

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

Bilby Plc (AIM: BILB.L), the holding company for 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, has today issued its interim results in respect of the six months to 30 September 2016.

Financial Overview

	Unaudited 6 months to 30 September 2016 £'000	Unaudited 6 months to 30 September 2015 £'000	Unaudited Year ended 31 March 2016 £'000 Restated
Revenue	30,074	11,620	31,445
EBITDA	1,350	938	2,459
Underlying operating profit	1,186	864	2,312
Underlying profit before tax*	1,052	827	2,197
Profit/ (loss) after tax	(833)	55	430
Basic EPS	(2.13)	0.17	1.31
Adjusted EPS**	2.72	2.56	5.81
Interim dividend per share***	0.25p	0.75p	2.75p

*underlying operating profit less finance costs

** adjusted for share based payments, amortisation of acquisition intangibles, acquisition costs, change in estimates, framework and contract development costs and restructuring costs

*** FY16 full year dividend

Financial Highlights

- Revenues increased 159% to £30.07m (H1 2015: £11.62m)
- Underlying operating profit before exceptional items (see below) increased by 38.4% to £1.19m (H1 2015: £0.86m)
- Underlying profit before tax before exceptional items increased by 26.5% to £1.05m (H1 2015: £0.83m)
- Reported profit/(loss) before tax of £(0.84)m (H1 2015: £0.07m)

- Adjusted EPS of 2.72p (H1 2015:2.56p). Adjusted for exceptional items (see below)
- Net debt of £6.91m including cash of £0.69m as at 30 September 2016 (at 30 September 2015: £4.29m including cash of £1.09m)
- Interim dividend of 0.25p (H1 2015:0.75p) per ordinary share
- As previously announced, the company restated its full year 2016 results, details of which can be found in note 8.

Operational Highlights

- Successfully acquired DCB for a total consideration of £4.0 million and Spokemead for a total consideration of £8.7 million. The acquisitions were part funded by a £5 million placing and acquisition finance provided by HSBC. The acquisitions have enabled Bilby to expand the range of services that it offers as well as broadening its customer base and geographical reach.
- Both acquired businesses have been successfully integrated, met their initial earn-out performance conditions and, along with Purdy, have continued to trade ahead of expectations.
- The enlarged Group now provides general building, gas maintenance and electrical services to over 260,000 domestic and commercial properties across London and South East England, an increase of approximately 160,000 properties since the time of the Group's IPO in March 2015.
- New client wins for P&R include Carillion (The Ministry of Defence) and the London boroughs of Haringey and Tower Hamlets.
- DCB also made good progress during the period, winning two major contracts to build and refurbish houses in Kent with the Borough of Ashford and West Kent Housing. Both contracts commence in 2017.

Post period trading

- Since the period end, P&R has been awarded contracts from the London boroughs of Lambeth, Bexley and the housing associations Phoenix and Paradigm. Furthermore P&R is delighted to also have been awarded several significant new gas service contracts including Shepway and East Kent Housing, the latter representing the largest gas services contract to be awarded in Kent. Both contracts commence on 1 April 2017 and represent a significant opportunity for the Group. These, combined with the new contracts won during the period, significantly increase the Group's revenue visibility.
- As previously announced, a long-standing and major public sector customer of the Group changed the processes by which it manages its outsourced building services work. This has resulted in significant work being taken in house by the customer. This situation has not changed and, combined with commencement delays to other contracts and slower than anticipated revenues from the SEC and Fusion frameworks, will further impact revenues and profitability for the full year.
- Reflecting the considerable recent customer momentum throughout all of the Bilby companies, the Group is pleased to announce that Leigh Copolo, currently Group Operations Director will today become Bilby Chief Operating Officer and join the Board of Bilby Plc.

· In addition, the Company and Katherine O'Reilly have mutually agreed that she will leave her employment as Group Finance Director with the Company with effect from 31 December 2016. Katherine resigned as a director on 15 December 2016. The interim finance director will be David Ellingham pending a permanent appointment being made.

