

Bilby Plc
(“Bilby” or the “Group”)
Interim Results

Bilby Plc (AIM: BILB.L), a leading gas heating, electrical and building services provider, is pleased to announce its interim results for the six months ended 30 September 2018.

Bilby comprises five trading companies. These are Purdy Contracts Limited (“Purdy”), an electrical, mechanical and property services contractor; P & R Installation Company Limited (“P&R”), a provider of gas heating and building maintenance services; DCB (Kent) Limited (“DCB”), a provider of high quality building, refurbishment and maintenance services; Spokemead Maintenance Limited (“Spokemead”), a specialist in electrical installation, repairs and maintenance services; and, R. Dunham (UK) Limited (“Dunham”), an electrical services provider which was acquired on 29 November 2018.

Financial Overview

	Note	Unaudited 6 months to 30 September 2018 £'000	Unaudited 6 months to 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Revenue		36,359	38,561	78,807
EBITDA	(1)	2,678	3,148	6,294
Underlying operating profit		2,546	2,994	5,982
Underlying profit before tax	(2)	2,428	2,880	5,790
Statutory profit for the period		1,133	1,966	3,448
Statutory diluted EPS	(3)	2.76	4.92	8.52
Adjusted diluted EPS	(3)	5.29	6.18	12.22
Interim dividend per share	(4)	0.5p	0.5p	2.0p

- (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.
- (4) FY 31 March 2018 full year dividend.

Highlights

- Revenue of £36.4m (2017: £38.6m) – the marginal reduction in revenue was principally due to the Company’s decision to cease its building services work for the Ministry of Defence to focus on more profitable contracts and a delay in a gas installation programmes.
- Scale and momentum with new and existing customers experienced during the period, which the Directors expect to lead to an improved financial performance in the second half of the financial year.
- Interim dividend maintained at 0.5p.
- Increased cross selling of the Group’s services. London Borough of Hackney now contracted with all three Bilby service divisions.
- Electrical services division – secured large-scale contracts with the London Boroughs of Southwark and Waltham Forest.
- Gas services division – secured a new contract with British Gas to provide domestic gas servicing, repairs and installations in the regions of London, Hertfordshire, Bedfordshire & East Anglia.
- Building services division – extended its contract with University of Kent contract to refurbish its student accommodation.
- Visible future revenues for the Group amount to £270m.
- Appointment of Chris Webster and Lee Venables to the Board – both highly-regarded and long-standing senior executives of Bilby’s subsidiaries.

Current trading

- Post the period end the Company advanced its buy and build strategy with the acquisition of Dunham, a provider of electrical installation services and maintenance services, for a maximum cash consideration of £1.4 million and 250,000 new Bilby shares. The Company continues to appraise a number of exciting acquisition opportunities.
- Already in the second half, Bilby has secured a number of contracts and as a result, revenue visibility for the Group remains strong. However, the full revenue and earnings benefits from these contracts will not be achieved until the next financial year. The decision to cease servicing the MOD properties, the delay in a gas installation programme and the review of certain activities within the three divisions will impact this year's financial performance. Nevertheless, we anticipate that revenues and EBITDA will still exceed those achieved in the preceding year.

Commenting on the results, David Ellingham, Chief Executive Officer of Bilby Plc said:

"This has been an important period for the Group. I am pleased that we continued our operational momentum from last year into the first half of this year, expanding our blue-chip customer base and offering additional services to Bilby customers. Since the period end we are pleased to have pushed forward with our buy and build strategy and have acquired Dunham. The acquisition will see the Group broaden its customer base and strengthen its presence in its core markets of London and the South East."

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

Enquiries

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CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to update shareholders on a six month period which has seen a number of changes. Although financial performance is slightly lower than last year, we remain confident of a strong second half of the year which will materialise in an improved year on year underlying EBITDA. The interim results reflect the Group's continued focus on achieving operational excellence and ensuring contractual profitability. Customer satisfaction remains Bilby's guiding operational focus. I am delighted to report that feedback from long term and new customers remains extremely positive and endorses the strong reputation that Bilby and its subsidiaries have in their core markets in London and the South East.

