



Report and Financial Statements

YEAR ENDED 31 DECEMBER 2019

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London School of Economics, London

Chairman's Statement

I am pleased to report that in 2019 Billington achieved a record performance. Strong cash generation provides a solid foundation for the Group to progress.

Revenue increased by 35.7 per cent to £104.9 million (2018: £77.3 million) and profit before tax increased by 20.4 per cent to £5.9 million (2018: £4.9 million).

The overall Earnings Per Share (EPS) for the year amounted to 39.8 pence compared with 33.6 pence in 2018, an 18.5 per cent increase. Our balance sheet continued to strengthen with Net Assets of £28.1 million at 31 December 2019 (31 December 2018: £23.5 million), driven by strong cash generation leading to a gross cash balance of £17.9 million at 31 December 2019 (31 December 2018: £9.3 million), providing a solid foundation for the Group to progress.

Sadly, after such a positive year we are now faced with the serious potential consequences of the Covid-19. Since the escalation of the pandemic, the Board has been focused on taking actions to preserve cash and protect liquidity in a way that does not compromise the long-term prospects of the business. These include deferral of all non-essential capital expenditure, a hiring freeze, cost reductions, agreed additional banking facilities, deferral of VAT payments and utilisation of the Government's Job Retention Scheme. In addition, the Board has decided to suspend payment of the dividend which would ordinarily have been paid to shareholders in July 2020. We understand the importance of the dividend to our shareholders and will keep our dividend policy under review in the coming months.

The Board believe these actions to be prudent with the uncertain economic outlook, notwithstanding the non-discretionary nature of much of our work and the covenant strength of our customers. Nevertheless, at this stage we are not able to quantify the impact on our full year results and consequently the Board does not believe it would be appropriate to provide forward looking financial guidance until greater clarity returns.

In 2019 there was a slight reduction in the Group operating margin to 5.7 per cent (2018: 6.3 per cent), reflecting the nature of the contracts undertaken during the year and some pricing pressure in the structural steel business, particularly in the later part of the year. However, we continue to seek cost savings and the opportunity for margin improvement where appropriate. Whilst margin pressures remain in the structural steel market, we believe our continued focus on and delivery of larger contracts leaves the Company well positioned for the future.

During the year our structural steel businesses, Billington Structures and Shafton Steel Services operated at near full capacity, delivering a number of exceptional projects, improving productivity and further increasing the range of services we can

offer our clients. The conclusion of 2019 noted an increasingly competitive market and as Covid-19 has become more prevalent a small number of contract commencements have been deferred.

The easi-edge perimeter edge protection and fall prevention business had its best ever year, with further investment in stock, high utilisation and new customer wins. The business entered 2020 with a good degree of forward visibility although more recently has noted some project delays that could impact the utilisation of its products during 2020.

Peter Marshall Steel Stairs again achieved a strong performance, continuing to focus on securing larger contracts with our partner clients. We continue to invest in the business and while the orderbook remains satisfactory a number of contract delays have been noted.

hoard-it continued to grow and in 2019 recorded its best performance to date. With an excellent market position and a focus on expanding the business into the residential construction market, the outlook remains positive in what is a competitive and price sensitive market.

Pension Scheme

The defined benefit pension (closed to future accrual in 2011) has performed well in the period with an increased surplus, despite a backdrop of continued volatility in the equity market. At 31 December 2019 a surplus of £2,205,000 (2018: £1,630,000) along with a corresponding deferred tax liability of £375,000, has resulted in a net recognised surplus of £1,830,000 (2018: £1,353,000).

Dividend

2019 was an exceptional year for the Group and the Board, under ordinary circumstances would have sought to maintain its progressive dividend policy. However, prudently, we have resolved to suspend the dividend at this time.

Liquidity and capital reserves

There has been a significantly increased net cash inflow of £8.5 million during the year (2018: £1.2 million) resulting in gross cash balances of £17.9 million at the year end. Going forward the Group's cash performance provides strong cover for its working capital requirements and a robust position from which to take the Group forward. Capital expenditure for 2020 is forecast to increase as the Group seeks to further enhance its manufacturing capabilities, and to replace some aged capital equipment when it is prudent to do so.



Ian Lawson

Non Executive Chairman

20 April 2020

Board movements and Our People

2019 was my first full year as Chairman of the Company and I have been extremely impressed by the skills, dedication and commitment to Billington shown by our people. I would like to take this opportunity to thank all our workforce for their efforts in 2019 and I know they will continue to deliver exceptional performances for Billington, particularly in the light of the new challenges we are facing.

During the year we increased our workforce by 5.3 per cent. Through hard work and appropriate utilisation of the available resources we were able to deliver a 35.7 per cent increase in revenue.

Economic Outlook

Whilst the General Election in December 2019 and the UK's departure from the European Union (EU) at the end of January 2020 has reduced some uncertainty, a measure will remain until the nature of the UK's future trading relationship with the EU is resolved.

The Group does source some products from Europe, either directly or indirectly via its network of suppliers and subcontractors, but we are conscious of not relying on one source for key supplies to mitigate the inherent risks to an acceptable level. The recent purchase of British Steel by Jingye on 9 March 2020 provides the Company and the wider steel industry with stability and increased certainty of uninterrupted supply moving forward.

Current forecasts for the UK structural steelwork industry are for the market to increase by 3.9 per cent in 2020 and a further 3.6 per cent in 2021 following a fall of 2.4 per cent in 2019. These forecasts are likely to be subject to revision as the impact of Covid-19 is assessed.

Opportunities exist across Europe and are being actively pursued by the Company. The successful delivery of the Company's largest project to date in Europe in 2019 demonstrates the ability of the Group to successfully deliver significant projects outside of the United Kingdom.

The Company remains alert and adaptable to the constantly evolving industry, political, health and economic environment and seeks to take measures, taking advice where appropriate, to mitigate risks to the business as far as possible.

Current trading and outlook

The current environment is dominated by the global Covid-19 pandemic and I am pleased to report that all our facilities currently remain operational in line with Government advice. Whilst there has been an inevitable reduction in volumes of certain products and services, we have taken measures to mitigate the effect of these. Our priority is the health, safety and wellbeing of our employees, suppliers and customers. We have taken a number of actions, in line with government guidance, to facilitate this and continue to monitor the situation to ensure we are employing best practice.

Whilst the ultimate impact of the Covid-19 pandemic on industry, the economy and Billington is uncertain, we have a robust business, supported by a healthy balance sheet and committed workforce. Billington remains well placed to deal with the uncertain future ahead.

Operating Divisions

LOCATIONS



Billington Structures

Wombwell, Barnsley
Shafton, Barnsley
Yate, Bristol

Nationally recognised and awardwinning steelwork contractor, with over 70 years' experience. Plants in Barnsley and Bristol with capability to process over 40,000 tonnes of steel per annum.

www.billington-structures.co.uk



Shafton Steel Services

Shafton, Barnsley

State-of-the-art steel processing and profiling facility acquired in 2015.

www.shaftonsteel.co.uk



Tubecon

Wombwell, Barnsley
Yate, Bristol

Tubecon is a specialist in complex steel structures. Operates primarily in the UK construction and rail infrastructure markets.

www.tubecon.co.uk



hoard-it

Wombwell, Barnsley

hoard-it provides re-usable and eco-friendly site hoarding solutions.

www.hoard-it.co.uk



1. Gildersome, Leeds
2. Shafton, Barnsley
3. Wombwell, Barnsley
4. Tuxford, Nottinghamshire
5. Yate, Bristol



Peter Marshall Steel Stairs

Gildersome, Leeds

Specialist company engaged in the design, fabrication and installation of highly engineered steelwork, staircases and balustrade systems.

www.marshallstairs.com



easi-edge

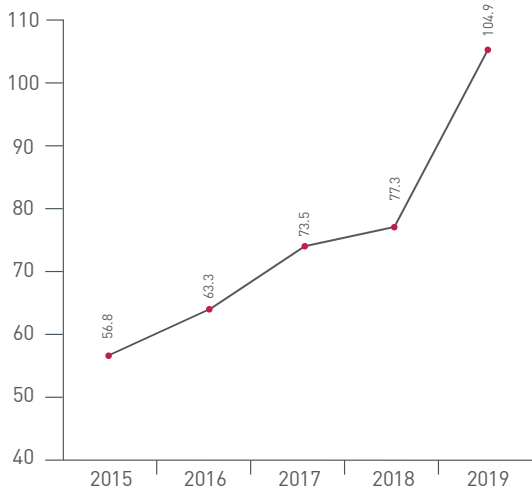
Tuxford, Nottinghamshire

Leading provider of safety solutions to the UK construction industry. Primarily supplies perimeter edge protection and fall prevention systems.

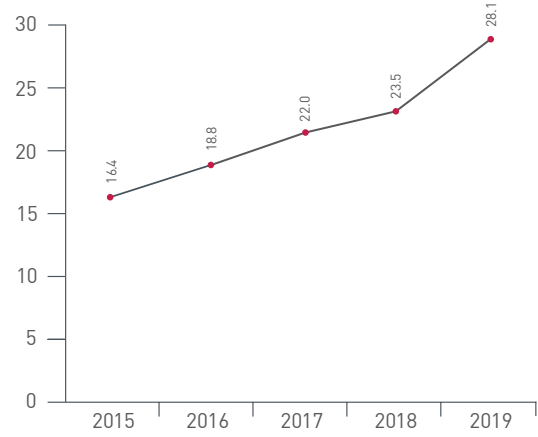
www.easi-edge.co.uk

Five Year Summary

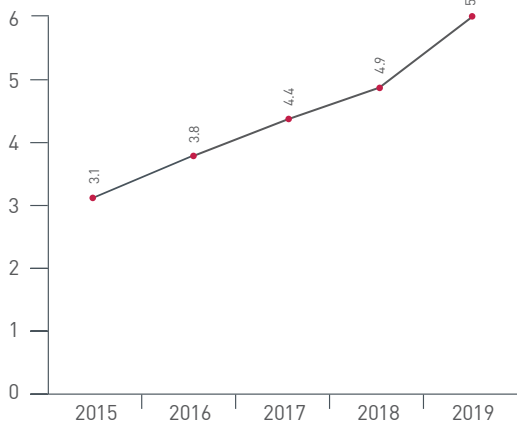
Revenue (£m)



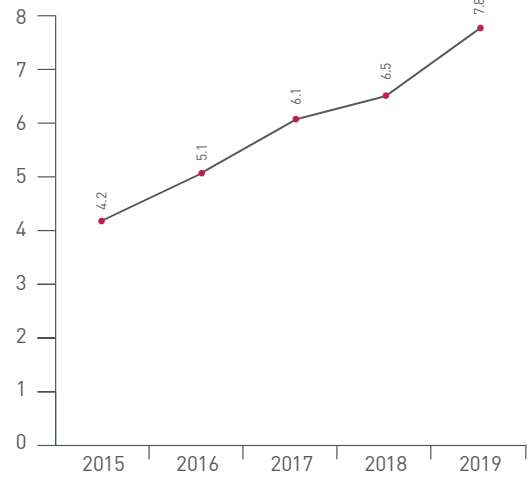
Net Assets (£m)



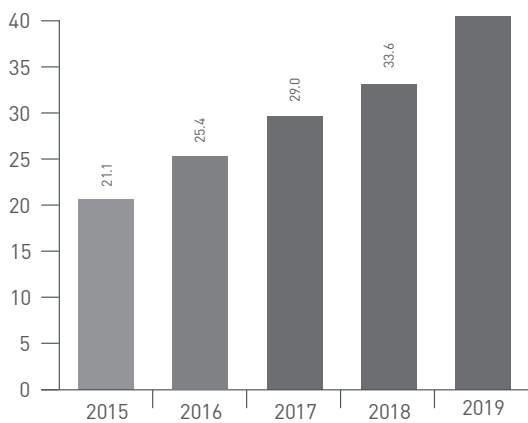
Profit Before Tax (PBT) (£m)



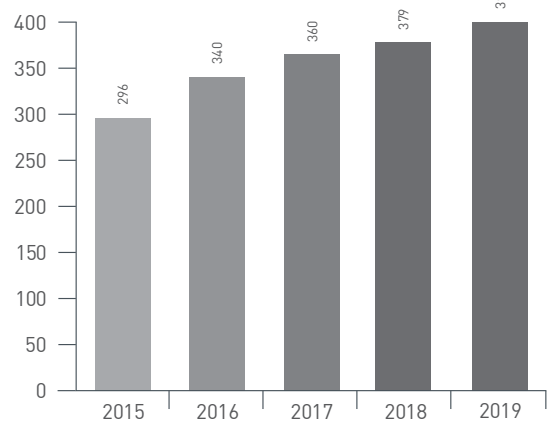
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (£m)



Earnings per Share (EPS) (pence)



Average Number of Employees



Operational Review

2019 was another record year for Billington, reflecting the number of large projects that have been undertaken, resulting in revenues increasing by 36 per cent to £104.9 million and profit before tax increasing by 20.4 percent to £5.9 million. This exceptional performance is a real credit to the tireless dedication of our employees and I would like to thank them all for their efforts.