Phil Copolo, P&R Founder and Executive Deputy Chairman of Bilby plc, said:

"I am pleased to report that in the first half we continued to make progress on our growth strategy with the acquisitions of DCB and Spokemead, two high-quality businesses which have significantly enhanced the Group's offering and revenue prospects. Both acquisitions have been fully integrated into the Bilby Group and continue to trade ahead of management's expectations.

"Frustratingly, and beyond its control, the Group has experienced delays to certain contracts expected to commence during the period. This, combined with a major customer re-organising the way it manages its services, continues to impact the Group. However, in the second half, as a result of the Group's leading reputation, it has won a number of new customers including significant, long-term contracts. There remains considerable opportunity for Bilby's growth in its target markets with sustained demand for our growing list of services. This combined with our strong recent customer momentum underpins our confidence for the future."

Exceptional Items- share based payments of £0.31m, amortisation of acquisition intangibles of £0.77m, acquisition costs of £0.36m, change in estimates of £0.27m, framework and contract development costs of £0.05m and restructuring costs of £0.15m.

This announcement contains inside information.

Enquiries

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(Financial PR)

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Emily Dillon

Chairman's Review

I am pleased to say that the Group has made further progress with its buy and build growth strategy to acquire high quality businesses in the gas heating and general building services markets. In April, Bilby acquired the entire issued share capital of DCB, a provider of high quality building, refurbishment and maintenance services to housing associations and local authorities, for a total consideration of £4.0 million. At the same time, the Group completed the acquisition of Spokemead, a specialist in electrical installation repairs and maintenance services for local authority-owned housing stock, for a total consideration of £8.7 million. The acquisitions, which were immediately earnings enhancing, were supported by a successful placing to new and existing institutional investors, which raised £5.0 million before costs.

DCB and Spokemead have enhanced the Group's service offering as well as its customer and geographic reach. Both businesses have highly effective management teams and existing long-term customer relationships. At the time of the acquisitions, key directors of DCB and Spokemead were appointed to the Group's operational Board. Their industry experience and relationships are contributing to the positive organic growth of the enlarged Group. Both businesses have now been successfully integrated, met their earn-out performance conditions and, along with Purdy, have continued to trade ahead of expectations.

Where and when appropriate, the Group will make further acquisitions to increase our growing presence in London and South East England, whilst progressing our organic growth strategy.

Despite economic uncertainty following the referendum, we believe that the opportunities for Bilby in social housing remain very strong, especially in our targeted geographical locations of London and the South East. Demand for social housing continues to grow, as endorsed within the recent Chancellor's autumn statement. We continue to tender for a number of significant new local authority and social housing opportunities and our focus remains on delivering operational excellence, ensuring customer satisfaction. This focus remains embedded throughout the enlarged Group, which now provides general building, gas maintenance and electrical services to over 260,000 domestic and commercial properties across London and South East England.

Outlook

Bilby secured a number of important contract wins during the period, including extending and broadening the service scope of existing contracts and winning new customers. However as previously announced, a long-standing and major public sector customer of the Group has changed the processes by which it manages its outsourced building services work. This has resulted in significant work being taken in house by the customer. This situation remains unchanged and, combined with commencement delays to other contracts and slower than anticipated revenues from the SEC and Fusion frameworks, has had a significant impact on the first half results. This will further impact revenues and profitability for the current full year.

The Group's leading reputation for service in London and the South East has seen P&R regain considerable momentum in the second half, winning a number of very significant new customers and extending contracts where operational engagement will scale up quickly during 2017. These include Shepway and East Kent Housing, the latter being the largest gas services contract awarded in Kent. Given the nature of the services provided, both of these contracts give the Group significant visibility on better margin revenues.

