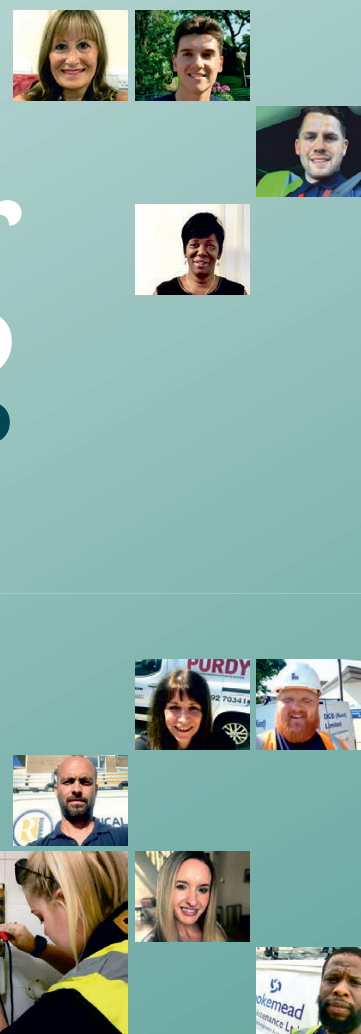




Emerging stronger

Emerging stronger

Bilby is an established and award-winning provider of gas and electrical installation, maintenance and general building services to local authority and housing associations.



Strategic report

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For the most up to date
information visit our website
at www.bilbyplc.com

Our year in brief

Bilby made a strong recovery in the year supported by exiting from loss-making contracts, restructuring ongoing activities, completing an equity fundraise to improve working capital and, after the period end, finalising the restructure of the Group bank facilities.

Financial highlights

Revenue

£65.4m

2019: £69.6m (underlying)

Adjusted EBITDA¹

£4.7m

2019: £3.2m

Profit before tax

£1.7m

2019: loss £10.4m

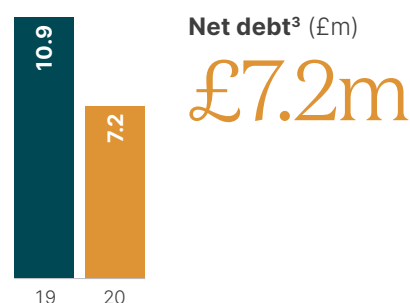
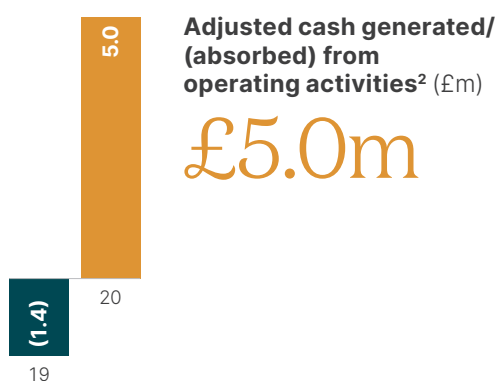
Basic earnings/(loss) per share

2.93p

2019: (21.29)p

Operational highlights

- Retained all major customers, achieved contract revenue uplifts and won new contracts totalling £49.1 million.
- Three year visible revenues⁴ totalling £172.1 million (2019: £162.3 million).
- Strong progress across all strategic priorities, stemming losses and returning the Group to profitable growth.
- Resolved claim proceedings with East Kent Housing and Carillion Amey with nil settlement to all parties.
- Centralised back-office services including health and safety, quality, HR, finance, fleet management and IT to introduce efficiencies and build greater cohesion between each subsidiary and Group level.
- Introduced Group-wide policies, improved systems of governance and reporting between subsidiaries and the Group.
- Improved financial reporting systems between subsidiaries and the Group.
- Reacted well to Covid-19 and worked closely with customers to continue providing critical repairs and maintenance.



- Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and excluding non-underlying items and before the effect of the implementation of IFRS 16 "Leases", as set out in note 7 of the financial statements.
- Adjusted operating cash generated is stated before the effect of IFRS 16 and after adding back £1.9 million cash payments incurred in the year ended 31 March 2020 relating to exceptional costs reported in the prior year.
- Includes term and other loans, and overdraft net of cash, and excludes lease obligations under IFRS 16 and deferred consideration.
- Three year visible revenues represents the minimum identifiable revenues, over the following three year period; being contracted or anticipated spend as well as historical run rates.

Group at a glance

Centralising our shared functions

Bilby provides local authority and housing association customers with vital services including emergency repair and maintenance cover, and ensures that they remain compliant with gas, electricity and building maintenance regulations.



What we do



Gas services

We provide gas installation and safety critical gas maintenance services to domestic clients and corporate contracts for housing authorities that include systems upgrades, meter connections, boiler work and central heating solutions.

- Gas heating is a heavily regulated market and by law all our gas engineers are registered on the Gas Safe Register.
- Service provider: Purdy.



Electrical services

We offer a full range of electrical services from new installations to maintenance, 24-hour emergency call-out, upgrades and rewires.

- All of our skilled electricians and service staff are fully qualified and receive regular ongoing training and development.
- Service providers: Spokemead, Purdy and R. Dunham.



Building services

We offer multiple services including plumbing, electrics, general building maintenance, repair, refurbishment and new build.

- In addition to our own staff we also work with fully qualified sub-contractors, enabling us to have a flexible and scalable business.
- Service providers: Purdy and DCB (Kent).

Centralised services

We are increasing the number of back-office services we share to help us to co-ordinate resources effectively and bring about efficiencies. This includes safety, health, environment and quality (SHEQ), HR, finance, fleet management and IT.

A growing market

£2.2bn

estimated spend on repairs and maintenance in the twelve months to 31 March 2021¹

240,000

London households on social housing waiting lists²

300,000

Government target to build new homes each year³

1. www.gov.uk/government/organisations/regulator-of-social-housing. Regulator of Social Housing, Quarterly Survey January to March 2020, published 21 May 2020.

2. <https://data.london.gov.uk/dataset/households-local-authority-waiting-list-borough>.

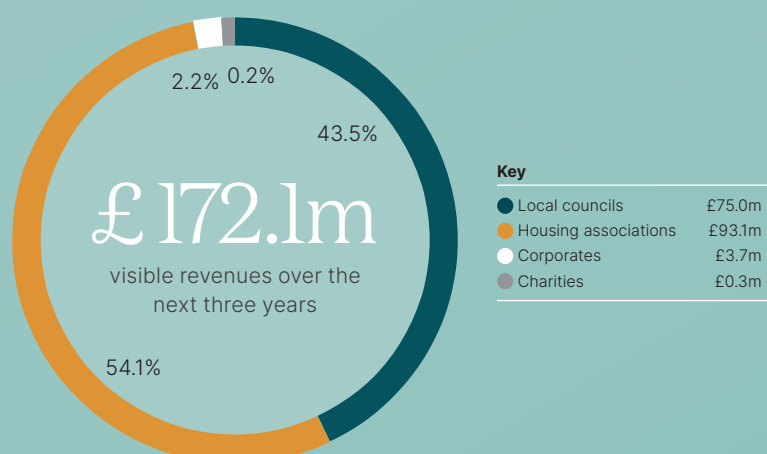
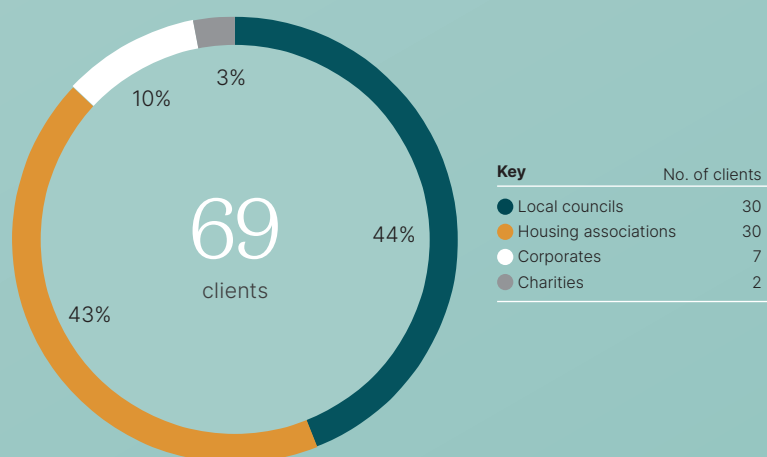
3. Wendy Wilson, 20 April 2020: Stimulating housing supply – Government initiatives (England), House of Commons Library Research briefing paper 06416.

Our businesses

Bilby is the sum of four long-established, yet complementary subsidiaries. Often working together, and sharing many central functions, we provide efficient and cost-effective planned and responsive services across three service channels.



Our clients



Key numbers

We are fortunate to have a committed and talented workforce which delivers safety critical and compliance regulated services, and ensures our customers deliver on their promises to provide safe, secure and good quality homes.

49%

of contracts over three years

3 years

minimum length of majority of service contracts

57

electrical engineers

54

gas safe engineers

70

building services

162

management, customer service and administration

[Read more on p8](#)

Chair's statement

Focusing on long-term value

The collective efforts of all employees have returned stability to the Group, laying the foundations for long-term, sustainable growth.

This year has been pivotal for the Group and resulted in several significant changes that have successfully restored the stability of the Group for all stakeholders. Out of necessity, the year was marked by substantial structural reorganisation, a strengthening of the Board and a significant focus on improving operational efficiencies and bolstering governance. These changes have enabled Bilby to return to profitable growth and underpinned the foundation for a successful future.

Integral to restoring this road to recovery, at the start of the financial year, I was delighted to welcome David Bullen to the Board as Chief Executive. David's hugely impressive turnaround track record has been invaluable in ensuring Bilby's future of stable profitable growth. Expeditiously, David accelerated an operational and financial review, highlighting the organisational changes required, addressing the loss-making divisions within the Group, and, with the management team, building a solid foundation upon which to grow the business and continue to create value for all stakeholders.

Restructuring

At the start of the fiscal year, I was disappointed to report that we had entered the period with several significant challenges and operational failings. During these challenging times, we aimed to update shareholders on all our activities as far as we were able.

The Board took action to restructure the loss-making subsidiary P&R, where historical governance failings had led to the Group's poor financial performance in the previous year. Residual profitable services within P&R were successfully

integrated into our profitable subsidiary Purdy. The review also established the need for investment in critical financial and accounting systems to ensure the Group's reporting functions were robust, integrated and scalable. Underpinning these systems, the review identified the need to streamline, align and centralise several intergroup processes.

I am pleased to report that following this investment and the implementation of these changes during the second half of the year, Bilby operates consistent processes with appropriate robustness in transparency and governance.

The Board

The Board was strengthened further with the appointment of a new Non-Executive Director, David Guest, to the Board, who now also chairs the Audit Committee. The Board now consists of three independent Non-Executive Directors who, with a breadth of knowledge and experience, provide oversight and support to the executive management team.

As part of a focus to strengthen the balance sheet the Group raised £2 million from existing shareholders and certain Directors and senior managers in November 2019. As a result of the raise, the Group significantly improved its working capital position and agreed temporary amendments to the financial covenants associated with the existing debt facilities that were in place with HSBC UK Bank plc. Post year end, the Group secured a restructuring of its £9.8 million debt facility, rebalancing short and medium-term debt, including setting new covenants.



Sangita Shah
Non-Executive Chair

Covid-19

Unsurprisingly, the outbreak of the Covid-19 pandemic has presented immense challenges to Bilby reflecting the extraordinary challenges that we all face. At this stage, whilst it is difficult to forecast the medium to long-term impact of the pandemic on the business, with the strengthened Board and the measures taken in our underlying business processes, we continue to build in resilience and agility to ensure that impacts are mitigated.

Summary

The Group continues to service its long-term customers, has taken significant action in strengthening the balance sheet and has hugely enhanced governance. Critically we have taken the right steps to ensure the safety and wellbeing of our employees and customers, while assisting the communities we serve.

On behalf of the Board, I would like to thank each and every one of the spirited, dedicated staff for their tremendous hard work and commitment during what was a highly challenging, testing year. I would like to further extend my gratitude to the Board, which has shown unfailing perseverance and dedication in ensuring Bilby's road to recovery and profitability. With the collective efforts of all employees, I can confidently predict that the future for Bilby will be brighter, and that we are well positioned to achieve long-term sustainable growth.

Sangita Shah
Non-Executive Chair
24 July 2020

Chief Executive Officer's review

Strong progress with our strategic priorities

Our efforts have resulted in a strong recovery and have returned the Group to profitability.



David Bullen
Chief Executive Officer

On my arrival as CEO in April 2019, it was evident that Bilby had significant strengths and competitive advantages, despite the difficulties it had faced the previous year.

The first half of the financial year was marked by efforts to stabilise the Group. We put in place the essential measures needed to stem the losses and began the work that would return the business to profit, including centralising certain functions and improving governance. Meanwhile, we placed an unerring focus on servicing and building our existing customer base and maintaining the long-standing relationships we have with our customers. Our strategic priorities for the year to 31 March 2020 are set out on page 7, along with our progress and goals for the current year. I am pleased to report that our efforts resulted in a strong recovery and have returned the Group to profitability.

Financial results

The Group delivered profit before tax of £1.7 million (2019: loss of £10.4 million) on revenues of £65.4 million (2019 underlying: £69.6 million). This performance was supported by strong adjusted operating cash generation of £5.0 million and reduction of net debt by £3.7 million.

Adjusted EBITDA increased 47.5% to £4.7 million (2019: £3.2 million) and adjusted earnings per share increased 11.3% to 7.10 pence per share (2019: 6.38 pence per share).

Group restructuring

We have reported extensively on the restructuring of the Group throughout the year and more detail can be found in the Operating Review below.

One of our strategic priorities was to centralise and standardise certain functions in order to introduce efficiencies into the business, but also to create greater cohesion between the Group and the subsidiaries.

The Group has recently appointed a new Head of HR, Dawn Kemp, who has set about making considerable changes to the way we manage our staff and attract new talent. With HR centralised, we will be able to identify any skills gaps, nurture talent for future leadership roles, and provide universal and individual training and development plans. We will also be able to benchmark performance to offer and allocate reward and incentive schemes fairly.

Our fleet, with the exception of DCB (Kent), is now managed centrally which will allow us to introduce greater efficiencies, whilst monitoring the impact we have on the environment. Although managed separately, DCB (Kent) employs similar fleet systems.

In addition, we have made real progress in improving our financial management and reporting systems, centralising our SHEQ function and standardising our customer relationship management with the introduction of a Group-wide IT system, which has increased the transparency of our performance measurement and management. As a result, this has driven improvements in our productivity and efficiency, enabling us to streamline elements of our cost base without affecting our level of service.

Setting our purpose, identity and values

During the year I have spent considerable time engaging with the management and operational staff. These sessions were spent listening to our employees' concerns, priorities and aspirations, and laying the foundations towards building greater collaboration and cohesion between each subsidiary and Group level.

The resounding impression I have from my meetings with employees is the importance they place on making a positive difference to the people and communities they serve.

It is with this in mind that we started work on setting our strategy for the future, to create a more unified business whilst maintaining the identity of our four subsidiaries. We also recognise the need to rebalance our historical strategic focus of financial and operational performance towards the increased expectations among investors, customers and other stakeholders around environmental, social and governance (ESG) criteria and sustainability measures.

Chief Executive Officer's review continued

Setting our purpose, identity and values continued

Bilby's four operating companies have always had a strong sense of environmental and social responsibility, and we need to bring this to the fore to reflect the enhanced role it will play going forward. This year we have expanded the Sustainability section of our Annual Report to showcase the work we already do, but to also explain what we have done to formalise and expand our work in this area.

We were due to undertake a Group-wide exercise in the fourth quarter that would reset our compass through developing a distinct purpose, identity and set of values.

Our efforts were unfortunately cut short by Covid-19, with resources redeployed in managing the immediate crisis. That said, one of my priorities for this year is to complete this initiative. My aim is to bring about a culture that moves away from an overwhelming focus on short-term operational and financial matters, to one that places long-term sustainability and value for all our stakeholders at its core.

Outlook

As with most other businesses, Covid-19 presents real challenges for the Group, though Bilby is in a strong position to tackle these head on. The Group's subsidiary structure, aligned systems, operational control and balance sheet are in a far stronger position as a result of the decisive actions resulting from the operational and financial review. Our collaborative culture and focus on high-quality customer service will ensure that Bilby emerges in a strong position committed to delivering sustainable, profitable growth.

Post year end, the Group has demonstrated its resilience and in the three months to 30 June 2020 underlying trading has been profitable and in line with management expectations.

Net debt at 30 June 2020 was comparable to the year-end position at £7.3 million.

The Board has again concluded that the level of uncertainty created by the Covid-19 pandemic is such that it is difficult to provide guidance on the financial performance for the current year until a clearer outlook emerges. We will provide further updates to the market as the situation evolves.

David Bullen
Chief Executive Officer
24 July 2020

OUR RESPONSE TO COVID-19

Keeping our services operating

We started preparing for significant business interruption in advance of the Government initiated lockdown. As a result, we were prepared to deliver a first class customer service at this time while meeting our duty of care towards our employees and the customers and residents we serve.

The Government recognises our work as an essential service and therefore our employees are categorised as key workers. We put in place a range of initiatives including working from home, alternate shift patterns and implementing the Government's measures relating to workforce protection through the furlough scheme as well as taking advantage of VAT and NI/PAYE deferment. The Board and senior management took a 40% reduction in salary and remuneration to provide further support to the Group's cost management objectives and to demonstrate our unified commitment and solidarity with our employees and wider stakeholders.

- At the start of lockdown, and at the request of our customers, there was an immediate stoppage of works whilst the required health and safety protocols were put in place and arrangements were made for their own staff to work remotely.

During this time, we ensured our availability, resuming works as soon as we were allowed. However, we continued to experience challenges in accessing certain residential and communal properties with some residents, understandably, reluctant to allow us entry into their homes. We have worked closely with our customers to draw up revised work plans and engage directly with residents where necessary. All essential services are being completed as quickly as possible, and any non-essential works will be brought forward when we can gain access to properties.

Although the lockdown has impacted our non-financial KPIs for the full year, our customers are well aware of the challenges we have faced, having faced the same themselves. We remain in close dialogue with our customers, doing all we can to support them in delivering on their own targets as well as our own, although there is clear recognition from all parties that these are extraordinary times.

I am pleased to confirm that we had been exceeding our performance targets, as set by our customers, until the Covid-19 related "lockdown" severely disrupted our normal workflow, including limiting our access to properties. Despite the challenges, our employees have gone above and beyond to deliver critical and necessary work, whilst also providing vital voluntary services to our customers and assisting the wider community wherever they can. Their efforts highlight the strong culture that exists within our organisation to support and make a positive difference to the people that we serve.

Our strategic priorities for 2019/2020

Priorities for 2019/2020

Stem losses and return the business to profitability.

Progress

- Returned the Group to EBITDA growth with positive free cash flow.
- Resolved claim proceedings with East Kent Housing and Carillion Amey.
- Closed the loss-making sections of P&R and novated profitable contracts under Purdy management.
- Restructured R. Dunham.
- Improved gross margins to 25.4% (2019: 21.7%).

Strengthen the balance sheet and reduce gearing levels.

- £2.0 million fundraise has provided additional resources to improve working capital.
- Temporary amendments to Bilby's financial covenants with HSBC UK Bank plc under the previous debt facility.
- Adjusted cash generation of £5.0 million from operating activities.
- Net debt reduction of £3.7 million.

Maintain high service levels and retain existing customers.

- Retained all major customers.
- Improved staff productivity and efficiency.
- Achieved contract revenue uplifts.
- Won new contracts totalling £49.1 million.

Instil greater cohesion between the Bilby Group and its subsidiaries.

- Carried out a staff engagement survey. Senior management engaged with staff at all levels to understand their concerns, priorities and aspirations.
- Began laying the foundations towards building greater collaboration and cohesion between each subsidiary and Group level.
- Introduced Group-wide policies, and improved systems of governance and reporting between subsidiaries and the Group.
- Appointed a Group Head of HR.

Introduce efficiencies across the Group by streamlining and centralising certain internal functions to reduce duplication.

- Centralised Group HR and fleet management (with the exception of DCB (Kent)).
- Improved financial reporting systems between subsidiaries and the Group.

Strengthen governance and oversight.

- Appointed an independent Company Secretary.
- Appointed a Non-Executive Director.

Priorities for 2020/2021

- Continue to drive efficiencies through the business.
- Maintain gross margin percentage.

- Continue to manage the cost base rigorously in Covid-19 environment.
- Secured new debt facilities totalling £9.8 million.
- Continue to improve cash generation.
- Further reduce gearing levels.

- Retain contracts due for renewal.
- Maintain and improve customer relationships to anticipate potential service requirements.
- Continue to improve staff productivity and efficiency.
- Maintain high service levels during Covid-19 social distancing measures.

- Complete exercise to create a distinct Group purpose, identity and values.
- Strengthen engagement with employees and stakeholders.
- Provide greater clarity on career progression, including the introduction of a talent development programme.
- Introduce clear pay and reward structures and align bonus schemes with performance.
- Introduce a Group-wide share based incentive programme.

- Continue to improve financial management systems and financial reporting systems.

- Greater focus on embedding our Environmental, Social and Governance (ESG) functions and performance within the business.

Our business model

Creating a long-term, sustainable business

By investing in the skills and expertise required for our key competencies, together with strong financial discipline and a robust centralised administrative function, we are creating a long-term sustainable business for all our stakeholders.

INPUTS

Strong market fundamentals
Bilby works in a stable and growing market which is driven by a shortage of social and affordable homes. Our services satisfy an unwavering focus on compliance and safety by our customers.

Finance
Access to the capital markets and debt providers provides us with the funding we need to grow our business, and invest in the people and skills we need to meet our contractual obligations.

Skilled and committed front-line employees
Over 181 highly skilled customer-facing employees who help to strengthen and develop our reputation as a trusted service provider, and uphold our high service performance levels required by our customers and regulatory bodies.

Supporting back-office and administration
Bilby continues to centralise many back-office and administrative functions to introduce maximum efficiency and profitability.

WHAT MAKES BILBY DIFFERENT

Making a positive difference to people’s lives

Four long-established independent and complementary businesses

- Dedicated employees with a strong social and environmental purpose
- Long-term contracts and visible revenues

CREATING VALUE FOR STAKEHOLDERS

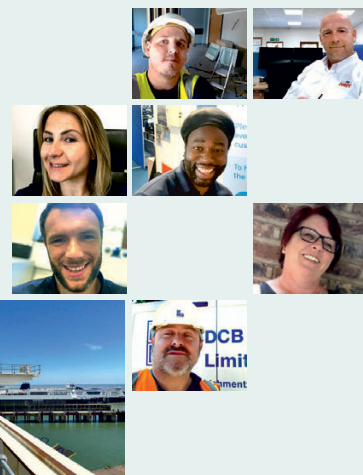
Strategic priorities
In the last year, the management’s focus has been on ensuring Bilby operates as a group that is fully capable of achieving long-term sustainable growth, and building collaborative and cohesive operations.

➔ Read more on p7

Risk
The management has instigated a series of measures to mitigate risk following the failings in the business in 2019. The focus has been to improve governance structures and centralise a number of core functions; this process is ongoing.

➔ Read more on pages 27 to 29

“Our mission is to make a positive difference to people’s lives.”



Focus on compliance and regulatory driven services

Work with customers seeking long-term and stable service partners

- Gas, electrical and building services expertise

- Well-established partnerships and relationships with customers

Governance

Bilby seeks to constantly improve its corporate governance structures and has adopted a suite of new policies. The Board has been strengthened through the appointment of a new Non-Executive Director who also chairs the Audit Committee.

→ Read more on pages 34 and 35

Environmental and social responsibility

The Group works to minimise its negative environmental impacts and maximise the positive impacts it has on the people and communities with whom it works.

→ Read more on pages 16 to 21

CREATING VALUE FOR STAKEHOLDERS

Investors

A firm focus on financial control and cash management has delivered a significant improvement in Bilby's financial performance, returning the Group to profitability from heavy losses the previous year.

→ Read more on p12

Clients and partners

Bilby sets a high level of key regulatory-led contract performance metrics to ensure the safety and wellbeing of the communities it serves, and to facilitate its customers to achieve their own targets.

→ Read more on p13

Employees

Bilby aims to offer its people rewarding long-term careers and a stable working environment. The Group has committed to increasing its investment in its staff and a centralised HR function to develop training programmes and identify talent.

→ Read more on p16

Communities

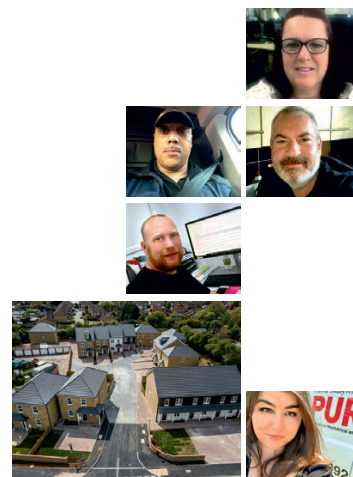
Having a social impact is central to Bilby's values as well as its ability to work in the social and affordable housing sector. In addition to the Group's own initiatives, many customers require contracts to incorporate and evidence the social value provided.

→ Read more on p21

Market environment

Strong market fundamentals

Bilby's market is defined by a long-term need for more affordable homes in locations where standard market rental prices are beyond many people's ability to pay, and specifically in London and the South East.



The Government continues to reiterate its pledge to increasing the supply of affordable homes, providing financial support and enshrining its commitment in legislation. This is providing housebuilders with the impetus to incorporate affordable homes within all their developments and is giving councils and housing associations the financial support they need to be able to operate. As a result the demand for the services the Group provides is also set for long-term growth, regardless of short-term fluctuations caused by events such as Covid-19.

The majority of Bilby's services satisfy an unwavering focus on compliance and safety by its customers, and factors that affect the market, such as Covid-19, are more likely to delay rather than cancel activities. Bilby's ability to compete in its market is underpinned by the reputations of its four established subsidiaries, key performance metrics and its ability to win new contracts and grow the value of existing contracts.

340,000

new homes per year are needed until 2031 to meet demand¹

17,256

record-breaking number of affordable homes started in London in the year 2019/20 with City Hall's support²

£2.2bn

forecast capitalised repairs and maintenance expenditure for the twelve months to 31 March 2021³

1. <https://commonslibrary.parliament.uk/research-briefings/cbp-7671/> Wendy Wilson and Cassie Barton, 9 March 2020: Tackling the under-supply of housing in England, House of Commons Library Research briefing paper 07671.
2. london.gov.uk/what-we-do/housing-and-land/increasing-housing-supply/affordable-housing-statistics Mayor of London: Affordable Housing Statistics.
3. <https://www.gov.uk/government/organisations/regulator-of-social-housing> Regulator of Social Housing, Quarterly Survey January to March 2020, published 21 May 2020.

OUR RESPONSE TO COVID-19

Protecting our people and customers

Our overwhelming priority is to ensure the health and safety of our people and customers. From the outset of the lockdown, Bilby has been following Government guidelines, with its employees respecting social distancing and hygiene measures. Undoubtedly Covid-19 has had an immediate impact on our market. However, as a service provider to many of the largest landlords in the UK, Bilby's compliance, maintenance and repair obligations have not changed, ensuring that properties are in good repair and safe to live in.