All the businesses across the Group performed well and whilst we expect a good performance to continue, we recognise that due to the number of large contracts undertaken, 2019 was an exceptional year.

Billington Structures and Shafton Steel Services

Billington Structures is one of the UK's leading structural steelwork contractors with a highly experienced workforce capable of delivering projects from simple building frames to complex structures in excess of 12,000 tonnes to all market sectors. With facilities in Barnsley and Bristol and a heritage dating back over 80 years, the business is well recognised and respected in the industry with the capacity of processing over 40,000 tonnes of steel per annum.

The Shafton facility was acquired in 2015 and has been fully integrated into Group operations. Alongside the successful integration, two separate business areas have been developed on the site. The first undertakes activities for Billington Structures and has continued to enjoy a strong performance driven by high production volumes. The second, Shafton Steel Services, offers a complete range of steel profiling services to a large number of diverse engineering and construction companies, providing further opportunities to increase the capacity of the current business units as well as allowing for the development of new, value added, complementary products and services to enhance the comprehensive offering of the Group.

During the year the business has traded very strongly, particularly through the execution of the £41 million of contracts announced in November 2018 and the further £30 million of large contracts secured in June 2019.

The larger projects undertaken by Billington Structures during 2019 included:

- **Circle Square, Manchester**
- **4 Wellington Place, Leeds**
- **Large Data Centre development, Europe**
- **Barnsley town centre redevelopment scheme – “The Glassworks”**
- **First Way, Wembley**
- **Pinewood Studios, Buckinghamshire**
- **Large Fulfilment Centre, North East of England**

I am pleased that Billington Structures was again recognised for a number of national awards being the public vote winner of the 2019 Tekla Awards for the Wellington Place development in Leeds and receiving a commendation for the Ingenuity House development in Birmingham at the 2019 Structural Steel Design Awards.

Billington Structures maintains a satisfactory order book, providing a good degree of visibility for the remainder of the current year and the focus is both on the successful completion of existing contracts and the securing of new business for the remainder of 2020 and beyond. A very good number of opportunities exist, although there remains pricing pressure and uncertainty within the market. It is possible that projects anticipated for construction during the latter part of 2020 could be impacted by delays as developers and main contractors seek a period of review and are able to complete current projects under construction.



Wellington Place, Leeds

During the period Billington Structures received a Tekla Award for multiple plots at Wellington Place in Leeds.

Peter Marshall Steel Stairs

Based in Leeds, Peter Marshall Steel Stairs is a specialist designer, fabricator and installer of bespoke steel staircases, balustrade systems and secondary steelwork. It has the capability to deliver stair structures for the largest construction projects and operates in sectors spanning retail, commercial offices, education, healthcare, rail and many more.

During the year the business delivered another good performance, fulfilling a smaller number of larger contracts than has historically been the case, for principal contractors, Billington and other steelwork companies.

Notable projects undertaken in 2019 included:

- **100 Liverpool Street, London**
- **Ada Lovelace School, London**
- **Bardon Hill, Leicestershire**
- **Pinewood Studios, Buckinghamshire**
- **Cobalt, Didcot**
- **Large data centre development, Europe**
- **Battersea development, London**

easi-edge

easi-edge is a leading site safety solutions provider of perimeter edge protection and fall prevention systems for hire within the construction industry. Health and safety is at the core of the business which operates in a legislation driven market.

In 2019 the business enjoyed its best ever year, carrying on the momentum from 2017 and 2018. The investment in stock available for hire continued, with a new improved barrier design implemented. easi-edge enjoyed high utilisation rates reflecting the market demand for their solutions, one of the higher margin segments for the Group.

Projects undertaken by easi-edge on 2019 included:

- **4 Wellington Place, Leeds**
- **Large data centre development, Europe**
- **Circle Square, Manchester**
- **Ark Blake, London**
- **Blundell Street, Liverpool**
- **Merseyside Police, Liverpool**
- **Two New Bailey, Manchester**

The business brought a strong forward order book into 2020.

Recently, as a result of Covid-19, the company has noted a number of project delays which are anticipated to affect the hire utilisation of its products throughout the duration of the pandemic.

hoard-it

hoard-it produces a unique range of re-usable temporary hoarding solutions which are environmentally sustainable and available on both a hire and sale basis tailored to the requirements of its customers.

Under the new leadership introduced in 2018 the business continues to grow. The momentum gained in 2018 continued in 2019, producing a record result.

Notable projects in 2019 included:

- **Wembley Stadium**
- **Circle Square, Manchester**
- **Northgate House, Oxford**
- **Princes Quay Street, Hull, Liverpool**
- **Centenary Square, Birmingham, Liverpool**
- **Edinburgh Airport**

Significant progress continues to be made to establish the product as the number one choice for main contractors, housebuilders and developers in the construction industry. There has been a particular focus on growing the business in the residential construction market, where hoard-it's range of printed boards and panels are proving attractive to developers looking for a professional site image.

Our People

Our workforce is at the heart and drive of everything we do, and we continue to strive to make Billington the best employer. During the year the Group increased its workforce by a further 5.3 per cent to 399. They were able to deliver a 36 per cent increase in turnover, reflecting the hard work undertaken, productivity gains and improved utilisation of resources.

Attracting sufficient, experienced, quality people remains a challenge across the industry. The Group therefore continues its focus on developing its people and has a number of training initiatives to assist in overcoming this issue. Billington maintains close relationships with local education providers, supporting both Barnsley College and the University of Sheffield Engineering Department. The Company regularly attends educational career days, hosts school visits to its sites and seeks to develop talent from a young age with its range of internal training programmes across all departments of the business.

Wage pressures continue to be an issue in the industry as companies compete for talent in a limited pool. To help mitigate against this Billington continues to actively promote its apprenticeship and graduate schemes, which are particularly focused on fabricator welders and technical staff. These programmes are geared to help the business maintain the necessary skills and expertise to meet both its current and future requirements.

Billington is an advocate, promotor and contributor to the British Constructional Steelwork Association's CRAFT apprentice programme. The scheme has become the default path for the Company to train, educate and progress structural steelwork fabricators. The scheme ensures that the Company possesses the necessary and appropriate skills to enable it to deliver for its clients and be at the forefront of new processes and techniques, driving manufacturing efficiencies.

Health, Safety, Sustainability, Quality and the Environment

Billington remains committed to health, safety, sustainability, quality and the environment. Across the Group we continue to be actively involved in a number of initiatives both locally and nationwide. The Group aims to be proactive in the identification, reporting and resolution of risks both on site and in our production facilities to ensure that we are able mitigate the risks and promote safe ways of working.

The safety and welfare of our employees and subcontractors is of paramount importance and is at the centre of all operations across the Group. During 2019 the Health and Safety department was further strengthened to ensure that continued progress can be achieved in enhancing working practices and improving the safety culture at all facilities and our on-site activities.

There were regrettably two lost time reportable accidents in the year. However, the Group continued to outperform the industry average Accident Frequency Rate (AFR), relating to our employees, at 0.22.

Charity

Billington continues to be a significant advocate and supporter of both local and national charities. In 2017 we established the Billington Charity Foundation in order to focus efforts. Billington has actively supported many charity programs for social innovation, the fight against cancer, education and aiding sports facilities.

Throughout 2019 Billington donated to the likes of Brain Tumour Research, Weston Park Cancer Charity, Macmillan, The Grand Appeal and the Alzheimer's Society. The Company has continued its annual sponsorship of RSPB Old Moor and sponsored a good number of other local sports clubs. Billington continued their efforts through sponsoring the Barnsley College Student Awards and University of Sheffield Engineering Department.

Billington actively supports a diverse range of charitable and social causes its employees are involved with. The Group encourages involvement in initiatives intended to improve the local areas in which our people live.

Customers and Suppliers – Ethical Trading

The Company recognises the need to maintain a supply chain that adheres to and is aligned with our environmental, social and commercial objectives and policies.

Billington is committed to carrying out all dealings with clients, suppliers, sub-contractors and its own staff in a fair, open and honest manner. It is also committed to complying with all legislative and regulatory requirements that are relevant to its business activities.

The Company communicates fully and openly with customers regarding costs of work undertaken and will provide accurate and honest guidance and advice to customers to ensure their requirements are met.

The Company strives to develop positive relationships with suppliers to ensure both parties understand each other's problems and requirements. It will not use current or potential contracts to coerce suppliers into unsustainable offers.

The Company treats its staff fairly in all aspects of their employment, valuing their contribution to the achievement of Company objectives and providing them with opportunities for training and development.

The Company is proud of its long standing and committed partner relationships with its supply chain and in turn seeks to treat them fairly with timely payment for works and the implementation of a 'no retention' policy.

Steel Industry

We have been closely monitoring developments at British Steel, particularly since it was placed in the hands of the Official Receiver in May 2019. We welcome the news that the sale of British Steel to Chinese firm Jingye has now been completed and we welcome the stability that a concluded sale provides to the British steel industry. Minimal disruption was noted throughout the year as the operations were smoothly transitioned from Greybull to the Official Receiver.

Anticipated investment upon the completion of the purchase by Jingye is expected to be significant as they process a number of furnace upgrades. These investments are not only expected to safeguard the long-term viability of the company, they will also see them improve their products within a competitive global market.

Throughout 2019, ongoing uncertainty about near-term business conditions as well as fairly high UK steel stock levels at the end of the first quarter of 2019 prompted a larger than expected stock decrease in the second quarter. Throughout Q3 and Q4 2019 UK steel stock and consumption levels continued to fall, although as the market begins to stabilise; consumption levels are expected to recover during 2020 which may have a consequential impact on price.

Coking Coal, Iron Ore and 'scrap steel', the key input costs for steel manufacturing, also remained unpredictable throughout 2019, leading to some fluctuations in price throughout the year for the wide range of steel products that the Group sources from a variety of steel producers worldwide. As stated previously, Billington keeps its steel supply options under constant review and employs a variety of measures to allow the Company to reduce its exposure to unpredictability in steel prices and any variability in supply over the short term.

Prospects and Outlook

We are delighted with the results we have achieved in 2019, an exceptional year for the Group. However, 2020 has been dominated by the impact of the Covid-19 pandemic.

To date, Billington has been able to remain operational, with the majority of construction sites open and customer projects continuing after some temporary interruptions. The health, safety and wellbeing of all our employees, suppliers and customers has been our primary concern and we have undertaken a full review of our operations and working practices, making changes and implementing new procedures where appropriate, following the latest government guidance on tackling Covid-19.

Whilst we remain operational the Covid-19 outbreak has inevitably led to some reductions in volumes across the Group although more prevalently in our easi-edge, hoard-it and Peter Marshall Steel Stairs businesses. To minimise the impact on the Company we have taken the decision to furlough a number of staff in these businesses as well as within Billington Structures.

Securing additional suppliers of key outsourced components and services has been a priority, to mitigate, as far as possible, any impact from business interruptions and closures in our supply chain. However, it remains uncertain whether we will remain unhindered by any issues with our supply chain as the pandemic reaches its peak and moves to resolution.

The Covid-19 pandemic will inevitably have an impact on our industry and customers, and whilst the ultimate outcome is uncertain, Billington is in a strong position to navigate the difficulties ahead and remain a significant player in the structural steel and safety solutions markets.



Mark Smith

Chief Executive Officer
20 April 2020

A handwritten signature in black ink that reads "M. Smith".