Current Banking Facilities

The Group has recently increased its working capital facility to £2.25m. The increased facility will now allow DCB to be integrated within the Group working capital facility. This will result in anticipated annual finance cost savings of £40k. Previously DCB had operated an invoice discounting facility.

The Group has a 12 month rolling working capital facility. The next review date is May 2017. As of today, the Group has an outstanding medium term loan balance of £5.46m with a maturity date of 9 July 2020. The Group also has a commercial mortgage with an outstanding balance of £0.50m and a maturity date of 9 July 2025.

Deferred Consideration

The maximum deferred consideration payable within the next 12 months is £1.50m (£1.125m deferred equity consideration, £0.375m deferred cash). In the event the maximum cash consideration becomes payable it is envisaged it will be paid from available working capital facilities.

The maximum deferred consideration payable after 12 months is £897,000 (£110,000 deferred equity consideration and £787,000 deferred cash). In the event the maximum cash consideration becomes payable, it is envisaged it will be paid from available working capital facilities.

Restatement

During the period the Company identified the need to restate the FY16 accounts as set out in note 8. The identified restatements relate to a reduction in revenue for FY16 totalling approximately £99,000 related to disputed revenue, and an increase in cost of sales totalling approximately £556,000 related to delayed sub-contractor costs and changes in the terms of trade with sub-contractors. The Company also expects a corresponding tax credit adjustment of approximately £131,000.

The Board of the Company are committed to a continual review of its systems, controls and reporting processes. The Company believes its current systems, controls and reporting processes are appropriate for its needs.

Dividend

The Board is recommending an interim dividend of 0.25p per share (2015 0.75p per share), which takes into consideration the context of a challenging first half whilst reflecting our confidence for 2017 and beyond. The proposed interim dividend for the six months ended 30 September 2016 was approved by the Board on 15 December 2016 and will be paid in February 2017 to shareholders on the register at close of business on 20 January 2016.

People

I would like to thank all of our employees for the continued high quality of their work and their commitment to the success of the Bilby Group. As our Group continues to develop and grow, we look to their professionalism and dedication to support each of the operating businesses.

Despite a challenging period, the Group's enhanced service offering, customer and geographic reach together with significant recent contracts wins, underpin our confidence for the future.

Sangita Shah, Non- Executive Chairman

Operational review

Financial performance

In the six month period ended 30 September 2016, and reflecting six months' contribution from DCB and Spokemead, Group revenue increased 159% to £30.07m (H1 2015: £11.62m), with underlying operating profit increasing to £1.19m (H1 2015: £0.86m). Underlying profit before tax (before share based payments of £0.31m, amortisation of acquisition intangibles of £0.77m, change in estimates of £0.27m, restructuring costs of £0.15m, framework and contract development costs of £0.05m and acquisition costs of £0.36m) was £1.05m (H1 2015 £0.83m). Reported loss before tax was £0.84m (H1 2015: profit £0.07m).

From 1st October 2016 to date, the Group has collected in excess of £5.0m against the outstanding trade debtors. At 30 September 2016 the Group had net debt of £6.91m (30 September 2015: £4.29m.)

DCB and Spokemead acquisitions

The addition of DCB and Spokemead to the Bilby Group was an important milestone for the Group. DCB provides high quality building, refurbishment and maintenance services to housing associations and local authorities throughout Kent, Sussex, Essex and London and provides disabled adaptations to occupied homes and public buildings through a specialist division, Living Solutions. Spokemead specialises in electrical installation, repairs and maintenance services for local authority-owned housing stock.

Both significantly enhance the Group's service offering, as well its customer and geographic reach in Bilby's core London and South East markets. This, combined with their excellent management and reputation for operational excellence, ensured they met Bilby's strict acquisition criteria. Pleasingly both businesses continue to trade ahead of management expectations and have now been successfully integrated into the Group.

The Board is pleased to note that 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 continue to review opportunities for strategic acquisitions in our targeted geographical area, 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.