The Group achieved good momentum with existing clients who have widened the mandate of services they require from Bilby's subsidiaries. Furthermore, we have recently gained a number of new large scale clients who we expect to commence work for in the second half. Given the breadth of services now offered by the Group, we are delighted with the ever increasing quantum of cross-selling of our services across the Bilby customer base. As a result of the new contracts gained in the first half, the Group expects to have a stronger financial performance in the second half of the year.

Post year end, the Group was delighted to announce the acquisition of Dunham for a maximum cash consideration of £1.4 million plus 250,000 new Bilby shares. The business carries out electrical installation, services and maintenance work for local government organisations and the private sector. The acquisition is complementary to the Group's existing businesses and is another important step for Bilby, enabling it to broaden its customer and geographical base in London and the South East.

Given Bilby's momentum and the increasing opportunities the market presents, the Group will accelerate its efforts in centralising a number of its services to enable greater efficiency, coverage and customer service in its three operational divisions: electrical, gas and building services.

Board changes

During the period the Group saw a number of Board changes. On 4 September 2018, the founder of P&R, Phil Copolo, retired from the business and resigned from the Board at the age of 65. As a result of this, Phil Copolo sold his entire holding in Bilby. Leigh Copolo also retired on 4 September 2018 and has sold his shareholding. Phil and Leigh's shares were acquired by existing shareholders as well as new institutional shareholders.

At the same time, on 4 September 2018, the Board announced David Ellingham, who as Finance Director oversaw the Group's important buy and build strategy since IPO, being appointed Chief Executive Officer. Alongside this change, Lee Venables, Managing Director of Purdy, and Chris Webster, Founder of DCB, were appointed to the Board. Lee's role will see him responsible for all the service and maintenance work undertaken by the Group and Chris' role will see him take responsibility for Bilby's building services work.

On 29 November 2018, the Group appointed Clive Lovett to the Board as Group Finance Director. Clive has a wealth of experience having held senior positions at St. Ives Marketing Activation and Informa.

With the reconstituted highly experienced board, I am convinced that the Group will continue to thrive in the future.

Strategy

Our strategy remains unchanged. We will strive to grow organically and, when the market allows, pursue a selective buy and build strategy. With the acquisition of Dunham, Bilby has pushed forward with its buy and build strategy, which will see the Group extend its customer base, bolster its electrical services division and extend the Group's reach.

Growing by acquisition remains a key focus and we will continue to appraise potential opportunities as they arise selectively.

Dividend

The Board is recommending it keeps the same interim dividend of 0.5p per share as last year. The proposed interim dividend for the six months ended 30 September 2018 was approved by the Board on 10th December 2018. The Group's shares will be marked ex-dividend on 20 December 2018 and the interim dividend will be paid in January 2019 to shareholders on the register at close of business on 21 December 2018. 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.

Market

The market that Bilby operates in now has an unswerving focus on compliance and safety. Throughout the UK, councils are reviewing their properties to ensure that residents live in the safest possible environments. Alongside this, the Government has pledged to build 300,000 homes a year, which will include modern services that are fully compliant. Given these trends and initiatives, there continues to be significant opportunities for the facility management and building services that Bilby offers. Given Bilby's position in the market and its reputation, I am confident that Bilby is ideally placed to capitalise on future opportunities.

People

On behalf of the Board, during this period of management change, I would like to thank our entire workforce for their unstinting dedication, hard-work and focus in continuing to drive Bilby's success and ensuring that customer satisfaction remains central to all that we do.

Sangita Shah, Non-Executive Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

Financial performance and overview

In the first half of the year, Group revenues reduced slightly to £36.4m (2017: £38.6m). This was principally due to Bilby's decision to cease its building services work for the Ministry of Defence. The Company was pleased to secure a number of new long-term contracts which enhance the Group's future revenue visibility. EBITDA for the period was £2.7m (2017: £3.1m). Underlying profit was £2.4m (2017: £2.9m) with the Group's gross profit margin and operating profit margin being maintained. Net debt at the Period end was £7.9m (2017: £6.0m). Adjusted diluted earnings per share for the Period amounted to 5.29p (2017: 6.18p) and the Board is pleased to maintain an interim dividend of 0.5p (2017: 0.5p).

