due to non-deductible expenses.

## 9. 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.

## 10. Events after the balance sheet date

In November 2019, the Group undertook a successful share placing raising £2 million (£1.8 million net of costs). The net proceeds were used to improve the Group's working capital position. The Group has been granted temporary amendments to its financial covenants with HSBC until June 2020 which will provide additional time and flexibility to agree new debt facilities with rebased financial covenants.

In December 2019 the Group formally resolved claim proceedings with East Kent Housing with nil settlement to either party.

## **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](http://www.bilbyplc.com).