Investing for Growth

During the period Bilby, made substantial investments in technology, infrastructure and systems required to realise the benefits of the enlarged Group. This investment gives the Board confidence that it can maximise the efficiencies of scale and gain from cost savings generated from activities such as materials and insurance procurement. Critically, it also means that Bilby can qualify for larger contract tenders whilst also having in place a solid platform for further expansion.

Customers

In addition to increased customer collaboration and cross selling within the Group, significant new progress was made during the period in winning new customers. This will result in the scaling up of new customer work and associated revenues during the financial year 2017/2018. New client wins for P&R included Carillon (The Ministry of Defence), where, in addition to gas services, it is providing a wide range of building and support services work for one of its core regions. Additionally, P&R was pleased to add the London boroughs of Lambeth, Haringey, Tower Hamlets, Bexley and the housing

associations Phoenix and Paradigm to its list of customers.

DCB, Purdy and Spokemead have all traded ahead of management expectations. DCB made good progress winning contracts to build and refurbish houses in Kent with the Borough of Ashford and West Kent Housing. Both contracts will start in 2017. Purdy and Spokemead have continued to provide excellent service levels that has driven growth enabling them both also to trade ahead of expectations.

During the period the Group suffered from some commencement delays on key contracts and, whilst this has been frustrating, Bilby is confident of this work starting in the near term with the Group realising the full benefits during the next financial year. Additionally, during the period a long standing and major public sector customer changed the processes by which it manages its outsourced building services work. The Group is confident that this development is no reflection of any change to Bilby's highly regarded reputation for operational excellence nor of any wider market trend. This view is reinforced by the significant number of contract extensions with existing customers that have been won along with the numerous and significant new customers gained during and since the period end.

As previously announced, P&R finished first place in a framework tender process for gas support work for the SEC, giving it access to over 140,000 properties in South East England with Purdy finishing second place for electrical services work for the SEC. Whilst contract work has now started to be won from this prominent recognition, and the Directors remain hopeful of the long term benefits derived from this framework, revenues received from it have been slower to emerge than previously anticipated.

People

Since the IPO, Bilby's total headcount has increased significantly. 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.

Marketplace

Whilst the broader macro-economic and political climate has created an element of uncertainty and some customers have tightened their discretionary spending, we remain confident that existing initiatives, such as the Decent Homes Standard and the Right to Repair scheme, will remain 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 Group has not suffered any material impact as a result of the introduction of the National Living Wage.

Current trading and Outlook

Whilst the Group's revenues and profitability for the full year will be impacted by certain contract delays and the changing working pattern of a major customer, significant progress has been made in the second half. New high quality contract gas service contracts have been awarded including Shepway and East Kent Housing, the latter representing the largest ever gas services contract awarded in Kent. Both contracts commence on 1 April 2017 and represent a significant opportunity for the Group. These, combined with the scaling up of new contracts won during the first half and since the period end significantly increase the Group's revenue visibility for 2017 and beyond. Furthermore, no major contracts are due to be re-tendered during 2017.

Our focus will remain on delivering the highest standards of customer service and operational excellence. The enlarged Group continues to tender for a number of significant new local authority and social housing opportunities where spend is largely non-discretionary. This, combined with the

customer momentum generated in the second half, ensures that the Board looks to 2017 with confidence.