Planned works: At the request of customers, most planned works were halted at the start of the lockdown. Any works that could be done safely and following a risk assessment have been brought forward and completed. Essential planned works have been carried out as soon as possible following all health and safety protocols. All other non-essential planned works have been delayed in consultation with our customers and work schedule plans have been agreed.

Responsive works: Bilby has remained available to its customers throughout the lockdown to respond to essential responsive works. Where possible, all essential responsive repairs have been carried within the contracted timeframes. In some cases, gaining access to properties has proved a challenge, affecting certain performance related KPIs. We have maintained close dialogue with our customers throughout the period and work schedule plans have been agreed to complete any works as soon as possible.

Building works: In most cases, building sites closed down for a short period at the start of the lockdown whilst risk assessments were carried out by ourselves and our customers. Where feasible, some sites have reopened with strict social distancing measures, PPE and hygiene policies. No contracts have been cancelled.

See what measures we have taken to keep our staff and customers safe on p18.

Key performance indicators (“KPIs”)

Measuring our performance

The Group uses both financial and non-financial KPIs to measure and monitor its performance.

Financial KPIs

Returning to profitable growth

Following review, the Board has added KPIs on gross profit margin and cash generation which it believes provide an enhanced measure of the Group's performance against its strategic priorities.

IFRS 16 “Leases” was adopted for the first time in 2020. A summary of the effect of IFRS 16 is set out in the Financial Review.

The Group's alternate performance measures (“APMs”) as set out below are determined prior to the effect of IFRS 16 and provide a measure that is directly comparable with the prior period, reflects the basis upon which management information is prepared and is consistent with the calculation of bank covenants.

Underlying revenue (£m)

£65.4m

20	65.4
19	69.6*
18	78.9
17	64.0
16	31.4

KPI definition

Revenue is based on the amounts received or receivable for services provided during the year. We aim to grow our revenue organically. Organic growth gives a measure of business performance and our ability to win new contracts and increase the scope of existing contracts.

Performance

In the year the Group exited from loss-making gas contracts in P&R. The reduction in revenue is partly offset by the full-year effect of R. Dunham, which was acquired in late November 2018.

* Prior to non-underlying items in year ended 31 March 2019 which reduced revenues by £3.1 million.

Underlying gross margin (%)

25.4%

20	25.4
19	21.7*
18	22.4
17	17.2
16	19.1

KPI definition

Gross margin is gross profit divided by revenues and is a key indicator of operational efficiency.

Performance

Gross margin increased 3.9% reflecting the efficiencies implemented in 2020 and the exit from loss-making activities in P&R.

* Prior to non-underlying items in year ended 31 March 2019 which reduced gross profit by £5.7 million.

Adjusted EBITDA (£m)

£4.7m

20	4.7
19	3.2
18	6.3
17	3.9
16	2.5

KPI definition

Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation and excluding non-underlying items as set out in note 7 to the consolidated financial statements. Adjusted EBITDA is stated before the effect of IFRS 16. EBITDA including the effect of IFRS 16 was £5.5 million in 2020.

Performance

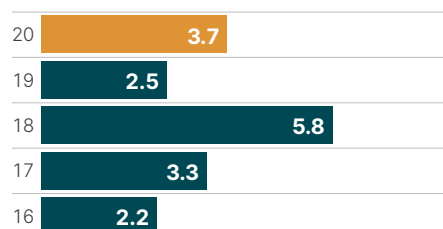
The increase in adjusted EBITDA reflects cost control measures and operational efficiencies undertaken during the year and the exit from loss-making activities.

Key performance indicators (“KPIs”) continued

Financial KPIs continued

Underlying profit before tax (£m)

£3.7m



KPI definition

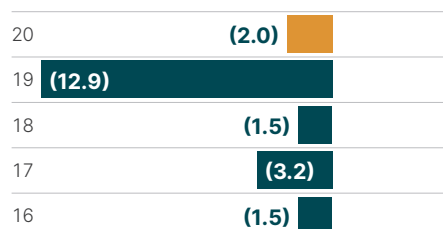
The Group's underlying profit before taxation excludes non-underlying items such as amortisation of intangible assets and exceptional items which is set out in note 8 to the consolidated financial statements. Underlying profit before tax including the effect of IFRS 16 is not materially different at £3.7 million for the year ended 31 March 2020.

Performance

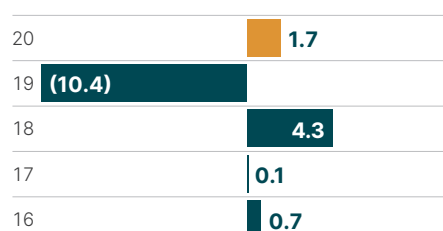
Represents an increase of £1.2 million compared to 2019 and an increase in margin from 3.6% to 5.6%.

Set out below are the non-underlying items and profit before tax for the equivalent periods:

Non-underlying items (£m)

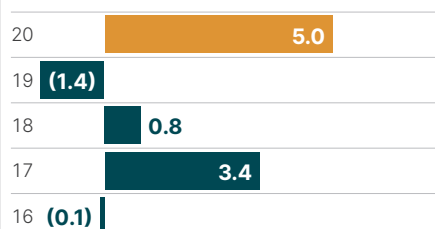


Profit before tax (£m)



Adjusted net cash generated from/ (used in) operating activities (£m)

£5.0m



KPI definition

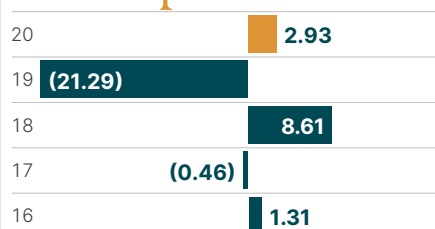
Net cash generated from/(used in) operating activities after adding back £1.9 million (2019: £581,000) cash payments incurred in the year ended 31 March 2020 relating to non-underlying items reported in 2019. It is also stated before the effect of IFRS 16.

Performance

Returning the business to net cash generation was a key strategic priority for the Group in the year to 31 March 2020. This remains a key area of focus. Additional information on performance is included in the Financial Review.

Basic earnings/(loss) per share (pence)

2.93 pence



KPI definition

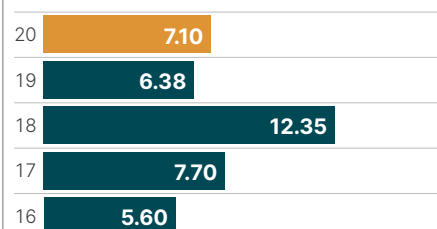
Basic earnings/(loss) per share is the profit/(loss) after tax divided by the weighted number of ordinary shares which is set out in note 13 to the consolidated financial statements.

Performance

The Group made a substantial loss in 2019 driven by issues in P&R. In 2020 the Group returned to profitability.

Adjusted earnings per share (pence)

7.10 pence



KPI definition

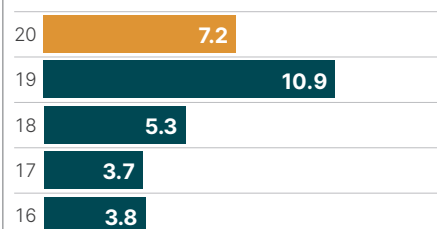
Adjusted basic earnings per share is the profit, before deducting non-underlying items, after tax divided by the weighted number of ordinary shares which is set out in note 13.2 to the consolidated financial statements.

Performance

The increase of 11.3% reflects a 29.7% increase in adjusted profit after tax mitigated by the impact of the increase in weighted average number of shares following the equity fundraise in November 2019.

Net debt (£'000)

£7.2m



KPI definition

Net debt is the Group's balance at the reporting date of bank loans and other loans and overdraft less cash and cash equivalents. It does not include lease obligations under IFRS 16 or deferred consideration.

Performance

Net debt reduced by £3.7 million, represented by repayments of term and other loans of £1.8 million together with a reduction in the overdraft (net of cash equivalents) of £1.9 million.

Non-financial KPIs

Covid-19 has impacted an otherwise strong performance

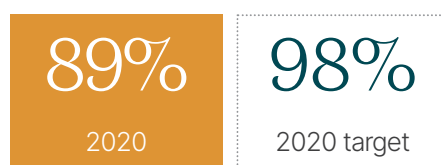
The majority of our customers require us to report on service and operational KPIs as part of the contract delivery. This year we have added two new non-financial KPIs for the first time: appointments made/kept, and jobs completed on target.

As a result of Covid-19 the performance of each KPI, with the exception of customer satisfaction and number of complaints upheld, was below normal expectations. Our customers are well aware of the challenges we have faced, having faced them as well. We have been working closely with our customers to maintain the high level of service they and their residents expect wherever possible, making ourselves available at short notice and finding solutions to the issues they face. Prior to the impact of Covid-19 our performance measures were well above the standard set by our customers on all accounts.

Given the ongoing social distancing restrictions which affect the engineers' ability to enter properties, we have suspended our KPI performance targets for 2021, with the exception of customer satisfaction and number of complaints upheld which have been set at the same target level as for 2020. Instead we aim to provide the highest levels of service that can be achieved in accordance with our customers' wishes until operations return to normal.

No formal targets had been set in 2019.

Appointments made/kept (%)



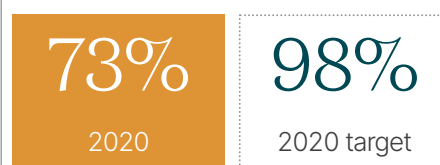
KPI definition

Appointments made/kept measures the number of planned appointments that were scheduled and attended by engineers within a specified timeframe.

Our performance

The performance during the year was affected by Covid-19, which resulted in non-essential appointments having to be cancelled or rescheduled in order to protect customers and employees. Prior to the impact of Covid-19 the performance stood at just over 98%.

Repairs (first-time fix) (%)



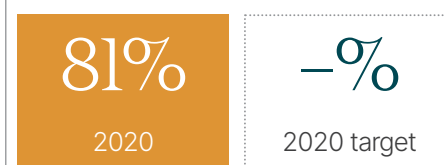
KPI definition

First-time fix measures the percentage of time an engineer is able to fix an issue the first time, without the need for additional visits, information or parts.

Our performance

The performance during the year was affected by Covid-19, which restricted our engineers' ability to enter homes and complete repairs first time. Prior to Covid-19, first-time-fix repairs across the Group stood at 88%, which was therefore below the 2020 target of 98% but above customer performance requirements of 85%.

Jobs completed on target (%)



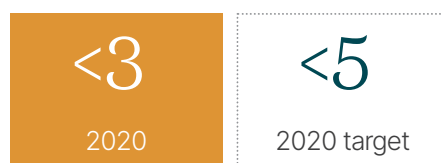
KPI definition

Jobs completed on target measures planned or responsive jobs that have been completed within a pre-determined timeframe either on the first visit or on subsequent visits.

Our performance

The performance during the year was affected by Covid-19, which impacted the engineers' ability to enter homes, or as a result of appointments having to be cancelled or rescheduled. Prior to Covid-19 jobs completed on target across the Group stood at 99% and well above customer performance targets.

Number of official complaints upheld



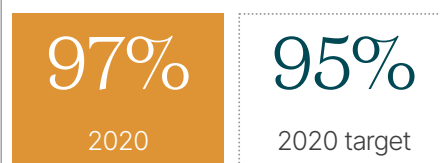
KPI definition

Complaints where the outcome was "upheld" or "some upheld" are those we investigated and found that something went wrong. As part of the investigation process we also review how we responded to the complaint and any action taken to put things right.

Our performance

As part of our service delivery we aim to minimise the complaints we receive. We accept this is not always possible and therefore aim to have less than 1% complaints across all our contracts.

Resident satisfaction (%)



KPI definition

Resident satisfaction is measured through resident surveys on the completion of each job and is a core operational KPI for most contracts. Residents can opt out of answering surveys.

Our performance

We are pleased with our performance in 2020, having increased our performance by six basis points, reflecting the strong recovery in the business.

All key contracts retained

During the period, the Group, through its subsidiaries, retained all key contracts and successfully secured new contracts totalling £49.1 million. As a result the Group boasts three year visible revenues* of £172.1 million (2019: £162.3 million) providing significant forward earnings visibility.

As previously stated, we have reported extensively on the restructuring of the Group throughout the year. The key outcome was the restructure of the subsidiary P&R with its profitable building services contracts transferred under the management of Purdy. This quickly stemmed the Group losses that had been driven by two severely loss-making contracts with East Kent Housing and Carillion Amey. Discussions with these organisations continued throughout the first half of the year, and the resolution proceedings completed in December 2019 with nil settlement to all parties.



Purdy continued to perform well during the year with the former P&R contracts now fully integrated within the company. The visible revenues have reduced to reflect the completion of various one-off projects and long-term contract renewals now falling within the three year timeframe.

Mitigating these reductions, there has been a renewal of our current contract with the London Borough of Waltham Forest for £4.0 million over a two-year term, a £1.1 million contract win with Enfield Council to carry out electrical work and boiler installations, and a £1.0 million project with Peabody. Purdy was also pleased to place first on a framework worth £10 million over five years with the London Borough of Barking and Dagenham.

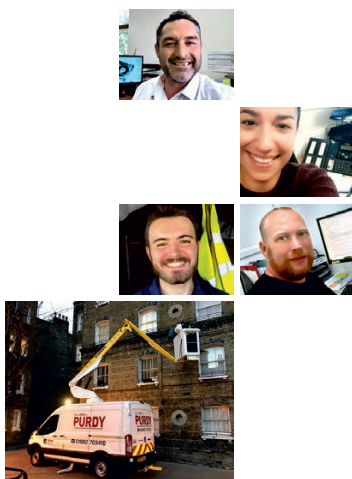


DCB achieved a significant uplift in forward revenues with a number of contracts won in H2 totalling £32.4 million including projects for 30 shared ownership homes for Inland Homes, 28 for Hexagon Housing, 24 for MHS Homes and 7 for Newlon Housing.

Some contract starts were slow to begin resulting from delays in planning consent discharges as well as uncertainty surrounding Brexit. The Covid-19 pandemic also delayed existing building works towards the end of the year. This combination contributed to further increase a strong forward order book for the company with a large amount of works now due to be delivered in 2020–21.

* Three year visible revenues represents the minimum identifiable revenues, over the following three year period; being contracted or anticipated spend as well as historical run rates.

** Of which £51.4 million (2019: £29.9 million) relates to long-term construction projects.



“The Group continues to service its long-term customer contracts, has taken significant action in strengthening the balance sheet and has enhanced governance.”



Visible revenues over next three years

£6.0m

2019: £6.0m

Employees: 9

Spokemead continues to provide its electrical testing and remedial works for the London Borough of Southwark through its long-term contract to 2024. The business secured new emergency lighting instalments which commenced in Q4, providing some short-term revenue uplifts.



Visible revenues over next three years

£3.1m

2019: £4.7m

Employees: 13

In the second half of the year, the Group worked to stabilise R. Dunham, making management changes and increasing the efficiency of the business, which improved productivity. The business has merged its offices and systems with Purdy's electrical business, transforming its reporting from an entirely paper based system to the Group's centralised management systems. Staffing levels were streamlined, reducing reliance on contract workers and also to reflect the new structure and size of the business.

The decrease in visible revenues reflects the number of new contracts that are due for renewal in 2020/2021.

SUMMARY

Overall, considering the significant headwinds faced by the Group during the year, we are pleased with the performance of Purdy, DCB (Kent) and Spokemead, and are satisfied that the issues relating to P&R and R. Dunham have now been finally resolved.

I would like to thank all our staff for their commitment and dedication, particularly as there have been a lot of changes to the Group during the year, as we sought to reset our compass.

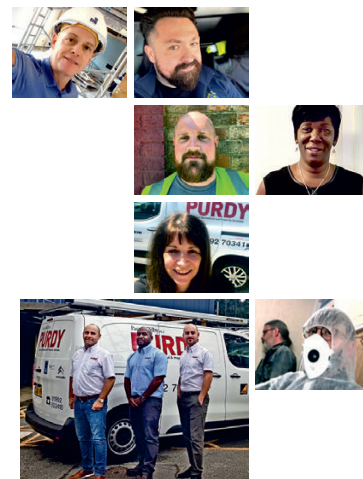
The coronavirus outbreak has brought about a new set of challenges, and I have been impressed by the continuing focus our employees have had on the business as well as the people and communities they serve.

With a new Group HR function we can now co-ordinate our investment in our employees and identify talent for future management roles. This priority, coupled with new efficiencies within the Group, a focus on providing the highest quality services and strong forward revenues, means we have a solid platform on which to deliver long-term value and a sustainable, profitable business.

People

Resetting our compass

During the last year we have identified that we need to rebalance the strategic focus of the Group, to align with increased expectations among investors, customers and other stakeholders around environmental, social and governance (ESG) and sustainability.



Our objective is to transform from an organisation that solely focuses on operational and financial matters, to one that places ESG and sustainability at the core of its strategy. This is a priority because the activities we undertake to maintain a sustainable business support our licence to operate in the social and affordable housing sector, and should therefore be at the heart of all our decision making.

Over the years, Bilby has embarked on a number of proactive initiatives relating to environmental and social responsibility – more than is typical for a company of our size. While sustainability and responsibility are rooted in our DNA, historically we have not promoted our efforts and achievements as much as we could have.

The last year has seen us further embrace and build on these, setting out plans and policies that formalise our actions in three main areas:

- Our people
- The environment – waste management and energy efficiency
- The communities we work in and society as a whole

This 2020 Annual Report includes an expanded section on ESG, to reflect the enhanced role it will play within our strategy and provide stakeholders with an understanding of the actions we have taken and the progress we have made.

As with any fundamental change, our shift to a more sustainable business needs to be centred around a strong and distinct purpose, identity and set of values. Work on defining these was due to begin in Q1 of 2020 but was postponed due to the Covid-19 outbreak. We will reinvigorate our work as soon as matters return to a more normalised state. Once complete, the exercise will provide the Group with a synergistic anchor point that ties our people in with our client base and our shareholders.

David Bullen
Chief Executive Officer
24 July 2020

Building a more people-centric business

The culture change we are aiming for requires the contribution of every individual within the business, and a key part of this has been gathering open and honest feedback from employees through a Group-wide employee engagement survey and one-to-one meetings. This has brought us valuable insights and perspectives which we are using to guide a framework of actions that will facilitate the change process.

These actions include:

- a commitment to a wide range of employee-focused initiatives;
- dedicating appropriate resources to drive through the initiatives planned;
- improved reporting on areas such as diversity and the gender pay gap, which is imperative as part of our corporate responsibility; and
- the appointment of a new HR Director, Dawn Kemp, to transform the HR function.

Investing in our people

343

number of employees

38

average number of training hours per person

14

new apprentices joined

1,200+

work experience hours provided

♂276

♀67

gender split



Introducing Dawn Kemp, Group HR Director

Dawn was formally appointed as Group HR Director in March 2020. She is very familiar with Bilby, having worked closely with the management team over the last year on an interim basis, and previously advising Purdy for a number of years as a consultant. Dawn brings a wealth of experience, which includes working for a FTSE 100 company, and building her own HR consultancy specialising in advising fast growth businesses.

Dawn's appointment is part of the Group's strategy to centralise support and control functions that will ensure that all our businesses operate with maximum efficiency.

Q Dawn, welcome to Bilby. You obviously know the business well, so what made you decide to join the Group full time?

"Bilby is first and foremost a people business, and I'm delighted to join a team that recognises just how important investing in its colleagues is to the future success of the Group. With four subsidiaries, my role presents a real opportunity to bring together a central HR function that can develop talent, identify skills gaps, and provide a single go-to place when staff want to raise an issue or have concerns."

"I didn't hesitate when David Bullen asked me to join Bilby full time, as I believe I can bring real value to the business."

Q Why do you think it's important to centralise the HR function?

"Bilby has grown over the years through acquisition, and we now have four subsidiaries that have historically had their own way of doing things. While we want to preserve the identity of each subsidiary,

we do need to establish a sense of purpose and vision for the Group as a whole, and engage with our colleagues so we're all working towards the same goals. By doing this, we can all benefit from the success of the Group."

"The only way we can achieve this is by having a central HR function that aligns working practices and policies, as well as contractual obligations and financial rewards, so that everyone is treated equally and fairly."

Q What is your vision for Bilby's HR?

"I want to create an HR department that acts as guide, mentor and coach, and builds strong trust with staff at all levels. HR should be there to help colleagues in their career progression, address any concerns, and provide them with the tools and skills they need to reach their own goals as well as the Group's. Ultimately, my vision is to create a workforce that is absolutely the best at what it does in its sector, so that Bilby becomes the go-to company for the services it provides. In addition to supporting growth, this will enable us to become an employer of choice for people considering a career in our sector."

Q How do you decide where to start?

"Last year we conducted our first Group-wide employee engagement survey, and this is helping to inform my approach to Bilby's HR. First and foremost, what came across was the great sense of community and responsibility our colleagues have towards the customers they serve. They feel that the work they do has real value and improves people's lives, and I would never want to lose this."

"The survey did highlight inconsistencies across the subsidiaries, particularly around induction, training, job descriptions, career progression, and pay and reward schemes, which need to be addressed first."

"Many of our staff have asked for more training and opportunities to improve their skills, and for greater clarity on career progression. In response, I'm currently undertaking a training needs analysis so that we can identify any skills gaps and begin investing in Group-wide training schemes."

"The Board has previously discussed introducing Group-level performance related reward and share based incentive schemes, and I'm absolutely committed to seeing this happen. As part of this we need to introduce consistent and competitive pay banding and benefit schemes, and standardised performance reviews so we can allocate rewards fairly."

Q What are your other immediate priorities?

"It's important that we invest in an internal talent scheme to identify future leaders in the business and provide our staff with the skills they need to take on more responsibility. This will help with creating an internal succession plan, which previously did not exist at a Group level, as well as individual training plans so that our staff can fulfil their own aspirations."

"The Group is in the process of introducing an intranet which can be accessed by all staff. My aim is to start advertising job vacancies internally before going to the outside market, including short-term sub-contracting work. Internal appointments, and using our own capacity where possible, will help to reduce recruitment costs. It will also give our staff a greater understanding of the opportunities and career progression that can be had within the Group."

"With recruitment centralised we'll be able to advertise vacancies on our own website, which will also be revitalised, when we can't fill them ourselves, and take advantage of more competitive agency rates by introducing a preferred recruitment supplier list."

"Unfortunately we've had to make some redundancies and furlough a number of staff during Covid-19. This has meant needing to redeploy some responsibilities. I've been hugely impressed by the commitment of our staff to go the extra mile for our customers and rise to the challenge. Once business returns to normal I'm looking forward to engaging with staff face to face and investing in their careers."

People continued

OUR RESPONSE TO COVID-19

Safeguarding employees and residents during the pandemic

Always a top priority for the Group, our responsibility to ensure the health, safety and welfare of our people has taken on a heightened significance in recent months. As the risk of the spread of coronavirus within this country increased, we acted quickly to ensure we could continue to deliver a first-class customer service while meeting our duty of care towards our employees and the customers and residents we serve.

Guided by Government advice and industry best practice, we developed a policy-driven approach across all our subsidiaries to manage the spread of the disease and secure business continuity. This involved working proactively with our clients, as well as the employers and contractors within our supply chains, to ensure a consistent approach.

At the core of our strategy was a comprehensive assessment of the risks posed by Covid-19 in the workplace for all employees and non-employees affected by the work we undertake. We then put in place policies and plans to mitigate these risks.

Protecting site based engineers and operatives.

As we are deemed to be providing an essential service, our engineers need to be able to attend residential properties for both reactive and planned works. We developed a safe system of work to be followed, which included:

- identifying high-risk vulnerable residents living in the properties to be visited;
- providing all engineers with the appropriate PPE/RPE (respiratory protective equipment); and
- carrying out risk assessments for each job and task, and implementing control measures to mitigate risk.

Protecting residents

We implemented measures to protect the health and safety of residents while our engineers work in their homes, including making sure social distancing is observed at all times. Handbooks were provided to residents, detailing the risks and the mitigating arrangements that had been made, and we also assigned Resident Liaison Officers to provide them with a contact point for any concerns or feedback.

Supporting office based staff

Many of our employees either were furloughed or began working from home as the Government-imposed lockdown began. We supported them with measures that included:

- providing and implementing equipment and technologies to enable people to work safely and effectively, including software packages and tools to facilitate remote meetings; and
- monitoring the wellbeing of people at home and helping them to stay connected to the rest of the workforce.

Returning to work

To prepare for the easing of lockdown, we put in place enhanced health and safety plans and policies for all workplaces, to ensure staff could return safely. Our preventative and protective measures were guided by the WHO, and included:

- strategies for maintaining strict social distancing;
- redesigning office and workstation spaces and controlling entry points;
- installing protective shields, signage and floor markings, hygiene stations and wash points as appropriate;
- hygiene control – with stringent cleaning protocols for shared spaces;
- servicing air and ventilation systems;
- issuing guidelines around work related travel and commuting to the workplace;

- engaging employees, contractors and consultants in back-to-work meetings;
- implementing phased returns, based on roles and priority to the business; and
- monitoring employees for any symptoms of Covid-19 or any other medical condition – including mental health issues.

Communications and reassurance

We communicated with all of our people on a regular basis, to ensure they understood exactly what was happening and what was required of them, and gave them the opportunity to share any concerns they had. This included:

- setting up a number of communication streams, including toolbox talks, safety briefings, SHEQ bulletins and induction talks by line managers;
- making all employees aware of the hazards and risks associated with their particular job role, and how to minimise them;
- providing clarity around what employees are expected to do, such as cleaning their own workstation and desk; and
- actively encouraging feedback and discussions – and acting on any findings.

As lockdown rules and social distancing are further relaxed by the Government, we will continuously review and update our policies and plans.

Environment

Taking care of our environment

We continue to recognise and act on our responsibility to protect the environment, by minimising our contribution to global warming and the world's waste. As an ISO 14001 accredited organisation we actively assess and manage the environmental impact of our operations on an ongoing basis and have put in place a number of practices to reduce this.

Our business has the potential to impact the environment through:

- the production of greenhouse gases (GHGs);
- the vehicles we use to fulfil our work;
- the types of equipment we install on behalf of our clients; and
- the production of waste that results from building and maintenance projects.

Waste management

We continually improve our waste management practices, and all waste is now recycled wherever possible rather than being sent to landfill. Items we recycle include old boilers, copper pipes, radiators and other key components which are obsolete, and any materials generated from our activities.

We follow the principles of "waste hierarchy":



Reduce

Limit the amount of waste we produce before we even consider how to dispose of it.



Reuse

Reuse unwanted goods rather than recycling them or throwing them away.



Recycle

Save raw materials and natural resources.

All waste, electrical and electronic equipment is recovered, reused, recycled and treated in accordance with the UK WEEE Regulations.

We produce a waste management plan for each site, and provide copies to all engineers and supervisors to ensure that waste is removed daily, assessed and appropriately segregated according to its make-up. Our waste contractors then provide us with reports to confirm the respective breakdown of these elements.