Financial Review

Revenue	EBITDA	Profit before tax	Operating profit margin
£104.9m	£7.8m	£5.9m	5.7%
Operating cash inflow	Cash and cash equivalents	Earnings per share from continuing operations	
£8.5m	£17.9m	39.8p	

Consolidated income statement

	2019 £'000	2018 £'000
Revenue	104,911	77,266
Operating profit	5,936	5,001
Profit before tax	5,931	4,943
Profit after tax	4,796	4,049
Profit for shareholders	4,796	4,049
Operating profit margin	5.7%	6.5%
Return on capital employed	49.1%	35.2%
Earnings per share (basic)	39.8p	33.6p

Revenue increased 35.8 per cent year on year primarily as a result of Billington Structures increasing its output, particularly in relation to its traditional structural steelwork activities. The Group has seen revenue increase 133 per cent during the five year period from 2014 to 2019 as a result of consistent investment, an improving market environment and, successful penetration into Central European markets. Revenues of £28,896,000 were generated from European markets in the year (2018: £784,000).

Forecasts indicate that the consumption of structural steelwork within the UK marginally declined to 856,000 tonnes in 2019 from 877,000 tonnes in 2018. Projections indicate that consumption will increase by 3.9 per cent to 889,000 tonnes in 2020 and a further 3.6 per cent to 920,000 tonnes in 2021, allowing the Group to continue to look forward with optimism in the medium term, although these forecasts may be revised as the impact of Covid-19 is assessed.

Operating margins reduced to 5.7 per cent in the year as a result of a difficult trading environment towards the close of 2019 while approaching the UK general election and the UK's exit from the European Union. The operating margin achieved within the Safety Solutions entities, at 20.2%, was a fantastic result. Strong levels of utilisation were noted for the majority of 2019, on an increased level of hire stock, following continual investment in the hire fleets over recent years.

Earnings per share improved from 33.6 pence in 2018 to 39.8 pence in 2019 representing an increase in the result for shareholders of 18.5 per cent.

Cash generation was strong during the year, leaving a gross cash balance of £17,856,000 (2018: £9,311,000) at the year end. The average gross cash balance during the year was £10,688,000 (2018: £10,011,000). The strong cash generation, following a positive trading period leaves the Group with a robust cash position to enable it to achieve both its short and long term objectives, while providing financial security in a cyclical industry.

Staff numbers as at December have increased 5.3 per cent, from the same period last year, to 399 as the Group continues to increase its activities across all divisions. The increase in turnover relative to the increase in employee numbers is an exceptional achievement and represents a year of hard work across all divisions of the Group. Industry wide challenges remain in attracting sufficient quality resource across all disciplines.

The Shafton facility provides the Group with opportunity to expand and diversify its operations further optimising the current resources within the control of the Group.

Earnings per share improved from 33.6 pence in 2018 to 39.8 pence in 2019 representing an increase in the result for shareholders of 18.5 per cent.

Financial Review Continued

Consolidated balance sheet

	2019 £'000	2018 £'000
Non current assets	16,456	15,711
Current assets	33,548	28,849
Current liabilities	(21,724)	(19,609)
Non current liabilities	(187)	(1,500)
Total equity	28,093	23,451

Significant investments were made in the year relate to increasing and renewing the hire fleet at easi-edge and hoard-it, this accounted for £1,064,000 of the additions in the period.

Within non-current assets, property, plant and equipment increased by £209,000, represented by capital additions of £1,751,000, depreciation charges of £1,814,000 and net disposals of £10,000. During the year an adjustment relating to the capitalisation of lease obligations in accordance with the provisions of IFRS 16 was made of £282,000.

The defined benefit pension scheme has performed well in the period against a backdrop of a turbulent equity market. At the year end, a surplus of £2,205,000 along with a corresponding deferred tax liability of £375,000 has resulted in a net recognised surplus of £1,830,000. The scheme was closed to future accrual in 2011.

The net deferred tax liability at the year end was £176,000 (2018: asset £39,000), being a deferred tax asset of £199,000 (2018: £316,000) related to temporary timing differences net of a deferred tax liability of £375,000 (2018: £277,000) related to the defined benefit pension scheme surplus.

The increase of £4,699,000 in current assets included a decrease of £3,669,000 in inventories, a decrease of £177,000 in trade and other receivables, and an increase in the cash balance of £8,545,000.

Retention balances, contained within trade and other receivables outstanding at the year end, were £3,364,000 (2018: £1,970,000). It is anticipated that £3,110,000 will be received within one year and £254,000 in greater than one year.

The total rise of £2,115,000 in current liabilities principally comprised an increase in trade and other payables of £701,000 as the businesses enjoyed increased activity levels during the year. Furthermore, the mortgage relating to the purchase of the Shafton facility in 2015 over a 10 year repayment period is due for renewal after 5 years and therefore the outstanding balance of £1,500,000 is disclosed within current liabilities (2018: £250,000). A balance of £1,250,000 will be outstanding at the point of renewal.

Total equity increased by £4,642,000 in the year to £28,093,000. The financial position of the Group at the end of the year remains robust and provides a platform from which the Group can further increase shareholder value.

Consolidated cash flow statement

	2019 £'000	2018 £'000
Result for shareholders	4,796	4,049
Depreciation	1,814	1,502
Capital expenditure	(1,751)	(1,962)
Tax paid	(959)	(843)
Tax per income statement	1,135	894
(Increase)/decrease in working capital	5,378	(882)
Dividends paid	(1,565)	(1,385)
Net property loan movement	(250)	(250)
Others	53	125
Net cash inflow	<u>8,545</u>	<u>1,248</u>
Cash at beginning of year	9,311	8,063
Cash at end of year	<u>17,856</u>	<u>9,311</u>

Dividends were paid in the year at a cash cost of £1,565,000 (2018: £1,385,000), representing 13.0 (2017: 11.5) pence per share. The ability of the Group to convert profits into cash has been encouraging and provides the Group with cash balances with which to increase working capital associated with increased activity levels if required.

The Group remains committed to treating its suppliers and subcontractors fairly and to paying them in line with their agreed payment terms. It is the Group's policy not to withhold retentions from members of its valued supply chain.

Working capital

	2019 £'000	2018 £'000
Inventories and work in progress	8,342	12,011
Accounts receivable	7,350	7,527
Accounts payable	(19,433)	(18,732)
Working capital at end of year	<u>(3,741)</u>	<u>806</u>

Cash balances at the year end totalled £17,856,000 and there were property and hire purchase loans outstanding of £1,500,000 representing a net cash position of £16,356,000 (2018: £7,561,000). It is pleasing to note the strong cash position of the Group. Consistent and positive trading performances, combined with effective working capital management has allowed the Group cash balance to increase year on year and provides the Group with the flexibility and ability to capitalise on opportunities as they present themselves.

The strong year end cash position allows the Group to further invest in replacing and upgrading some of its capital assets. 2020 will note a modest increase in capital additions, primarily within the structural steel divisions of the Group. The additional capital expenditure shall aid both an increase in the range of services the Company can perform as well replacing a number of aged machines when it is prudent to do so. Investment in the latest technologies will ensure Billington can deliver the most challenging projects, efficiently, for its clients.

Financial Review Continued

Pension scheme

	2019 £'000	2018 £'000
Scheme assets	8,552	7,797
Current assets	(6,347)	(6,167)
Surplus	<u>2,205</u>	<u>1,630</u>
Other finance income	(6)	(36)
Contributions to defined benefit scheme	-	-

To limit the Group's exposure to future potential pension liabilities the decision was taken to close the remaining Billington defined benefit pension scheme to future accrual from 1 July 2011. The schemes assets have performed well, in a difficult market during the period leaving the scheme is a strong position as at the balance sheet date.

The scheme's triennial valuation for period ended 31 March 2017 was completed 8 January 2018. The position of the scheme as at the date of the valuation was an asset position of £8,207,000 and a liability position of £6,944,000 resulting in a surplus of £1,263,000. The next actuarial valuation is due to be completed as at 31 March 2020.

Employee Share Option Trust (ESOT)

The Group operates an ESOT to allow employees to share in the future, continued success of the Group, promote productivity and provide further incentives to recruit and retain employees.

Options were issued based on seniority and length of service across all parts of the Group.

During the year a Long Term Incentive Plan (LTIP) was introduced across the Group to assist in the remuneration of management and further align the interests of senior management and shareholders. Awards are made subjective to achieving progressive Group performance metrics over a three year period.

At the year end there were 424,705 share options outstanding at an average exercise price of £1.54 per share (2018: 281,104 shares at £2.63 per share).

The charge included within the accounts in respect of issued options is £97,000 (2018: £84,000).

Covid-19

As further detailed within the Report of the directors the company has conducted comprehensive financial modelling for a range of possible scenarios that may occur during the pandemic. The company has completed analysis on various scenarios ranging from minor disruption to cessation of all operations for a period of up to six months. The Board is satisfied it has sufficient cash resources to meet its obligations as they fall due throughout this duration.

As a contingency measure the company has successfully secured an additional overdraft facility of £3 million for a period of twelve months. Further to securing additional facilities the Group has reviewed its capital and discretionary expenditure and will only utilise its resources in these areas when it is prudent to do so.

In March the UK Government announced a range of assistance measures for businesses. The Company will seek to utilise these schemes where it is eligible and beneficial to do so.

Notwithstanding these positive indications of the financial stability of the Group, there is a risk that the impact of Covid-19 could be more significant than can be currently anticipated and the Directors have concluded that these circumstances represent a material uncertainty which could cast significant doubt on the Group's ability to continue as a going concern.

Nonetheless, the Directors expect that the Group has sufficient resources to enable it to continue to adopt the going concern basis in preparing the financial statements. These financial statements do not include any adjustment that would arise if the going concern basis of preparation was not considered appropriate.

It is encouraging to note that the position of the scheme as at the year end continues to show signs of improvement.

Trevor Taylor

Chief Financial Officer
20 April 2020




Board Profile and Registered Office



Ian Michael Lawson
Non Executive Chairman

Appointed: 01/10/2018
Nationality: British

Experience: Ian is a fellow of both The Royal Institute of Chartered Surveyors (FRICS) and the Chartered Institute of Building (FCIOB) and has a wide range of skills and experience from working within the construction industry for more than 35 years. Ian's previous experience includes being a main Board Director of a tier-1 Principal Contractor where he enjoyed a 13-year career and subsequently spent four years as Chief Executive Officer for a prominent Steelwork Contractor.



Mark Smith
Chief Executive Officer

Appointed: 01/01/2015
Nationality: British

Experience: Joined Billington Holdings Plc as Chief Operating Officer on 2 June 2014. Appointed as Chief Executive on the retirement of Steve Fareham on 1 January 2015, who became a Non Executive Director. An in depth knowledge of construction industry for over 30 years driving for growth and profit in competitive markets.



Trevor Michael Taylor
Chief Financial Officer

Appointed: 31/10/2011
Nationality: British

Experience: Trevor is a fellow of the Institute of Chartered Accountants in England & Wales (ICAEW) and joined Billingtons in 2008 as Financial Controller from Allotts Chartered Accountants where he specialised in Construction and Financial Services.



John Stuart Gordon
Non Executive Director

Appointed: 01/04/2007
Nationality: British

Experience: John practised as a barrister from 1989 until 1999 when he re-qualified as a solicitor and was a partner in national firms for many years. John now provides legal and strategic advice to individual businesses on a consultancy basis. He was appointed to the board in 2007, and his legal-commercial background makes him a valuable member of the team.



Alexander Ospelt
Non Executive Director

Appointed: 01/01/2013
Nationality: Liechtensteiner

Experience: Alexander Ospelt has been in independent practice as a lawyer since 1997 and is Member of the Board of Directors of Legacon Trust and Ospelt and Partner Attorneys at Law, Liechtenstein. In addition, he is also a Board Member of a number of other companies including Ospelt Holding Anstalt; Bergbahnen Malbun AG; Bank Havilland Ltd; Chairman of the Board of Seed X Liechtenstein Ltd; and Chairman of the Board of ONE Insurance Ltd. Alex was also appointed Honorary Consul of the Kingdom of Belgium in 2017.



Stephen John Wardell
Non Executive Director

Appointed: 14/01/2019
Nationality: British

Experience: Stephen is a member of the Institute of Chartered Accountants in England & Wales (ICAEW), having qualified in 1988. He retired from KPMG in 2018 having been a partner for nearly 20 years, having held a number of management roles in the firm and was most recently a Senior Audit Partner working with FTSE 100 and 250 boards in an audit, advisory and relationship management capacity. Throughout his career, Stephen has specialised in the construction and contracting sectors and was a member of the ICAEW Construction Sector Working Group back in 2014.



Darren Paul Kemplay
Company Secretary

Appointed: 31/12/2017
Nationality: British

Experience: A qualified HR professional with over 29 years experience across a range of industries. Joined the Group in February 2001 and has provided support and cover for the Group Secretarial function since 2016 and was formally appointed to the role of Company Secretary at the end of 2017 following the retirement of the previous post holder, Leslie Holloway.