Phil Copolo, Founder and Deputy Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Unaudited 6 months to 30 September 2016 £'000	Unaudited 6 months to 30 September 2015 £'000	Unaudited Year ended 31 March 2016 (restated- note 8) £'000
Revenue	30,074	11,620	31,445
Cost of sales	(25,140)	(9,159)	(25,442)
Gross profit	4,934	2,461	6,003
Other operating expenses	(3,748)	(1,597)	(3,691)
Operating profit before non-underlying items	1,186	864	2,312
<i>Non Underlying items</i>			
Framework and contract development costs	(45)	-	(275)
Amortisation of acquisition intangible assets	(773)	(179)	(582)
Share based payment charge	(306)	(52)	(163)
Acquisition costs	(360)	(527)	(459)
Change in estimate of accrued income	(266)	-	-
Restructuring costs	(146)	-	-
<i>Total non-underlying items</i>	(1,896)	(758)	(1,479)
Operating profit/ (loss)	(710)	106	833
Finance costs	(134)	(37)	(115)
Profit/ (loss) before tax	(844)	69	718
Income tax expense	11	(14)	(288)
Total profit/ (loss) for the period attributable to the equity holders of the parent company	(833)	55	430
Other comprehensive income	-	-	-
Total comprehensive income/ (loss) for the period attributable to the equity holders of the parent company	(833)	55	430
Earnings/ (loss) per share (note 5)			
Basic	(2.13)	0.17	1.31
Diluted	(2.13)	0.17	1.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	Unaudited As at 30 September 2016 £'000	Unaudited As at 30 September 2015 £'000	Unaudited As at 31 March 2016 (restated- note 8) £'000
ASSETS			
NON CURRENT ASSETS			
Intangible fixed assets	16,961	7,176	6,773
Property, plant and equipment	1,968	1,383	1,323
Deferred tax	73	-	218
TOTAL NON CURRENT ASSETS	19,002	8,559	8,314
CURRENT ASSETS			
Inventories	1,056	1,122	723
Trade and other receivables	14,988	8,779	11,477
Cash and cash equivalents	689	1,095	444
TOTAL CURRENT ASSETS	16,733	10,996	12,644
TOTAL ASSETS	35,735	19,555	20,958
ISSUED CAPITAL AND RESERVES			
Share capital	3,973	3,425	3,425
Share premium	8,074	4,670	3,659
Share-based payment reserve	469	52	163
Merger reserve	(248)	(2,499)	(1,624)
Retained earnings	617	2,200	2,382
TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY OF THE GROUP	12,885	7,848	8,005
NON CURRENT LIABILITIES			
Borrowings	4,782	4,315	3,878
Obligations under finance leases	135	40	31
Deferred consideration	897	-	-
Deferred tax liabilities	2,370	1,646	957
	8,184	6,001	4,866
CURRENT LIABILITIES			
Overdraft	570	-	-
Borrowings	1,949	998	888
Obligations under finance leases	160	36	44
Current tax liabilities	481	404	242
Deferred consideration	1,500	-	-
Trade and other payables	10,006	4,268	6,913
	14,666	5,706	8,087
TOTAL EQUITY AND LIABILITIES	35,735	19,555	20,958

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Unaudited 6 months to 30 September 2016 £'000	Unaudited 6 months to 30 September 2015 £'000	Audited Year ended 31 March 2016 £'000
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	658	(979)	(134)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received(paid)	-	(37)	2
Acquisition of subsidiary	(8,700)	(7,570)	(6,570)
Net cash acquired on acquisition	2,066	-	(22)
Purchase of property, plant and equipment	(82)	(34)	(98)
Purchase of intangible assets	(57)	-	(38)
Proceeds on disposal property, plant and equipment	65	60	55
NET CASH USED IN INVESTING ACTIVITIES	(6,708)	(7,581)	(6,671)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings	2,500	4,795	4,897
Repayment of borrowings	(544)	(35)	(1,003)
Capital element of finance lease payments	(141)	(31)	(75)
Interest paid	(134)	-	(103)
Issue of ordinary shares	5,000	3,951	2,950
Issue costs	(161)	-	(136)
Dividends paid	(795)	(795)	(1,051)
NET CASH GENERATED FROM FINANCING ACTIVITIES	5,725	7,885	5,479
Net decrease in cash and cash equivalents	(325)	(675)	(1,326)
Cash and cash equivalents at the beginning of the period	444	1,770	1,770
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	119	1,095	444

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016 (unaudited)