Purdy Contracts provides toolbox talks and training to all engineers and site staff covering carbon footprint and waste recycling, as well as running communications campaigns on key issues such as carbon reduction.

“We continually improve our waste management practices, and all waste is now recycled wherever possible rather than being sent to landfill.”

CASE STUDY



DCB (Kent) raising money from scrap metal

DCB's kitchen and bathroom refurbishments generate a large amount of scrap metal, such as copper, lead and stainless steel. In 2010 we decided to co-ordinate the way we gathered and managed the recycling of these materials. Staff are required to deposit any valuable scrap metal into the central office where it is collected to be taken to a local scrap metal dealer. Our efforts have raised more than £44,000 for Demelza Hospice Care for Children, helping to ensure local children and young people with terminal conditions receive the care and attention they need to live the most fulfilling life they can.

£44,000+

raised since 2010

Environment continued

Reducing carbon emissions

The Group has a comprehensive Carbon Emissions Reduction Plan in place, which targets energy use across our fleet of vehicles and our operations, including in residents' homes.

Sustainable transport

Through installing telematics in more of our vehicles we reduced fuel costs by an average of £408 per vehicle last year compared to the previous year, a reduction of 19%. Our telematics system helps the driver to use the vehicle more efficiently through features such as an "anti-idling" reminders and advising drivers when to change gears. This has shown to help reduce CO₂, NO_x and particulate emissions by 10–20%, according to a study by the University of Bath. The inbuilt trackers also provide reports that enable us to monitor vehicle routes, and give the driver a performance score at the end of each journey.

At present we measure direct Greenhouse gas (GHG) emissions (scope 1) produced by 159 out of 219 of our fleet of vehicles, based on at-the-pump purchase of fuel which we monitor through fuel cards. From next year we will be able to provide GHG emissions data from our entire fleet.

The increase in total direct GHG emissions for the year to 31 March 2020 to 456,203kg (2019: 419,802kg) was the result of 25 vehicles that were added to the fleet being monitored. This followed certain P&R contracts coming under the management

of Purdy in 2019. The average direct GHG emissions per vehicle reduced 11% from 3,133kg to 2,871kg.

As all our vehicles are currently fuelled by diesel, we are beginning the transition to an electric vehicle ("EV") fleet, with a plan to move from key starts to stop/start vehicles then on to hybrid and electric vehicles within a set timeframe. This will take some time, mainly due to current battery life limiting the ranges that can be travelled, but we already have one EV in active use at DCB (Kent).

Other actions include:

- introducing a good driving league table, with gift vouchers awarded to the top three "most efficient" drivers each month;
- achieving Fleet Operator Recognition Scheme ("FORS") accreditation and ISO 14001 Environmental Management certification;
- creating works and route plans for engineers to reduce travel; and
- introducing the Green Commute Initiative through our cycle to work scheme, serving a dual purpose of improving both the individual's health and wellbeing, as well as reducing the environmental impact of pollution and congestion from cars.

Sustainable energy

Across our operations, we monitor and report on energy consumption and identify and implement opportunities to improve energy efficiency. This includes generating

property reports, recycling boilers on behalf of residents, and providing tenants with energy efficiency advice and energy efficient lamps. Alongside environmental benefits, our initiatives have helped our residents to reduce their fuel bills.

Our actions include:

- installing innovative electric boilers in two tower blocks in Enfield;
- implementing ground source and air source heating systems in residents' homes, which pump in naturally occurring heat from outside – both are renewable energy sources that have a low environmental impact compared to gas fuelled systems;
- enrolling engineers on a certification programme that will equip them to install EV charging points at our sites and our clients' properties;
- achieving Microgeneration Certification Scheme ("MCS") accreditation, which enables us to install photovoltaic units and air source heat pumps;
- installing energy efficient LED microwave lighting in low and high-rise blocks, providing cost savings to the client and reducing light pollution; and
- investigating the use of next generation boilers – for example, those powered by hydrogen – with the intention of gaining the relevant accreditation.

GHG emissions (Scope 1) 159/219 vehicles

	2020	2019
Number of vehicles monitored	159	134
Diesel volume consumed (litres)	175,231	160,223
Carbon dioxide (kg CO ₂ and CO ₂ e)	450,262	414,434
Methane (kg CH ₄)	58	68
Nitrous oxide (kg CO ₂ e)	6,180	5,308
Total direct GHG emissions (kg)	456,500	419,810
Direct GHG emissions per vehicle (kg)	2,871	3,133

Community

Creating social value

Delivering a positive social impact is central to our brand values, and we continue to initiate programmes that make an active contribution to local community development.

Providing social value means actively investing in the communities in which we operate – and as part of the tender process for new contracts many of our customers require us to provide evidence of the benefits we bring. To maximise positive outcomes, we align our social value activities to our customers' own social KPIs.



ABOVE: Purdy Contracts' Land's End to John o' Groats ("LEJOG") team.



ABOVE: Bilby's Group Treasury Director and Chairman of the 8th Royal Eltham Scouts Group, Katherine Guy.

Employment opportunities

Much of our social work is centred on providing employment opportunities, and supporting both skilled and unskilled individuals in finding work. By doing this we aim to build confidence, encourage financial independence and create a sense of belonging.

We are regularly involved in employability drives, job fairs and careers talks in local areas, and we also take part in school engagement programmes to raise awareness of the career possibilities in our industry.

On large contracts, and in areas where there are higher volumes of non-English speaking tenants, we look to recruit and train local tenants as Resident Liaison Officers. This allows us to manage potential language barriers, as well as providing employment.

Often working with local agencies, we offer work placements and apprenticeships to young people and those who are long-term unemployed.

Supporting charities

We continually fundraise for a range of charities including Children in Need, Demelza Hospice Care for Children, Breast Cancer Awareness, Mental Health Awareness, Prostate Cancer Awareness and Teens Unite, as well as taking part in events such as Red Nose Day and Macmillan's World's Biggest Coffee Morning.

Purdy Contracts is a keen supporter of cancer charity Teens Unite. Fundraising efforts in the last year included colleagues taking part in the Land's End to John o' Groats ("LEJOG") cycle ride, raising £40k.

Within some of our contracts, we have made a commitment to donate a percentage of our profit to a specified charitable institution. For example, Purdy Contracts makes a 0.5% financial contribution to one of our main clients, which supports young people who are homeless or at risk of homelessness in various London Boroughs, as part of an ongoing CSR commitment.

Volunteering

We are encouraging more employees to take on volunteering roles within the local community. Current volunteers include Bilby's Group Treasury Director, Katherine Guy, who having been fortunate to experience the many benefits of support as a child herself, wanted to contribute to the welfare of young people. After helping with various local youth groups, she started working with Scouts eight years ago, sharing their commitment to engage and support young people in their personal development and empowering them to make a positive contribution to society. What started as occasional volunteering soon became a large part of life outside of work. Katherine is now a Beaver Leader, Scout Leader, runs the Duke of Edinburgh Gold Award scheme for the Explorers, and for the last three years she has been Chairman of the 8th Royal Eltham Scouts Group, which provides activities for around seventy young people from the local area.

CASE STUDY

Purdy Futures: an award-winning apprenticeship scheme

Purdy Contracts continues to run its long-established apprenticeship programme, with a target of providing 25 work experience placements and employing ten to twelve apprentices per year. The scheme is designed to support people facing long-term unemployment, and school leavers who are likely to become long-term unemployed.

Alongside helping individuals to reach their potential, Purdy Futures enables the business to build a talent pipeline: many operational staff joined the organisation as apprentices, and have progressed to management roles. The scheme's achievements to date include recruiting more than 50 apprentices for Enfield Council, and being awarded "Employer of the Year" on multiple occasions by Hertford Regional College.

Financial review

Strong recovery

The changes implemented in 2019 resulted in a strong recovery for the Group.



Clive Lovett
Group Finance Director

Trading review

The Group made a strong recovery in the year, delivering a profit before tax of £1.7 million (2019: loss of £10.4 million), generating robust adjusted operating cash flow of £5.0 million and reducing net debt by £3.7 million.

In the year, the Group also exited from the loss-making gas division of P&R, restructured the ongoing activities at this business and completed an equity fundraise to improve working capital.

After the period end, the Group finalised the restructure of the Group bank facilities and covenants, providing the stability, support and flexibility to manage the Group operations.

Group revenues were £65.4 million (2019 underlying: £69.6 million). The reduction in revenue in the period resulted from the exit from the loss-making gas contracts in P&R which was partly offset by the full-year effect of R. Dunham which was acquired in late November 2018.

Gross profit of £16.6 million (2019 underlying: £15.1 million) was achieved at a margin of 25.4% (2019 underlying: 21.7%). Underlying administrative expenses of £12.3 million are in line with the prior period (2019 underlying: £12.3 million).

Underlying operating profit, excluding non-underlying items, increased by 52.6% to £4.3 million (2019: £2.8 million).

Non-underlying items were £2.0 million (2019: £12.9 million).

Group adjusted EBITDA (as defined below) increased by 47.5% to £4.7 million (2019: £3.2 million).

Adjusted EBITDA is considered by the Board to be a key Alternative Performance Measure ("APM") as it is comparable to the prior period and is the basis upon which the underlying management information is prepared and the performance of the business assessed by the Board. It is also the measure for the covenants under our banking arrangements.

Profit after tax was £1.4 million (2019: loss of £8.6 million). The loss in 2019 principally resulted from legacy issues in P&R. This included the impact of underlying trading losses together with significant non-underlying items comprising costs and impairment resulting from the exit from loss-making contracts, impairment of financial assets and restructuring costs.

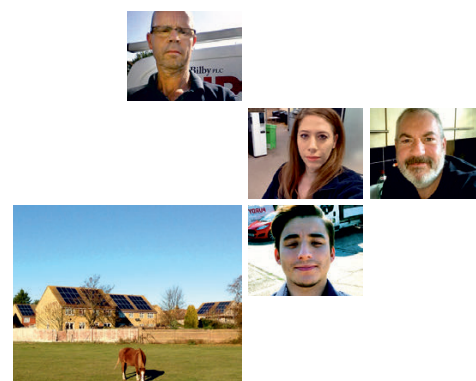
Financial position and key indicators

Following the impact, in the year ended 31 March 2019, of the increased debt, the underlying losses and exceptional costs in P&R, the Group's overall financial position has significantly improved during the course of the year.

Group total assets were £36.7 million at 31 March 2020 (2019: £35.1 million). The Group net assets as at 31 March 2020 were £10.6 million (2019: £7.4 million).

We focus on a range of key indicators to assess our performance. Our performance indicators are both financial and non-financial and ensure that the Group targets its resources around its customers, operations and finance. Collectively they form an integral part of the way that we manage the business to deliver our strategic goals. The key financial performance indicators are set out below and described in more detail on pages 11 and 12.

“The Group made a strong recovery in the year, delivering a profit before tax of £1.7 million (2019: loss of £10.4 million), generating robust adjusted operating cash flow of £5.0 million and reducing net debt by £3.7 million.”



	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Income statement		
Revenue ¹	65,392	69,588
Gross profit ¹	16,597	15,131
Gross margin ¹	25.4%	21.7%
EBITDA ² (including effect of IFRS 16 in the year)	5,508	3,164
Adjusted EBITDA ³ (excluding effect of IFRS 16 in the year)	4,668	3,164
Underlying operating profit ¹	4,256	2,789
Underlying profit before taxation ⁴	3,691	2,501
Profit/(loss) after taxation	1,379	(8,596)
Basic earnings/(loss) per share ⁵	2.93p	(21.29)p
Adjusted earnings per share ⁶	7.10p	6.38p
Financial position		
Overdraft	3,351	5,219
Term and other loans	3,882	5,660
Net debt ⁷	7,214	10,858
Trade receivables	7,383	8,112
Accrued income	9,968	7,327
Trade payables	12,885	10,605
Net assets	10,624	7,388

1. The 2019 results are stated before non-underlying items as set out in the Consolidated Statement of Comprehensive Income and note 8 of the financial statements.
2. Earnings before interest, taxation, depreciation and amortisation (“EBITDA”) and excluding non-underlying items, as set out in note 7 of the financial statements.
3. EBITDA, excluding non-underlying items and before the effect of the implementation of IFRS 16 “Leases”, as set out in note 7 of the financial statements.
4. Underlying profit before taxation is stated after finance costs and before charging the non-underlying items as set out in note 8 of the financial statements.
5. Basic earnings/(loss) per share is the profit/(loss) after tax divided by the weighted average number of ordinary shares.
6. Adjusted earnings per share is the profit before deducting non-underlying items after tax divided by the weighted average number of ordinary shares.
7. Includes term and other loans, and overdraft net of cash, and excludes lease obligations under IFRS 16 and deferred consideration.

IFRS 16 “Leases”

In the year ended 31 March 2020, the Group adopted IFRS 16 “Leases” using the modified retrospective approach which means that comparatives are not required to be restated.

Under IFRS 16, a lessee recognises its right to use a leased asset and a lease liability representing its obligation to make lease payments. The depreciation cost of the newly recognised “right-of-use” asset is charged to profit within administrative expenses, whilst the interest cost of the newly recognised lease liability is charged to finance costs. On the basis that depreciation is charged on a straight line basis, whilst the interest element is charged on a reducing balance basis, this results in a higher charge being applied to the income statement in the early years of a lease, with this impact reversing over the later years.

The impact on the income statement and EBITDA are noted in the table below with comparability to the prior year.

Whilst Group revenue and cash are unaffected by the adoption of IFRS 16, the following areas are impacted:

- Operating profit has increased by £44,000 with lease costs decreasing by £840,000 and, conversely, depreciation charges increasing by £796,000.
- Finance costs increased by £71,000.
- The overall effect on profit before tax of adopting IFRS 16 has been a decrease of £27,000.

Financial review continued

IFRS 16 “Leases” continued

- The Consolidated Statement of Financial Position recognises £2.1 million of right-of-use assets and £2.1 million of lease liabilities.
- Lease payments are now reflected as a reduction in lease liabilities which, although not impacting cash, does affect the presentation of the Consolidated Statement of Cash Flows (see cash flow performance below).

A reconciliation of EBITDA* (including the effect of IFRS 16) and adjusted EBITDA* (stated pre-IFRS 16) to operating profit and profit before tax for the year is set out below.

	2020 Statutory result £'000	2020 EBITDA (including effect of IFRS 16) £'000	2020 Adjusted EBITDA (before effect of IFRS 16) £'000	2019 Underlying £'000
EBITDA reconciliation				
Operating profit/(loss)	2,292	2,292	2,292	(10,100)
IFRS 16 adjustments:				
Reinstate operating lease payments	—	—	(840)	—
Remove right-of-use depreciation charge	—	—	796	—
Adjusted operating profit/(loss)	2,292	2,292	2,292	(10,100)
Finance costs	(565)	(565)	(494)	(288)
Profit/(loss) before tax	1,727	1,727	1,754	(10,388)
Add back non underlying items:				
Amortisation of customer relationships		1,925	1,925	1,836
Impairment of customer relationships		—	—	1,802
Share based payment charge		39	39	128
Acquisition costs		—	—	120
Exceptional items		—	—	9,003
Underlying profit before tax		3,691	3,718	2,501
EBITDA adjustments:				
Finance costs		565	494	288
Depreciation of property, plant and equipment		258	263	256
Depreciation of right-of-use assets		801	—	—
Amortisation of software costs		31	31	44
Loss on disposal of property, plant and equipment		162	162	75
EBITDA		5,508	4,668	3,164

* EBITDA and adjusted EBITDA exclude items classified as non-underlying as set out below.

Non-underlying items

Non-underlying items are considered by the Board to be either exceptional in size, one-off in nature or non-trading related items and are represented by the following:

	2020 £'000	2019 £'000
Amortisation of customer relationships	1,925	1,836
Impairment of customer relationships	—	1,802
Share based payment charge	39	128
Acquisition costs	—	120
Restructuring costs	—	975
Loss on exit of contracts/gas division	—	7,604
Impairment of accrued income	—	424
Total	1,964	12,889

Finance costs

Finance expenses were £565,000 (2019: £288,000) which includes an incremental charge of £71,000 (2019: £nil) in relation to the implementation of IFRS 16 "Leases". Other finance costs are represented by interest on bank borrowing and loans, other interest costs and other finance costs, being the amortisation of debt issue costs. There was no finance income in the year.

Tax

The tax charge on the profit before tax was £348,000 (2019: credit of £1.8 million) representing the net movement on deferred tax assets and liabilities at an overall rate of 20.2% (2019: credit of 17.3%). No tax was paid in the year (2019: £1.1 million) due to the tax losses resulting from the prior year loss.

The net deferred tax liability at 31 March 2020 was £779,000 (2019: £431,000) comprising a deferred tax liability of £1.5 million (2019: £1.4 million) relating to the acquisition of intangible assets, right-to-use assets and short-term timing differences and deferred tax asset of £694,000 (2019: £1.0 million) relating to unused tax losses and lease liabilities.

Earnings per share

Basic earnings per share was 2.93 pence (2019: loss of 21.29 pence), based on profit after tax of £1.4 million (2019: loss of £8.6 million). The weighted average number of shares in issue was adjusted for the fundraise in November 2019 (see below).

Adjusted earnings per share, excluding non-underlying items, was 7.10 pence (2019: 6.38 pence), an increase of 11.3%.

There was no earnings per share dilution (2019: none) as the outstanding share options granted are priced above the share price at 31 March 2020. There was no dilution in the prior year as the Group was loss making.

Cash flow performance

In 2019, the Group was impacted by significant losses and impairments relating to its subsidiary P&R and incurred exceptional costs of £9.0 million. Cash payments in the year ended 31 March 2020 relating to the 2019 exceptional costs amounted to £1.9 million (2019: £581,000).

Adjusted cash generated from operating activities was £5.0 million (2019: cash absorbed of £1.4 million) resulting in an adjusted operating cash conversion of 107% (2019: N/A).

Adjusted operating cash conversion is calculated as cash generated from operations of £3.0 million (2019: cash absorbed of £2.0 million), after adding back the cash payments made in the year ended 31 March 2020, relating to the 2019 exceptional items, of £1.9 million (2019: £581,000) and before the effect of IFRS 16 divided by adjusted EBITDA (pre-IFRS 16).

Cash conversion including the effect of IFRS 16 was 106%.

	Adjusted 2020 (excluding effect of IFRS 16) £'000	2020 (including effect of IFRS 16) £'000	2019 £'000
Cash conversion analysis			
Statutory cash generated/(absorbed) by operations (see note 24)	3,886	3,886	(2,026)
Less operating lease payments eliminated in IFRS 16 Leases	(840)	N/A	N/A
	3,046	3,886	(2,026)
Add back: exceptional payments in the period	1,935	1,935	581
Adjusted cash generated/(absorbed) by operations	4,981	5,821	(1,445)
EBITDA (see above and note 7)	4,668	5,508	2,501
Adjusted cash conversion (adjusted operating cash/EBITDA)	107%	106%	N/A

The result reflects the working capital management improvements undertaken by the management teams in the business, following the issues in 2019, together with Covid-19 related, HMRC approved, deferral of PAYE/Ni in March 2020 amounting to £377,000.

The Group has a centralised treasury function and actively manages cash flows on both a daily and longer-term basis. The Group enjoys long-term client relationships with both its customers, being local government organisations and other housing associations, and its supply chain partners.

Financial review continued

Net debt

Net debt reduced by £3.7 million in the period (2019: increased by £5.6 million). At 31 March 2020, net debt amounted to £7.2 million (2019: £10.9 million) comprising term loans of £3.6 million (2019: £5.3 million), a mortgage loan of £314,000 (2019: £371,000) and an overdraft of £3.4 million (2019: £5.2 million) set off by cash of £19,000 (2019: £21,000). See note 20 for full details of borrowings.

Fundraise

In November 2019, the Group undertook an equity fundraise. The Group issued 18,118,818 ordinary shares of 10 pence each, at a price of 11 pence, including the purchase of 3,318,603 shares by Directors and senior managers of the Group.

The issue of share capital raised net proceeds of £1.8 million which was used to improve the working capital position to mitigate the impact of the exceptional payments in the period and provide headroom on the overdraft facility.

Banking arrangements

By undertaking the equity fundraise, the Group was granted temporary amendments to its financial covenants with its banking partner, HSBC UK Bank plc, until June 2020, which provided additional time and flexibility for the Group to agree new debt facilities with rebased financial covenants.

At 31 March 2020 the Group was in ongoing discussions with the bank.

On 22 May 2020 the Group secured the restructuring of £9.8 million debt facilities. The Group's previous debt facility was in the form of a £3.3 million term loan and a £6.5 million overdraft facility. This debt facility has been restructured and now represents a £7.3 million term loan facility and a £2.5 million overdraft facility.

The Group has prudently fully drawn down on this increased additional term loan facility to increase cash balances by £4.0 million. The term loan expires in September 2022 and there will be £0.5 million quarterly repayments starting in August 2020.

In addition, Bilby has agreed with HSBC UK Bank plc that the first covenant test for the Group will be to achieve a minimum EBITDA of £1.1 million for the year ending 31 March 2021, meeting the mandatory requirement for a covenant to be in place against the facilities.

The covenants for the period beyond 31 March 2021 will be tested quarterly and they are: (i) achievement of minimum levels of EBITDA; (ii) debt service cover; and (iii) interest cover.

The new facility and changes to the covenants provide maximum flexibility for the Group.

As the agreement had not been finalised as at 31 March 2020, HSBC UK Bank plc term loans have been classified as current borrowings at the balance sheet date.

Acquisitions

There were no acquisitions in the year. On 29 November 2018, Bilby acquired R. Dunham and a deferred cash consideration of £476,000 was paid in June 2019 based on the results of the company for the year ended 31 December 2018.

Dividends

The Group continues the recovery from the impact of prior year performance and therefore the Board does not recommend a final dividend. No interim dividend was paid. Whilst it remains the priority to continue to reduce the level of net debt, it is the Board's intention to resume the payment of a dividend as soon as conditions allow.

Going concern

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described above.

In assessing the Group's ability to continue as a going concern, the Board reviews and approves the annual budget and longer-term strategic plan, including forecasts of cash flows.

The Board also reviews the Group's sources of available funds and the level of headroom available against its committed borrowing facilities and associated covenants.

After taking into account the above factors and taking into account possible sensitivities in trading performance, the Board has a reasonable expectation that Bilby Plc and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future.

In reaching these conclusions, the Board has considered the impact of Covid-19 on the trading of the Group. Whilst the impact of Covid-19 has been felt strongly within the building divisions such as DCB, other areas of the Group have been less affected due to the nature of the gas and electrical contracts with customers including local councils. For this reason, the Board continues to adopt the going concern basis in preparing the consolidated financial statements.

Clive Lovett
Group Finance Director
24 July 2020

Risk management and principal risks

Assessing our risk

The principal risks to our business are outlined here, together with their potential impact and the mitigation measures in place.

The Board, through the Audit and Risk Management Committee, assesses the Group's risks on an ongoing basis and maintains a risk register which is updated quarterly. Risk governance culture is embedded across the Group.

There are three main types of risks faced by the Group:

- strategic risks;
- financial risks; and
- operational risks.

There are, from time to time, unprecedented risks that the Group faces outside of normal operations that can become material, such as Covid-19, which is discussed in the Chair's Statement.

Risk description

Mitigation

Strategic

Profitable growth

Risk level: High

Change: 

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.

Key risks: mispricing bids, not understanding or meeting customers' needs and failing to deliver expected levels of service.

KPIs associated with risk: cash generation, PBT, forward order book, customer compliance and customer satisfaction.

In the last year, the senior management has introduced new bid, mobilisation and contract management processes, as well as new systems of governance, financial systems and reporting, and operational oversight has been introduced to reduce this risk.

Changes:

- Centralised and standardised bid and mobilisation functions to give the executive team greater oversight of new business processes and contracts.
- Greater selectivity towards bids submitted and ensuring they are priced appropriately.
- Introduced a Group-wide IT system, to support contract mobilisation and delivery, and provide real-time KPI data; any potential problems are identified early and accurately.
- Proactive measurement and management of productivity and efficiency through engineers' trackers and PDAs.
- Recognition of customer-facing staff for outstanding service through "Engineer of the Month" and "Call Administrator of the Month" awards.

Planned changes:

- Introduce interdependent operational and finance systems to achieve operational efficiencies and transparent reporting.

Reputational management

Risk level: High

Change: 

Maintaining our reputation is vital to the success of our business and a loss in 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.

Key risks: failing to deliver expected levels of service or meet customer needs, inadequate financial control processes, failure to comply with regulatory requirements, an incident involving major harm to one of our people or clients/partners and corrupt practices involving fraud or bribery. In severe cases it could result in financial penalties, losses of key contracts, an inability to win new business and challenges in retaining key staff and recruiting new staff.

KPIs associated with risk: EBITDA, PBT, client losses, service compliance, customer complaints upheld and accident rates.

The Board has been strongly focused on rebuilding the Group's reputation as a result of failings in 2018/19. The immediate issues have been resolved and new corporate governance systems and controls have been put in place to make the changes needed to prevent a similar situation from arising.

Changes:

- Strengthened Board: appointed new Chief Executive Officer in April 2019 and a Non-Executive Director in November 2019.
- Appointed an independent Company Secretary, ONE Advisory.
- Closed P&R gas division, which was the focus of failings in 2018/19, with remaining business restructured and service contracts novated under Purdy; resolved claim proceedings with East Kent Housing and Carillion Amey.
- Reviewed, standardised and introduced Group policies that all subsidiaries must adhere to, including incident management, crisis management, gifts and hospitality, anti-bribery and corruption and whistleblowing.
- Commenced staff engagement programme to communicate the Group's values and purpose.

Planned changes:

- Review and update the Group's strategy, purpose, mission and values.
- Communicate this new identity to all stakeholders and complete a staff engagement programme.
- Review customer and stakeholder relationship management programmes.
- Continue to increase communication between subsidiaries, and subsidiaries and Group level.
- Introduce a Group-wide intranet to introduce process uniformity and increase Group-wide dialogue.