Auditors

Grant Thornton UK LLP,
Registered Auditor, Chartered
Accountants, 2 Broadfield Court,
Sheffield, S8 0XF

Bankers

HSBC Bank Plc, 4th Floor, City
Point, 29 King Street, Leeds, LS1
2HL

Solicitors

Walker Morris LLP, Kings Court,
12 King Street, Leeds, LS1 2HL

Registrar and Main Transfer Office

Link Asset Services, Northern House,
Woodsome Park, Fenay Bridge,
Huddersfield, HD8 0GA

Nominated Advisor and Broker

W H Ireland, Royal House, 28 Sovereign
Street, Leeds, LS1 4BJ

Registered Office

Steel House, Barnsley Road, Wombwell,
Barnsley, South Yorkshire, S73 8DS
Registered in England.
Company Number: 02402219

Report of the Directors

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

1. Results and dividends

The consolidated income statement is set out on page 33 and shows the result for the year.

A final dividend in respect of 2018 of 13.0 pence per share was paid on 5 July 2019. No interim dividends were paid in 2019. No final dividend has been proposed in respect of 2019 as the dividend has been suspended to preserve cash resources.

2. Financial risk management objectives and policies

The Group uses financial instruments, other than derivatives, comprising borrowings, cash and various other items, such as trade receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

Foreign currency risk

To mitigate the Group's exposure to foreign currency risks non-Sterling cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings on an individual company basis. The Group's exposure to interest rate fluctuations on its borrowings is managed on a Group basis through the use of floating facilities on individual company accounts.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably. Primarily this is achieved through a Group treasury function which is charged with ensuring sufficient liquid funds are available to all companies as and when they are required. Short term flexibility is achieved by overdraft facilities.

Credit risk

The Group's principal credit risk arises from trade receivables. In order to manage credit risk the directors set credit limits for customers based on payment history and third party credit references. In addition, bad debt insurance is maintained to reduce the risk to an acceptable level (see notes 12 & 17 to the consolidated financial statements).

3. Directors

During the year Mr P.Hems retired following Mr I.Lawson taking over the position of Non Executive Chairman in the prior year. Furthermore, Mr S.Wardell was appointed as a Non Executive director on 14 January 2019.

In accordance with the Articles of Association Dr A. Ospelt and Mr J.S. Gordon retire and offer themselves for re-election.

The interests of the directors at the year end in shares of the company were as follows:

	31 December 2019		1 January 2019	
	Shares No.	Options No.	Shares No.	Options No.
Ian Lawson	17,200	-	-	-
Mark Smith	11,408	90,508	5,000	41,853
Trevor Taylor	12,408	70,802	6,000	40,382
John Gordon	282,270	-	307,270	-
Alexander Ospelt	6,500	-	6,500	-
Stephen Wardell	-	-	-	-

4. Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and have elected to prepare parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 and profit or loss of the Company and the Group for that period. In preparing these 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;
- state whether applicable International Financial Reporting Standards as adopted by the European Union/UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware and;
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

5. Going concern

The consolidated financial statements have been prepared on a going concern basis. The directors have taken note of the guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is the appropriate basis of preparation of the financial statements and have considered a number of factors.

The financial position of the Group, its record trading performance in 2019 and cash flows are detailed in the Financial Review and they demonstrate the robust position of the Group heading into 2020.

The Group has a gross cash balance of £17.9 million at 31 December 2019 and no significant long-term borrowings or commitments. At the end of March 2020 the Group had a gross cash balance of £13.0 million and during March 2020 the Group have secured a 12 month overdraft facility of £3 million, giving the Group available cash to utilise of £16.0 million.

The directors have prepared forecasts covering the period to April 2021 and approved by the Board in March 2020. The forecasts reflect the exceptional nature of the 2019 trading performance and the current political and economic uncertainty and pricing pressures in the structural steel market, excluding the potential impact of Covid-19 which is considered below.

The uncertainty as to the future impact on the Group of the recent Covid-19 outbreak has been separately considered as part of the directors' consideration of the going concern basis of preparation. The directors put in place many positive preventative measures at an early stage in the outbreak in response to Covid-19 to minimise the potential impact. Thus far, the measures have been effective.

In the downside scenario analysis performed, the directors have considered the reasonably plausible impact of the Covid-19 outbreak on the Group's trading and cash flow forecasts. In preparing this analysis, a number of scenarios were modelled ranging from a 30% drop in revenue by June 2020 followed by a gradual recovery from September through to December, to a total country-wide lockdown and subsequent closure of all sites for up to six months. In each scenario, mitigating actions within the control of management, including reductions in areas of discretionary spend, have been modelled, but no fixed cost reductions have been assumed. It is difficult to predict the overall outcome and impact of Covid-19 at this stage and the duration of disruption could conceivably be longer than anticipated. However, even under the scenario of the closure of all sites for a significant period, the company has sufficient liquidity and resources to continue to meet liabilities as they fall due, without any additional funding from either financial institutions or the government, which is considered separately below.

The UK Government has announced a number of funding initiatives throughout March 2020 to support businesses. The main scheme that the Group is eligible for is the Coronavirus Job Retention Scheme. The Scheme grants support from HMRC to cover up to 80% of salary costs of anyone not working due to Coronavirus but whose job has been retained, up to a maximum

of £2,500 per month for an initial period up to 31 May 2020, but it will be extended if necessary. If there was a significant reduction in operations or if any or all of the sites were required to close, the scheme would provide a significant amount of support and short-term cost reduction without impacting the long-term strategy of the Group.

Notwithstanding these positive indications of the financial stability of the Group, there is a risk that the impact of Covid-19 could be more significant than can be currently anticipated and the Directors have concluded that these circumstances represent a material uncertainty which could cast significant doubt on the Group's ability to continue as a going concern.

Nonetheless, the Directors expect that the Group has sufficient resources to enable it to continue to adopt the going concern basis in preparing the financial statements. These financial statements do not include any adjustment that would arise if the going concern basis of preparation was not considered appropriate.

6. Stakeholder engagement

Billington's stakeholders are an integral part of the business, they consist of: customers, suppliers, employees, shareholders, advisors and the local communities within which the Group operates.

Details of how the directors have engaged with these stakeholders are included within the Governance Report.

7. Auditor

Grant Thornton UK LLP have expressed their willingness to continue in office. In accordance with Section 489 (4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

This report was approved by the Board and signed on its behalf.



Darren Kemplay

Company Secretary
Billington Holdings Plc
Company Number – 02402219
20 April 2020

A handwritten signature in black ink, appearing to read 'D.P. Kemplay', with a horizontal line underneath.





Strategic Report for the year ended 31 December 2019

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

1. Business review

The business model of the Group is to operate as a designer, manufacturer and installer of structural steelwork through its subsidiaries Billington Structures Limited and Peter Marshall Steel Stairs Limited, and as a supplier of safety solutions and barrier systems to the construction industry, through its subsidiary easi-edge Limited as well as providing site hoarding systems through hoard-it Limited. The parent Company acts as a holding company providing management services to its subsidiaries.

On a Group basis the business review and future prospects for the business are contained within the Operational Review and Financial Review (see pages 5 to 15), including an analysis using key financial and non-financial performance indicators.

2. Key non-financial performance indicators

	2019	2018
Production efficiency	114%	110%
Hire stock utilisation	87%	90%
Accidents (own employees) – reportable	2	2
Employee numbers	399	379
Apprentice intake	8	8
Staff turnover (excluding restructuring)	12%	14%



3. Principal risks and uncertainties

Contract risk

The principal risk for each of the subsidiaries is contract risk, either agreeing inappropriate contract terms at the beginning of the contract process or failing to deliver contractual obligations. In order to mitigate these risks, significant senior management effort is invested in the agreement of contractual terms and the monitoring of performance against budget.

Health and safety

Health and safety within the Billington Group is of paramount importance. The protection of both our employees and those who may be affected by our business remains a key concern and priority. The ethos throughout the Group is to ensure the welfare of all employees is at the forefront of every decision and not only to meet legal requirements but to go far beyond.

Economic environment

The economic environment in which the Group trades continues to be challenging with both macro and micro economic pressures. These risks are largely outside of the control of the Group, however the directors monitor the economic environment closely and this informs decision making within the Group.

Credit risk

Current economic conditions have impacted on the Group's ability to maintain full credit protection on all customers. This will remain an important issue for the foreseeable future that will be constantly monitored to ensure the Group is not exposed to an unacceptable level of risk.

Failure to manage the above principal risks, as far as the Group is able, could lead to significant impact to profitability and to the reputation of the Group.

Foreign currency

Foreign currency cash flows present the Group with uncertainty relating to the timing and quantum of cash flow receipts. Where contract receipts are denominated in a foreign currency the risk associated with conversion into Sterling are mitigated through the utilisation of appropriate, effective hedging instruments.

Brexit

2019 saw a great amount of economic and political uncertainty as a result of the continuation of efforts in attempting to agree a 'deal' with the European Union (EU). Whilst performing activities within the EU throughout 2019 uncertainties as to the timing and implications of leaving the EU presented a number of challenges to the Company. Periodic reviews into the Company's overseas commercial operations as well as the sourcing of input materials were, and, continue to be conducted until the outcome of negotiations is concluded.

Uncertainty throughout 2019 and into 2020 and their associated impact on the UK economy and in particular the construction industry is being closely monitored and regularly reviewed.

Covid-19

The worldwide outbreak of Covid-19 in early 2020 has created significant uncertainty throughout the globe. It has had a significant impact upon the UK and it is difficult to predict the overall outcome and impact of Covid-19. The directors are closely monitoring and reviewing the latest situation on a daily basis and are taking all necessary steps and actions to reduce the risk and impact on the Group.

4. Section 172 (1) statement

The directors of the Company consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to Section 172 (a)-(f) of the Companies Act 2006.

5. Disabled persons

The Group's policy is to give sympathetic consideration, in both recruitment and training, to the problems of the disabled, and to assist them in developing their knowledge and skills to undertake greater responsibilities wherever possible.

6. Employee involvement

It is Group policy to disseminate relevant information about Group affairs amongst employees. The Group operates an Employee Share Ownership Plan (see note 10).

This report was approved by the Board and signed on its behalf.



Darren Kemplay

Company Secretary
Billington Holdings Plc
Company Number – 02402219
20 April 2020

A handwritten signature in black ink, appearing to read 'D.P. Kemplay', with a horizontal line underneath.

The directors have a reasonable expectation that the parent company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Sustainable and Responsible Business

Billington believes that operating in a sustainable and responsible manner is key to the growth and success of the Group. The Company has a number of policies in place that underpin its day-to-day operations, ensuring the safeguarding of both the environment and its stakeholders. This highlights Billington's fundamental commitment to delivering responsible business growth and development.

Health and Safety

Overview

Billington operates within an industry whereby if risks are not appropriately identified, monitored and mitigated could present risks to its employees and wider stakeholders. The Chief Executive Officer is ultimately responsible for the implementation and enforcement of the Company's policies and procedures.

The Health and Safety risks are mitigated through the constant review of the Company's procedures by an appropriately resourced and trained Health and Safety department who operate on a Group level and are able to cross pollinate good practices across all Group entities. The Group Health and Safety manager acts as Vice Chairman for the British Constructional Steelwork Associations (BCSA) Health and Safety Committee to enable the company to maintain and improve its knowledge of industry observations, trends and best practice.

The Company adheres to BS EN ISO 45001 and is audited annually through the Steel Construction Certification Scheme (SCCS) to ensure compliance.

The Health and Safety of the Groups employees, subcontractors and its wider stakeholders is of paramount importance and is at the heart of every decision when considering activities that could have an impact on individuals.

Environment

Overview

Due to the industry in which Billington operates, the Company recognises that its business activities can impact the wider environment, and therefore, has an obligation to reduce the direct negative impact of these activities. In order to manage the environmental risk, the Company has adopted policies that comply with the ISO BS EN 14001 - Environmental Management System.

The policies implemented by Billington manage the Company's environmental impact by reducing pollution, improving energy efficiency and reusing and recycling waste (where possible), in order to achieve its long-term environmental goals.

The Company also maintains the Gold Standard awarded by the British Constructional Steel Association ("BCSA") for meeting the requirements of the Steel Construction Sustainability Charter. The

programme of sustainability objectives is reviewed annually as a means of demonstrating continuous improvement.