	Issued share capital £'000	Share premium £'000	Share based payment reserve £'000	Merger Reserve £'000	Retained earnings £'000	Total £'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)
Issued 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	<u>3,973</u>	<u>8,074</u>	<u>469</u>	<u>(248)</u>	<u>617</u>	<u>12,885</u>

For the six months ended 30 September 2015 (unaudited)

	Issued share capital £'000	Share premium £'000	Share based payment reserve £'000	Merger Reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2015	2,931	1,213	-	(2,499)	2,940	4,585
Profit and total comprehensive income for the period	-	-	-	-	55	55
Issued share capital	494	3,457	-	-	-	3,951
Share based payment charge	-	-	52	-	-	52
Dividends paid	-	-	-	-	(795)	(795)
Balance at 30 September 2015	<u>3,425</u>	<u>4,670</u>	<u>52</u>	<u>(2,499)</u>	<u>2,200</u>	<u>7,848</u>

For the year ended 31 March 2016 (unaudited) (restated)

	Issued share capital £'000	Share premium £'000	Share based payment reserve £'000	Merger Reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2015	2,931	1,213	-	(2,499)	2,814	4,459
Profit and total comprehensive income for the period (as restated)	-	-	-	-	430	430
Issued share capital	494	2,582	-	875	-	3,951
Issue costs	-	(136)	-	-	-	(136)
Share based payment charge	-	-	163	-	-	163
Tax credit relating to share option scheme	-	-	-	-	189	189
Dividends paid	-	-	-	-	(1,051)	(1,051)
Balance at 31 March 2016 (restated)	<u>3,425</u>	<u>3,659</u>	<u>163</u>	<u>(1,624)</u>	<u>2,382</u>	<u>8,005</u>

NOTES TO THE UNAUDITED 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 Company is a public limited company operating on Alternative Investment Market (AIM) and is incorporated and domiciled in England and Wales (registered number 09095860). The address of its registered office is 6-8 Powerscroft Road, Sidcup, DA14 5DT.

The 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 ("IFRS's").

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 2016, 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 2016 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 2016.

Going concern

The Directors have prepared detailed financial forecasts looking beyond 12 months from the date of these consolidated financial statements. In developing these forecasts the Directors have made assumptions based upon their view of the current and future economic conditions that are likely to 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 2016 and 30 September 2015 are unaudited and have not been reviewed by the auditor. The results for the year ended 31 March 2016 do not constitute statutory financial statements as defined in section 434 of the Companies Act 2006, but have been derived from the full audited financial statements for the year ended 31 March 2016 as modified for certain adjustments which are set out in note 5. Statutory accounts for the year period ended 31 March 2016, 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 2016. 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 year ended 31 March 2016 have been extracted from the statutory financial statements for that period and have been modified for the adjustments set out in note 8.

2. Principal risks and uncertainties

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 period ended 31 March 2016. 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;
- 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.

3. Acquisitions of DCB (Kent) Limited and Spokemead Maintenance Limited

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

DCB (Kent) Limited

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

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

DCB (Kent) Limited	Provisional fair value Unaudited £'000
Goodwill	1,351
Intangible assets	2,378
Tangible assets	750
Inventories	146
Trade and other receivables	4,071
Cash and cash equivalents	(691)
Current liabilities	(3,369)
Non-current liabilities	(188)
Deferred tax	(506)
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Net Assets	3,942
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The consideration for the acquisition and the goodwill arising on acquisition are as follows:

Purchase consideration	£'000
Initial Cash Consideration	1,500
Initial Equity Consideration	500
Contingent Cash Consideration (FY16 results)	500
Contingent Equity Consideration (FY16 results)	500
Contingent Deferred Cash Consideration (FY17 results)	375
Contingent Deferred Equity Consideration (FY17 results)	125
Contingent Deferred Cash Consideration (FY18 results) (discounted)	332
Contingent Deferred Equity Consideration (FY18 results) (discounted)	110
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	3,942
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Bilby acquired the entire issued share capital of DCB for a total consideration of £4 million as set out above. In July 2016, Bilby was pleased to announce that DCB had achieved the required minimum adjusted profit before taxation of at least £650,000 in respect of the year ended 31 March 2016. This led to the payment of contingent consideration as set out above. Further contingent consideration is payable to DCB as stated in the announcement on 24 March 2016.