Risk management and principal risks continued

Risk description	Mitigation
Financial	
Financial controls Risk level: Medium Change:  <p>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.</p> <p>Key risks: cash flow issues, increased cost of borrowing, failure to meet financial obligations and deliver our services, inability to pay our staff and suppliers, and inaccurate financial forecasts leading to poor business decisions.</p> <p>KPIs associated with risk: revenue, EBITDA and net debt.</p>	<p>We have financial control procedures to oversee and monitor financial performance and cash conversion including daily monitoring of bank balances, weekly cash flow reporting and regular financial performance and balance sheet reviews, which include detailed working capital reviews and forecasts.</p> <p>We have good banking, debt finance and equity relationships and improving levels of gearing for our business.</p> <p>Changes:</p> <ul style="list-style-type: none"> • New financing arrangements with HSBC UK Bank plc put in place to rebalance the short and medium-term debt obligations including revised covenants reflecting the improved position and prospects of the business. • Reduction of debt levels and use of existing cash flows to fund operating activities. • Ongoing improvement of financial reporting and financial systems between subsidiaries and the Group. Centralising of all finance functions initiated and ongoing. • Improved the governance surrounding the reporting of commercial elements of new bids leading to better financial forecasting and planning. <p>Planned changes:</p> <ul style="list-style-type: none"> • Continue to target reduced debt levels. • Complete upgrade of financial systems. • Complete centralisation of finance functions.
Compliance and regulation Risk level: Medium Change:  <p>Delivering on our contractual obligations and meeting and reporting against agreed service levels directly affects our ability to retain and win new business. In order to conduct our business, we need to work to regulatory frameworks and comply with legal requirements.</p> <p>Key risks: financial penalties, legal notices, contractual penalties, early contract termination, inability to bid for certain contracts and damage to our reputation.</p> <p>KPIs associated with risk: Revenue, cash conversion, net debt and customer compliance.</p>	<p>Overall responsibility for HSE, service delivery and ensuring staff have the right qualifications and understand their legal obligations lies with the centralised executive management and the COO and CEO specifically.</p> <p>Changes:</p> <ul style="list-style-type: none"> • Introduced a Group-wide Compliance Committee. • Centralised HR and appointed a Group HR Director to oversee training and skills needs. • Introduced standard operating procedures to ensure consistent service delivery for employees. • Monthly educational toolbox talks for staff. <p>Planned changes:</p> <ul style="list-style-type: none"> • Appoint an internal Director-level HSE “champion” to work alongside independent consultants. • Introduce standard operating procedures to ensure consistent service delivery for contractors.
Operational	
Significant health, safety or environmental incident Risk level: Medium Change:  <p>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.</p> <p>Key risks: injury or loss of life for both employees and customers, damage to reputation, and loss of confidence from our customers and residents.</p> <p>KPIs associated with risk: accident rates, customer complaints upheld, customer satisfaction and customer compliance.</p>	<p>Bilby is committed to the highest standards of safety, health, environment and quality (“SHEQ”) performance. Performance is monitored through our certified ISO Health & Safety, Quality and Environmental Management Systems. In addition to annual audits by the governing body, weekly inspections are conducted and external advisers carry out audits each month or more if required.</p> <p>Each subsidiary has an appointed SHEQ director, who meet quarterly, and any findings from these meetings are reported to the Board. Staff are encouraged to report incidents immediately and these are discussed at each Board meeting to identify any failings that led to the incident, and how any improvements can be made.</p> <p>Changes:</p> <ul style="list-style-type: none"> • Introduced Compliance Committee to monitor and oversee health and safety strategy and performance, regulatory compliance and risk management. • Centralised HR department to provide greater oversight of training requirements. • Monthly educational toolbox talks for staff. <p>Planned changes:</p> <ul style="list-style-type: none"> • Centralise SHEQ function to maintain consistency and quality across the Group. • Make policies available and accessible via the Group intranet system.

Risk description

Mitigation

Operational continued**IT****Risk level:** Low**Change:** 

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.

Key risks: inability to deliver services on time and efficiently, inaccurate financial and operating reporting, inability to raise invoices on work completed and reputation damage.

KPIs associated with risk: first-time fix, customer complaints upheld, customer satisfaction, revenue and PBT.

The Group continues to work towards standardising IT infrastructure across subsidiaries and Group head office to improve service delivery and reporting in order to improve financial reporting and service delivery, reduce cyber risk and introduce greater operational efficiencies.

Changes:

- Introduced a Group-wide IT strategy to include operations, finance, procurement, HR, communications (e.g. email/social media) and IT security.
- Rolled out a Group-wide IT system across subsidiaries to support contract mobilisation and delivery. Service delivery data can now be accessed and reported in real time.
- Utilised IT intelligence to improve transparency of performance measurement and management.
- New IT security systems and policies introduced to improve security against systems failure and potential cyber-attacks.

Planned changes:

- Continue to implement changes to standardise IT infrastructure to all subsidiaries to improve service delivery and reporting.
- Complete integration of financial IT reporting systems with operational IT systems.
- Introduce a Group-wide intranet system to improve communication.

Attracting and retaining skilled people**Risk level:** Medium**Change:** 

Attracting and retaining the best skilled people at all levels of the business is critical to the sustainability of the business. 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, and invest in their training and the development of their careers.

Key risks: inability to motivate and retain talent, poor service levels, unable to fulfil contractual obligations, the need to rely on contract staff impacting service quality and financial performance.

KPIs associated with risk: customer satisfaction, customer complaints and PBT.

As a group we can offer our staff at every level opportunities to develop their careers and gain wider experience. We continue to focus on training and competency at all levels of the business from apprentices to senior management, and ensure that we can successfully manage the changing profile of the Group. A succession plan exists for key management and incentive programmes are in place at subsidiary level.

Changes:

- Appointed new Non-Executive Director, David Guest, strengthening the Board.
- Appointed new Group HR Director.
- Centralised HR function to oversee all skills and people requirements across the Group and inform standard and individual training plans.
- Group-wide induction training introduced to all new starters.
- CEO engagement programme with employees of each subsidiary.
- Undertook employee stakeholder survey to help inform Board and Group-level decisions with regard to pay, benefits and incentives.

Planned changes:

- Launch a Group-wide intranet to increase dialogue between subsidiaries, and between subsidiaries and the Group, and advertise work opportunities internally before going to the wider market.
- Adopt standardised performance development reviews to ensure consistent measurements are used to benchmark performance, identify talent and manage succession.
- Introduce a talent programme to provide the experience, skills and training needed to take on management positions.
- Introduce a Group-wide benefits scheme and reward incentives linked to performance.
- Introduce succession planning at Group level.
- Engagement programme to explain the purpose and vision of the Bilby Group and ensure all staff adopt the Group values and behaviours.

Directors’ section 172(1) statement

Engaging with our stakeholders

The Board of Bilby is proud of the high standard of corporate governance it has established and is keen to maintain this momentum. The Board makes a conscious effort to understand the interests and expectations of the Group’s stakeholders, and to reflect these in the choices it makes in its effort to create long-term sustainable success for our business.

Engagement with our shareholders and wider stakeholder groups, including employees, investors, suppliers, contractors and Government agencies, plays a central role throughout Bilby’s business. The Board is aware that each stakeholder group requires a specific and unique engagement approach in order to create and maintain effective, sustainable and mutually beneficial relationships.

The Board’s understanding of various stakeholder interests is factored into boardroom discussions, strategy and budgets to assess potential long-term impacts of our business on each group,

and how we might best address stakeholder expectations from our business. Stakeholder expectations are brought into the boardroom throughout the annual cycle through information provided by management and by direct engagement with stakeholders themselves. The priority of each stakeholder group may increase or decrease, depending on the degree of impact any decision may have on any particular stakeholder group.

This section serves as our Section 172 Statement and should be read in conjunction with the Strategic Report and the Company’s Corporate Governance

Statement. Section 172 of the Companies Act 2006 requires the Directors to act in a way that they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, taking into account the factors listed in Section 172.

The table below sets out the key stakeholder groups, their interests and how Bilby has engaged with them over the reporting period. However, given the importance of stakeholder focus, long-term strategy and reputation, these themes are also discussed throughout this Annual Report.

Stakeholder	Their interests	How we engage
Our employees	<ul style="list-style-type: none">• Training, development and career prospects• Health and safety• Working conditions• Diversity and inclusion• Human rights and modern slavery• Fair pay and employee benefits	<ul style="list-style-type: none">• Workforce posters and communications• Formulation of career development opportunities• Ongoing training and development• Established whistleblowing procedures• Publication of Modern Slavery Statement• Anti-Corruption and Bribery Statement• Employee benefits packages• Staff engagement questionnaires with follow-up executive site sessions• Staff personal development reviews• Equality and diversity policy

Stakeholder	Their interests	How we engage
Our contractors	<ul style="list-style-type: none"> • Terms and conditions of contract • Health and safety on site • Human rights and modern slavery • Working conditions • Diversity and inclusion 	<ul style="list-style-type: none"> • All contractors are sourced locally where possible • On-the-job training is provided • Prompt payment • Communication with contractors is frequent through management team • Sub contractor assessment approval chain
Our investors	<ul style="list-style-type: none"> • Comprehensive review of financial performance of the business • Business sustainability • High standard of governance • Success of the business • Ethical behaviour • Director experience • Awareness of long-term strategy and direction • Improving market perception of the business 	<ul style="list-style-type: none"> • Annual Report • Company website • Shareholder circulars • Corporate information including Company announcements and presentations • AGM results • Stock exchange announcements • Frequent communication through briefings with management
Our clients and partners	<ul style="list-style-type: none"> • Timely and informative end-to-end service • Ease of access to information regarding job timelines • Health and safety on site 	<ul style="list-style-type: none"> • Company reports • Client meetings with management • Marketing and communications • Annual Report • AGM • Company website
Regulatory bodies	<ul style="list-style-type: none"> • Compliance with regulations • Worker pay and conditions • Health and safety • Brand reputation • Waste and environment • Insurance • Gender pay 	<ul style="list-style-type: none"> • Company website • Stock exchange announcements • Annual Report • Compliance updates at Board meetings • Direct contact with regulators • Consistent risk, health and safety review
Community and environment	<ul style="list-style-type: none"> • Sustainability • Human rights • Energy usage • Recycling • Waste management • Community outreach and CSR 	<ul style="list-style-type: none"> • Philanthropy • Volunteering • Corporate social responsibility planning policy • Workplace recycling policies and processes • Environment policy • Curated travel plans for each job • Low emission vehicles used in Company fleet • Introduction of CSR initiatives with clients

Board of Directors

Strengthening the independence of the Board

The Board is responsible for the Group’s systems of financial controls and maintaining robust operational controls. As part of its ongoing efforts to meet the highest corporate governance standards, the Group appointed David Guest as an independent Non-Executive Director to the Board.



About the Board

Gender



Composition



Key to committees

- A Member of Audit Committee
- R Member of Remuneration Committee
- Chair of Committee

1. Sangita Shah

Non-Executive Chair

Date of appointment

19 December 2014

Experience

Sangita has extensive experience in corporate finance, journalism and consultancy. She has held a number of senior roles within blue chip organisations, including Unilever, Mars, Ernst & Young and KPMG and is a past President of the Chartered Institute of Journalists. Sangita has consulted to a myriad of organisations including the HM Cabinet Office. By training she is a qualified accountant and a frequent key note speaker in forums for the European Parliament and Windsor Leadership Trust.

External appointments

Chair of RA International Group plc, Board Director of NASDAQ listed Forward Industries Inc. and a Director of Global Reach Technology EMEA Limited and Odyssean Enterprises Ltd

2. David Bullen

Chief Executive Officer

Date of appointment

17 April 2019

Experience

David joined Bilby in April 2019 from Boleyn International Ltd, a strategic management consultancy he founded in 2016. A turnaround specialist, David brings an impressive track record of creating substantial shareholder value as CEO at Anpario plc. He joined Anpario in 2007, moving on to become COO in 2009 and CEO from 2011 to 2016, where he oversaw growth in revenue and profits, leading to a four-fold increase in share price. Prior to Anpario, David spent eight years at Novartis, where he held several senior positions both in the UK and abroad.

External appointments

Boleyn International Ltd

3. Lee Venables

Chief Operating Officer

Date of appointment

4 September 2018

Experience

Lee was appointed to the Board as Executive Director in September 2018 having been Managing Director of the Group's largest subsidiary Purdy. He is responsible for the management of the

day-to-day operations of all companies and divisions within the Group.

Lee joined Purdy as an apprentice and enjoyed his whole career with the company before it was acquired by Bilby in 2015. He has detailed sector knowledge, and his on-the-ground experience gives him considerable insight into the issues facing Bilby's customers and the residents it serves. Lee is a strong advocate of Bilby's responsibility to bring wider benefits to local communities and delivering social value as part of doing business.

External appointments

None

4. Clive Lovett

Group Finance Director

Date of appointment

29 November 2018

Experience

Prior to joining Bilby, Clive was Group Finance Director at St. Ives plc from 2010 to 2018, the international digital transformation group now called Kin and Carta plc, where he was Group Finance Director for its St. Ives Marketing Activation ("SIMA") division, comprising print and marketing services businesses. At SIMA, he was part of the leadership team that undertook the successful restructuring of the businesses prior to its sale in early 2018. Clive has held senior finance roles at Informa Ltd., part of Informa plc, and IBC Business Publishing. Clive qualified as a Chartered Accountant in 1989.

External appointments

None

5. Chris Webster

Executive Director

Date of appointment

4 September 2018

Experience

Chris founded the Group's subsidiary DCB (Kent) Limited in 1998, before it was bought by Bilby in March 2016. Chris has a comprehensive knowledge of all areas of the industry and has taken a very active role in the wider Bilby Group. As a Board member, Chris is responsible for all building services work conducted by the Group.

External appointments

None

6. David Johnson

Non-Executive Director

Date of appointment

19 January 2015

Experience

David has enjoyed a long and successful career in the investment sector. He has worked at a number of leading City investment houses, as both an investment analyst and in equity sales and investment management, including at Sun Life Assurance, Henderson Crosthwaite and Investec Securities. He joined Panmure Gordon & Co in 2004, becoming Head of Sales from 2006 and Head of Equities from 2009 until 2013. From 2014 to 2019 he worked with private equity investments at Chelverton Asset Management.

External appointments

CEPS PLC and Diversified Oil & Gas plc

7. David Guest

Non-Executive Director

Date of appointment

10 December 2019

Experience

David was appointed to the Board as Non-Executive Director in December 2019, and brings significant audit and accountancy experience. Having qualified as an accountant over 28 years ago, David is a member of the Institute of Chartered Accountants in England and Wales and is currently the Senior Audit Partner at UHY Hacker Young in Brighton. He has extensive experience advising both UK and international companies.

External appointments

Akayan Town Apartments Limited, Brighton Registrars Limited, BTV1 Limited, Cayuga 005 Limited, Gate Technology Systems Ltd, Malamaf Consultants Ltd, Pebble House Limited, Photobook Shop Ltd, Plano Logic Ltd, River Oaks Holdings Limited, River Oaks Homes Ltd, River Oaks Lewes Limited, River Oaks Limited, River Oaks Southdowns Ltd, River Oaks Sussex Limited, Southdowns Park Limited, T & L Commercial Investments Limited, Talco Mondial Limited, TGL Property Investments Ltd, UHY Cloudbooks Ltd and UHY Hacker Young (S.E.) Limited

Improving governance practices

Dear shareholder,

As Chair of the Board of Directors of Bilby Plc, it is my responsibility to ensure that Bilby has both robust corporate governance and an effective Board. As Chair, my responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, communicating with shareholders, and ensuring effective communication between Executives and Non-Executives in a timely manner.

Bilby adopts the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), in line with the London Stock Exchange's changes to the AIM Rules. This report follows the QCA Code guidelines and explains how we have applied the guidance. We will provide annual updates on our compliance with the QCA Code. The Board considers that the Company complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company, and will disclose any areas of non-compliance in the text below, or on the Company's website.

The Board believes that the adoption of the QCA Code supports the Company's medium to long-term development whilst managing risks and provides an underlying framework of commitment and transparent communications with stakeholders. It also seeks to develop the knowledge shared between the Company and its stakeholders.

Strategy, risk management and responsibility

A description of the Company's business model and strategy can be found on page 8 and 9 and the key challenges in their execution is detailed on page 7.

The Board is responsible for establishing and maintaining the Company's systems of internal financial controls and importance is placed on maintaining robust operational controls. The Audit Committee (see pages 36 and 37) has delegated responsibility for the oversight of the Company's risk management and internal controls and procedures and for determining the adequacy and efficiency of internal control and risk management systems. The Board continuously monitors and upgrades its

internal control procedures and risk management mechanisms and conducts an annual review, where it assesses both for effectiveness. This process enables the Board to determine if the risk exposure has changed during the year and these disclosures are included in the Annual Report.

In setting and implementing the Company's strategies, the Board, having identified the risks, seeks to limit the extent of the Company's exposure to them having regard to both its risk tolerance and risk appetite.

The Board continues to charge the Audit Committee to review the necessity of an internal audit function. Further details on the Company's risk management and internal controls can be found on pages 27 to 29.

The Board

At the date of this report, the Board has seven members, whose biographies and roles are set out on pages 32 and 33.

The Directors believe that the Board, as a whole, has a broad range of commercial and professional skills which enable it to discharge its duties and responsibilities effectively. Moreover, the Directors are assured that the Non-Executive Directors have sufficient experience and skills which enable them to provide the necessary guidance, oversight and advice for the Board to operate effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

The Company acknowledges that the QCA Code guidelines state that a company should have at least two independent non-executive directors. The Directors are satisfied that

the Company's Board composition is appropriate given the Company's size and stage of development. The Board will keep this matter under regular review and to the extent additional independence is felt to be required on the Board, it shall be sought. The Board further believes that the skillsets of the Chair and Non-Executive Directors are appropriate and beneficial for all shareholders and stakeholders, and that they offer key expertise to the Executive Directors that are advantageous for the Company as a whole.

As at 31 March 2020, Sangita Shah had an interest in 508,511 ordinary shares and David Johnson had an interest in 50,000 ordinary shares. Neither Director, nor the other Directors, believe that their shareholdings are significant on assessment of the impact upon the Non-Executive Directors' independence. All Directors are encouraged to challenge and to bring independent judgement regarding all matters, both strategic and operational.

The time commitment formally required by the Company is an overriding principle that each Director will devote as much time as is required to carry out the roles and responsibilities that the Director has agreed to take on.

The Chair and Non-Executive Directors endeavour to ensure that their knowledge of best practices and regulatory developments is continually up to date by attending relevant seminars and conferences.

There were twelve scheduled Board meetings and two additional Board meetings held during the financial year. The table below sets out attendance statistics for each Director at Board and,

Director	Board (14 meetings held)	Audit Committee (4 meetings held)	Remuneration Committee (2 meetings held)
Sangita Shah	14	4	2
David Bullen	14	3	—
Lee Venables	14	—	—
Clive Lovett	14	4	—
Chris Webster	14	—	—
David Johnson	13	4	2
David Guest*	3	1	—

* Appointed on 10 December 2019.

where relevant, Committee meetings held during the financial year.

To enable each Director to keep their skillset up to date, individual training needs are identified as part of the annual Board evaluation process and training is provided as required. All Directors receive regular updates on legal, regulatory and governance issues.

The Board agreed that appointments to the Board are made by the Board as a whole and so has, thus far, not created a Nomination Committee. The Board recognises that it currently has limited diversity and this will form a part of any future recruitment consideration if the Board concludes that replacement or additional Directors are required.

Advisers

At the start of the year, Clive Lovett acted as Company Secretary but the Company appointed ONE Advisory Limited ("ONE Advisory") in Q1 to act as independent Company Secretary. ONE Advisory is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation and works with the Chair to maintain high standards of corporate governance. ONE Advisory Limited also provides Board support through attendance at Board meetings, assistance with shareholder meetings and MAR compliance.

All Directors have access to the advice of the Company's solicitors as well as access to independent professional advice, at the Company's expense, as and when required.

The Board sought legal advice on the outstanding customer settlement claims with respect to Carillion Amey and East Kent Housing.

The Company holds appropriate insurance cover in respect of possible legal action against its Directors. The Company's Nomad supports the Board's development, specifically providing guidance on corporate governance and other regulatory matters, as required.

All Directors may receive independent professional advice at Bilby's expense, if necessary, for the performance of their duties.

Board evaluation

As part of our commitment to conduct at least one Board evaluation on an annual basis, an offsite meeting with the Board was convened. The actions arising from the meeting included the implementation of effective formats of Board meetings, a strategic organisational review and agreed measures to help further facilitate Non-Executive and Executive dialogue.

Culture and social responsibility

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. A large part of the Company's activities is centred upon addressing customer and market needs. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Board assessment of the culture within the Company at the present time is one where there is respect for all individuals, there is open dialogue within the Company and there is a commitment to provide the best service possible to all the Company's customers.

A large part of the Company's activities is centred upon an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

The Company is fully committed to ensuring that we embed the highest quality of standards in all that we do and the communities that we provide. We aim to provide the highest of service standards and to sustain long-term partnerships with our customers. Reflecting this, we take great pride in the fact that year on year we have consistently grown the number of properties we provide services for. Embedding all that we do and cognisant of our impact in the communities we operate, the Company has implemented the following policies: corporate social responsibility policy, environmental policy, equality and diversity policy, Residents and Customers with Special Needs Code of Conduct, and equal opportunities policy. These policies form part of the Company's Employee Handbook. These policies are updated and reviewed – and we are committed to ensuring that we formulate environmental and social indicators to measure our impact in the environments we operate within a sustainable framework.

Shareholder objectives and communication

The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders and that shareholders are able to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

In addition to the publication of half-year and full-year results statements, the Company provides frequent trading updates and makes its senior management team available to meet with shareholders, where there is opportunity for shareholders to voice their concerns, thoughts or needs. The Company's AGM provides an opportunity for shareholders to meet with the Company and there is an opportunity for shareholders to ask questions. The Company seeks to engage with shareholders through updates to the market via Regulatory News Service ("RNS") announcements on matters of a material substance and regulatory nature.

The Company's engagement methods with stakeholders are further detailed in the Company's Section 172 Statement on pages 30 and 31.

Sangita Shah
Non-Executive Chair
24 July 2020

Audit Committee report

Introducing a new Chair of the Audit Committee



David Guest
Chair of the Audit Committee

Dear shareholder,

I present my Audit Committee (the “Committee”) Report for the year ended 31 March 2020, which has been prepared by the Committee and approved by the Board.

The Committee comprises of Sangita Shah, David Johnson and myself and aims to meet at least three times per annum. Meetings are also attended, by invitation, by the Finance Director, Clive Lovett, and other members of the executive team as and when the Committee sees fit. I was appointed as Chair of the Committee upon my appointment as a Director of the Company in December 2019. The Committee believes that I have sufficient relevant financial experience to fulfil my duties as Committee Chair because I am a qualified accountant with over 30 years’ experience and I am a partner at UHY Hacker Young.

Responsibilities

The Audit Committee has the following responsibilities:

Financial reporting

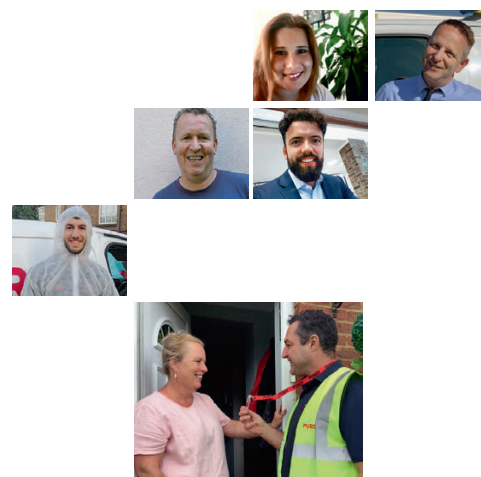
As stated in the Company’s terms of reference, the Committee shall monitor the integrity of the financial statements of the Company, including its annual, half-yearly and interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature. The Committee will compile a report to shareholders on its activities to be included in the Company Annual Report, in addition to reporting formally to the Board on the Committee’s proceedings after each meeting on all matters.

External audit

The Committee shall agree the scope of the annual audit in advance, focusing on areas of audit risk and the appropriate level of audit materiality. The Committee will engage in discussions with the auditor regarding fees, internal controls, accounting policies and areas of critical accounting estimates and judgements.

The auditor will report to the Committee on the results of the audit work and highlight any issue which the audit work has discovered, or the Committee had previously identified as significant or material in the context of the Company’s financial statements. The Committee will meet with the auditor at least once per year without management being present to discuss its remit and any issues arising from the audit.

“During the year, the Committee’s primary activity involved periodic meetings to consider material issues within the Group.”



Risk management and internal controls

The Committee shall keep under review the adequacy and effectiveness of the Company's internal financial controls and risk management systems, monitoring the proper implementation of such controls, and will review and approve the statements to be included in the Annual Report concerning internal controls and risk management. The Committee will use a risk matrix to provide an accurate picture of the prominent risks faced by the Company and the ways in which they might be mitigated.

The Committee also has a responsibility to review the adequacy of the Company's arrangements for its employees and contractors to confidentially raise any concerns about possible wrongdoings regarding financial reporting. In addition, the Committee is charged with reviewing Company procedures for detecting fraud and the systems and controls put in place to prevent bribery and market abuse.

Significant issues considered by the Audit Committee during the year

During the year, the Committee concluded that the Annual Report and financial statements, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's and the Group's financial position, performance, business model and strategy.

During the year, the Committee's primary activity involved periodic meetings to consider material issues within the Group

(particularly in the second half), liaising with the external auditor, considering material issues and areas of judgement, and reviewing and approving the interim and year end results and accounts.

The principal areas of concern in the year were:

- the evaluation of current systems across the Group especially with respect to P&R and R. Dunham in view of the previous year's issues;
- the determination of risk factors relating to the transition of P&R and R. Dunham and the outstanding settlements and disputes with respect to contracts;
- the determination and hiring of finance personnel to ensure adequate reporting, controls and processes within the Group;
- the implementation of systems within R. Dunham and any legacy controls with respect to P&R;
- the transition of the legacy P&R business into Purdy and DCB Kent; and
- ensuring there was no diminished reporting and control environment as a result of the impact of lockdown under Covid-19.

The Committee reviewed the full-year and half-year results announcements and considered matters raised by the external auditor identifying certain issues requiring its attention. The Committee also reviewed the Strategic Report and concluded that it presented a useful, fair, balanced and understandable review of the business.

In the coming year, in addition to the Committee's ongoing duties, the Committee will:

- review relationships and agree terms with all external professionals;
- fully review internal systems and the finance function with a view to implementing further improvements and enabling the production of monthly reporting without the need for external help; and
- keep the need for an internal audit function under review, having regard to the Company's strategy and resources.

Auditor's independence

The Committee approves the external auditor's terms of engagement, scope of work and process for the interim review and the annual audit. It also meets with the auditor to review the written reports submitted and the findings of its work. It has primary responsibility for making recommendations to the Board on the appointment, reappointment and removal of the external auditor. The Committee, at least annually, assesses the independence, tenure and quality of the external auditor.

David Guest
Chair of the Audit Committee
24 July 2020

Remuneration Committee report

Adjusting performance related pay in light of the current trading environment



David Johnson
Chair of the Remuneration Committee

Dear Shareholder,

I present my Remuneration Committee ("Committee") Report for the year ended 31 March 2020, which has been prepared by the Committee and approved by the Board.

The Committee, which comprises Sangita Shah, David Guest and myself, meets at least twice annually and invites recommendations as to remuneration levels, incentive arrangements for senior executives and proposals regarding share option awards. David Guest was appointed as Non-Executive Director of the Company in December 2019 and has joined the Committee since his appointment.

Responsibilities

The Committee's principal responsibilities include:

- reviewing, within agreed terms of reference, the Group's policy on the remuneration of Executive Directors and senior executives and monitoring the policy for the remuneration of staff generally;
- reviewing the performance of the Executive Directors and making recommendations to the Board on matters relating to their remuneration and terms of services;
- the setting of remuneration structure and level for the Executive Directors; and
- overseeing the design and application of share options and any other such reward plan in conjunction with the Board.