To ensure the successful implementation of the Company's environmental policies, Billington educates and informs its employees of the environmental impact of their work activities, and encourages staff to seek methods to reduce these impacts. It also provides employees with the necessary resources to deliver the Company's environmental objectives.

Additionally, the Group works in partnership with sub-contractors to identify and develop procedures to reduce the environmental impact of its onsite project work to a practicable minimum and ensure optimum efficiency of onsite operations.

The Board is responsible for continuously monitoring and reviewing these policies to ensure the programme is adapted and improved. This will ultimately save the Company money, improve brand reputation and reduce Billington's environmental footprint.

Social

Overview

Billington's stakeholders are an integral part of the business, they consist of: customers, suppliers, employees, shareholders, advisors and the local communities within which the Group operates.

Employees

Employee engagement, development and satisfaction is key to building a successful business. Billington invests in the development of its staff, adopting a number of policies aimed at recruiting and rewarding employees, including operating effective training and award-winning apprenticeship schemes.

Billington keeps an open line of communication with employees through regular briefings and the production of company literature including a bi-annual newsletter. Board members frequently attend management briefings with Group companies to ensure active engagement at all levels.

The Company implements an Employee Share Option Trust (ESOT) to allow employees to share in the future and continued success of the Group.

Employee health and welfare is of utmost importance and a range of schemes and initiatives have been implemented and communicated to employees to assist in the promotion of an active and healthy lifestyle. Mental health and the recognition of a need to ensure employees are adequately supported has resulted in a range of initiatives being implemented during the year to further promote employee welfare. The Company was recognised for its promotion of employee welfare in the "Be Well at Work" awards in the local region.

These policies help to foster employee communication and development, and help to deliver long-term Company growth.

Customer and Suppliers – Ethical Trading

The Company recognises the need to maintain a supply chain that adheres to and is aligned with our environmental, social and commercial objectives and policies.

Billington is committed to carrying out all dealings with clients, suppliers, sub-contractors and its own staff in a fair, open and honest manner. It is also committed to complying with all legislative and regulatory requirements that are relevant to its business activities.

The Company communicates fully and openly with customers regarding costs of work undertaken and will provide accurate and honest guidance and advice to customers to ensure their requirements are met.

The Company strives to develop positive relationships with suppliers to ensure both parties understand each other's problems and requirements. It will not use current or potential contracts to coerce suppliers into unsustainable offers.

The Company treats its staff fairly in all aspects of their employment, valuing their contribution to the achievement of Company objectives and providing them with opportunities for training and development.

The Company is proud of its long standing and committed partner relationships with its supply chain and in turn seeks to treat them fairly with timely payment for works and the implementation of a 'no retention' policy.

Equal opportunities

Billington is an equal opportunity employer, it adheres to the Equality Act 2010, and believes that all individuals should be treated fairly and equally. The Group strives to create a supportive and welcoming environment where diversity is valued and employees have the ability to progress and prosper without prejudice or discrimination.

Whistleblowing

The Group is committed to the highest standards of openness, honesty and accountability, and has a strong whistleblowing policy in place that allows all employees to confidently raise any concerns they have internally, without fear of reprisal. The Audit

and Risk Committee continues to review these procedures and their effectiveness in order to positively enhance the working environment.

Health and Safety

Health and safety issues are monitored and reviewed on a monthly basis by senior management and the Board.

The Group has a well-developed management system for the internal and external control of health and safety which is managed by the Group Health & Safety Manager. This includes the use of risk management systems for the identification, mitigation and reporting of health and safety management information.

Billington's onsite teams have received numerous awards and recognition for their dedication to health and safety practices and the Company aims to continue this success.

Charity

The Company is actively involved in supporting local and national charities, and has established the Billington Holdings Charity Foundation through which it directs all charitable donations. It hosts charitable events for employees and donates funds to its local communities, sports teams and other worthwhile causes.

Training

Billington recognises the importance of training and development in maintaining and growing the success of the business, especially considering the skills shortage within the industry.

The Group has a long history of providing apprenticeship programmes throughout the business, and these form a key element of the overall recruitment and development strategy for Billington. As part of this strategy, the Company was instrumental in developing the BCSA CRAFT Certificate that covers training for a range of steelwork operations.

The Group also supports local colleges and universities, providing young people with knowledge of, and giving them an insight into, the industry.

Additionally, the Company provides various training opportunities to existing employees, enabling them to grow, develop and reach their full potential.

Modern Slavery

Modern slavery is a growing concern in the UK and, therefore, Billington considers its responsibilities regarding this with the utmost importance. It complies with the Modern Slavery Act 2015 and recognises its duties in relation to the Company's employees and supply chain. The Group implements a number of processes and procedures within the business and reviews these practices on an ongoing basis.

Sustainable and Responsible Business Continued

Governance

Overview

Good corporate governance is one of the Company's core values and, as an AIM listed entity, it is something that the Group takes very seriously, ensuring that the Board implements the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Sized Quoted Companies throughout the Company's operations.

Bribery and corruption policy

Billington has a strict, zero tolerance Bribery and Corruption Policy, which complies with the Bribery Act 2010, to ensure the integrity and transparency of the Group is maintained. All Group employees are informed of the Company's Bribery and Corruption Policy and the Board is responsible for ensuring that all sectors of the business comply with these obligations.

Appropriate internal and external training is given to employees who may be exposed to situations whereby bribery, corruption and collusion could occur to ensure they are able to identify, act and report instances as they arise.

Ethical principles

Overview

The Group values its reputation for ethical behaviour and has a set of values that are at the core of its business philosophy.

To conduct business ethically, maintaining the Company's integrity

The Company will communicate fully and openly in its dealings with employees, clients, suppliers and the community, ensuring Billington meets its obligations to the best of its ability. The Group will conduct its business operations in an honest, fair and transparent manner. The Company will strive to meet the highest industry standards across all Group companies and ensure all employees are in the position to successfully deliver these requirements.

To value the welfare of its employees and ensure they have a safe, healthy and productive working environment

Billington values its employees and understands they are key to delivering the sustained growth and development of the Company. The Group ensures every employee has the opportunity to fulfil their potential in a supportive and inclusive environment.

To be regarded as a good neighbour and operate in a sustainable manner

The Group is highly regarded in the industry and aims to maintain this positive reputation. It engages openly and effectively with stakeholders and communities, and adopts the highest standards of environmental and suitability guidelines to minimise its impact within the areas it operates.

billington

structural steelwork



Supporting CALM Charity

Governance Report

The Board is authorised to manage the business of the Company on behalf of the shareholders and in accordance with the Company's Articles of Association. This is achieved by delegating responsibilities to the Board Committees and designating authority to manage the business to the Chief Executive Officer.

The Board is responsible for overseeing the management of the business and for ensuring high standards of corporate governance are maintained throughout the Group. The Board is currently comprised of two Executive Directors, three Non Executive Directors and a Non Executive Chairman.

The Board is accountable for the long-term success of the Group. The Directors meet on a regular basis and the Executive Directors are in continual discussion with the operational management to ensure that the business objectives of the Group are achieved. Non Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully challenged and supported.

To enable the Board to fulfil its duties, all Directors receive appropriate information and are allowed sufficient time to discharge their responsibilities effectively. Briefing papers are distributed by the Company Secretary in advance of Board Meetings and the members of the Group Board attend the monthly meetings of subsidiary companies. The Company's Non Executive Directors are considered by the Board to be independent of the management, and bring a breadth of experience which is welcomed by the Executive Directors.

Dealing code

The Company follows the guidelines and procedures outlined in the Quoted Companies Alliance Code for Directors' Dealings, as applicable to AIM companies, and all Directors and relevant employees comply with this.

Communication with shareholders

The Company encourages two-way communication with both its institutional and private investors and attempts to respond quickly to all queries received verbally or in writing.

The Executive Directors undertake a programme of regular communication with institutional shareholders and with analysts covering the Group's activities, its performance and strategy.

The Executive Directors formally meet with institutional shareholders at least twice a year, after the half year and full year results are released. In addition, site visits for current and prospective shareholders are conducted throughout the year when requested to allow the operations and capabilities of the Group to demonstrated and observed.

The Board has sought to use the AGM to communicate with private investors and encourages their participation. The notice of the AGM, detailing all proposed resolutions, is notified to shareholders at least 20 working days before the meeting.

Culture and ethics

Billington is committed to carrying out all dealings with clients, suppliers, sub-contractors and employees in a fair, open and honest manner. It is also committed to complying with all legislative and regulatory requirements that impinge on its business activities.

The Board provides strong leadership and ensures that the Company's ethical values are delivered through the business by regularly engaging with Directors and members of senior management, and consistently reviewing and updating policies.



How Billington is governed

Each Board member has a direct responsibility to Billington, its employees and its investors, and aims to ensure the success of the Group.

Board

Each Board member has a direct responsibility to Billington, its employees and its investors, and aims to ensure the success of the Group.

The Board comprises a Non Executive Chairman, two Executive Directors and three Non Executive Directors.

The Board members have different backgrounds and bring a varied range of skills and experience to the Company. Between them, members have in depth knowledge of engineering, operations, finance, investment and Billington itself, ensuring there is strong balance of expertise at Board level.

Board meeting attendance

Mark Smith – 11/11

Trevor Taylor – 11/11

John Gordon – 11/11

Alexander Ospelt – 7/11

Ian Lawson – 10/11

Stephen Wardell – 11/11
(appointed 14 January 2019)

Audit Committee

Chaired by Stephen Wardell

The Audit Committee comprises the Non Executive Directors and meets no less than twice each year.

It is normal practice to invite the Chief Financial Officer and the Chief Executive Officer to attend those meetings when considered appropriate.

The Audit Committee is responsible for the financial reporting of the Company and the Group, as well as detailed findings arising from external audit reviews.

The Committee reports to the Board on the Group's full and half year results, having examined the accounting policies on which they are based and ensured compliance with relevant accounting standards. In addition, it reviews the scope of the external audit, the effectiveness, independence and objectivity of the auditors, taking into account relevant regulatory and professional requirements.

Remuneration Committee

Chaired by Ian Lawson

The Remuneration Committee comprises the Non Executive Directors and meets bi-annually, plus additional meetings when required. Its primary responsibility is to review salary levels, discretionary variable remuneration and the terms and conditions of service of the Executive Directors and other members of senior management where their financial remuneration package is above predetermined fiscal limits. The Remuneration Committee also reviews the compensation decisions made in respect of all other senior executives.

The Committee is also responsible for reviewing and determining, along with the Executive Directors, the overall Remuneration Policy applied to the Group and its subsidiaries. This includes the quantum of variable remuneration and the method of delivery, taking into account relevant regulatory and corporate governance developments.

The Remuneration Committee is authorised to seek any information it requires in order to perform its duties and obtain external legal or other professional advice that it considers necessary from time to time.

Independent Auditor's Report

Independent Auditor's Report to the members of Billington Holdings Plc.

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Billington Holdings Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the parent company statement of financial position, the parent company 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 the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 and 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.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group associated with a course of action such as Brexit.

Material uncertainty related to going concern

We draw attention to the disclosure on page 39 of the financial statements, which details the factors that the directors have considered in making their going concern assessment. The uncertainty as to the future impact of the recent Covid-19 outbreak has been included as part of the directors' consideration, and they have considered the reasonably plausible impact of the outbreak on the group's trading and cash flow forecasts.

While the directors consider the group to be a going concern, the uncertainty around the magnitude of the impact of the outbreak indicates the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Overview of our audit approach

- Overall materiality: £301,000, which represents 5% of the group's profit before taxation;
- Key audit matters were identified as revenue and profit recognition in relation to construction contracts; and
- We have performed full scope audit procedures on the financial statements of Billington Holdings Plc and on the financial information of all non-dormant subsidiaries.

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) that we identified. These matters included those that 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. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter – Group

Revenue and profit recognition in relation to construction contracts

Under International Standard on Auditing (ISA 240) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

In respect of contractual arrangements with customers there is a risk that revenue is misstated as each contract's outcome and stage of completion requires management judgement.

There is a risk that the profit recognised in the year may not be appropriate. Profit is recognised on contracts when a particular percentage of the revenue associated with a contract has been received. Management review all contracts at specific stages of completion at the year end to identify whether any additional profit could be reliably estimated and recognised.

In addition, management review all contracts at the year end to identify loss making contracts, for which the full loss is recognised as soon as it is foreseen. The assessment of the outcome of the contract and the calculation of the amount of any loss requires management judgement.