Given operational momentum and to maximise operational efficiencies, Bilby has merged some of its services and as a result has affected annualised headcount savings of £772k. The impact for the 6 month period ending 30 September 2018 would have been £362k resulting, in a pro-forma EBITDA of £3.0m. The Group continues to evaluate the divisional operations which may result in further cost efficiencies being achieved during the current year.

The final deferred consideration payable to DCB was made in cash during the period. The final remaining deferred cash consideration payable to the vendors of Spokemead has now become payable as a result of successfully extending its major contract.

Net debt has increased by £1.9m during the period reflecting the deferred acquisition consideration and final dividend payments together with an increase in work in progress, including new contract mobilisation costs, and a reduction in accounts payable. During the period £749k was repaid on bank loan and commercial mortgage and the Group met all its banking covenants. Bank overdraft increased to £4.4m with a total facility available of £5m.

Operational progress

Bilby has continued to make progress in line with its growth strategy during the period. I am pleased to report that the Group gained a number of contracts with new clients and extended the scope of work it provides to existing clients. We have built on our long-term client relationships with local authority and social housing organisations, ensuring that the service we offer is of the highest level. Our continued focus on operational excellence and the commitment from the workforce has led to new large-scale customer mandates in the period across all the divisions.

During the period, the Group continued to invest in its systems as well as in its people to help drive operational synergies and efficiencies for the long-term benefit of the Group. Given our customer focus and the importance of providing a quality service, we have added new training schemes in the period and increased our workforce to more than 400 people.

Bilby has a range of services it offers to large scale organisations. These fall within our core pillar of service in electrical, gas and building services. Organisations increasingly look for a single provider of facility management services and Bilby is well-placed to capitalise given the range of services it offers. As a result, the Board was delighted to see it win a new multi-service contract with MCCH, a charity supporting people with learning disabilities, to provide their care centres with gas servicing and reactive 24/7 building maintenance services.

The Board was particularly pleased to see a number of clients that historically used a single service provided by Bilby, opt to utilise further services offered by the Group. An example this is with the London Borough of Hackney. The Group initially won a contract to undertake building services and provide back up support to the Hackney Direct Labour Organisation. However, the contract with the Group now includes servicing a number of its community halls and as well as additional electrical and gas projects for the Borough. .

The Group further cemented its presence in London by providing a range of services to the Boroughs of Waltham Forest and Southwark as well as Barnet Council and Aldwych Housing. Bilby now operates in 15 of London's 33 Borough's.

Electrical services

The electrical services division had a positive start to the year securing a number of new contracts. Revenue for the period was at £7.2m, comparable to 2017. Bilby renewed its existing large-scale contract with the London Borough of Southwark and secured a new contract with the London Borough of Waltham Forest for planned electrical services with schools and public buildings. Alongside this, the Group, gained a number of planned electrical installation contracts with Aldwych Housing. In addition, the Group will provide a range of services including electrical maintenance and repairs to a number of public buildings in Barnet Council.

Gas services

The gas services division successfully tendered for a number of new contracts during the period. The division reported revenues of £5.3m which was £2.0m lower than 2017. This shortfall was partly due to delays in a number of installation programmes. The Group provided planned commercial heating works to Schools and Public Buildings for the London Borough of Waltham Forest and secured a number of planned gas installation contracts with Finchley Charities and Aldwych Housing. The Group secured a contract with British Gas to provide domestic gas servicing, repairs and installations in the regions of London, Hertfordshire, Bedfordshire & East Anglia. In addition, the Group provided a new heating system at Galliard school as part of its large commercial heating services the Group provides Enfield Council.

Building services

Total revenues for the building services division were consistent at £23.7m (2017: £24.0m). The division won a number of significant large future contracts in the period. Most notable was the extension of the contract with the University of Kent to refurbish its student accommodation and the redevelopment of the offices of TG Baynes solicitors to provide a range of new offices and apartments. The Group extended its relationship with Optivo in two areas: the first with a new three-year contract to provide adaptations and equipment to their estate throughout Kent; and the second by extending its Fire Risk Assessment to include passive compartmentation works to Kent and Sussex multiple occupancy dwellings. Additionally, the Group won a contract with Rosebury Housing to provide building services. The Group extended its mandate with Bexley Council to include the management of its entire housing stock.