The Non-Executive Directors, whose remuneration is determined by the Board as a whole, receive fees in connection with their services provided to the Group, to the Board and to Board Committees.

Certain senior staff and Executive Directors receive basic salaries, annual bonuses according to performance against defined targets, and certain benefits in kind.

Reviews of salaries and benefits are held in March each year for implementation from 1 April to enable the Group's performance over the preceding year and strategy for the forthcoming year to be considered.

Significant issues considered by the Committee during the year

Bonuses are considered by the Committee at year end in relation to the achievement of key performance metrics agreed between the Committee and the Executive team.

In the year to March 2020, Executive bonus payments were dependent on the Group achieving an EBITDA of at least £4.5 million and a fundraising to help facilitate new banking arrangements.

Consideration was also taken of the restructuring of the P&R division and the settlement of outstanding claims.

All key targets were achieved by the new Executive team and in normal conditions the Committee would have recommended a bonus to the team of 50% of salary.

In light of the current trading environment and the numerous measures taken to mitigate the impact of Covid-19, the Executive team has also agreed to accept reduced bonus payments.

David Bullen, Clive Lovett and Lee Venables will receive bonus payments reduced by half and equivalent to 25% salary. Chris Webster has agreed to a further reduction in light of the underperformance at DCB and will receive the equivalent of 5% salary.

Furthermore, payment of these cash amounts will be deferred until later in the financial year, at a time the Remuneration Committee decides appropriate taking into account the Company's overall financial position.

Directors' remuneration

The Directors' remuneration during the year is set out below:

a) Directors' salaries:

	2020 £	2019 £
Executive Directors		
David Bullen (appointed 17 April 2019)	258,728	—
Lee Venables	208,657	102,890
Clive Lovett	188,816	58,950
Chris Webster	127,066	69,556
David Ellingham (resigned 4 April 2019)*	—	296,000
Phil Copolo (resigned 4 September 2018)	—	85,556
Leigh Copolo (resigned 4 September 2018)	—	55,686
Share based payments	2,719	17,373
Non-Executive Directors		
Sangita Shah	61,316	75,728
David Johnson	50,000	41,500
David Guest (appointed 10 December 2019)	10,732	—
	908,034	803,239

* Includes £160,500 related to compensation for the loss of office payable after the end of the period.

b) Directors' share options:

Name	Number of options	Date of grant	Exercisable	Exercise price p
Lee Venables	250,000	16/07/15	16/07/18	95.0
Lee Venables	50,000	13/07/17	13/07/20	72.5

Directors' interests

The interests and beneficial interests of the Directors in the shares of the Company at 31 March 2020 are set out below:

	Number of shares
Executive Directors	
David Bullen (appointed 17 April 2019)	1,136,785
Lee Venables (appointed 4 September 2018)	454,545
Clive Lovett (appointed 29 November 2018)	454,545
Chris Webster (appointed 4 September 2018)	1,069,118
Non-Executive Directors	
Sangita Shah	508,511
David Johnson	50,000
David Guest	—

Consideration of employment conditions elsewhere in the Group

The Committee considers any general basic salary increase for the broader employee population when determining the annual salary increases for the Executive Directors.

Remuneration policy for 2020 and future years

Future salary awards and increases will be set in line with relevant market levels and economic changes, and to retain and attract high quality executives. Performance elements of remuneration will have clearly defined and challenging targets that link rewards to business performance in the short and medium term. All variable elements of remuneration are subject to clawback or repayment in the event of serious financial misstatement or misconduct.

In the current year, the Company is looking to introduce further share incentive measures in order to align Executive Directors and management more closely with shareholders. Full details will be shared with shareholders when finalised.

David Johnson

Chairman of the Remuneration Committee

24 July 2020

Directors' report

The Directors present their report and the Group financial statements for the year ended 31 March 2020. The following matters are reported by the Directors in accordance with the Companies Act 2006 requirements in force at the date of the Annual Report.

Principal activities

The Group's principal activities are providing outsourced gas heating services, electrical services, and building maintenance and construction services primarily to local authority housing and registered providers of social housing. The service offering includes the deployment of qualified engineers for planned, non-planned and emergency call-out services as well as small-scale construction projects focused on the affordable housing sector. The principal activity of the Company is to act as a holding company.

More information can be found on page 2.

Business model

Our business model is to provide regulatory and compliance-led services more competitively, at a higher standard and more efficiently than our customers can themselves. We compete in the market as an outsourced service provider, by striving to offer a better, more reliable and more efficient service that meets our customers' own service KPI requirements.

The Company's growth is driven in two ways:

- organic growth through the winning of new customers and increasing services to existing customers; and
- acquiring established businesses operating in the same or related markets.

Additional detail on the business model can be found on pages 8 and 9.

The Company benefits from operating in a market with long-term growth prospects. More information on our markets can be found on page 10.

Strategic priorities

Our aim is to become market leaders by growing our business organically and through acquisition. We aim to be the go-to provider for reliable and efficient outsourced services to the social housing sector within a tightly defined geographical and service scope.

Our guiding principle is to provide an exceptional service to residents and customers and continually improve our offering. We do this by working closely with our employees, customers, suppliers and wider stakeholders to monitor our performance and to identify areas where we can make improvements.

Each year the Board and management set strategic priorities and monitor performance against them throughout the year. The strategic priorities together

with the progress made in the year ended 31 March 2020, as well as the strategic priorities for the year ended 31 March 2021, can be found on page 7.

Business review

The Company is required to set out a fair review of the business of the Group during the reporting period. The information that fulfils this requirement can be found in the Strategic Report. The results of the Group can be found within the Consolidated Statement of Comprehensive Income set out on page 46. Information required to be disclosed in respect of future developments can be found on page 7 and principal risks and uncertainties are included on pages 27 to 29.

The Chair's Statement, the Corporate Governance Report and the Remuneration Committee Report are incorporated into this report by reference and should be read as part of this report.

Dividends

The Group continues the recovery from the impact of prior year performance and therefore the Board does not recommend a final dividend. No interim dividend was paid.

Directors

The present membership of the Board is set out below with further biographical detail on pages 32 and 33.

The Directors who served throughout the year were as follows:

Name of Director	Board title	Date of appointment
David Bullen	Chief Executive Officer	17 April 2019
David Guest	Non-Executive Director	10 December 2019
David Johnson	Non-Executive Director	19 January 2015
Clive Lovett	Group Finance Director	29 November 2018
Sangita Shah	Non-Executive Chair	19 December 2014
Lee Venables	Chief Operating Officer	4 September 2018
Chris Webster	Executive Director	4 September 2018

Capital structure

The Company is financed through both equity share capital and debt. Details of changes to the Company's share capital are given in note 23 to the consolidated financial statements. The Company has a single class of ordinary shares of 10 pence each, with no right to any fixed income and with each share carrying the right to one vote at the general meetings of the Company.

Under the Company's Articles of Association, holders of ordinary shares are entitled to participate in any dividends pro rata to their holding.

The Board may propose and pay interim dividends and recommend a final dividend for approval by the shareholders at the Annual General Meeting ("AGM"). A final dividend may be approved by the shareholders in a general meeting by ordinary resolution but such dividend cannot exceed the amount recommended by the Board.

Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice FRS 101 (United Kingdom Accounting Standards and applicable law).

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and Company and the financial performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS adopted by the EU, and for the Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the

Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bilby Plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to the auditor

The Directors who were in office at the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and establish that it has been communicated to the auditor.

Auditor

Moore Kingston Smith LLP has indicated its willingness to continue in office and a resolution that it be reappointed will be proposed at the AGM.

By order of the Board

Clive Lovett
Group Finance Director
24 July 2020

Substantial shareholdings

As at 31 March 2020, the Company has been notified of, or is aware of, the shareholders holding 3% or more of the issued share capital of the Company, as detailed below:

Name of holder	Number of shares	Percentage
Premier Miton Investors	10,897,032	18.56
Thornbridge Investment Management	8,777,235	14.95
Western Selection plc	6,336,363	10.79
Ruffer LLP	5,323,181	9.07
Janet Copolo	2,886,396	4.92
Amati Global Investors	2,155,010	3.67

Independent auditor's report to the members of Bilby Plc

for the financial year ended 31 March 2020

Opinion

We have audited the financial statements of Bilby Plc for the year ended 31 March 2020 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Cash Flows, the Group Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

The key audit matters were:

- Valuation of accrued income;
- Cut-off of cost accruals; and
- Carrying value of intangible fixed assets.

A description of each matter together with our audit approach is set out below.

Contract terminations and non-underlying items were included as key audit matters in last year's audit report; however, they have not been included this year. The issues surrounding two contract terminations in P&R were resolved this year as part of a formal legal process in line with last year's expectations and non-underlying items have significantly reduced this year as expected, following the resolution of the issues last year in P&R.

Key audit matters continued

Audit area and description	Audit approach
Valuation of accrued income and work in progress The Group had carried out work for customers during the year that had not been invoiced at the reporting date. Income has been recognised in respect of work carried out prior to the reporting date in accordance with the Group's income recognition policy.	We selected a sample of contracts where income had been recognised but not invoiced at the year end and: <ul style="list-style-type: none"> • confirmed that the calculations were arithmetically correct; • agreed the calculations to invoices raised after the year end; and • agreed that the work was performed prior to the year end based on confirmations from customers and third parties. In addition, we reviewed the adequacy of the disclosures under IFRS 15.
Cut-off of cost accruals Given that a material adjustment has been required in this area in previous periods we considered this to be a key audit area.	We performed cut-off testing to confirm that direct costs were recorded in the correct accounting period. A sample of post year end payments and invoices were reviewed to confirm that costs had not been understated and adjustments were made by the Board as necessary. Reconciliations to supplier statements were performed.
Carrying value of intangible fixed assets As a result of the acquisitions made during prior periods, intangible assets represent a significant part of the total assets of the Group. The intangible assets arising on acquisition largely comprise customer relationships and goodwill.	We critically assessed the assumptions underpinning the valuation of customer relationships and goodwill arising on acquisition. We critically assessed the Directors' assertion that no impairment was required by reference to trading performance and forecasts. We considered the appropriateness of the amortisation policy for customer relationships.
Going concern Given the trading issues reported in the previous year and impact on the cash flows of the Group, going concern and how the Group have managed to address the previous issues was considered to be a key audit area.	We reviewed the financial forecasts of the Group and critically assessed the assumptions, particularly in light of the impact of Covid-19. We obtained evidence of the refinancing carried out with the Group's bankers including the new covenant tests. We concluded that there was no material uncertainty in relation to going concern and that the disclosures made in the financial statements provide sufficient information in this area.

Our application of materiality

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

Due to the nature of the Group we considered income to be the main focus for the readers of the financial statements; accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the Group to be £377,000, based on a percentage of revenue.

On the basis of our risk assessment, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group was 50% of materiality, namely £188,500.

We agreed to report to the Audit Committee all audit differences in excess of £18,850, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

The audit is performed centrally and comprises all of the companies within the Group. Due to the restrictions placed during lockdown stocktakes were performed using video conferencing technology.

Independent auditor's report to the members of Bilby Plc continued

for the financial year ended 31 March 2020

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 41, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's responsibilities for the audit of the financial statements continued

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

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

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

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

Other matters

We have reported separately on the parent Company financial statements of Bilby Plc for the year ended 31 March 2020. That report includes details of the parent company key audit matters; how we applied the concept of materiality in planning and performing our audit and an overview of the scope of our audit.

Use of our report

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

MATTHEW MEADOWS (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP, Statutory Auditor
Devonshire House
60 Goswell Road
London EC1M 7AD
 24 July 2020

Consolidated statement of comprehensive income

for the financial year ended 31 March 2020

	Notes	12 months to 31 March 2020			12 months to 31 March 2019		
		Underlying items £'000	Non-underlying items (note 8) £'000	Total £'000	Underlying items £'000	Non-underlying items (note 8) £'000	Total £'000
Revenue	5	65,392	—	65,392	69,588	(3,060)	66,528
Cost of sales		(48,795)	—	(48,795)	(54,457)	(2,618)	(57,075)
Gross profit		16,597	—	16,597	15,131	(5,678)	9,453
Administrative expenses		(12,341)	(1,964)	(14,305)	(12,342)	(7,211)	(19,553)
Operating profit/(loss)	6	4,256	(1,964)	(2,292)	2,789	(12,889)	(10,100)
Finance cost	10	(565)	—	(565)	(288)	—	(288)
Profit/(loss) before tax		3,691	(1,964)	1,727	2,501	(12,889)	(10,388)
Income tax (expense)/credit	12			(348)			1,792
Profit/(loss) for the year attributable to the equity holders of the parent company				1,379			(8,596)
Total comprehensive income/(loss) for the year attributable to the equity holders of the parent company				1,379			(8,596)
Basic earnings/(loss) per share (pence)	13			2.93			(21.29)
Diluted earnings/(loss) per share (pence)	13			2.93			(21.29)

Consolidated statement of financial position

as at 31 March 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Intangible assets	14	9,937	11,750
Property, plant and equipment	15	1,418	1,661
Right-of-use assets	16	2,079	—
Total non-current assets		13,434	13,411
Current assets			
Inventories	17	3,781	3,134
Trade and other receivables	18	19,451	18,548
Cash and cash equivalents	19	19	21
Total current assets		23,251	21,703
Total assets		36,685	35,114
Equity and liabilities attributable to equity holders of the parent company			
Issued capital and reserves			
Share capital	23.1	5,872	4,054
Share premium	23.2	8,609	8,609
Share based payment reserve	27	612	827
Merger reserve	23.3	(248)	(248)
Retained earnings		(4,221)	(5,854)
Total equity		10,624	7,388
Non-current liabilities			
Borrowings	20	176	236
Lease liabilities	21	1,486	—
Deferred tax liabilities	28	779	431
Total non-current liabilities		2,441	667
Current liabilities			
Borrowings	20	7,057	10,643
Obligations under finance leases		—	10
Lease liabilities	21	620	—
Deferred consideration	29.2	—	476
Trade and other payables	22	15,943	15,930
Total current liabilities		23,620	27,059
Total equity and liabilities		36,685	35,114

Approved by the Board on 24 July 2020.

Clive Lovett

Group Finance Director

Company registration number: 09095860

Consolidated statement of changes in equity

for the financial year ended 31 March 2020

	Issued share capital £'000	Share premium £'000	Share based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2018	4,029	8,392	699	(248)	3,751	16,623
Loss and total comprehensive income for the year	—	—	—	—	(8,596)	(8,596)
Issue of share capital	25	217	—	—	—	242
Share based payment charge	—	—	128	—	—	128
Dividends paid	—	—	—	—	(1,009)	(1,009)
Total transactions with owners recognised directly in equity	25	217	128	—	(1,009)	(639)
Balance at 31 March 2019	4,054	8,609	827	(248)	(5,854)	7,388
Profit and total comprehensive income for the year	—	—	—	—	1,379	1,379
Issue of share capital (note 23.1) (net of issue costs)	1,818	—	—	—	—	1,818
Share based payment charge	—	—	39	—	—	39
Transfer to retained earnings for share options cancelled	—	—	(254)	—	254	—
Total transactions with owners recognised directly in equity	1,818	—	(215)	—	254	1,857
Balance at 31 March 2020	5,872	8,609	612	(248)	(4,221)	10,624

Consolidated statement of cash flows

for the financial year ended 31 March 2020

	Notes	12 months ended 31 March 2020 £'000	12 months ended 31 March 2019 £'000
Net cash generated from/(used in) operating activities	24	3,886	(2,026)
Cash flow from investing activities			
Acquisition of subsidiaries (including deferred consideration paid)	29	(476)	(1,750)
Net cash acquired on acquisition	29.1	—	79
Purchase of property, plant and equipment		(282)	(158)
Purchase of intangible assets		(44)	(9)
Proceeds on disposal of property, plant and equipment		99	9
Net cash used in investing activities		(703)	(1,829)
Cash flow from financing activities			
Proceeds from borrowings		—	6,100
Issue of new share capital (net of share issue costs)	23.1	1,818	—
Repayment of borrowing		(1,776)	(5,193)
Interest paid		(565)	(288)
Principal payments of leases		(794)	(71)
Dividends paid		—	(1,009)
Net cash used in financing activities		(1,317)	(461)
Net increase/(decrease) in cash and cash equivalents		1,866	(4,316)
Cash and cash equivalents at beginning of year		(5,198)	(882)
Cash and cash equivalents at end of year		(3,332)	(5,198)

The cash and cash equivalents at the year ended 31 March 2020 represented the net of overdrafts of £3,351,000 (2019: £5,219,000) (see note 20) together with the cash and cash equivalents shown in the Consolidated Statement of Financial Position of £19,000 (2019: £21,000) (see note 19).

Notes to the consolidated financial statements

for the financial year ended 31 March 2020

1. Basis of preparation

Bilby Plc and its subsidiaries (together the "Group") operate in the gas heating, electrical and general building services industries. The Company is a public company operating on The Alternative Investment Market of the London Stock Exchange (AIM) 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. The Company was incorporated on 20 June 2014.

The Group's financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, the International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Boards ("IASB") that are effective or issued and early adopted as at the time of preparing these financial statements and in accordance with the provisions of the Companies Act 2006.

The Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting periods beginning on 1 April 2019.

The preparation of financial statements requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in notes 2 and 4. The functional and presentational currency of the Group is Pounds Sterling (£) rounded to the nearest thousand. The principal accounting policies adopted by the Group are set out in note 2.

2. Summary of significant accounting policies

2.1. Going concern

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis. The Group's business activities together with factors that are likely to affect its future development and position, are set out in the Group Chief Executive Officer's Review on pages 5 and 6. Since the approval of the financial statements for the previous year end which included a material uncertainty in the audit report in relation to going concern, the Board have been successful in significantly improving the Group's financial position. In particular the following notable events have occurred:

- £2 million of equity was raised in November 2019 which enabled working capital to be normalised.
- The Group has achieved strong cash generation from operating activities.
- A close working relationship with the Group's bank has enabled the debt to be restructured and a new suite of covenants issued that are currently being met.
- The contractual issues within P&R have been finalised which has enabled restructuring of the company.
- The Group has returned to profitability both before and after non-underlying items.

After taking into account the above factors and reviewing the Group budget and strategic plans and taking into account possible sensitivities in trading performance, the Board has a reasonable expectation that Bilby Plc and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. In reaching these conclusions, the Board has considered the impact of Covid-19 on the trading of the Group. Whilst the impact of Covid-19 has been felt strongly within the building divisions such as DCB, other areas of the Group have been less affected due to the nature of the gas and electrical contracts with customers including local councils. For this reason, the Board continues to adopt the going concern basis in preparing the consolidated financial statements. Further details of the Group's liquidity position are provided in note 24 to the consolidated financial statements.

2.2. Basis of consolidation

The consolidated financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 March each year. Subsidiaries are entities that are controlled by the Company. The definition of control involves three elements: power over the investee; exposure or rights to variable returns; and the ability to use power over the investee to affect the amount of the investors' returns. The Group generally obtains power through voting rights.

The consolidated financial statements incorporate the financial information of Bilby Plc and its subsidiaries. Subsidiary companies are consolidated from the date that control is gained. The subsidiaries of the Group are detailed in note 6 of the Company financial statements on page 89. All intra-group transactions, balances, income and expense are eliminated on consolidation.

2.3. Business combinations and goodwill

Business combinations are accounted for using the acquisition method, with the exception of the acquisition of P&R Installation Company Limited. The acquisition method involves the recognition at fair value of all identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the Consolidated Statement of Financial Position at their fair values, which are also used as the bases of subsequent measurement in accordance with the Group accounting policies.

2. Summary of significant accounting policies continued

2.3. Business combinations and goodwill continued

The acquisition of P&R installation Company Limited did not meet the definition of a business combination as the Company was not a business and therefore falls outside the scope of IFRS3 (Revised) Business Combinations. As IFRS does not provide specific guidance in relation to group reorganisations it defers to the next appropriate GAAP being UK GAAP. The acquisition of P&R Installation Company Limited by the Company has therefore been accounted for in accordance with the principles of merger accounting as set out in Section 19 of FRS 102. Costs relating to acquisitions in the year are expensed and are included in administrative expenses.

Goodwill arising on acquisitions is recognised for an acquisition as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Where applicable, the consideration for an acquisition includes any assets or liabilities resulting from a contingent consideration arrangement, measured at fair value at the acquisition date. Subsequent changes in such fair values are adjusted against the cost of acquisition where they result in additional information, obtained within one year from the acquisition date, about facts and circumstances that existed at the acquisition date. All other subsequent changes in fair value of contingent consideration classified as an asset or liability are recognised in accordance with IAS 39, either in profit or loss or as a change to other comprehensive income. Changes in fair value of contingent consideration classified as equity are not recognised.

2.4. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the provision of the Group's services. Revenue is recognised by the Group, net of value added tax, based upon the following:

- **Gas maintenance** – Gas services are supplied under a term contract or framework agreement with both local authority and corporate customers that usually span three or more years. These contracts will outline a number of services that the Group is retained to provide to the customer ranging from boiler servicing and meter connections to installing central heating solutions. These services will be provided on request from the customer, and work will be charged based on the customer rate card. Each service is considered to have a single performance obligation, and generally take less than a day to complete. Revenue is only recognised at the point that the service is complete. Invoicing only occurs once the customer has agreed that the relevant service has been received and completed. The invoice is subsequently settled on average within 34 days of issue. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Any work completed but not yet agreed with the customer/invoiced is recognised as accrued income.
- **Building services** – Building Services contracts typically range between one to six years, and can range from ad-hoc maintenance work to long-term construction contracts:
 - **Long-term construction contracts:** During the course of a project an independent surveyor will conduct a monthly valuation of the work done and issue a certification of the stage of completion, which is the trigger for an invoice to be generated and a stage payment to be made as per the terms of the contract. Payment occurs on average within 34 days of the invoice being issued. These monthly valuations are seen to represent the performance obligations that have been satisfied under the terms of the contract, as they reflect the benefit that has been transferred to the customer. The Group thus recognises the revenue in line with the certified stage of completion. If there is a delay in receiving the certification of work, revenue will be recognised based on management's estimate of the value of the performance obligation fulfilled. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Revenue recognisable in relation to work completed is recognised as accrued income until invoiced.

A twelve year warranty is issued on any new build developments completed. Any claims made within the first two years of the warranty are the responsibility of the Group to rectify. The subsequent ten years are then covered by a third-party warranty provider. No warranty claims have previously been made against the Group, and therefore no provision for potential warranty claims are made within these financial statements.

- **Maintenance work:** Maintenance work is supplied under a term contract or framework agreement which sets out the range of services the Group is retained to provide to the customer including refurbishments, replacements of kitchens and bathrooms, window installs and painting and decorating. These services will be provided on request from the customer, and work will be charged based on the customer rate card. Each service is considered to have a single performance obligation, and generally take less than a day to complete. Revenue is only recognised at the point that the service is complete. Invoicing only occurs once the customer has agreed that the relevant service has been received and completed. The invoice is subsequently settled on average within 34 days of issue. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Any work completed but not yet agreed with the customer/invoiced is recognised as accrued income.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2020

2. Summary of significant accounting policies continued

2.4. Revenue recognition continued

- **Electrical services** – Electrical services are supplied under a term contract or framework agreement with both local authority and corporate customers that usually span three or more years. These contracts will outline a number of services that the Group is retained to provide to the customer including servicing, maintenance, emergency call-outs and rewires. These services will be provided on request from the customer, and work will be charged based on the customer rate card. Each service is considered to have a single performance obligation, and generally take less than a day to complete. Revenue is only recognised at the point that the service is complete. Invoicing only occurs once the customer has agreed that the relevant service has been received and completed. The invoice is subsequently settled on average within 34 days of issue. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Any work completed but not yet agreed with the customer/invoiced is recognised as accrued income.

It is considered by management that the above revenue recognition policies are suitable for recognising revenue arising from the Group's key market verticals. All revenue streams are wholly attributable to the principal activity of the Group and arise solely within the United Kingdom. Note 5 gives further detail of any work in progress and accrued income balances recognised in relation to contracts with customers.

2.5. Operating profit/(loss) and non-underlying items

Operating profit/(loss) comprises the Group's revenue for the provision of services, less the costs of providing those services and administrative overheads, including depreciation of the Group's non-current assets.

Underlying operating profit before the deduction of exceptional costs and other adjusting items is one of the key measures used by the Board to monitor the Group's performance. Exceptional costs are disclosed on the face of the Consolidated Statement of Comprehensive Income as "non-underlying items".

These non-underlying items comprise costs that are considered by the Board to not relate to the underlying financial performance of the Group and are separately analysed so that the users of the accounts can compare trading performance on a like-for-like basis. Costs falling within this category will have one or more of the following attributes:

- one-off transactions not relating to current or future trading;
- non-cash items such as amortisation and impairment of financial assets and share based payment charges; and
- exceptional in size such that they distort the understanding of underlying trading activities.

2.6. Dividends

The Group has a policy of paying dividends to shareholders in accordance with the amount recommended by the Directors. If the Directors believe the dividends are justified by the profits of the Group available for distribution, they also pay interim dividends. Dividends are recognised when they become legally payable. In the case of interim dividends, this is when dividends are paid. In the case of final dividends, this is when the dividends are approved by the shareholders at the Annual General Meeting. No interim dividend was paid for the year ended 31 March 2020 and no final dividend is recommended by the Directors.

2.7. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Bilby Plc. The CODM reviews the results of each company in the group which includes a further analysis of the three main revenue streams within each group company: gas maintenance, building services and electrical services by revenue and by gross profit margin in aggregate. The Directors consider that these three revenue streams have similar economic characteristics and would, in any event, be aggregated as one reporting segment. The Board are currently reviewing their internal reporting in light of the future expected growth of the construction services within DCB which may lead to future changes to segmental reporting.

2.8. Intangible assets

In accordance with IFRS 3, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that future economic benefits embodied in the asset will flow to the Group.

Software expenditure is capitalised as an intangible asset if the asset created can be identified, if it is probable that the asset created will generate future economic benefits and if the development cost of the asset can be measured reliably.

Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. Amortisation expense is charged to administrative expenses in the income statement on a straight line basis over its useful life.

The identifiable intangible assets and associated periods of amortisation are as follows:

- Customer relationships over the period expected to benefit, typically seven years
- Software and development costs over four years

2. Summary of significant accounting policies continued

2.9. Impairment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows: cash-generating units ("CGUs"). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill is allocated to CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill or CGUs that include goodwill and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for CGUs to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

2.10. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Depreciation is calculated to write off the cost of the assets, net of anticipated disposal proceeds, over the expected useful lives of the assets concerned as follows:

- Freehold property – 2% on freehold building cost
- Long leasehold improvements – 5% on long leasehold improvements cost
- Office and computer equipment – 25% reducing balance
- Fixtures and fittings – 25% reducing balance
- Motor vehicles – 25% reducing balance

Freehold land is not depreciated.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the Statement of Comprehensive Income.