We therefore identified revenue and profit recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- Assessing whether the revenue and profit recognition accounting policies are in accordance with International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers';
- Selecting a sample of contracts and assessing whether revenue has been recognised in accordance with the group's accounting policies;
- Selecting a sample of contracts and agreeing to original signed documentation, contract variations and valuation certificates prepared by either the group's internal quantity surveyors or those appointed by the customer and agreed with the group's internal quantity surveyors;
- Identifying contracts at specific stages of completion to assess whether profit could be reliably estimated and whether profit has been appropriately recognised;
- Identifying contracts where losses could be expected to be incurred to assess whether any loss has been appropriately recognised;
- Assessing the ability of management to predict the outcome of ongoing projects by comparing the expected outcome of a sample of projects that were ongoing at the prior year end to the final position on the contract, or updated expectation if the project was incomplete;
- Challenging management regarding their assumptions in assessing the progress and expected outcome of a sample of projects; and
- Agreeing a sample of revenue transactions to application for payments and valuation certificates.

The group's accounting policy on revenue and profit recognition, including the key sources of estimation uncertainty, are shown in the Principal accounting policies section and related disclosures are included in note 2.

Key observations

Based on our audit work, we did not identify any material misstatement in revenue and profit recognition. Revenue was recognised in accordance with the group's accounting policy and IFRS 15 'Revenue from Contracts with Customers.'

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be

changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Independent Auditor's Report Continued

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	<p>£301,000 which is 5% of profit before taxation. This benchmark is considered the most appropriate because profit before tax is a key performance indicator for the group.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2018 to reflect the year on year increase in profit before tax.</p>	<p>£141,000 which represents 0.5% of the company's total assets. This benchmark is considered the most appropriate given the activities of the parent company, primarily being that of a holding company and its major activities relate to fixed assets included in the financial statements.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2018 to reflect the year on year increase in total assets.</p>
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£15,100 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£7,100 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- documentation of the processes and controls covering all of the significant risks;
- evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality;

- we performed a full-scope audit of the financial statements of the parent company, and of the financial information of the subsidiary undertakings representing all of the group's operations. The operations that were subject to full-scope audit procedures made up 100 per cent of consolidated revenues and 100 per cent of total profit before tax. This approach was consistent with the prior year. In the light of the knowledge and understanding of the group and 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.

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.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 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 under the Companies Act 2006

In the light of the knowledge and understanding of the group and 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 18, 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 and 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 group or 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Donna Steel

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
20 April 2020

Grant Thornton UK LLP

Consolidated income statement for the year ended 31 December 2019

	Note	2019		2018	
		£'000	£'000	£'000	£'000
Revenue, excluding movements in work in progress			108,357		76,462
(Decrease) / increase in work in progress			(3,446)		804
Revenue	2		<u>104,911</u>		<u>77,266</u>
Raw materials and consumables		73,995		49,826	
Other external charges		3,621		3,296	
Staff costs	3	16,700		15,258	
Depreciation	2	1,814		1,502	
Other operating charges		<u>2,845</u>		<u>2,383</u>	
			<u>(98,975)</u>		<u>(72,265)</u>
Group operating profit			5,936		5,001
Share of post tax profit in joint ventures	23		<u>-</u>		<u>-</u>
Total operating profit			5,936		5,001
Net finance expense	4		<u>(5)</u>		<u>(58)</u>
Profit before tax	2		5,931		4,943
Tax	5		<u>(1,135)</u>		<u>(894)</u>
Profit for the year			<u>4,796</u>		<u>4,049</u>
Profit for the year attributable to equity holders of the parent company			<u>4,796</u>		<u>4,049</u>
Earnings per share (basic and diluted)	7		<u>39.8p</u>		<u>33.6p</u>

All results arose from continuing operations.

The statement of accounting policies and notes 1 to 24 form part of these Group financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Profit for the year		4,796	4,049
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit surplus	21	581	(532)
Movement on deferred tax relating to pension liability	16	(98)	97
Current tax relating to pension liability	5	-	(7)
		483	(442)
Items that will be reclassified subsequently to profit or loss			
Cash flow hedging			
Current year gains / (losses)	7	831	(831)
		831	(831)
Other comprehensive income, net of tax		1,314	(1,273)
Total comprehensive income for the year attributable to equity holders of the parent company		6,110	2,776

The statement of accounting policies and notes 1 to 24 form part of these Group financial statements.



Consolidated balance sheet as at 31 December 2019

	Note	2019		2018	
		£'000	£'000	£'000	£'000
Assets					
Non current assets					
Property, plant and equipment	8		14,251		14,042
Pension asset	21		2,205		1,630
Investments in joint ventures	9, 23		-		-
Deferred tax asset	16		-		39
Total non current assets			16,456		15,711
Current assets					
Inventories and work in progress	11	8,342		12,011	
Trade and other receivables	12	7,350		7,527	
Cash and cash equivalents		17,856		9,311	
Total current assets			33,548		28,849
Total assets			50,004		44,560
Liabilities					
Current liabilities					
Current portion of long term borrowings	15	1,500		250	
Trade and other payables	13	19,433		18,732	
Lease liabilities	20	105		-	
Current tax payable		686		627	
Total current liabilities			21,724		19,609
Non current liabilities					
Long term borrowings	14	-		1,500	
Lease liabilities	20	11		-	
Deferred tax liabilities	16	176		-	
Total non current liabilities			187		1,500
Total liabilities			21,911		21,109
Net assets			28,093		23,451
Equity					
Share capital	18		1,293		1,293
Share premium			1,864		1,864
Capital redemption reserve			132		132
Other components of equity			(820)		(1,675)
Accumulated profits			25,624		21,837
Total equity			28,093		23,451

The Group financial statements were approved and authorised for issue by the Board of Directors on 20 April 2020.

Ian Lawson
Non executive Chairman



Trevor Taylor
Chief Financial Officer



The statement of accounting policies and notes 1 to 24 form part of these Group financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Share Capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other components of equity £'000	Accumulated profits £'000	Total equity £'000
At 1 January 2018	1,293	1,864	132	(844)	19,531	21,976
Transactions with owners						
Dividends (note 6)	-	-	-	-	(1,385)	(1,385)
Credit relating to equity-settled share based payments	-	-	-	-	84	84
ESOP movement in year	-	-	-	-	-	-
Transactions with owners	-	-	-	-	(1,301)	(1,301)
Profit for the financial year	-	-	-	-	4,049	4,049
Other comprehensive income						
Actuarial gain recognised in the pension scheme	-	-	-	-	(532)	(532)
Income tax relating to components of other comprehensive income	-	-	-	-	90	90
Financial instruments	-	-	-	(831)	-	(831)
Total comprehensive income for the year	-	-	-	(831)	3,607	2,776
At 31 December 2018	1,293	1,864	132	(1,675)	21,837	23,451

	Share Capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other components of equity £'000	Accumulated profits £'000	Total equity £'000
At 1 January 2019	1,293	1,864	132	(1,675)	21,837	23,451
Transactions with owners						
Dividends (note 6)	-	-	-	-	(1,565)	(1,565)
Credit relating to equity-settled share based payments	-	-	-	-	97	97
ESOP movement in year	-	-	-	24	(24)	-
Transactions with owners	-	-	-	24	(1,492)	(1,468)
Profit for the financial year	-	-	-	-	4,796	4,796
Other comprehensive income						
Actuarial gain recognised in the pension scheme	-	-	-	-	581	581
Income tax relating to components of other comprehensive income	-	-	-	-	(98)	(98)
Financial instruments	-	-	-	831	-	831
Total comprehensive income for the year	-	-	-	831	5,279	6,110
At 31 December 2019	1,293	1,864	132	(820)	25,624	28,093

The Group accumulated profits reserve includes a surplus of £1,830,000 (2018 – £1,353,000) relating to the net pension surplus (note 21). The statement of accounting policies and notes 1 to 24 form part of these Group financial statements.

Consolidated cash flow statement

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Group profit after tax		4,796	4,049
Taxation paid		(959)	(843)
Interest received		43	23
Depreciation on property, plant and equipment	8	1,814	1,502
Share based payment charge		97	84
Profit on sale of property, plant and equipment		(331)	(274)
Taxation charge recognised in income statement		1,135	894
Net finance expense		5	58
Decrease / (increase) in inventories and work in progress		3,669	(999)
Decrease / (increase) in trade and other receivables		177	(1,827)
Increase in trade and other payables		1,532	1,944
Net cash flow from operating activities		11,978	4,611
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,751)	(1,962)
Proceeds from sale of property, plant and equipment		341	283
Net cash flow from investing activities		(1,410)	(1,679)
Cash flows from financing activities			
Interest paid		(42)	(45)
Repayment of bank and other loans		(250)	(250)
Capital element of leasing payments		(166)	(4)
Dividends paid	6	(1,565)	(1,385)
Net cash flow from financing activities		(2,023)	(1,684)
Net increase in cash and cash equivalents		8,545	1,248
Cash and cash equivalents at beginning of period		9,311	8,063
Cash and cash equivalents at end of period	24	17,856	9,311

The statement of accounting policies and notes 1 to 24 form part of these Group financial statements.



Principal accounting policies

These consolidated financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out below which comply with IFRS in issue as adopted by the European Union and are effective at 31 December 2019.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements.

Going Concern

The consolidated financial statements have been prepared on a going concern basis. The directors have taken note of the guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is the appropriate basis of preparation of the financial statements and have considered a number of factors.

The financial position of the Group, its record trading performance in 2019 and cash flows are detailed in the Financial Review and they demonstrate the robust position of the Group heading into 2020.

The Group has a gross cash balance of £17.9 million at 31 December 2019 and no significant long-term borrowings or commitments. At the end of March 2020 the Group had a gross cash balance of £13.0 million and during March 2020 the Group have secured a 12 month overdraft facility of £3 million, giving the Group available cash to utilise of £16.0 million.

The directors have prepared forecasts covering the period to April 2021 and approved by the Board in March 2020. The forecasts reflect the exceptional nature of the 2019 trading performance and the current political and economic uncertainty and pricing pressures in the structural steel market, excluding the potential impact of Covid-19 which is considered below.

The uncertainty as to the future impact on the Group of the recent Covid-19 outbreak has been separately considered as part of the directors' consideration of the going concern basis of preparation. The directors put in place many positive preventative measures at an early stage in the outbreak in response to Covid-19 to minimise the potential impact. Thus far, the measures have been effective and the Group has not observed any material impact in operations due to Covid-19.

In the downside scenario analysis performed, the directors have considered the reasonably plausible impact of the Covid-19

outbreak on the Group's trading and cash flow forecasts. In preparing this analysis, a number of scenarios were modelled ranging from a 30% drop in revenue by June 2020 followed by a gradual recovery from September through to December, to a total country-wide lockdown and subsequent closure of all sites for up to six months. In each scenario, mitigating actions within the control of management, including reductions in areas of discretionary spend, have been modelled, but no fixed cost reductions have been assumed. It is difficult to predict the overall outcome and impact of Covid-19 at this stage and the duration of disruption could conceivably be longer than anticipated. However, even under the scenario of the closure of all sites for a significant period, the company has sufficient liquidity and resources to continue to meet liabilities as they fall due, without any additional funding from either financial institutions or the government, which is considered separately below.

The UK Government has announced a number of funding initiatives throughout March 2020 to support businesses. The main scheme that the Group is eligible for is the Coronavirus Job Retention Scheme. The Scheme grants support from HMRC to cover up to 80% of salary costs of anyone not working due to Coronavirus but whose job has been retained, up to a maximum of £2,500 per month for an initial period up to 31 May 2020, but it will be extended if necessary. If there was a significant reduction in operations or if any or all of the sites were required to close, the scheme would provide a significant amount of support and short-term cost reduction without impacting the long-term strategy of the Group.

Notwithstanding these positive indications of the financial stability of the Group, there is a risk that the impact of Covid-19 could be more significant than can be currently anticipated and the Directors have concluded that these circumstances represent a material uncertainty which could cast significant doubt on the Group's ability to continue as a going concern.

Nonetheless, the Directors expect that the Group has sufficient resources to enable it to continue to adopt the going concern basis in preparing the financial statements. These financial statements do not include any adjustment that would arise if the going concern basis of preparation was not considered appropriate.