As previously stated, P&R has terminated its contract with Amey to provide services to Ministry of Defence properties. Following a 15-week contractual standstill period, final settlement negotiations are ongoing.

Framework agreements

Framework agreements continue to be an important area for Bilby where it has potential access to a large number of local authorities and associations linked to a specific framework. During the period, the Group benefitted from being part of framework agreements where it worked on a number of projects.

Investment in people and processes

Our performance and growth is underpinned by the strength of our highly skilled team and our dedication to customer care. The Group continues to benefit from the investment it made last year in its engineer time-management software and engineers continue to deliver high levels of productivity.

In the period we invested in the software development of the Group to enhance our financial and operational systems within the Group. This will help drive efficiencies and allows us to more easily identify cross-selling opportunities.

The Group has recently appointed a Purchasing Manager whose primary focus is on negotiating with the Group's suppliers to achieve better terms and improve supply chain efficiency.

Training continues to be a critical element of the Group's success. Bilby is focused on developing its employees for the future so that they have the necessary skills to provide a high-quality service to all of the Group's clients. Our apprenticeship scheme attracts some of the brightest and most talented people wanting to work in the industry and is an important entry point for employment across the Group. Bilby now has over 50 people on the scheme.

The Group has a unique culture shared across its subsidiaries. Given the nature of the business where engineers are always on the road and customer service staff are based at an office, Bilby is delighted with the collaborative nature of the team who remain focused on providing clients with the best customer service.

Current trading and outlook

Post period end, the Group was pleased to take forward its buy and build strategy with the acquisition of Dunham and it will continue to appraise acquisition opportunities as they arise.

Bilby has continued to secure a number of contracts across its core market of London and the South East. As a result, revenue visibility for the Group remains strong. However, the full revenue and earnings benefits from these contracts will not be achieved until the next financial year. As we continue to see growth in all three of our operating divisions, the Group will continue to assess implementing further efficiencies that will best support this growth.

The decision to cease servicing the MOD properties, the delay in a gas installation programme and the costs associated with reviewing the activities within the Group's three divisions will impact this year's financial

performance. Nevertheless, we anticipate that revenues and EBITDA for the full year will still exceed those achieved in the preceding year.

The Group has started to the second half of the year strongly and we look forward with confidence.

David Ellingham, Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six month period ended 30 September 2018

	Unaudited 6 months to 30 September 2018 £'000	Unaudited 6 months to 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Revenue	36,359	38,561	78,807
Cost of sales	(28,098)	(29,886)	(61,115)
Gross Profit	8,261	8,675	17,692
Other operating expenses	(5,715)	(5,681)	(11,710)
Operating profit before non-underlying items	2,546	2,994	5,982
<i>Non-underlying Items</i>			
Amortisation of customer relationships	(896)	(896)	(1,792)
Share based payment charge	(64)	(95)	(194)
Restructuring costs	(82)	-	-
Adjustment to deferred consideration	-	488	488
<i>Total non-underlying items</i>	(1,042)	(503)	(1,498)
Operating profit	1,504	2,491	4,484
Finance costs	(118)	(114)	(192)
Profit before taxation	1,386	2,377	4,292
Income tax expenses	(253)	(411)	(844)
Total profit for the period attributable to the equity holders of the parent company	1,133	1,966	3,448
Other comprehensive income	-	-	-
Total comprehensive income for the period attributable to the equity holders of the parent company	1,133	1,966	3,448
Earnings per share (note 5)			
Basic (pence)	2.81	4.94	8.61
Diluted (pence)	2.76	4.92	8.52