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

2.11. Impairment of property, plant and equipment

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. For assets other than goodwill, where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the Statement of Comprehensive Income, net of any depreciation or amortisation that would have been charged since the impairment.

2.12. Inventories

Raw materials and consumables are measured at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Work in progress is measured at the lower of cost and net realisable value. Cost comprises direct materials and direct labour costs that have been incurred in advance of the performance obligations on contracts being completed.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2020

2. Summary of significant accounting policies continued

2.13. Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short-term trade and other receivables when the recognition of interest would be immaterial.

The Group incurs costs in advance of new contracts commencing in association with preparatory work to ensure the contract can be delivered from day one. These costs are included within work in progress and released over the life of the contract.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that have maturities of three months or less from inception, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(c) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(d) Trade and other payables

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the "effective interest rate" to the carrying amount of the liability.

(e) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

2.14. Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current tax

Tax payable is based on taxable profit for the year. Taxable profit differs from net profit reported in the Statement of Comprehensive Income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date. As the Group has brought forward tax losses available for utilisation there is no tax payable for the year to 31 March 2020. Details of the tax losses utilised during the year are outlined in note 12.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying value of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is charged or credited to the Statement of Comprehensive Income except when it relates to items credited or charged directly in equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is calculated at the tax rates and laws that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. Summary of significant accounting policies continued

2.15. Leases

The Group leases various premises, vehicles and equipment. Rental contracts are typically made for fixed periods of six months to 20 years, but may have extension options. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate the lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As explained in note 2.18, the Group has changed its accounting policy for leases during the year to meet the requirements of IFRS 16 "Leases", which has been adopted from 1 April 2019.

Until 31 March 2019

Leases were classified as finance leases whenever the terms of the lease transferred substantially all of the risks and rewards of ownership to the lessee. All other leases were classified as operating leases.

Assets held under finance leases were recognised as assets of the Group at their fair value or, if lower, at the present value of minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor was included in the Statement of Financial Position as a finance lease obligation.

Lease payments were apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses were recognised immediately in profit or loss, unless they were directly attributable to qualifying assets, in which case they were capitalised.

Rentals applicable to operating leases were charged to profit or loss on a straight line basis over the lease term. Rent free periods or other incentives received for entering into a lease were accounted for over the lease term.

From 1 April 2019

In applying IFRS 16, the Group has adopted the modified retrospective approach. Under this approach, comparative information has not been restated. Leases are recognised as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price or a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in the financing conditions since the third-party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets useful life.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2020

2. Summary of significant accounting policies continued

2.15. Leases continued

From 1 April 2019 continued

On transition at 1 April 2019 the Group recognised the lease liabilities as the net present value of the future payments outstanding as at that point. The right-of-use asset was recognised at a value equal to the lease liability, which is allowed under the transition provision set out in IFRS 16. Therefore at the point of transition no adjustment was required to be made to retained earnings.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise small items of office equipment and IT.

2.16. Employee benefits

The Group operates defined contribution pension schemes for certain employees of the Group. The assets of the schemes are held separately from those of the Group in an independently administered fund. The pension costs charged to profit or loss are the contributions payable to the scheme in respect of the accounting period.

All Group companies are in compliance with their pension obligations and have auto-enrolled, offering all employees the opportunity to participate.

2.17. Share based payments

The Company issues equity-settled share based payment transactions to certain employees. Equity-settled share based payment transactions are measured at fair value at the date of grant. The calculation of fair value at the date of grant requires the use of management's best estimate of volatility, risk free rate and expected time to exercise the options. Details regarding the determination of the fair value of equity-settled transactions are set out in note 27.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Equity-settled share based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

2.18. New standards and interpretations

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing on 1 April 2019:

- IFRS 16 "Leases";
- Prepayment Features with Negative Compensation – Amendments to IFRS 9;
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28;
- Annual Improvements to IFRS Standards 2015–2017 Cycle;
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19; and
- Interpretation 23 "Uncertainty over Income Tax Treatments".

The Group has also elected to adopt the following amendments early:

- Definition of Material – Amendments to IAS 1 and IAS 8.

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019. This is disclosed in note 30. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.19. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Financial risk management

3.1. Financial risk factors

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

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

3.2. Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange and security prices.

(a) Interest rate risk

The Group has exposure to interest rate risk by virtue of its borrowings with HSBC UK Bank Plc, which attract a variable rate of interest at a mark-up to the base rate. Details of actual interest rates can be found in note 20 to these consolidated financial statements. No hedging arrangements are currently in place but the Board keeps this under constant review.

3.3. Credit risk

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

The Group has a number of policies for managing the credit risk of its new and existing customers, and has dedicated functions focused on cash conversion, collection and management.

The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk and therefore only financial institutions with a minimum rating of B are used. Currently the Group bank accounts are held primarily with HSBC UK Bank Plc which has a Fitch rating of A+.

3.4. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash reserves to meet the Group's working capital requirements. Management monitors rolling forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow.

As at 31 March 2020, the Group had an overdraft of £3,351,000 and cash and cash equivalents of £19,000 (2019: overdraft £5,219,000 and cash and cash equivalents £21,000).

At 31 March 2020 the Group was in ongoing discussions with its bank, HSBC UK Bank Plc, in regard to the restructuring of the debt facility and related covenants. Subsequent to year end, the new facility arrangement has been agreed, as set out in note 32 to these accounts. However, as the agreement was still in negotiation as at the balance sheet date, all term loans have been classified as current borrowings.

The Group has a centralised treasury function and actively manage cash flows on both a daily and longer-term basis.

3.5. Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to shareholders. The Group funds its expenditures on commitments from existing cash and cash equivalent balances.

There are no externally imposed capital requirements.

Financing decisions are made by the Board of Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

The capital structure of the Group consists of cash and cash equivalents and equity, comprising issued share capital and retained profits.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2020

4. Critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during year. The estimates and associated judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has decided the following estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the consolidated financial statements.

4.1. Critical judgements in applying the Group's accounting policies

(a) Valuation of accrued income

Work completed under either a framework agreement or term contract for gas/electrical/building services is recognised as accrued income until it has been billed to the client. A level of judgement is involved in determining whether the Group has met all of the required performance obligations necessary in order to recognise the revenue. Accrued income of £10.0 million was recognised within the Statement of Financial Position at 31 March 2020 (2019: £7.3 million).

(b) Valuation of amounts due from long-term contracts

Work completed under long-term construction contracts is recognised as amounts due from long-term contracts until billed to the client, and similar to accrued income requires judgement on whether the Group has met all its performance obligations to recognise the revenue. Amounts due from long-term contracts of £0.8 million was recognised within the Statement of Financial Position at 31 March 2020 (2019: £2.1 million).

(c) Share based payment charge

The Group issued share options to Directors and employees of the Group in previous years. None were issued in the year ended 31 March 2020. The Black Scholes model is used to calculate the appropriate charge for these options. The use of this model to calculate a charge involves using a number of judgements to establish the appropriate inputs to be entered into the model, covering areas such as exercise restrictions and behavioural considerations of scheme members. Full details of judgements used within the calculation to derive the charge are given within note 27. Underlying estimates and a full sensitivity analysis have not been disclosed as management do not feel that any reasonable change would materially influence the interpretation of the charge.

(d) Recoverability of trade receivable balances

Provisions for trade debtors were previously considered to be an area of key judgement for the Group, given the underlying materiality of the associated trade receivable balances. However, given that a large proportion of the customer base are local councils with little risk of default and minimal historic levels of write-off, bad debt provisions are no longer considered an area of key judgement.

4.2. Key sources of estimation uncertainty

(a) Customer relationships

Customer relationship assets recognised on acquisition are considered to have the following key areas of estimate:

- Determining the useful economic life of customer relationships and the corresponding rate of amortisation is considered a critical estimate. Management are required to predict the future timeframe over which customer relationships will continue to generate a positive contribution to Group cash flow. This estimate is made on a case-by-case basis and will reflect management's latest plans and long-term forecasts for the related contracts. Amortisation of customer relationships has resulted in a charge to the Statement of Comprehensive Income of £1.9 million during the year (2019: £1.8 million).
- The valuation of customer relationships requires the use of estimates, as the valuation model utilises assessments of both future cash flows and appropriate discount factors. The valuation of customer relationship assets held within the Statement of Financial Position was £4.3 million (2019: £6.2 million).

No acquisitions have been made in the current year. See note 14.1 for full details on the estimates applied by management in valuing customer relationships arising on past acquisitions.

4. Critical accounting estimates and judgements continued

4.2. Key sources of estimation uncertainty continued

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimate of the value in use of the cash-generating units ("CGUs") to which goodwill has been allocated. The value in use calculation involves an estimate of the future cash flows of the CGUs and also the selection of appropriate discount rates to calculate present values. Future cash flows are estimated based on contract value and duration, together with margin based on past performance. Change in contract values and duration, together with margins achieved could result in variations to the carrying value of goodwill. In addition, an adverse movement in the discount factor due to an increased risk profile or a change in the cost of debt (increase in interest rates) would also result in a variation to the carrying value of goodwill. The primary sensitivity is the discount rate, however the Directors consider that there is no reason to believe it is not appropriate. See note 14.2 for details on the key estimates used within the impairment test for goodwill, along with the Groups sensitivity analysis.

(c) Right-of-use assets

Management are required to make a number of estimates in recognising right-of-use assets. These key estimates are considered to be:

- estimation of the lease term, which is done on a lease-by-lease basis;
- determination of the appropriate rate to discount the lease payments. This is set with reference to the Groups incremental cost of borrowing. The incremental rate was 3.4% in the current year (2019: 3.4%); and
- assessment of whether a right-of-use asset is impaired. An impairment is considered to be present where the net present value of future cash benefit of utilising the asset within the business, or if applicable potential sub lease income if the asset is no longer required, is less than the net present value of future lease payments.

Management considers all facts and circumstances including its past practice and business plans in making this estimate on a lease-by-lease basis.

At 31 March 2020 the Group holds £2.1 million of right-of-use assets (2019: £nil). Management have reviewed the future benefit and costs of the underlying assets and have not identified the need to recognise any impairment.

5. Revenue

Underlying revenue can be analysed as follows:

	12 months ended 31 March 2020 £'000	12 months ended 31 March 2019 £'000
Gas maintenance	11,872	9,831
Building services	31,039	39,234
Electrical services	22,481	17,463
	65,392	66,528

All results in the current and prior period derive from continuing operations and all revenues arose in the UK. Non-underlying items in the year to 31 March 2020 reduce gas maintenance revenue by £nil (2019: £1,362,000) and building services revenue by £nil (2019: £1,698,000).

There are four customers who individually contributed 10%, 10%, 6% and 5% respectively towards the revenue (2019: four contributing 12%, 8%, 7% and 6%).

The Group has recognised the following assets within the Statement of Financial Position related to contracts with customers:

	2020 £'000	2019 £'000	2018 £'000
Current assets relating to contracts with customers:			
Trade receivables	7,383	8,112	8,252
Work in progress	2,874	2,076	1,481
Accrued income	9,968	7,327	10,925
Amounts due from long-term contracts	832	2,079	427
	21,057	19,594	21,085

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2020

5. Revenue continued

As set out in note 2.4 above, work in progress balances arise where costs are incurred in advance of the performance obligations required to recognise revenue having been met, and therefore the costs are recognised as an asset.

Accrued income relates to performance obligations that have been satisfied, but the invoice has not yet been raised to the customer.

Amounts due from long-term contracts relate to performance obligations met in regard to construction contracts, but the invoice has yet to be raised to the customer.

There were no contracts liabilities required to be recognised as at 31 March 2020 (31 March 2019: £nil).

As set out in note 2.4 above, the Group is party to long-term construction contracts which may have performance obligations spanning a number of years. The following shows unsatisfied performance obligations resulting from these long-term construction contracts:

	2020 £'000	2019 £'000
Aggregate amounts of the transaction price allocated to long-term construction contracts that are partially or fully unsatisfied as at 31 March 2020	51,350	29,880
	51,350	29,880

Management expects that 29.6% of the transaction price allocated to unsatisfied performance obligations as at 31 March 2020 will be recognised as revenue during the next reporting period (£15.2 million). The remaining 70.4% (£36.2 million) will be recognised over the 2022/23 financial years.

Other services are provided under framework agreements and therefore not considered to have any unsatisfied performance obligations as at 31 March 2020.

The value of unsatisfied long-term construction contracts of £51.4 million (2019: £29.9 million) forms part of the overall balance of visible revenues of £172.1 million (2019: £162.3 million). Pages 14 and 15 detail the full definition of visible revenues.

6. Operating profit/(loss)

Operating profit/(loss) is stated after charging all costs including non-underlying items which are detailed in note 8.

	12 months ended 31 March 2020 £'000	12 months ended 31 March 2019 £'000
Inventory recognised as an expense in cost of sales	13,049	12,463
Staff costs	14,214	16,040
Depreciation	258	256
Depreciation of right-of-use asset	801	—
Amortisation of software costs	31	44
Loss on disposal of property, plant and equipment	162	75
Auditor's remuneration	149	182
Non-audit remuneration	3	49
Operating lease rentals	—	999

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

7. EBITDA

Earnings before interest, taxation, depreciation and amortisation ("EBITDA")

EBITDA is calculated as follows:

	12 months ended 31 March 2020 £'000	12 months ended 31 March 2019 £'000
Underlying profit before tax	3,691	2,501
Adjustments for items not included in underlying EBITDA:		
Finance costs	565	288
Depreciation property, plant and equipment	258	256
Depreciation of right-of-use assets	801	—
Amortisation of software costs	31	44
Loss on disposal of property, plant and equipment	162	75
EBITDA (including the effect of adopting IFRS 16 during 2020 financial year)	5,508	3,164
Eliminate effect of adopting IFRS 16	(840)	—
Adjusted EBITDA (excluding the effect of adopting IFRS 16 during 2020 financial year)	4,668	3,164

As outlined in note 30, the Group has adopted IFRS 16 "Leases" in the current year. As adoption of the standard has led to a change in how leases are recognised in the income statement, it has impacted the comparability of the EBITDA figure year on year. Therefore, management has decided to adjust the current year EBITDA result to eliminate the effect of adopting IFRS 16, to ensure that the performance measure is disclosed on a like-for-like basis.

8. Non-underlying items

Operating profit/(loss) includes the following items which are considered by the Board to be either exceptional in size, one-off in nature or non-trading related items as defined in note 2.5.

	12 months ended 31 March 2020 £'000	12 months ended 31 March 2019 £'000
Amortisation of customer relationships (a)	1,925	1,836
Impairment of customer relationships (a)	—	1,802
Share based payment charge (b)	39	128
Acquisition costs (c)	—	120
Restructuring costs (d)	—	975
Loss on exit from onerous contracts and gas division of P&R (e)	—	7,604
Impairment of accrued income (f)	—	424
	1,964	12,889

(a) Amortisation and impairment of customer relationships

Amortisation of acquisition intangibles was £1,925,000 for the year (2019: £1,836,000) and relates to amortisation of the customer relationships identified by the Directors on the acquisition of Purdy, DCB (Kent), Spokemead and R. Dunham. Impairment of customer relationships of £1,802,000 in 2019 relates to Spokemead.

(b) Share based payment charge

A Group share option scheme is in place. No options were granted during the year (as stated in note 27). The share based payment charge has been separately identified as it is a non-cash expense for the Group.

(c) Acquisition costs

Acquisition costs in 2019 comprise legal, professional and other expenditure in relation to the acquisition of R. Dunham during the year and are included in administrative expenses. No such costs have been incurred in 2020. This is considered to be a one-off expense for the Group.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2020

8. Non-underlying items continued**(d) Restructuring costs**

Costs for 2019 comprise redundancy, legal and professional fees and other related costs of £975,000 and are one-off and non-recurring. No such costs have been incurred in 2020.

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

Of the loss recognised in 2019 £3,573,000 relates to the exit from the contract in P&R for the provision of services to the Ministry of Defence properties (of which £432,000 relates to trading losses, £140,000 relates to legal and professional fees and £3,001,000 relates to the impairment of financial assets and inventory). £4,031,000 relates to the exit from the contracts with four East Kent Councils (collectively "East Kent Housing") and other gas contracts in P&R (of which £1,971,000 relates to the impairment of financial assets and inventory, £1,265,000 relates to provision for claims against P&R, £507,000 relates to provision for post-contract termination trading losses and £288,000 relates to legal and professional fees). All relevant provisions have been unwound in 2020, and no further costs have been incurred. These are considered to be one-off in nature.

(f) Impairment of accrued income

Impairment recognised in 2019 relates to non-recoverable accrued income and write down of inventory following detailed review undertaken by the Directors. No impairments have been required in 2020. These impairments are considered one-off in nature.

9. Employee expenses

The average number of employees (including Directors) employed during the year was:

	12 months ended 31 March 2020 No.	12 months ended 31 March 2019 No.
Management	38	57
Administration	73	84
Engineers	230	345
	341	486

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

	12 months ended 31 March 2020 £'000	12 months ended 31 March 2019 £'000
Wages and salaries	12,664	14,332
Social security costs	1,264	1,471
Pension costs	286	237
	14,214	16,040

The remuneration of the Directors and other key management personnel of the Group is shown in note 26 and the Remuneration Committee Report.

10. Finance costs and finance income

The Group received no finance income in either the current or prior period.

	12 months ended 31 March 2020 £'000	12 months ended 31 March 2019 £'000
Interest payable on bank borrowings and loans	416	286
Interest payable on hire purchase agreements	—	2
Interest payable on lease liabilities	77	—
Other interest costs	28	—
Other finance costs	44	—
	565	288

11. Dividends

The Directors do not recommend a final dividend for the year ended 31 March 2020. The final dividend paid in the year ended 31 March 2019 relating to the prior year was 2.00 pence per ordinary share and the interim dividend paid in January 2019 was 0.50 pence per share making a total dividend paid in the year ended 31 March 2019 of 2.50 pence per ordinary share.

	12 months ended 31 March 2020		12 months ended 31 March 2019	
	Per share p	Total paid £'000	Per share p	Total paid £'000
Dividend paid during the year relating to final dividend declared for previous period	—	—	2.00	806
Interim dividend paid during the year	—	—	0.50	203
	—	—	2.50	1,009

12. Income tax

12.1. Components of income tax (credit)/expense

	12 months ended 31 March 2020 £'000	12 months ended 31 March 2019 £'000
Current income tax expense/(credit)		
Current income tax expense/(credit)	—	(129)
Total current tax	—	(129)
Deferred tax		
Credit in connection with intangible assets acquired	(347)	(331)
Credit in connection with impairment of customer relationships	—	(324)
Charge in relation to use of brought forward tax losses	699	—
Credit for lease liabilities recognised on adoption of IFRS 16	(385)	—
Charge for right-of-use asset recognised on adoption of IFRS 16	381	—
Credit in connection with unused tax losses	—	(1,008)
Total deferred tax	348	(1,663)
Income tax expense/(credit) reported in income statement	348	(1,792)

12.2. Tax reconciliation

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

	12 months ended 31 March 2020 £'000	12 months ended 31 March 2019 £'000
Profit/(loss) on ordinary activities before taxation	1,727	(10,388)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2019: 19%)	328	(1,974)
Effects of:		
Non-deductible expenses	666	123
Utilisation of brought forward tax losses	(699)	—
Other tax adjustments	53	59
	348	(1,792)

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2020

13. Earnings per share

13.1. Basic and diluted earnings per share

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

Basic earnings per share amounts are calculated by dividing net profit for the year or period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The Group has potentially issuable shares all of which relate to the Group's share options issued to Directors and employees.

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

	12 months ended 31 March 2020 £'000	12 months ended 31 March 2019 £'000
Profit/(loss) used in calculating basic and diluted earnings per share	1,379	(8,596)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	47,105,684	40,373,589
Weighted average number of shares for the purpose of diluted earnings per share	47,105,684	40,373,589
Basic earnings/(loss) per share (pence)	2.93	(21.29)
Diluted earnings/(loss) per share (pence)	2.93	(21.29)

Options over 750,000 ordinary shares remained outstanding as at 31 March 2020 (2019: 1,548,103). These have been excluded in calculating the diluted earnings per share on the basis that all share option schemes have an exercise price in excess of the current share price, and therefore it is not expected that these will be exercised.

13.2. Adjusted earnings per share

Profit/(loss) after tax is stated after deducting non-underlying items totalling £1,964,000 (2019: £12,889,000) as set out in note 8 and the impact of these items on corporation tax. Non-underlying items are either exceptional in size, one-off in nature or non-trading related items. 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 non-underlying items, divided by the weighted average number of ordinary shares in issue during the year.

	12 months ended 31 March 2020 £'000	12 months ended 31 March 2019 £'000
Profit/(loss) after tax	1,379	(8,596)
<i>Add back</i>		
Restructuring costs	—	975
Loss on exit from onerous contracts and gas division of P&R	—	7,604
Impairment of accrued income	—	424
Amortisation of customer relationships	1,925	1,836
Impairment of customer relationships	—	1,802
Share based payment charge	39	128
Acquisition costs	—	120
Impact of above adjustments on corporation tax	—	(1,716)
Adjusted profit after tax	3,343	2,577
Number of shares		
Weighted average number of shares for the purpose of adjusted earnings per share	47,105,684	40,373,589
Weighted average number of shares for the purpose of diluted adjusted earnings per share	47,105,684	40,509,079
Adjusted earnings per share (pence)	7.10	6.38
Diluted adjusted earnings per share (pence)	7.10	6.36

14. Intangible assets

	Software costs £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost				
At 1 April 2019	202	14,032	5,443	19,677
Additions in the year	44	—	100	144
Disposals	(29)	—	—	(29)
At 31 March 2020	217	14,032	5,543	19,792
Amortisation				
At 1 April 2019	123	7,804	—	7,927
Charge for the year	31	1,925	—	1,956
Disposals	(28)	—	—	(28)
At 31 March 2020	126	9,729	—	9,855
Net book value				
At 31 March 2019	79	6,228	5,443	11,750
At 31 March 2020	91	4,303	5,543	9,937

14.1. Customer relationships

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

The estimated life for customer relationships is based on the average of the contracted remaining life of contracted relationships and estimated life of the non-contractual relationships.

	Purdy	Spokemead	DCB (Kent)	R. Dunham	Total
Attrition rate where relationship < 5 years	80%	n/a	100%	n/a	
Attrition rate where relationship > 5 years	50%	n/a	100%	n/a	
Discount rate	13.3%	12.84%	12.84%	15.79%	
Estimated life of relationship at date of acquisition	7 years	7.5 years	1 to 8 years	1.5 years	
Remaining life of intangible	2.5 years	1.2 years	6 years	0.2 years	
Fair value of customer relationships at date of acquisition	£5,586,000	£5,922,000	£2,324,000	£200,000	£14,032,000
Current carrying value of customer relationships	£1,924,000	£960,000	£1,396,000	£23,000	£4,303,000

14.2. Goodwill

Goodwill on consolidation arises on the excess of cost of acquisition over the fair value of the net assets acquired on purchase of the Company (note 29). Each subsidiary is its own CGU for the purposes of the goodwill calculation and impairment reviews and is monitored on an ongoing basis by the Board.

The goodwill allocated to each subsidiary entity is presented below:

	Purdy £'000	Spokemead £'000	DCB (Kent) £'000	R. Dunham £'000	Total £'000
Allocation of goodwill	1,719	1,186	1,351	1,287	5,543

During the year the goodwill in relation to R. Dunham has been increased by £100,000. This is due to a revision to the fair value of accrued income that was recognised as an estimate in the Statement of Financial Position in the prior year. The increase in goodwill is not considered material to restate the prior year Statement of Financial Position, and therefore is shown as a current year movement.

Notes to the consolidated financial statements continued

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14. Intangible assets continued

14.2. Goodwill continued

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2020 and 2019 reporting periods, the recoverable amount of the cash-generating units ("CGUs") was determined based on the value in use calculations which require the use of key assumptions. The calculations use cash flow projections based on the level of recurring revenue from secured contracts, plus an estimate of revenue generated from long-term construction contracts which have already been won and are expected to be won in the future. Cash flows beyond five years are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them. The same assumptions have been used across the CGUs as they are all considered to operate in markets with similar characteristics.

2020 key assumptions	2020	2019
Long-term growth rate (used after 5 years)	1%	2%
3 to 5 year growth rate	2%	2%
Pre-tax discount rate	14.2%	12.8%

Cash flows in year one have been adjusted to account for the potential impact of the Covid-19 pandemic on performance for the 2021 financial year, but have been shown to recover within the medium term in line with management's expectations.

14.3. Sensitivity review

Management have performed a range of sensitivity analysis around movements in both the discount rates and future growth rates used within the model. The discount rate would need to increase by 3% to 17.2% or future growth would have to be reduced to zero in both the medium and long term before the CGU reaches breakeven point.

15. Property, plant and equipment

At 31 March 2020

	Freehold land £'000	Freehold property £'000	Long leasehold improvements £'000	Motor vehicles £'000	Fixtures and fittings £'000	Office and computer equipment £'000	Total £'000
Cost							
At 1 April 2019	300	523	398	489	87	1,111	2,908
Additions	—	—	—	—	50	226	276
Disposals	—	—	(200)	(198)	(46)	(174)	(618)
At 31 March 2020	300	523	198	291	91	1,163	2,566
Depreciation							
At 1 April 2019	—	78	141	246	61	721	1,247
Charge for the year	—	22	34	51	33	118	258
Disposals	—	—	(80)	(125)	(41)	(111)	(357)
At 31 March 2020	—	100	95	172	53	728	1,148
Net book value							
At 1 April 2019	300	445	257	243	26	390	1,661
At 31 March 2020	300	423	103	119	38	435	1,418

15. Property, plant and equipment continued

At 31 March 2019

	Freehold land £'000	Freehold property £'000	Long leasehold improvements £'000	Motor vehicles £'000	Fixtures and fittings £'000	Office and computer equipment £'000	Total £'000
Cost							
At 1 April 2018	300	484	394	744	85	641	2,648
Additions	—	39	4	18	12	85	158
Additions on acquisition of subsidiary	—	—	—	179	—	569	748
Disposals	—	—	—	(452)	(10)	(184)	(646)
At 31 March 2019	300	523	398	489	87	1,111	2,908
Depreciation							
At 1 April 2018	—	57	110	430	61	352	1,010
Additions on acquisition of subsidiary	—	—	—	98	—	445	543
Charge for the year	—	21	31	100	9	95	256
Disposals	—	—	—	(382)	(9)	(171)	(562)
At 31 March 2019	—	78	141	246	61	721	1,247
Net book value							
At 1 April 2018	300	427	284	314	24	289	1,638
At 31 March 2019	300	445	257	243	26	390	1,661

Freehold land and building property was included at its net book value of £784,000 at the date of acquisition, being the fair value of the land and buildings at £815,000, less accumulated depreciation of £31,000. The property was valued by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of investment property being valued, Savills (UK) Limited, as at 22 May 2015 on the existing use value basis in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The critical assumptions made relating to its valuation are the market rent at £65,000 per annum and the yield at 8.00%.