(a) Changes in accounting policies

New and revised standards that are effective for annual periods beginning on or after 1 January 2019

IFRS 16 'Leases'

IFRS 16 Leases replaces IAS 17 Leases along with three Interpretations (IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The standard is mandatory for reporting periods beginning on or after 1 January 2019. Under the new standard, an asset (the right-of-use asset) and a financial liability are recognised. The only exceptions are short term and low value leases.

Billington Holdings Plc has applied the modified retrospective approach to the transition to IFRS 16, recognising the cumulative effect at the date of initial application (1 January 2019) as an adjustment to the opening balance of retained earnings for the current period. The adjustment amounted to £nil. Prior periods have not been restated. On transition, for leases previously accounted as operating leases with a lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions in the standard to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16. The Group also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16 and has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases. 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 Leases and IFRIC 4 Determining whether an arrangement contains a lease.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 2.5%.

The below is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 January 2019.

Other pronouncements

Other accounting pronouncements which have become effective from 1 January 2019 and have therefore been adopted do not have a significant impact on the Group's financial results or position

(b) Basis of consolidation

The Group financial statements consolidate those of the Parent company and all of its subsidiary undertakings. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Income, expenditure, unrealised gains and intra-group balances arising from transactions within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Amounts in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

	Carrying amount at 31 December 2018 £'000	Remeasurement £'000	IFRS 16 carrying amount at 1 January 2019 £'000
Property, plant and equipment	14,042	282	14,324
Lease liability	-	(282)	(282)

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019:

Total operating lease commitments disclosed at 31 December 2018	361
Assets not recognised as low value or short term	(72)
Discounted using incremental borrowing rate	(7)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	282

Principal Accounting Policies Continued

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including 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 balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of the fair value of the consideration transferred to the vendor over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

(c) Revenue

Revenue arises mainly from contracts for the design, fabrication and erection of structural steelwork. To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Group's products and services, for example for the design and construction of a steel frame, along with secondary steelwork packages and edge protection. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts within trade and other payables in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either work in progress or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Construction of structural steelwork

The Group enters into contracts for the design, fabrication and erection of structural steel frames in exchange for a fixed fee and recognises the related revenue over time. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation.

To depict the progress by which the Group transfers control of the construction to the customer, and to establish when and to what extent revenue can be recognised, the Group measures its progress towards complete satisfaction of the performance obligation by use of qualified quantity surveyors and progress certificates received from customers. This output method provides the most faithful depiction of the transfer of goods to each customer.

The construction of structural steel frames normally takes 6–12 months from commencement of design through to completion of installation. As the period of time between customer payment and performance will always be one year or less, the Group applies the practical expedient in IFRS 15.63 and does not adjust the promised amount of consideration for the effects of financing.

In obtaining these contracts, the Group incurs a number of incremental costs, such as commissions paid to sales staff. As the amortisation period of these costs, if capitalised, would be less than one year, the Group makes use of the practical expedient in IFRS 15.94 and expenses them as they incur.

Safety solutions

Revenue from the sale or hire of safety solutions for a fixed fee is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods or services transferred are due upon receipt by the customer.

For stand-alone sales of safety solutions, control transfers at the point in time the installation is complete and hand-over is signed by the customer.

In the case of asset rentals relating to the use of the Group's safety solutions products, revenue is charged to customers on a time accrual basis.

Other sales

In all other cases, revenue represents the fair value of consideration received or receivable for goods supplied in the period, excluding VAT and other discounts. Revenue is recognised when or as the Group transfers control of the assets to the customer, which is when the customer takes undisputed delivery of the goods.

The Group does not recognise the revenue and profit attributable to claims and disputed amounts on contracts until the recovery of these amounts is considered probable and when the outcome can be estimated reliably.

(d) Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is calculated to write off the cost of property, plant and equipment (other than freehold land) less estimated residual value by equal annual instalments over their expected useful lives. The expected useful lives and material residual value estimates are updated as required, but at least annually.

The rates applicable are:

Freehold and long leasehold property	2% to 4%
Plant, equipment and vehicles	5% to 40%

Investment property is carried at fair value determined annually by the directors by reference to current market rents and investment property yields for comparable properties. No depreciation is provided. Changes in fair value are recognised in retained earnings.

Impairment testing of property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit'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. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

(e) Inventories and work in progress

Inventories and work in progress are valued at the lower of cost, including applicable overheads, and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula.

Contract work in progress is included in revenue. If the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or receivable in its statement of financial position, depending on whether something other than the passage of time is required before consideration is due.

Provision is made for probable losses on all contracts based on the loss which is currently estimated to arise over the duration of any contract, irrespective of the amount of work carried out at the balance sheet date.

(f) Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (i.e. actuarial gains and losses) in which case the related deferred tax is also recognised in other comprehensive income.

(g) Retirement benefits

Defined Contribution pension schemes

The pension costs charged against operating profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

Defined Benefit pension schemes

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that benefits are already vested the Group recognises past service cost immediately.

Actuarial gains and losses are recognised immediately in other comprehensive income. The gross surplus or deficit is presented on the face of the statement of financial position. The related deferred tax is shown with other deferred tax balances. A surplus is recognised only to the extent that it is recoverable by the Group.

Principal Accounting Policies Continued

The current service cost, past service cost and costs from settlements and curtailments are charged against other operating charges. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance income/costs. Short-term employee benefits, including holiday entitlement, are included in current pension and other employee obligations at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

(h) Leased assets

As described in Note (a), the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Recognition and derecognition

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been separately disclosed.

Accounting policy applicable before 1 January 2019

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

All other leases are regarded as operating leases and the payments made under them are charged to profit or loss on a straight line basis over the period of the lease term. Lease incentives are spread over the term of the lease.

(i) Employee Share Ownership Trust (ESOT)

The Group's Employee Share Ownership Trust ("ESOT") is a separately administered trust. The assets of the ESOT comprise shares in the company and cash. The assets, liabilities, income and costs of the ESOT have been included in the consolidated financial statements as the Group exercises control over the ESOT in accordance with the terms of the trust deed. The shares in the Company are included at cost to the ESOT and deducted from equity and dividend income is excluded in arriving at profit before tax and deducted from the aggregate of dividends paid and proposed. When calculating earnings per share these shares are treated as if they were cancelled. The charge relating to share options is determined using the Black-Scholes model to ascertain the fair value of the granted options. Details of the charge through the Consolidated Income Statement can be seen in notes 3 and 10 of the Group financial statements.

(j) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All foreign exchange differences are dealt with through the income statement, unless subject to hedging arrangements.

(k) Joint ventures

Joint ventures are entities over which the Group holds a contractual share of joint control. The Group financial statements incorporate joint ventures under the equity method of accounting, supplemented by additional disclosures.

The Group's share of the profits, losses, finance income, finance cost and taxation of joint ventures are included in the Group income statement. The Group balance sheet includes the investment in joint ventures at the Group's share of net assets.

(l) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorised as FVTPL or FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Principal Accounting Policies Continued

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 17 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued, and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

(n) Dividends

Dividend distributions payable to equity shareholders are included in "trade and other payables" when the dividends are approved in general meeting prior to the balance sheet date and are debited direct to equity within accumulated profits.

(o) Equity

Equity comprises the following:

"**Called up share capital**" represents the nominal value of equity shares.

"**Share premium**" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

"**Capital redemption reserve**" represents the purchase cost of shares repurchased by the Group in 1998.

"**Other components of equity**" represents the purchase cost of the shares held within the Employee Share Ownership Trust (ESOT) and the cash flow hedge reserve (see note 18).

"**Accumulated profits**" represents retained profit, and gains and losses due to the revaluation of certain property, plant and equipment prior to the implementation of IFRS.

(p) Segmental reporting

In identifying its operating segments, management follows the Group's service lines, which represent the main products and services provided by the Group. The disclosure is based on the information that is presented to the chief operating decision maker, which is considered to be the executive board of Billington Holdings plc. There have been no changes from prior periods in the measurement methods used to determine segment profit or loss.

(q) Standards and interpretations

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

(r) Significant management judgements and estimates in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements. Critical estimation uncertainties are described below.

Construction contract revenue

The stage of completion of any construction contract is assessed by management by taking into consideration all information available at the reporting date. In this process management makes significant judgements about performance obligations satisfied, costs to complete and the overall contract value. In identifying the performance obligations satisfied, management rely on the knowledge and experience of the Group's quantity surveyors. Further information on the Group's accounting policy for construction contracts is provided in policy c.

Recognition of pension scheme surplus

Management consider that where the pension scheme is in surplus it is appropriate to recognise this as an asset in the Group balance sheet. The scheme rules indicate that any surplus will be returned to the sponsoring company upon cessation.

Deferred tax asset

The assessment of the probability of future taxable income against which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for

significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is recognised in full to the extent that it is probable taxable profits will be available. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At 31 December management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in note 8.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence of market value available at the times the estimates are made.

Defined benefit obligation

Management estimates the defined benefit obligation annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit obligation of £6,347,000 (2018: £6,167,000) is based on standard rates of inflation and appropriate mortality tables. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

An estimation has been made for the impact of the equalisation of GMP following the outcome of the Lloyds Banking Group Pension Trustees Limited vs Lloyds Bank plc (and others) court case. While further information as to the impact remains unavailable, management have included a provision further to the specialist advice received. The impact is not material to these financial statements.

The defined benefit pension scheme was closed to future accrual in 2011.

Principal Accounting Policies Continued

(s) Capital management policies and procedures

Billington Holdings' capital management objectives are to ensure the Group's ability to continue as a going concern and provide an adequate return to shareholders.

The Group and subsidiary companies' Boards meet regularly to review performance and discuss future opportunities and threats with an aim to maximising return and minimising risk.

The Group monitors capital as the carrying amount of equity less cash and cash equivalents as set out on the face of the balance sheet. There are no covenants in place over the capital ratio to be maintained.



Notes forming part of the Group financial statements for the year ended 31 December 2019

1. Segmental information

The Group trading operations of Billington Holdings plc are in Structural Steelwork and Safety Solutions, and all are continuing. The Structural Steelwork segment includes the activities of Billington Structures Limited and Peter Marshall Steel Stairs Limited, and the Safety Solutions segment includes the activities

of easi-edge Limited and hoard-it Limited. The Group activities, comprising services and assets provided to Group companies and a small element of external property rentals and management charges, are shown in Other. All assets of the Group reside in the UK.

	Structural steelwork	Safety solutions	Other	Total
31 December 2019				
Revenue				
From external customers	100,233	8,124	-	108,357
Increase in work in progress	(3,446)	-	-	(3,446)
Segment revenues	96,787	8,124	-	104,911
Raw materials and consumables	(71,846)	(2,149)	-	(73,995)
Other external charges	(2,460)	(1,161)	-	(3,621)
Staff costs	(13,523)	(1,624)	(1,553)	(16,700)
Depreciation	(579)	(908)	(327)	(1,814)
Other operating charges	(4,064)	(643)	1,862	(2,845)
Segment operating profit	4,315	1,639	(18)	5,936
31 December 2018				
Revenue				
From external customers	69,360	7,102	-	76,462
Increase in work in progress	804	-	-	804
Segment revenues	70,164	7,102	-	77,266
Raw materials and consumables	(47,910)	(1,916)	-	(49,826)
Other external charges	(2,187)	(1,109)	-	(3,296)
Staff costs	(12,338)	(1,485)	(1,435)	(15,258)
Depreciation	(737)	(659)	(106)	(1,502)
Other operating charges	(3,361)	(565)	1,543	(2,383)
Segment operating profit	3,631	1,368	2	5,001

2. Revenue and profit before tax

Revenue and profit before tax are attributable to the Group's continuing operations. One customer included within the structural steel sector accounted for greater than 10% of the Group's revenue. This contractor accounted for 49% (2018: one contractor greater than 10% with 11%) of Group revenue.

The one contractor with revenue of greater than 10% in 2019 and 2018 relate to the same customer. Revenue from contracts with customers and from operating lease income is recognised over time and revenue from other sources is recognised at a point in time.

Analysis of revenue (excluding movement in work in progress):

	Structural steelwork		Safety solutions		Total
	Contracts with customers	Other sources of revenue	Operating lease income	Other sources of revenue	
31 December 2019					
United Kingdom	69,556	1,781	5,404	2,720	79,461
Europe	28,896	-	-	-	28,896
Rest of the World	-	-	-	-	-
	98,452	1,781	5,404	2,720	108,357
31 December 2018					
United Kingdom	65,943	2,633	4,776	2,326	75,678
Europe	784	-	-	-	784
Rest of the World	-	-	-	-	-
	66,727	2,633	4,776	2,326	76,462

Information about contract balances

	2019 £'000	2018 £'000
Contract liabilities	(2,869)	(5,205)
Contract assets	7,678	11,124
Contract receivables	4,053	4,690

There was no revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period.