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2018

	Unaudited 6 months to 30 September 2018 £'000	Unaudited 6 months to 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Assets			
Non current assets			
Intangible fixed assets	13,122	14,943	14,036
Property plant and equipment	1,606	1,765	1,638
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Total non current assets	14,728	16,708	15,674
Current assets			
Inventories	4,445	1,638	3,153
Trade and other receivables	20,488	19,789	20,561
Cash and cash equivalents	161	368	72
	<hr/>	<hr/>	<hr/>
Total current assets	25,094	21,795	23,786
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Total assets	39,822	38,503	39,460
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Issued share capital and reserves			
Share capital	4,029	4,029	4,029
Share premium	8,391	8,391	8,391
Share based payment reserve	763	600	699
Merger reserve	(248)	(248)	(248)
Retained earnings	4,080	2,472	3,752
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Total equity attributable to the equity of the group	17,015	15,244	16,623
Non current liabilities			
Borrowings	2,200	3,698	2,949
Obligations under finance leases	1	31	11
Deferred tax liabilities	1,722	2,023	1,883
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	3,923	5,752	4,843
Current liabilities			
Overdraft	4,354	1,025	954
Borrowings	1,498	1,498	1,498
Obligations under finance leases	28	108	70
Current income tax liabilities	1,481	780	1,074
Deferred consideration	500	1,000	1,000
Trade and other payables	11,023	13,096	13,398
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	18,884	17,507	17,994
	<hr/>	<hr/>	<hr/>
Total equity and liabilities	39,822	38,503	39,460
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six month period ended 30 September 2018

	Unaudited 6 months to 30 September 2018 £'000	Unaudited 6 months to 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Net cash generated from/(used in) operating activities	(1,005)	(81)	802
Cash flow from investing activities			
Acquisition of subsidiaries	(500)	(1,125)	(1,154)
Purchases of property, plant and equipment	(80)	(79)	(89)
Purchase of intangible assets	(2)	(16)	(24)
Net cash used in investing activities	(582)	(1,220)	(1,267)
Cash flow from financing activities			
Proceeds from borrowings	-	250	250
Repayment of borrowings	(749)	(693)	(1,442)
Interest paid	(118)	(140)	(192)
Capital element of finance lease payments	(52)	(70)	(128)
Dividends paid	(805)	(598)	(800)
Net cash used in financing activities	(1,724)	(1,251)	(2,312)
Net decrease in cash and cash equivalents	(3,311)	(2,552)	(2,777)
Cash and cash equivalents at beginning of period/year	(882)	1,895	1,895
Cash and cash equivalents at end of period/year	(4,193)	(657)	(882)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six month period ended 30 September 2018

	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 2018	4,029	8,391	699	(248)	3,752	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>8,391</u>	<u>763</u>	<u>(248)</u>	<u>4,080</u>	<u>17,015</u>

For the six month period ended 30 September 2017 (unaudited)

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
Share-based payment charge	-	-	95	-	-	95
Dividends paid	-	-	-	-	(598)	(598)
Balance at 30 September 2017	<u>4,029</u>	<u>8,391</u>	<u>600</u>	<u>(248)</u>	<u>2,472</u>	<u>15,244</u>

For the year ended 31 March 2018

Balance at 1 April 2017	3,973	8,076	505	(248)	1,104	13,410
Profit and total comprehensive income for the period	-	-	-	-	3,448	3,448
Issue of share capital	56	315	-	-	-	-
Share-based payment charge	-	-	194	-	-	194
Dividends paid	-	-	-	-	(800)	(800)
Balance at 31 March 2018	<u>4,029</u>	<u>8,391</u>	<u>699</u>	<u>(248)</u>	<u>3,752</u>	<u>16,623</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 Brooklyn Lodge, Mott Street, London E4 7RW.

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 2018.

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 2018, 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 2018 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 2019.

IFRS 15 (Revenue from Contracts with Customers) - The directors have undertaken a review of the income recognition policies and do not expect the changes to IFRS 15, which are applicable for the first time in the current financial year to have a material impact.

IFRS 9 (Financial Instruments) - The directors have undertaken a review of the changes to IFRS 9 which become effective in the current period. No material impact is expected as a results of the changes.

IFRS 16 (Leases) - This will be applicable for the first time in the year ending 31 March 2020 and will have a material impact on the financial statements. A full assessment of the impact will be included in the 31 March 2019 annual report.