The net book value of property, plant and equipment at 31 March 2020 includes £nil (2019: £146,000) in respect of assets held under finance lease contracts which relate to the acquisition of motor vehicles.

The bank loans detailed in note 20 are secured on the property, plant and equipment of the Group. The bank facility does not impose any restrictions of use on the assets.

16. Right-of-use assets

	Leasehold property £'000	Motor vehicles £'000	Office and computer equipment £'000	Total £'000
Cost				
At 1 April 2019	—	—	—	—
Recognised on transition to IFRS 16	1,320	852	201	2,373
Additions	—	507	—	507
Disposals	—	(84)	—	(84)
At 31 March 2020	1,320	1,275	201	2,796
Depreciation				
At 1 April 2019	—	—	—	—
Charge for the year	202	533	66	801
Disposals	—	(84)	—	(84)
At 31 March 2020	202	449	66	717
Net book value				
At 1 April 2019	—	—	—	—
At 31 March 2020	1,118	826	135	2,079

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2020

17. Inventories

	2020 £'000	2019 £'000
Raw materials	907	1,058
Work in progress	2,874	2,076
	3,781	3,134

18. Trade and other receivables

	2020 £'000	2019 £'000
Current		
Trade receivables	7,383	8,112
Other receivables	463	590
Prepayments	805	440
Accrued income	9,968	7,327
Amounts due from long-term contracts	832	2,079
	19,451	18,548

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

	2020 £'000	2019 £'000
Between 1 and 2 months	709	1,503
Between 2 and 3 months	181	601
More than 3 months	150	341
	1,040	2,445

An allowance for doubtful debt of £120,000 (2019: £nil) has been recognised in the above balance for trade receivables. This is a specific provision against a customer where management has concerns over the recoverability of the debt. Otherwise management does not consider that there are any issues over recoverability, due to the creditworthiness of the customer profile and little historical issue of default.

The Group's exposure to credit risk is discussed in note 25 to the consolidated financial statements, including how the Group assesses the credit quality of potential new customers and its policy for providing against overdue invoices.

The average credit period taken on invoiced sales of services as at 31 March 2020 is 34 days (31 March 2019: 43 days). No interest was charged on overdue receivables during the year.

The Directors believe that the carrying value of the trade and other receivables is considered to represent its fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable shown above. The Group does not hold any collateral as security. The bank loans detailed in note 20 are secured on trade receivables of £7,383,000 (2019: £8,112,000).

The Group's trade and other receivables are all denominated in Pounds Sterling.

19. Cash and cash equivalents

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

	2020 £'000	2019 £'000
Cash and bank balances	19	21
	19	21

20. Borrowings

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

	2020 £'000	2019 £'000
Non-current borrowings		
<i>Bank and other borrowings:</i>		
Other loans	176	236
Total non-current borrowings	176	236
Current borrowings:		
<i>Bank and other borrowings:</i>		
Term loans	3,333	5,000
Other loans	59	53
Mortgage loan	314	371
Overdraft	3,351	5,219
Total current borrowings	7,057	10,643
<i>Bank and other borrowings:</i>		
Term loans	3,333	5,000
Other loans	235	289
Mortgage loans	314	371
Overdraft	3,351	5,219
Total borrowings	7,233	10,879

The fair value of the borrowings outstanding as at 31 March 2020 is not materially different to its carrying value since interest rates applicable on the loans are close to the current market rates.

At 31 March 2020 the Group was in ongoing discussions with its bank, HSBC UK Bank Plc, in regard to the restructuring of the debt facility and related covenants. Subsequent to year end, the new facility arrangement has been agreed, as set out in note 32 to these accounts. However, as the agreement was still in negotiation as at the balance sheet date, all term loans have been classified as current borrowings consistent with the treatment of the debt as at 31 March 2019.

(a) Working capital facilities

At 31 March 2020 the Group had a £6.5 million working capital facility with HSBC UK Bank Plc. The bank overdraft is held at an interest rate of 2.5% above LIBOR (London Inter-Bank Offered Rate) and is repayable on demand. All cash at bank balances are denominated in Pounds Sterling. As at 31 March 2020, the Group had an unused overdraft facility of £3.15 million (2019: £1.28 million).

(b) Bank and other loans

Term loans

At 31 March 2020 the Group had a term loan in place with HSBC UK Bank Plc with an original principal value of £5.00 million repayable by quarterly instalments. As at 31 March 2020 £3.33 million of the loan remained outstanding. Up to November 2019 interest was payable at 2.75% above LIBOR. From November 2019 onwards the rate was increased to 3.75% above LIBOR.

Mortgage loan

A ten-year mortgage loan of £570,000 with HSBC UK Bank Plc was drawn down in July 2015, with interest payable at 1.9% above LIBOR. The mortgage is held over the freehold property of Purdy known as Brooklyn Lodge, Mott Street, Chingford, London E4 7RW. £314,000 remained unpaid at the end of the period.

Other loan

A five-year term loan, originally drawn down in September 2018 of £317,000 with Funding Circle, was assumed by the Group on the acquisition of R. Dunham in November 2018 and is unsecured. The loan is repayable by fixed monthly instalments of £7,024 and interest is at a fixed rate of 11.9%. £235,000 remained unpaid at the end of the period.

(c) Security

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

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

Notes to the consolidated financial statements continued

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21. Lease liabilities

As explained in note 2.18, the Group has changed its accounting policy for leases during the year to meet the requirements of IFRS 16, which has been adopted for the first time from 1 April 2019. Note 2.15 gives full details of the Group's accounting policy for leases, and note 30 gives full explanation of the financial impact arising from the change in accounting policy.

From 1 April 2019 the Group accounts for all leases as right-of-use assets, recognising a corresponding lease liability in the balance sheet at the point of inception.

As at 31 March 2020 the following amounts are included in the Statement of Financial Position in relation to non-cancellable leases:

	2020 £'000	2019 £'000
Lease liabilities		
Current	620	—
Non-current	1,486	—
	2,106	—

The maturity analysis of obligations under non-cancellable leases is shown in the following table:

	2020 £'000	2019 £'000
No later than 1 year	620	—
Later than 1 year and no later than 5 years	955	—
After 5 years	531	—
	2,106	—

The interest expense recognised through the Consolidated Statement of Comprehensive Income during the year in relation to lease liabilities was £77,000 (2019: £nil).

Total cash outflow in the year for leases was £840,000.

If the cash flow statement had been presented on a like-for-like basis (excluding the impact of IFRS 16), the cash from operating activities would have been lower by £840,000, reducing the net cash generated from £3,886,000 to £3,046,000, and the cash outflow from financing activities would also have been lower by £840,000. The overall net impact to the cash movement for the year would have been £nil.

22. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	12,885	10,605
Other payables	134	1,191
Other taxation and social security	1,651	1,464
Accruals	1,273	2,670
	15,943	15,930

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing.

The Directors consider that the carrying value of trade and other payables approximates their fair value as the impact of discounting is insignificant.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices.

The average credit period taken on trade purchases is 81 days (2019: 76 days). Trade purchases include the purchase of materials and subcontractor costs.

Included within trade payables is a balance of £2,731,000 (2019: £2,498,000) on a purchasing card facility provided by HSBC UK Bank Plc. The purchasing card is typically used to facilitate administration and reporting of costs on maintenance contracts at a granular level. Payment terms for Bilby Plc on the purchasing cards are typically 60-90 days, which aligns with existing credit terms with suppliers. Approved suppliers benefit from increased volumes and receive funds upfront from HSBC UK Bank Plc. Based on the nature of the transactions the Board consider it appropriate to disclose the balance within trade creditors. Under the previous financing arrangement with HSBC UK Bank Plc the purchasing card balance was relevant to the bases of covenant targets. This is no longer the position with the new financing arrangement signed on the 22 May 2020 (see note 32).

23. Share capital and reserves

23.1. Ordinary shares

	2020 £'000	2019 £'000
Ordinary shares of £0.10 each		
At the beginning of the year	4,054	4,029
Issued in the year	1,818	25
At the end of the year	5,872	4,054
Number of shares		
At the beginning of the year	40,540,027	40,290,027
Issue of consideration shares in connection with R. Dunham	a) —	250,000
Issued in the year	b) 18,181,818	—
At the end of the year	58,721,845	40,540,027

(a) R. Dunham (UK) Limited initial consideration

On 29 November 2018, Bilby Plc acquired the entire share capital of R. Dunham (UK) Limited. The initial consideration for R. Dunham (UK) Limited was satisfied by a cash payment of £750,000 together with an issue of 250,000 new Bilby ordinary shares at a price of 97.0 pence per share (the "consideration shares").

(b) Issued in the year

On 15 November 2019 the Company successfully completed a fundraise which generated £2,000,000 gross of issue costs from the issue of 18,181,818 new shares at 11 pence per share. Share issue costs of £182,000 (2019: £nil) have been offset against the share premium account.

23.2. Share premium

	2020 £'000	2019 £'000
At the beginning of the year	8,609	8,392
Issued in the year (net of share issue costs)	—	217
At the end of the year	8,609	8,609

23.3. Merger reserve

	2020 £'000	2019 £'000
At the end of the year	(248)	(248)

24. Note to the consolidated statement of cash flows

	12 months ended 31 March 2020 £'000	12 months ended 31 March 2019 £'000
Cash flow from operating activities		
Profit/(loss) before income tax	1,727	(10,388)
Adjustments for:		
Net finance cost	565	288
Loss on disposal of property, plant and equipment	162	75
Depreciation	1,059	256
Amortisation of intangible assets	1,956	1,880
Impairment of intangible assets	—	1,802
Share based payments	39	128
Fair value adjustment	(100)	—
Movement in receivables	(759)	2,980
Movement in payables	(116)	1,870
Movement in inventories	(647)	186
Tax paid	—	(1,103)
	3,886	(2,026)

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2020

25. Financial instruments

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

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

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

25.1. Principal financial instruments

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

- cash and cash equivalents;
- trade and other receivables;
- trade and other payables;
- borrowings; and
- lease liabilities.

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

	2020 £'000	2019 £'000
Loans and receivables:		
Trade receivables	7,383	8,112
Accrued income	9,968	7,327
Amounts due from long-term contracts	832	2,079
Other receivables	1,268	1,030
Cash and cash equivalents	19	21
	19,470	18,569

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

	2020 £'000	2019 £'000
Held at amortised cost:		
Bank loans and overdrafts	7,233	10,879
Obligations under finance leases	—	10
Lease liabilities	2,106	—
Accruals	1,273	2,670
Trade payables	12,885	10,605
Other payables	134	1,191
	23,631	25,355

25.2. Financial risk management

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

(a) Interest rate risk management

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

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

The Group currently has loans and overdrafts totalling £7.2 million (2019: £10.9 million) at variable interest rates. If the interest rate had been 6.5%, approximately 100% higher, and all other variable were constant, the Group's profit after tax for the year and reserves would reduce by approximately £416,000 (2019: loss increase by £280,000).

25. Financial instruments continued

25.2. Financial risk management continued

(a) Interest rate risk management continued

The Group is exposed to interest rate risk on some of its financial assets, being its cash and cash equivalents. The interest rate receivable on these balances at 31 March 2020 was at an average rate of less than 1% (2019: less than 1%).

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

(b) Credit risk management

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

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

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

(c) Trade and other receivables

The Group is exposed to the risk of default by its customers. At 31 March 2020, the Group had eight customers with an outstanding balance over £250,000 (31 March 2019: nine). An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. A specific provision against receivables has been recognised in the Statement of Financial Position as outlined in note 18.

There are no other significant concentrations of credit risk at the balance sheet date.

At 31 March 2020, the Group held no collateral as security against any financial asset. The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(d) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk management is to ensure it will always have sufficient liquidity to meet the Group's working capital requirements. Management monitors rolling forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow.

The Directors manage liquidity risk by regularly reviewing cash requirements by reference to short-term cash flow forecasts and medium-term working capital projections prepared by management and operate a centralised treasury function and actively manage cash flows on both a daily and longer-term basis.

At 31 March 2020 the Group was in ongoing discussions with its bank, HSBC UK Bank Plc, in regard to the restructuring of the debt facility and related covenants. Subsequent to year end, the new facility arrangement has been agreed, as set out in note 32 to these accounts. However, as the agreement was still in negotiation as at the balance sheet date, all term loans have been classified as current borrowings.

The Group had total available working capital facilities at an interest rate of 2.5% over LIBOR amounting to £6,500,000 with HSBC UK Bank Plc as at 31 March 2020. The Group maintains a good relationship with its bank, which has a high credit rating. As at 31 March 2020, the Group had an overdraft of £3,351,000 and cash and cash equivalents of £19,000 (2019: overdraft £5,219,000 and cash and cash equivalents £21,000).

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

2020	Within 1 year £'000	1–2 years £'000	2–5 years £'000	Over 5 years £'000	Total £'000
Non-derivative financial liabilities					
HSBC mortgage	314	—	—	—	314
HSBC term loan	3,333	—	—	—	3,333
Funding Circle unsecured loan	59	67	109	—	235
HSBC overdraft	3,351	—	—	—	3,351
Trade payables	12,885	—	—	—	12,885
	19,942	67	109	—	20,118

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2020

25. Financial instruments continued

25.2. Financial risk management continued

(d) Liquidity risk management continued

2019	Within 1 year £'000	1–2 years £'000	2–5 years £'000	Over 5 years £'000	Total £'000
Non-derivative financial liabilities					
HSBC mortgage	371	—	—	—	371
HSBC term loan	5,000	—	—	—	5,000
Funding Circle unsecured loan	53	60	176	—	289
HSBC overdraft	5,219	—	—	—	5,219
Trade payables	10,605	—	—	—	10,605
	21,248	60	176	—	21,484

(e) Capital management risk

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

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

	2020 £'000	2019 £'000
Net debt comprised as follows:		
– Cash and cash equivalents	19	21
– Bank borrowings and overdrafts	(7,233)	(10,879)
– Finance leases	—	(10)
– Lease liabilities	(2,106)	—
	(9,320)	(10,868)

Net debt at 31 March 2020 included £2,106,000 in relation to lease liabilities recognised in relation to adopting IFRS 16 during the year. Net debt on a like-for-like basis would have been £7,289,000 as at 31 March 2020 (including £75,000 of finance leases and excluding £2,106,000 of IFRS 16 lease liabilities) compared to £10,868,00 as at 31 March 2019.

26. Related party transactions

During the year the Group entered into an agreement with Ellingham Holdings Limited for consulting services and paid a total of £65,000 (excluding VAT). David Ellingham, a former Director of the Group, is a director of Ellingham Holdings Limited.

Chris Webster, a Director of the Group, made a personal loan of £20,000 during the year to DCB (Kent) Limited, a subsidiary of the Group. The amount was subsequently repaid in full during the year.

26.1. Key management compensation

The Group's key management are considered to comprise the Directors of Bilby Plc and three Non-Executive Directors of Bilby Plc. The aggregate remuneration of the Directors is as follows:

	2020 £'000	2019 £'000
The aggregate remuneration comprised:		
Aggregate emoluments	905	669
Consultancy fees	—	117
	905	787
Share based payments	3	17
Total remuneration	908	803

The remuneration of the highest paid Director during the year was £259,000 (2019: £296,000). The remuneration of individual Directors is disclosed in the Remuneration Committee Report.

There were no other transactions with Directors or key personnel to disclose.

27. Share based payments

The Group has a share option scheme for certain Directors and employees. Options are generally exercisable at a price equal to the market price of the Bilby Plc shares on the day immediately prior to the date of the grant. Options are forfeited if the employee leaves the Group before the options vest.

The Share Option Plan provides for the grant of both tax-approved Enterprise Management Incentive ("EMI") options and unapproved options.

The Black Scholes model is used to calculate the appropriate charge for the share options. The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge. The total charge to the Consolidated Statement of Comprehensive Income for the year to 31 March 2020 was £39,000 (2019: £128,000).

(a) Options issued in March 2015

The Group issued 1,612,067 share options to one Director and four employees on 6 March 2015. All options in relation to this grant have now been forfeited. No charge was recognised for the grant in the current year (2019: £nil).

(b) Options issued in July 2015

The Group issued 1,150,000 options to 13 employees on 16 July 2015. Of the 1,150,000 options granted, 790,000 options have been cancelled as at 31 March 2020. The options are exercisable at a price of £0.95 per share and will become exercisable on the third anniversary of their grant. They can be exercised at any time from this date to the day before the tenth anniversary of their grant and are not subject to a performance condition.

The inputs into the option pricing model for the options granted in July 2015 are as follows:

Weighted average exercise price	£0.95
Expected volatility	45.7%
Expected life	6.5 years
Risk free interest rate	4%
Expected dividends	2.15%

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

The charge for the year ended 31 March 2020 for the options issued in July 2015 totals £nil (2019: £14,000).

(c) Options issued in December 2015

The Group issued 240,000 options to one Director and three employees on 9 December 2015. Of the 240,000 options granted, 240,000 options have been cancelled as at 31 March 2020. The options are exercisable at a price of £1.19 per share and will become exercisable on the third anniversary of their grant. They can be exercised at any time from this date to the day before the tenth anniversary of their grant and are not subject to a performance condition.

The inputs into the option pricing model for the options granted in December 2015 are as follows:

Weighted average exercise price	£1.19
Expected volatility	45.4%
Expected life	6.5 years
Risk free interest rate	4%
Expected dividends	2.15%

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

The charge for the year ended 31 March 2020 for the options issued in December 2015 totals £nil (2019: £22,000).

(d) Options issued in January 2016

The Group issued 100,000 options to one Director on 4 January 2016 which were subsequently cancelled. The options were exercisable at a price of £1.46 per share.

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

The charge for the year ended 31 March 2020 for the options issued in January 2016 totals £nil (2019: £9,000).

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2020

27. Share based payments continued

(e) Options issued in July 2016

The Group issued 770,000 options to one Director and twelve employees in July 2016. Of the 770,000 options granted, 455,000 have been cancelled at 31 March 2020. The options are exercisable at a price of £1.26 per share and will become exercisable on the third anniversary of their grant. They can be exercised at any time from this date to the day before the tenth anniversary of their grant and are not subject to a performance condition.

The inputs into the option pricing model for the options granted in July 2016 are as follows:

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

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

The charge for the year ended 31 March 2020 for the options issued in July 2016 totals £17,000 (2019: £60,000).

(f) Options issued in July 2017

The Group issued 395,000 options to one Director and eight employees in July 2017. Of the 395,000 options granted, 320,000 have been cancelled at 31 March 2020. The options are exercisable at a price of £0.73 per share and will become exercisable on the third anniversary of their grant. They can be exercised at any time from this date to the day before the tenth anniversary of their grant and are not subject to a performance condition.

The inputs into the option pricing model for the options granted in July 2017 are as follows:

Weighted average exercise price	£0.73
Expected volatility	51.0%
Expected life	6.5 years
Risk free interest rate	2.5%
Expected dividends	2.03%

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

The charge for the year ended 31 March 2020 for the options issued in July 2017 totals £21,000 (2019: £23,000).

No share options were issued in the year ended 31 March 2020.

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

	2020		2019	
	Number	Weighted average exercise price p	Number	Weighted average exercise price p
Outstanding at the beginning of the year	1,548,103	0.97	2,757,412	0.82
Granted during the year	—	—	—	—
Forfeited during the year	(798,103)	(0.88)	(1,209,309)	(0.65)
Exercised during the year	—	—	—	—
Outstanding at the end of the year	750,000	1.06	1,548,103	0.97

27. Share based payments continued

(f) Options issued in July 2017 continued

Grant date	Exercise date	Exercise price in £ per share	No of options			2020
			2019	Issued in year	Forfeited	
March 2015	March 2018	0.58	293,103	—	(293,103)	—
July 2015	July 2018	0.95	510,000	—	(150,000)	360,000
December 2015	December 2018	1.19	240,000	—	(240,000)	—
July 2016	July 2019	1.26	360,000	—	(45,000)	315,000
July 2017	July 2020	0.73	145,000	—	(70,000)	75,000
			1,548,103	—	(798,103)	750,000

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

Date granted	2020 £'000	2019 £'000
July 2015	—	14
December 2015	—	22
January 2016	—	9
July 2016	18	60
July 2017	21	23
	39	128

During the year £254,000 was transferred from the share based payment reserve to retained earnings in relation to tranches where all options have now been cancelled as a result of the relevant employees leaving the business.

28. Deferred tax

The following are the significant deferred tax liabilities and assets recognised by the Group and the movements thereon during the current and prior reporting period.

	Intangible assets acquired £'000	Unused tax losses £'000	Short-term timing differences £'000	Right-of-use assets £'000	Lease liabilities £'000	Total £'000
At 1 April 2018	(1,738)	—	(145)	—	—	(1,883)
Credit to income statement and other comprehensive income	655	1,008	—	—	—	1,663
Acquisition of subsidiary	(211)	—	—	—	—	(211)
At 31 March 2019	(1,294)	1,008	(145)	—	—	(431)
Credit/(charge) to income statement and other comprehensive income	347	(699)	—	(381)	385	(348)
At 31 March 2020	(947)	309	(145)	(381)	385	(779)
					2020 £'000	2019 £'000
Deferred tax asset					694	1,008
Deferred tax liability					(1,473)	(1,439)
Net deferred tax liability					(779)	(431)

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2020

29. Acquisitions

On 29 November 2018, the Company acquired the entire issued share capital of R. Dunham (UK) Limited. The consideration was financed by a share placing and debt funding by way of an extension of existing debt facilities provided by HSBC UK Bank Plc.

29.1. Acquisition of R. Dunham (UK) Limited

R. Dunham specialises in electrical installation, repairs and maintenance services primarily for local authority and Housing Association owned properties. The fair values of the assets acquired and liabilities assumed were as follows:

	£'000
Goodwill	1,287
Customer relationships	200
Tangible assets	205
Inventories	165
Trade and other receivables	710
Cash and cash equivalents	79
Current liabilities	(662)
Non-current liabilities	(305)
Deferred tax	(211)
	1,468

The above analysis includes a £100,000 adjustment to the fair value of trade and other receivables in the year ended 31 March 2020.

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

	£'000
Initial cash consideration – paid	750
Initial equity consideration – paid	242
Deferred cash consideration (December 2018 results) – paid during 2020	476
	1,468

The Company acquired the entire issued share capital of R. Dunham (UK) Limited for a total consideration of £1.5 million. The payment of the deferred consideration was made during the current year after the Company achieved the necessary post-acquisition results required to trigger the payment.

The Consolidated Statement of Comprehensive Income includes £nil (2019: £120,000) of acquisition costs.

During the year the Directors reviewed the initial calculations for accrued income, and identified that a reduction of £100,000 was required in the fair value allocated to these, with a corresponding increase in goodwill. This adjustment is reflected in the final fair values shown above. This adjustment was not considered material to restate the opening balance sheet for the Group, and is therefore shown as an in year adjustment.

29.2. Deferred consideration

Deferred consideration disclosed in the Consolidated Statement of Financial Position consists of the following:

	2020 £'000	2019 £'000
Current liabilities		
On acquisition of R. Dunham	—	476
	—	476

30. Changes in accounting policies

As detailed in note 2.18, the Group has adopted IFRS 16 “Leases” retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in note 2.18.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.4%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

On applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments of whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019;
- accounting for operating leases with a remaining lease term of less than twelve months as at 1 April 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 “Determining Whether an Arrangement Contains a Lease”.

The change in accounting policy affected the following items in the Consolidated Statement of Financial Position on 1 April 2019:

	Adjustments to financial position £'000
Right-of-use asset	2,373
Lease liability	(2,373)
De-recognition of finance leases:	
Fixed assets	(10)
Finance lease liability	10

31. Ultimate controlling party

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

32. Events after the balance sheet date

At 31 March 2020 the Group was in ongoing discussions with its bank, HSBC UK Bank Plc, in regard to the restructuring of the debt facility and related covenants. On 22 May the Group secured new debt facilities totalling £9.8 million. The Group’s previous debt facility was in the form of a £3.3 million term loan and a £6.5 million overdraft facility. This new debt facility consists of a £7.3 million term loan facility and a £2.5 million overdraft facility. The facility expires in September 2022 and there will be £0.5 million quarterly repayments starting in August 2020.

The first covenant test for the new facility will be to achieve a minimum EBITDA of £1.1 million for the year ending 31 March 2021. The covenants for the period beyond 31 March 2021 will be tested quarterly and they are (i) achievement of minimum levels of EBITDA; (ii) debt service cover; and (iii) interest cover.

As the agreement was still in negotiation as at the balance sheet date, all term loans have been classified as current borrowings within the balance sheet at 31 March 2020.

Independent auditor's report to the members of Bilby Plc

for the financial year ended 31 March 2020

Opinion

We have audited the parent company financial statements of Bilby Plc for the year ended 31 March 2020 which comprise the Parent Company Balance Sheet and Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

The key audit matter was:

- Carrying value of investments

A description of each matter together with our audit approach is set out below. There were no changes in key audit matters compared to last year.

Audit area and description	Audit approach
Carrying value of investments As a result of acquisitions made during prior periods, investments represent a significant part of the total assets of the Company.	We critically assessed the Directors' assertion that no impairment was required by reference to trading performance and forecasts.

Our application of materiality

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

Due to the nature of the Company we considered overheads to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the Company to be £31,750, based on a sliding percentage of expenses.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company was 50% of materiality, namely £15,875.

We agreed to report to the Audit Committee all audit differences in excess of £1,588, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Independent auditor's report to the members of Bilby Plc continued

for the financial year ended 31 March 2020

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 41, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Other matter

We have reported separately on the Group financial statements of Bilby Plc for the year ended 31 March 2020. That report includes details of the Group key audit matters; how we applied the concept of materiality in planning and performing our audit and an overview of the scope of our audit.

Use of our report

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

MATTHEW MEADOWS (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London EC1M 7AD

24 July 2020

Parent company statement of financial position

as at 31 March 2020

	Notes	2020 £'000	Restated* 2019 £'000
Fixed assets			
Investments	6	22,967	22,931
Intangible assets	7	7	10
Property, plant and equipment	8	6	2
Total non-current assets		22,980	22,943
Current assets			
Trade and other receivables	9	4,821	4,890
Cash and cash equivalents		—	—
Total current assets		4,821	4,890
Creditors: amounts falling due within one year	10	(8,877)	(13,344)
Net current liabilities		(4,056)	(8,454)
Total assets less current liabilities		18,924	14,489
Creditors: amounts falling due after more than one year		—	—
Net assets		18,924	14,489
Equity			
Ordinary shares		5,872	4,054
Share premium		8,609	8,609
Merger reserve		2,251	2,251
Share based payment reserve		612	827
Retained earnings		1,580	(1,252)
Total shareholders' funds		18,924	14,489

* Please see note 20 for details for the prior year restatement.

As permitted by Section 408 of the Companies Act 2006 the Company has not included its own Statement of Comprehensive Income in these financial statements. The parent company profit for the financial year was £2,578,000 (2019: £809,000).

The notes on pages 87 to 95 are an integral part of these financial statements.