Spokemead Maintenance Limited

Spokemead specialises in electrical installation, repairs and maintenance services for local authority owned stock.

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

Spokemead Maintenance Limited	Provisional fair value Unaudited £'000
Goodwill	1,185
Intangible assets	5,922
Tangible assets	29
Inventories	9
Trade and other receivables	336
Cash and cash equivalents	2,757
Current liabilities	(515)
Deferred tax	(1,066)
	<hr/>
Net Assets	8,657
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The consideration for the acquisition and the goodwill arising on acquisition are as follows:

	£'000
Purchase consideration:	
Initial Cash Consideration	5,700
Initial Equity Consideration	500
Contingent Cash Consideration (June 2016 results)	1,000
Contingent Deferred Equity Consideration (June 2017 results)	1,000
Contingent Deferred Cash Consideration (2018 contract renewal) (discounted)	457
	<hr/>
	8,657
	<hr/> <hr/>

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

year ended 30 June 2016 as set out above. Further consideration is payable as set out in the announcement dated 24 March 2016.

4. Cash flows from operating activities

	Unaudited 6 months to 30 September 2016	Unaudited 6 months to 30 September 2015	Unaudited Year ended 31 March 2016 (restated- note 8)
	£'000	£'000	£'000
Profit before tax	(844)	69	718
<i>Adjusted for:</i>			
<i>Finance costs</i>	134	37	115
Depreciation	149	74	139
Amortisation	788	179	590
Share based payment	305	52	163
Loss on disposal of tangible fixed assets	-	7	20
Movement in receivables	1,147	(1,172)	(4,444)
Movement in payables	(728)	508	3,112
Movement in inventories	(178)	(521)	(122)
Tax paid	(115)	(212)	(425)
	<u> </u>	<u> </u>	<u> </u>
Net cash from/ (used in) operating activities	<u>658</u>	<u>(979)</u>	<u>(134)</u>

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 period. 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 2016	Unaudited 6 months to 30 September 2015	Unaudited Year ended 31 March 2016 (Restated)
	£'000	£'000	£'000
Profit/(loss) used in calculating basic and diluted earnings/ (loss) per share	<u>(833)</u>	<u>55</u>	<u>430</u>
Weighted average number of shares for the purpose of basic earnings/ (loss) per share	<u>39,129,906</u>	<u>31,800,000</u>	<u>32,854,523</u>
Weighted average number of shares for the purpose of diluted earnings/ (loss) per share	<u>41,811,275</u>	<u>32,662,722</u>	<u>33,440,052</u>
Basic earnings/ (loss) per share (pence)	<u>(2.13)</u>	<u>0.17</u>	<u>1.31</u>

Diluted earnings/ (loss) per share (pence)	(2.13)	0.17	1.29
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Adjusted EPS

Profit after tax is stated after deducting non underlying items totalling £1.06m. Exceptional items are either one-off in nature, non-cash expenses or necessary elements of expenditure to derive future benefits for the Group which have not been capitalised in the Consolidated Balance Sheet. These are shown separately on the face of the Consolidated Income Statement. In relation to the share based payments charge of £0.31m, this includes £0.15m of accelerated option charges for two directors who left the group as “good leavers” and retained their options. This accelerated charge is non-recurring in nature and therefore the interim charge is not representative of half of the full year charge.