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 2018 and 30 September 2017 are unaudited and have not been reviewed by the auditor. Statutory accounts for the year ended 31 March 2018, 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 2018. 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 2018 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 2018 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 2018. 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 2018 £'000	Unaudited 6 months to 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Amortisation of customer relationships	(a)	896	896	1,792
Share based payment charge	(b)	64	95	194
Adjustment to deferred consideration	(c)	-	(488)	(488)
Restructure costs	(d)	82		
		<u>1,042</u>	<u>503</u>	<u>1,498</u>

(a) Amortisation of customer relationships

Amortisation of acquisition intangibles was £896,000 for the period (H1 2017: £896,000) and relates to amortisation of the customer relationships identified by the Directors on the acquisition of Purdy, DCB and 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) *Adjustment to deferred consideration*

An adjustment to deferred consideration of £488,000 was made during the period to 30 September 2017 to recognise the fact that the actual amount paid was lower than the estimated figure of the previous year end.

(d) Restructure costs – the Group has incurred certain legal and accounting costs as part of a strategic review of operations which are continuing

4. Cash flows from operating activities

	Unaudited 6 months to 30 September 2018 £'000	Unaudited 6 months to 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Profit before income tax	1,386	2,377	4,292
Adjusted for:			
Finance costs	118	114	192
Depreciation	112	135	256
Amortisation	916	915	1,831
Share based payments	64	95	194
Gain on deferred consideration	-	(488)	(488)
Loss on disposal of tangible fixed assets	-	-	17
Movement in receivables	73	(4,431)	(5,203)
Movement in payables	(2,375)	847	1,493
Movement in inventories	(1,292)	355	(1,160)
Tax paid	(7)	-	(622)
Net cash from/(used in) operating activities	(1,005)	(81)	802

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 profit per share from continuing operations is calculated as follows:

	Unaudited 6 months to 30 September 2018 £'000	Unaudited 6 months to 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
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Profit used in calculating basic and diluted earnings per share	1,133	1,966	3,448
Weighted average number of shares for the purpose of basic earnings per share	40,290,027	39,796,039	40,049,590
Weighted average number of shares for the purpose of diluted earnings per share	41,121,286	39,924,164	40,491,051
Basic earnings per share (pence)	2.81	4.94	8.61
Diluted earnings per share (pence)	2.76	4.92	8.52

Adjusted EPS

Profit after tax is stated after deducting non-underlying items totalling £1,042k. 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 2018 £'000	Unaudited 6 months to 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Adjusted Earnings Per Share			
Profit after tax	1,133	1,966	3,448
Add back			
Change in fair value of future contingent consideration	-	(488)	(488)
Amortisation of acquisition intangible assets	896	896	1,792
Share based payment charge	64	95	194
Restructure costs	82		
	2,175	2,469	4,946
Weighted average number of shares for the purpose of basic adjusted earnings per share	40,290,027	39,796,039	40,049,590
Weighted average number of shares for the purpose of diluted adjusted earnings per share	41,121,286	39,924,164	40,491,051
Basic adjusted earnings per share (pence)	5.40	6.20	12.35
Diluted adjusted earnings per share (pence)	5.29	6.18	12.22

6. Share capital

Ordinary shares of £0.10 each

Unaudited
6 months to
30 September
2018
£'000

At the beginning of the period
Issued in the period

4,029
-

At the end of the period

4,029

Number of shares

Unaudited
6 months to
30 September
2018

At the beginning of the period
Issued in the period

40,290,027
-

At the end of the period

40,290,027

7. Dividends

The Board is recommending an interim dividend of 0.5p per share (2017: 0.5p per share). The proposed interim dividend for the six months ended 30 September 2018 was approved by the Board on 10 December 2018. The Group's shares will be marked ex-dividend on 20 December 2018 and the Interim dividend will be paid in January 2019 to shareholders on the register at close of business on 21 December 2018. 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 2018 is calculated based upon the effective tax rates expected to apply to the Group for the full year of 19% (2017: 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. 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.