The financial statements on pages 84 to 95 were approved by the Board and authorised for issue on 24 July 2020 and signed on its behalf by:

Clive Lovett
Group Finance Director

Parent company statement of changes in equity

for the financial year ended 31 March 2020

	Called up share capital £'000	Share premium £'000	Share based payment reserve £'000	Restated* Merger reserve £'000	Restated* Retained earnings £'000	Total £'000
At 1 April 2018	4,029	8,392	699	14,251	1,199	28,570
Profit and total comprehensive income for the year	—	—	—	—	809	809
Issue of share capital	25	217	—	—	—	242
Share based payment charge	—	—	128	—	—	128
Impairment of P&R	—	—	—	(14,251)	—	(14,251)
Equity dividends paid	—	—	—	—	(1,009)	(1,009)
Total transactions with owners recognised directly in equity	25	217	128	(14,251)	(1,009)	(14,890)
Balance at 31 March 2019 as previously stated	4,054	8,609	827	—	999	14,489
Transfer impairment of P&R from merger reserve to comprehensive income for the year	—	—	—	14,251	(14,251)	—
Release merger reserve relating to P&R acquisition to offset impairment recognised	—	—	—	(12,000)	12,000	—
Balance at 31 March 2019 (restated*)	4,054	8,609	827	2,251	(1,252)	14,489
Profit and total comprehensive income for the year	—	—	—	—	2,578	2,578
Issue of share capital	1,818	—	—	—	—	1,818
Share based payment charge	—	—	39	—	—	39
Transfer to retained earnings for share options cancelled	—	—	(254)	—	254	—
Total transactions with owners recognised directly in equity	1,818	—	(215)	—	254	1,857
At 31 March 2020	5,872	8,609	612	2,251	1,580	18,924

* Please see note 19 for details for the prior year restatement.

Parent company statement of cash flows

for the financial year ended 31 March 2020

	Notes	12 months ended 31 March 2020 £'000	12 months ended 31 March 2019 £'000
Net cash generated from/(used in) operating activities	16	2,607	(196)
Cash flow from investing activities			
Acquisition of subsidiaries		(476)	(1,750)
Purchase of property, plant and equipment		(6)	(2)
Purchase of intangible assets		—	(4)
Net cash used in investing activities		(482)	(1,756)
Cash flow from financing activities			
Proceeds from borrowings		—	6,100
Issue of new share capital (net of share issue costs)		1,818	—
Repayment of borrowings		(1,724)	(5,177)
Interest paid		(409)	(274)
Dividends paid		—	(1,009)
Net cash used in financing activities		(315)	(360)
Net increase/(decrease) in cash and cash equivalents		1,810	(2,312)
Cash and cash equivalents at beginning of year		(5,366)	(3,054)
Cash and cash equivalents at end of year		(3,556)	(5,366)

The cash and cash equivalents at the year ended 31 March 2020 are represented by the overdraft of £3,556,000 (2019: £5,366,000) (see note 11).

Notes to the parent company financial statements

1. Basis of preparation

1.1. Statement of compliance

The financial statements of Bilby Plc have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

Bilby Plc has taken advantage of Section 408 of the Companies Act 2006 and has not included its own Statement of Comprehensive Income in these financial statements. The parent company profit for the year was £2,578,000 (2019: £809,000).

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

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

1.2. Going concern

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

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of these financial statements. In developing these forecasts the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period and applied possible sensitivities in trading performance including the risk of a significant further impact of Covid-19.

Based on this assessment the Board has a reasonable expectation that Bilby Plc has adequate resources to continue in operational existence for the foreseeable future. In reaching these conclusions, the Board has considered the impact of Covid-19 on the trading of the overall Group, as the Company's performance is closely aligned with that of the Group. Whilst the impact of Covid-19 has been felt strongly within the building divisions such as DCB, other areas of the Group have been less affected due to the nature of the gas and electrical contracts with customers including local councils. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1. Investments

Investments held by the Company are stated at cost less provision for diminution in value. Expenses incurred relating to acquisitions are expensed to profit or loss.

2.2. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short-term trade and other receivables when the recognition of interest would be immaterial.

2.3. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that have maturities of three months or less from inception, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.4. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2.5. Trade and other payables

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the "effective interest rate" to the carrying amount of the liability.

Notes to the parent company financial statements continued

for the financial year ended 31 March 2020

2. Significant accounting policies continued

2.6. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

2.7. Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit reported in the Statement of Comprehensive Income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying value of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is charged or credited to the Statement of Comprehensive Income except when it relates to items credited or charged directly in equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is calculated at the tax rates and laws that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.8. Share based payments

The Company issues equity-settled share based payment transactions to certain employees. Equity-settled share based payment transactions are measured at fair value at the date of grant. The calculation of fair value at the date of grant requires the use of management's best estimate of volatility, risk free rate and expected time to exercise the options.

3. Critical accounting estimates and judgements

The preparation of these financial statements in conformity with FRS requires the Directors to make certain critical accounting estimates and judgements. In the process of applying the Company's accounting policies, management has decided the following estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the financial statements.

3.1. Share based payment charge

The Company issued share options to Directors and employees in previous years. None were issued in the year ended 31 March 2020. The Black Scholes model is used to calculate the appropriate charge for these options. The use of this model to calculate a charge involves using a number of judgements to establish the appropriate inputs to be entered into the model, covering areas such as exercise restrictions and behavioural considerations of scheme members. Underlying estimates and a full sensitivity analysis have not been disclosed as management do not feel that any reasonable change would materially influence the interpretation of the charge.

3.2. Carrying value of investments

Determining whether investments are impaired the Directors consider whether the investment is supported by the underlying net assets of the subsidiary company, and if not whether the value in use supports the valuation. The value in use calculation involves an estimate of the future cash flows of the cash-generating unit ("CGUs") and also the selection of appropriate discount rates to calculate present values. Future cash flows are estimated based on contract value and duration, together with margin based on past performance. Change in contract values and duration, together with margins achieved could result in variations to the carrying value of the investment. In addition, an adverse movement in the discount factor due to an increased risk profile or a change in the cost of debt (increase in interest rates) would also result in a variation to the carrying value of the investment.

4. Auditor's remuneration

	2020 £'000	2019 £'000
Audit fees payable by the Company	42	37

5. Employee expenses

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

	2020 No.	2019 No.
Management	7	6
	2020 £'000	2019 £'000
Wages and salaries	654	468
Social security costs	84	57
Pension costs	76	23
	814	548

The remuneration of the Directors and other key management personnel of the Company is shown in the Remuneration Committee Report and note 26.1 of the consolidated financial statements of the Group.

6. Investments

	2020 £'000	2019 £'000
At 1 April	22,931	35,627
Acquisition of R. Dunham	—	1,468
Share option charge for subsidiaries	36	87
Impairment of investment in P&R	—	(14,251)
At 31 March	22,967	22,931

The Directors have undertaken a detailed impairment review in the current year. As a result of this process no impairment has been identified as required as at 31 March 2020. Please see note 14.2 of the Bilby Plc consolidated financial statements for full details of the impairment review performed.

The principal subsidiaries of the Company as at 31 March 2020 are shown below:

	Percentage of voting rights	Country of residence	Nature of business
Purdy Contracts Limited	100%	England & Wales	Provision of gas, electrical and building services
DCB (Kent) Limited	100%	England & Wales	Provision of building services
Spokemead Maintenance Limited	100%	England & Wales	Provision of electrical services
R. Dunham (UK) Limited	100%	England & Wales	Provision of electrical services
P&R Installation Company Limited	100%	England & Wales	Provision of gas heating, plumbing and building services

Notes to the parent company financial statements continued

for the financial year ended 31 March 2020

7. Intangible assets

	Software costs £'000
Cost	
At 1 April 2019	35
Additions in the year	—
At 31 March 2020	35
Amortisation	
At 1 April 2019	25
Charge for the year	3
At 31 March 2020	28
Net book value	
At 31 March 2019	10
At 31 March 2020	7

8. Property, plant and equipment

	Office and computer equipment £'000
Cost	
At 1 April 2019	2
Additions in the year	6
At 31 March 2020	8
Depreciation	
At 1 April 2019	—
Charge for the year	2
At 31 March 2020	2
Net book value	
At 31 March 2019	2
At 31 March 2020	6

9. Trade and other receivables

	2020 £'000	2019 £'000
Due within one year		
Amounts due from Group undertakings	4,406	4,803
Prepayments and accrued income	415	87
	4,821	4,890

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

10. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans and overdrafts (note 11)	7,203	10,737
Trade payables	354	102
Deferred consideration	—	476
Amounts due to Group undertakings	781	728
Other taxes and social security	177	11
Accruals	362	1,290
	8,877	13,344

At 31 March 2019 £476,000 of deferred consideration was payable in respect of the acquisition of R. Dunham. This amount has been settled during the 2020 financial year. See note 29.2 of the consolidated financial statements for details.

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

11. Loans and other borrowings

Bank loans and overdrafts repayable, included within creditors, are analysed below:

	2020 £'000	2019 £'000
Current borrowings		
HSBC term loan	3,333	5,000
HSBC mortgage loan	314	371
Overdraft	3,556	5,366
	7,203	10,737
Non-current borrowings		
HSBC term loan	—	—
HSBC mortgage loan	—	—
	—	—

At 31 March 2020 the Company was in ongoing discussions with its bank, HSBC UK Bank Plc, in regard to the restructuring of the debt facility and related covenants. Subsequent to the year end the new facility arrangement has been agreed, as set out in note 21 to these Financial Statements. However, as the agreement was still in negotiation as at the balance sheet date, all term loans have been classified as current borrowings.

11.1. Bank loans

Working capital facilities

At 31 March 2020 the Group had a £6.5 million working capital facility with HSBC UK Bank Plc. The bank overdraft is held at an interest rate of 2.5% above the LIBOR (London Inter-Bank Offer Rate) and is repayable on demand. All cash and cash equivalents are denominated in Pounds Sterling. As at 31 March 2020, the Group had an unused overdraft facility of £2.94 million (2019: £1.13 million).

11.2. Loans

Bank and other loans

At 31 March 2020 the Group had a term loan in place with HSBC UK Bank Plc with an original principal value of £5.00 million repayable by quarterly instalments. As at 31 March 2020 £3.33 million of the loan remained outstanding. Up to November 2019 interest was payable at 2.75% above LIBOR. From November 2019 onwards the rate was increased to 3.75% above LIBOR.

Mortgage

A ten-year mortgage loan of £570,000 with HSBC UK Bank Plc was drawn down in July 2015, with interest payable at 1.9% above LIBOR. The mortgage is held over the freehold property of Purdy known as Brooklyn Lodge, Mott Street, Chingford, London E4 7RW. £314,000 remained unpaid at the end of the period.

Security

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

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

Notes to the parent company financial statements continued

for the financial year ended 31 March 2020

12. Share based payments

The Company has a share option scheme for certain Directors and employees of the Group. Options are generally exercisable at a price equal to the market price of Bilby Plc shares on the day immediately prior to the date of the grant. Options are forfeited if the employee leaves the Group before the options vest.

The Share Option Plan provides for the grant of both tax-approved Enterprise Management Incentives ("EMI") options and unapproved options.

The Black Scholes option model is used to calculate the appropriate charge for the share options. The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge. The total charge for the year to 31 March 2020 was £3,000 (2019: £128,000).

Share options issued and the inputs used in the Black Scholes option model are detailed in note 27 to the consolidated financial statements of the Group. Share options outstanding at the end of the year have the following exercise dates and exercise prices. There are no share options exercisable at the reporting date.

Grant date	Exercise date	Exercise price in £ per share	No. of options			2020
			2019	Issued in year	Forfeited	
March 2015	March 2018	0.58	293,103	—	(293,103)	—
July 2015	July 2018	0.95	510,000	—	(150,000)	360,000
December 2015	December 2018	1.19	240,000	—	(240,000)	—
July 2016	July 2019	1.26	360,000	—	(45,000)	315,000
July 2017	July 2020	0.73	145,000	—	(70,000)	75,000
			1,548,103	—	(798,103)	750,000

During the year £254,000 was transferred from the share based payment reserve to retained earnings in relation to tranches where all options have now been cancelled as a result of the relevant employees leaving the business.

13. Share capital

Ordinary shares of £0.10 each		2020 £'000	2019 £'000
At 1 April		4,054	4,029
Issue of consideration shares in connection with R. Dunham acquisition	a)	—	25
Issued in the year	b)	1,818	—
At 31 March		5,872	4,054
Number of shares			
At 1 April		40,540,027	40,290,027
Issue of consideration shares in connection with R. Dunham	a)	—	250,000
Issued in the year	b)	18,181,818	—
At 31 March		58,721,845	40,540,027

(a) Acquisition of R. Dunham

On 29 November 2018, the Company acquired the entire share capital of R. Dunham. The initial consideration for R. Dunham was satisfied by a cash payment of £750,000 together with an issue of 250,000 new Bilby Plc ordinary shares at a price of £0.97 per shares (the "consideration shares").

(b) Issued in the year

On 15 November 2019 the Company successfully completed a fundraise which generated £2,000,000 gross of issue costs from the issue of 18,181,818 new shares at £0.11 per share. Share issue costs of £182,000 (2019: £nil) have been offset against the share premium account.

14. Share premium

	2020 £'000	2019 £'000
At 1 April	8,609	8,392
Issued in the year (net of share issue costs)	—	217
At 31 March	8,609	8,609

15. Merger reserve

	2020 £'000	2019 £'000
At 1 April	2,251	14,251
Impairment of investment in P&R	—	(14,251)
At 31 March as previously stated	2,251	—
Prior year restatement*	—	2,251
At 31 March	2,251	2,251

* See note 19 for details for the prior year restatement.

16. Note to the statement of cash flows

	2020 £'000	2019 £'000
Cash flow from operating activities		
Profit before income tax	2,578	809
Adjustments for:		
Net finance cost	409	274
Share based payments	3	41
Amortisation	3	13
Depreciation	2	—
Movement in receivables	69	(5,015)
Movement in payables	(457)	3,682
Net cash used in operating activities	2,607	(196)

17. Financial instruments

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

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

The Company is exposed to the risks that arise from its use of financial instruments. The objectives, policies and processes of the Company for managing those risks and the methods used to measure them are described in note 25 of the consolidated financial statements. Further quantitative information in respect of these risks is presented throughout the consolidated financial statements.

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

	2020 £'000	2019 £'000
Loans and receivables:		
Other receivables	4,821	4,890
Cash and cash equivalents	—	—
	4,821	4,890

Notes to the parent company financial statements continued

for the financial year ended 31 March 2020

17. Financial instruments continued

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

	2020 £'000	2019 £'000
Held at amortised cost:		
Bank loans and overdrafts	7,203	10,737
Deferred consideration	—	476
Accruals	362	1,290
Trade payables	354	102
Amounts due to Group undertakings	781	728
	8,700	13,333

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

	Within 1 year £'000	Within 1–2 years £'000	Within 2–5 years £'000	Over 5 years £'000	Total £'000
2020					
Non-derivative financial liabilities					
HSBC mortgage	314	—	—	—	314
HSBC term loan	3,333	—	—	—	3,333
HSBC overdraft	3,556	—	—	—	3,556
Trade payables	354	—	—	—	354
Accruals	362	—	—	—	362
Amounts due to Group undertakings	718	—	—	—	718
	8,700	—	—	—	8,700

See note 24 of the consolidated financial statements for details of the maturity profile of the loans and overdrafts held with the Group's principal bank provider.

	Within 1 year £'000	Within 1–2 years £'000	Within 2–5 years £'000	Over 5 years £'000	Total £'000
2019					
Non-derivative financial liabilities					
HSBC mortgage	371	—	—	—	371
HSBC term loan	5,000	—	—	—	5,000
HSBC bank overdraft	5,366	—	—	—	5,366
Deferred consideration	476	—	—	—	476
Trade payables	102	—	—	—	102
Accruals	1,290	—	—	—	1,290
Amounts due to undertakings	728	—	—	—	728
	13,333	—	—	—	13,333

17.1. Capital management risk

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

	2020 £'000	2019 £'000
Net debt comprised as follows:		
Cash at bank and in hand	—	—
Bank borrowings and overdrafts	(7,203)	(10,737)
	(7,203)	(10,737)

18. Related party transactions

18.1. Transactions with Group undertakings

During the year the Company entered into the following transactions with its Group undertakings.

	Management charges to subsidiaries £'000	Dividends £'000
Year ended 31 March 2020	2,300	2,653
Year ended 31 March 2019	1,750	8,600

As at 31 March 2020 amounts owed by Group undertakings totalled £4,406,000 (2019: £4,803,000) and owed to Group undertakings totalled £781,000 (2019: £728,000).

19. Prior year restatement

Following a review of the 2019 financial statements by the Corporate Reporting Review Panel of the Financial Reporting Council ("FRC") the Company's retained earnings as at 31 March 2019 have been restated. A total of £14,251,000 was debited to the merger reserve in respect of the impairment of the Company's investment in P&R Installation Company Limited. However, this amount should have initially been debited to profit or loss with a transfer of £12,000,000 subsequently made to the merger reserve. The net impact on retained earnings as at 31 March 2019 is a debit of £2,251,000 with no impact on the net assets of the Company.

20. Ultimate controlling party

The Directors consider that there is no ultimate controlling party of Bilby Plc.

21. Events after the reporting date

At 31 March 2020 the Group was in ongoing discussions with its bank, HSBC UK Bank Plc, in regard to the restructuring of the debt facility and related covenants. On 22 May the Group secured new debt facilities totalling £9.8 million. The Group's previous debt facility was in the form of a £3.3 million term loan and a £6.5 million overdraft facility. This new debt facility consists of a £7.3 million term loan facility and a £2.5 million overdraft facility. The facility expires in September 2022 and there will be £0.5 million quarterly repayments starting in August 2020.

The first covenant test for the new facility will be to achieve a minimum EBITDA of £1.1 million for the year ending 31 March 2021. The covenants for the period beyond 31 March 2021 will be tested quarterly and they are (i) achievement of minimum levels of EBITDA; (ii) debt service cover; and (iii) interest cover.

As the agreement was still in negotiation as at the balance sheet date, all term loans have been classified as current borrowings within the balance sheet at 31 March 2020.

22. Parent company guarantee

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

Shareholder information

Corporate information

Registered office

201 Temple Chambers
3-7 Temple Avenue
London EC4Y 0DT

Website

www.bilbyplc.com

Registered number

9095860

Listing information

AIM:BILB

Date of Annual General Meeting

14 September 2020

Advisers and registrars

Nominated adviser, financial adviser and broker

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Solicitors

Dentons UKMEA LLP
One Fleet Place
London EC4M 7RA

Auditor

Moore Kingston Smith LLP
Devonshire House
60 Goswell Road
London EC1M 7AD

Financial PR

Hudson Sandler Ltd
25 Charterhouse Square
London EC1M 6AE

Registrar

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

Company Secretary

ONE Advisory Limited
201 Temple Chambers
3-7 Temple Avenue
London EC4Y 0DT

Shareholder enquiries

Our website contains a wide range of information of interest to investors, including: latest news and press releases, Annual Reports and investor presentations. For further information please contact info@bilbyplc.com.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Bilby Plc (the "Company"), incorporated in England and Wales (registered number 09095860), gives notice that its 2020 Annual General Meeting (the "Meeting") will be held on 14 September 2020 at 10:00 am at 3-7 Temple Chambers, Temple Avenue, London EC4Y 0DT, to consider and, if thought fit, to pass the resolutions (set out below), of which resolutions 1 to 6 are proposed as ordinary resolutions and resolution 7 is proposed as a special resolution.

The Company is closely monitoring the Covid-19 situation, including UK Government guidance, and will continue to do so in the lead up to the Meeting. The health of our shareholders, employees and stakeholders remains extremely important to us and, accordingly, the Board has taken into consideration the "Stay at Home" measures that have been published by the UK Government restricting public gatherings. Should these directives remain in place up to the Meeting, shareholders, advisers and other guests will not be allowed to attend the Meeting in person and anyone seeking to attend the Meeting will be refused entry. As such, shareholders should note they are not entitled to attend the Meeting in person unless notified otherwise via the Company's website at www.bilbyplc.com.

Shareholders are requested to therefore submit their votes, in respect of the business to be discussed, via proxy as early as possible. Shareholders should appoint the Chair of the Meeting as their proxy. If a shareholder appoints someone else as their proxy, that proxy will not be able to attend the Meeting in person or cast the shareholder's vote.

The business at the Meeting will be curtailed to the formal business section only, with no wider presentations on business performance or Q and A. If any shareholder has a question they would like to pose to the Board, this should be submitted to the Chair via co-sec@oneadvisory.london, and answers will be given via the Company website following the Meeting. In the event that further disruption to the Meeting becomes unavoidable, we will announce any changes (such as timing or venue) as soon as practicably possible through the Company's website.

ORDINARY RESOLUTIONS

1. To receive and adopt the Annual Report and Accounts of the Company for the financial year ended 31 March 2020 together with the Directors' Report and Auditor's Report on those accounts.
2. To appoint Kingston Smith LLP as auditor of the Company to hold office from the conclusion of the Meeting until the conclusion of the next Annual General Meeting of the Company at which the accounts are laid.
3. To appoint David Guest, who has been appointed by the Board since the last Annual General Meeting and accordingly is to be appointed at the Annual General Meeting, as a Director of the Company.
4. To reappoint Sangita Shah, who has retired in accordance with the Company's Articles of Association, as a Director of the Company.
5. To reappoint David Johnson, who has retired in accordance with the Company's Articles of Association, as a Director of the Company.
6. The Directors be generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares up to a nominal amount of £1,957,199.10, such authority to expire at the end of the next Annual General Meeting or on 14 February 2022, whichever is the earlier, but, in each case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority ends.

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

SPECIAL RESOLUTION

7. That subject to the passing of resolution 6 above, the Directors be generally empowered to allot equity securities wholly for cash pursuant to the authority given by resolution 6 above, or where the allotment constitutes an allotment of equity securities by virtue of Section 560(3) of the 2006 Act, in each case:
 - a. in connection with a pre-emptive offer; and
 - b. otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount of £1,957,199.10, and as if Section 561(1) of the 2006 Act did not apply to any such allotment, such power to expire at the end of the next Annual General Meeting or on 14 February 2022, whichever is the earlier, but so that the Company may make offers and enter into agreements during this period which would, or might, require equity securities to be allotted after the power ends.

Notice of Annual General Meeting continued

Explanation of resolutions

1. The Company is required to present the accounts for the year ended 31 March 2020 and the reports of the Directors and auditor to the Meeting for approval. These are contained in the Company's Annual Report and Accounts for the year ended 31 March 2020.
2. The Company is required to appoint an auditor at each Annual General Meeting at which the accounts are presented to shareholders to hold office until the conclusion of the next such meeting. This resolution seeks shareholder approval to reappoint Kingston Smith LLP as auditor to hold office from the conclusion of the Meeting until the conclusion of the next Annual General Meeting of the Company at which the accounts are laid.
3. Where any Director has been appointed by the Board since the last Annual General Meeting, such Director is required to be appointed at the next Annual General Meeting. This resolution seeks shareholder approval to appoint David Guest as a Director of the Company.
4. Where any Director has been a member of the Board for the two preceding Annual General Meetings without reappointment, that Director is required to retire and may be reappointed. This resolution seeks shareholder approval to appoint Sangita Shah as director of the Company.
5. Where any Director has been a member of the Board for the two preceding Annual General Meetings without reappointment, that Director is required to retire and may be reappointed. This resolution seeks shareholder approval to appoint David Johnson as a Director of the Company.
6. The Directors are prevented, subject to certain exceptions, from allotting shares in the Company or granting rights to subscribe for, or convert any security into, shares in the Company without the authority of the shareholders. The authority to allot granted on 28 October 2019 expires at the end of the Meeting and therefore the Directors are seeking to renew the authority to allot up to a maximum of £1,957,199.10. The Directors' authority granted in this resolution will expire at the next Annual General Meeting or on 14 February 2022, whichever is the earlier.
7. Subject to certain exceptions, when new shares are allotted, they must be offered to existing shareholders pro rata to their holdings. This resolution would give the Directors the authority to allot ordinary shares in the Company without first having to offer such securities to existing shareholders in proportion to their existing shareholdings. The authority would be limited to allotments or sales in connection with (a) a pre-emptive offer and (b) up to an aggregate nominal amount of £1,957,199.10. The Directors' authority granted in this resolution will expire at the next Annual General Meeting or on 14 February 2022, whichever is the earlier.

By order of the Board

ONE Advisory Limited

Company Secretary

201 Temple Chambers
3-7 Temple Avenue
London
EC47 0DT

Notes to the Notice of Annual General Meeting

Entitlement to attend and vote

1. As explained on page 1 of this Notice, shareholders are not permitted to attend the Annual General Meeting following the recent public health guidance and legislation issued by the UK Government in response to the outbreak of Covid-19. Shareholders are entitled and encouraged to appoint a proxy to exercise all or any of their rights to vote on their behalf at the Meeting. Shareholders are strongly encouraged to appoint the Chair of the Meeting to be his/her proxy at the Meeting, given that no shareholders other than the minimum number of shareholders required to ensure that the Meeting is quorate will be permitted to attend the Meeting.
2. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders included in the register of members of the Company at 6:00 pm on Thursday 10 September 2020, or, if the Meeting is adjourned, in the register of members at 6:00 pm on the day that is two business days before the day of any adjourned Meeting, will be entitled to attend and to vote at the Annual General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 6:00 pm on Thursday 10 September 2020, or, if the Meeting is adjourned, in the register of members at 6:00 pm on the day that is two business days before the day of any adjourned Meeting, will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

Website giving information regarding the meeting

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

Appointment of proxies

4. If you are a shareholder who is entitled to attend and vote at the Meeting, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this Notice of Meeting, notwithstanding the particulars as set out in Note 1. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.

To appoint more than one proxy, please contact the Company's registrar: Neville Registrars Limited (Neville Registrars), Neville House, Steelpark Road, Halesowen B62 8HD.

6. Shareholders can:
 - appoint a proxy and give proxy instructions by returning the enclosed proxy form by post (see note 8); or
 - if a CREST member, register their proxy appointment by utilising the CREST electronic proxy appointment service (see note 9).
7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy by post

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

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

- completed and signed;
- sent or delivered to Neville Registrars Limited at Neville House, Steelpark Road, Halesowen B62 8HD; and
- received by Neville Registrars no later than 10:00 am on Thursday 10 September 2020.

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

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

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

Appointment of proxies through CREST

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

Notes to the Notice of Annual General Meeting continued

Appointment of proxies through CREST continued

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

The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID 7RA11) no later than 10:00 am on 10 September 2020 or, in the event of an adjournment of the Meeting, 48 hours before the adjourned Meeting.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

Changing proxy instructions

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

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

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

Termination of proxy appointments

11. A shareholder may change a proxy instruction but to do so you will need to inform the Company in writing by either:
- sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice; or
 - sending an email to info@nevilleregistrars.co.uk.

In either case, the revocation notice must be received by Neville Registrars no later than 10:00 am on Thursday 10 September 2020.

Corporate representatives

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

Communication

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

You may not use any electronic address provided either:

- in this Notice; or
- any related documents (including the Chair's letter and proxy form),

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