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 2016 £'000	Unaudited 6 months to 30 September 2015 £'000	Unaudited Year ended 31 March 2016 (Restated) £'000
Adjusted Earnings Per Share			
Profit/ (loss) after tax	(833)	55	430
<i>Add back</i>			
Framework development costs	45	-	275
Amortisation of acquisition intangible assets	773	179	582
Share based payment charge	306	52	163
Acquisition Costs	360	527	459
Change in estimate of accrued income	266	-	-
Restructuring Costs	146	-	-
	<u>1,063</u>	<u>813</u>	<u>1,909</u>
Weighted average number of shares for the purpose of basic adjusted earnings per share	39,129,906	31,800,000	32,854,523
Weighted average number of shares for the purpose of diluted adjusted earnings per share	41,811,275	32,662,722	33,440,052
Basic adjusted earnings per share (pence)	<u>2.72</u>	<u>2.56</u>	<u>5.81</u>
Diluted adjusted earnings per share (pence)	<u>2.54</u>	<u>2.49</u>	<u>5.71</u>

The investigation on the restatement set out at note 8 also detected some required changes to the estimates of accrued income which were made at 31 March 2016. These changes in estimates amount to £0.27m have been separately identified as a non-recurring item within non-underlying

items in the income statement for the period ended 30 September 2016. A new calculation and tracking system to improve the accuracy, completeness and realisation of accrued income has been put into place since this matter was discovered.

6. Share Capital

Ordinary shares of £0.10 each	Unaudited 6 months to 30 September 2016 £'000
At the beginning of the period	3,425
Issued in the period	548
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At the end of the period	3,973
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Number of shares	Unaudited 6 months to 30 September 2016
At the beginning of the period	34,247,845
Placing of shares in connection with the acquisitions of DCB (Kent) Limited and Spokemead Maintenance Limited	4,237,288
Issue of consideration shares in connection with Spokemead Maintenance Limited	423,729
Issue of consideration shares in connection with DCB (Kent) Limited	423,729
Issue of further consideration shares in connection with DCB (Kent) Limited	397,140
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At the end of the period	39,729,731
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7. Dividends

The Board is recommending an interim dividend of 0.25p per share (2015 0.75p per share). The proposed interim dividend for the six months ended 30 September 2016 was approved by the Board on 15 December 2016 and will be paid in February 2017 to shareholders on the register at close of business on 20 January 2016. The dividend has not been recognised as a financial liability in the consolidated financial statements.

8. Restatement of the Primary Statements for the year ended 31 March 2016

During the course of the preparation of post year end management information, a number of adjustments were identified which, on notification to the board, were the subject of a detailed investigation by the group finance team. It was determined by the board of directors that these adjustments were of such importance that the results for the year ended 31 March 2016 should be restated in this interim statement in order to reflect the actual position and performance of the group for the year ended 31 March 2016. The extracts relating to the restatement are shown below.

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

**Extracts of the restated Statement of
Financial Position as at 31 March 2016**

	Audited	Adjustments	Unaudited
	(Published) £'000	£'000	(Restated) £'000
Trade and other receivables	11,576	(99)	11,477
TOTAL CURRENT ASSETS	12,743	(99)	12,644
TOTAL ASSETS	21,057	(99)	20,958
CURRENT LIABILITIES			
Current tax liabilities	373	(131)	242
Trade and other payables	6,357	556	6,913
TOTAL CURRENT LIABILITIES	7,662	425	8,087
TOTAL EQUITY AND LIABILITIES	21,057	(99)	20,958

Explanation of the Adjustments

- 1) Reversal of an invoice for £99,000 which was disputed. The adjustment was made to revenue and trade receivable and other receivables
- 2) £556,000 understatement of subcontractor costs due to changes in the terms of trade with subcontractors and a delay in subcontractor costs. The adjustment was made to cost of sales and trade and other payables.
- 3) Tax credit on the revenue and cost of sales noted above at a rate of 20% amounting to £131,000. The adjustment was made to corporation tax and current tax liabilities.

9. Interim Report

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