There was no revenue recognised in the reporting period from performance obligations satisfied or partially satisfied in previous periods.

Information about performance obligations and significant judgements

Contracts with customers are typically for the construction of structural steelworks. These contracts typically conclude within twelve months of commencement, with obligations to make good generally lasting until a building is handed over by the main contractor. Revenue is recognised over time upon completion of performance obligations, evidence of the satisfaction of which is provided by certifications or cash payments received directly from the client. Judgement is exercised by management in the provision of contract liabilities to ensure that profit is not recognised on a contract until it is reasonably certain.

Profit before tax is stated after

	2019 £'000	2018 £'000
An analysis of fees paid to the Group's auditor		
Fees payable to the parent company's auditor for the audit of the company's annual accounts	41	36
Fees payable to the company's auditor for other services:		
the audit of the company's subsidiaries	40	31
tax compliance	4	4
tax advisory	38	24
other services	6	17
Depreciation	1,814	1,502
Profit on disposal of property, plant and equipment	331	274
Operating lease charges:		
short term hire of plant and machinery	44	32
operating leases – other	-	215
operating leases – property	-	81

Notes forming part of the Group financial statements for the year ended 31 December 2019 Continued

3. Staff costs

Staff costs during the year including directors

	2019 £'000	2018 £'000
Wages and salaries	14,639	13,254
Social security	1,464	1,478
Pension costs	500	442
Share-based payments	97	84
	<u>16,700</u>	<u>15,258</u>

The average number of employees of the Group during the year was 399 (2018: 379).

Key management are only considered to be the directors of Billington Holdings Plc and all are remunerated through this Company. Remuneration in respect of key management was as follows:

Remuneration in respect of key management

	Salary and fees £'000	Other emoluments £'000	Pension £'000	Total 2019 £'000	Total 2018 £'000
Executive					
M. Smith	212	71	9	292	266
T.M. Taylor	161	55	7	223	222
Non Executive					
P.K. Hems	-	-	-	-	52
I. Lawson	60	2	-	62	15
J.S. Gordon	36	1	-	37	37
S.J. Wardell	35	-	-	35	-
S.G.T Fareham	-	-	-	-	49
A. Ospelt	13	-	-	13	12
	<u>517</u>	<u>129</u>	<u>16</u>	<u>662</u>	<u>653</u>
Employer's NI				<u>82</u>	<u>79</u>
Key management personnel compensation				<u>744</u>	<u>732</u>
Short-term employee benefits				728	709
Long-term employee benefits				<u>16</u>	<u>23</u>
				<u>744</u>	<u>732</u>

Other emoluments received consist of the provision for private medical care, bonuses and motor car allowances.

During the year it was agreed to award Mr M. Smith 68,966 and 4,689 share options and Mr T.M. Taylor 51,724 and 3,696 share options related to a long term incentive plan and unapproved share option scheme respectively, exercisable at nil value between the third and tenth anniversary of their grant.

During the year two directors (2018: no directors) exercised share options with total exercise price of £82,500. During the year no directors (2018: no directors) participated in defined benefit pension schemes and two directors (2018: two directors) participated in a defined contribution pension scheme.

4. Net finance expense

	2019 £'000	2018 £'000
Payable on bank loans and overdrafts	(36)	(45)
Interest expense for leasing arrangements	(6)	-
Receivable on bank balances	43	23
Other finance income – pension scheme (see note 21)	(6)	(36)
Net finance expense	(5)	(58)

5. Tax on profit on ordinary activities

The tax charge represents

	2019 £'000	2018 £'000
Corporation tax at 19% (2018 – 19%)	1,018	1,065
Adjustment in respect of prior years	-	(64)
Total current tax	1,018	1,001
Deferred tax charge – (note 16)	114	(107)
Adjustment in respect of prior years – (note 16)	3	-
Total tax charge for the year	1,135	894
Tax relating to other comprehensive income:	2019 £'000	2018 £'000
Corporation tax at 19% (2018 – 19%)	-	7
Current tax charge relating to pension liability	-	7

The tax assessed for the year is at the standard rate of corporation tax in the United Kingdom of 19% (2018: 19%). The differences are explained as follows:

Differences to standard rate of corporation tax

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	5,931	4,943
Profit multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2018: 19%)	1,127	939
Effects of:		
expenses not deductible for tax purposes	21	36
fixed asset differences	36	
adjustments to tax charge in respect of prior years	3	(64)
rate differences	(13)	(16)
deferred tax not recognised	-	4
other adjustments	(39)	(5)
Total tax charge for year	1,135	894

Notes forming part of the Group financial statements for the year ended 31 December 2019 Continued

6. Dividends

A final dividend was paid in July 2019 in respect of 2018 of 13.0 pence per ordinary share (£1,565,000).

No final dividend has been proposed in respect of 2019 as the dividend has been suspended to preserve cash resources.

7. Earnings per share

Earnings per share is calculated by dividing the profit for the year of £4,796,000 (2018: profit - £4,049,000) by 12,052,554 (2018: 12,044,508) fully paid ordinary shares, being the weighted average number of ordinary shares in issue during the year, excluding those held in the ESOT.

There is no impact on a full dilution of the earnings per share calculation as there are no potentially dilutive ordinary shares.

8. Property, plant and equipment

	Freehold property £'000	Long leasehold property £'000	Investment property £'000	Plant, equipment and vehicles £'000	Total £'000
Cost					
At 1 January 2018	7,796	1,000	600	17,399	26,795
Additions	64	-	-	1,898	1,962
Reclassification	600	-	(600)	-	-
Disposals	-	-	-	(977)	(977)
At 1 January 2019	8,460	1,000	-	18,320	27,780
Adjustment on transition to IFRS 16	-	125	-	157	282
Additions	17	-	-	1,734	1,751
Reclassification	(63)	-	-	63	-
Disposals	-	-	-	(3,455)	(3,455)
At 31 December 2019	8,414	1,125	-	16,819	26,358
Depreciation					
At 1 January 2018	680	-	-	12,524	13,204
Charge for year	86	-	-	1,416	1,502
Disposals	-	-	-	(968)	(968)
At 1 January 2019	766	-	-	12,972	13,738
Charge for year	88	79	-	1,647	1,814
Disposals	-	-	-	(3,445)	(3,445)
At 31 December 2019	854	79	-	11,174	12,107
Net book value at 31 December 2019	7,560	1,046	-	5,645	14,251
Net book value at 31 December 2018	7,694	1,000	-	5,348	14,042

Freehold property includes £3,994,000 in respect of land which is not subject to depreciation. Long leasehold property represents land which is not subject to depreciation.

The Group has a contractual commitment to acquire plant of £349,000 payable in 2020. There were no other material contractual commitments to acquire property, plant and equipment at 31 December 2019 (2018: nil).

All the Group's freehold properties have been charged to the bank to secure bank facilities.

9. Investments

All Group companies have only ordinary shares in issue and are registered in England and Wales unless otherwise stated.

The subsidiary undertakings and joint ventures are as follows:

	Activity	Proportion of shares held by	
		Group %	Company %
Continuing			
Billington Structures Limited	Structural steel	100	100
easi-edge Limited	Safety solutions	100	100
Peter Marshall Steel Stairs Limited	Structural steel	100	100
hoard-it Limited	Site hoarding solutions	100	100
Billington Fleet Management Limited	Vehicle leasing solutions	100	100
Shafton Steel Limited	Dormant	100	100
Shafton Steel Services Limited	Dormant	100	100
Tubecon Limited	Dormant	100	100
Amco Corporation Limited	Dormant	100	100
Joint ventures			
BS2 (2011) Limited	Structural steel	50	-

10. Share based payments

The Employee Share Ownership Trust ("the Trust/ESOT") was established by Deed dated 14 December 2015 between Billington Holdings plc ("the Company") and Ocorian Trustees (Jersey) Limited ("the Trustee") (previously Bedell Trustees Limited). It is an employee benefit trust established for the benefit of the bona fide employees of the Company and other Group companies ("the Beneficiaries"). The Trust is a discretionary trust whose assets at present are shares in the Company and cash, although there are wide investment powers in the hands of the Trustee, who has full power to distribute the assets as it deems fit to the Beneficiaries.

The Trust was established to allow for the participation of any Inland Revenue approved or unapproved share schemes to employees of the Group.

Administration costs amounted to £1,000 during the year (2018: £14,000).

As of 31 December 2019, the Trust held 869,827 (2018: 893,719) ordinary shares of 10p each in the capital of the company (6.72% of the allotted share capital (2018: 6.91%)). The market value of the shares in the ESOT Trusts at 31 December 2019 was £3,151,557 (2018: £2,413,041).

Dividends have been waived by the Trust.

During the year ended 31 December 2019, the Group had three share-based payment arrangements. Under each of the arrangements the options are granted with a fixed exercise price, are exercisable three years after the date of grant and expire ten years after the date of grant. Employees are not entitled to dividends until the shares are exercised. Employees are required to remain in employment with the Group, or have left in accordance with the 'good leaver' provisions until exercise, otherwise the awards lapse. On exercise of the options by the employees the Company issues shares held in trust by the Billington Holdings ESOT.

In addition, one of the schemes provides additional remuneration for those employees who are key to the operations of the Company. Vesting of the options for this scheme is also conditional on meeting agreed growth targets (non-market performance conditions).

Notes forming part of the Group financial statements for the year ended 31 December 2019 Continued

	Number of shares		Weighted average exercise price	
	2019 No.	2018 No.	2019 £	2018 £
Brought forward at 1 January	281,104	270,203	2.63	2.75
Granted	198,463	12,401	–	–
Exercised	(50,000)	–	1.65	–
Lapsed	(4,862)	(1,500)	0.62	3.03
Outstanding at 31 December	424,705	281,104	1.54	2.63

The Company is unable to directly measure the fair value of employee services received. Instead the fair value of the share options granted during the year is determined using the Black-Scholes model. The model is internationally recognised as being appropriate to value employee share schemes similar to this scheme. The following inputs were used:

	18 January 2016	19 August 2019
Date of grant		
Share price at date of grant	303p	290p
Weighted average exercise price	263p	Nil
Expected volatility	25.0%	n/a
Expected dividends	Nil	Nil
Risk free rate	1.5%	n/a
Expected option life	3 years	3 years

The underlying volatility was determined by reference to historical data of the Company's shares over a period of time since its flotation. No special features inherent to the options granted were incorporated into measurement of fair value.

The total charge for the year was £97,000 (2018: £84,000).

11. Inventories and work in progress

	2019 £'000	2018 £'000
Raw materials	664	887
Work in progress	7,678	11,124
	8,342	12,011

Raw materials and consumables recognised as an expense in the Income Statement for the year ended 31 December 2019 totalled £73,910,000 (2018: £49,826,000).

The provision against the value of inventories at the balance sheet date was £65,000 (2018: £100,000).

No reversal of previous write-downs was recognised as a reduction of expense in 2019 or 2018. None of the inventories are pledged as securities for liabilities.

12. Trade and other receivables

	2019 £'000	2018 £'000
Amounts due from structural steel customers:		
Trade receivables	2,904	4,780
Retentions due within one year	3,110	1,560
Retentions due after one year	254	410
Total	<u>6,268</u>	<u>6,750</u>
Other receivables	85	212
Prepayments and accrued income	997	565
	<u><u>7,350</u></u>	<u><u>7,527</u></u>

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a loss allowance for lifetime credit losses of £501,000 (2018: £519,000) has been recorded accordingly. The amount charged to the consolidated income statement for the year in relation to expected credit losses was £227,000 (2018: £53,000).

Movement in the expected lifetime credit losses for trade receivables

	2019 £'000	2018 £'000
Balance at 1 January	519	538
Impairment loss	2	98
Receivables written off during the year	(20)	(117)
Balance at 31 December	<u><u>501</u></u>	<u><u>519</u></u>

13. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	15,248	14,921
Financial Instruments (note 17)	-	831
Social security and other taxes	2,097	734
Other payables	108	143
Accruals	1,980	2,103
	<u><u>19,433</u></u>	<u><u>18,732</u></u>

2019 revenues relating to structural steel activities are at a record level. This we believe highlights the efforts made by all involved in transitioning Billington to become a leader in its field and ensuring that it is at the forefront of technical innovation.





Notes forming part of the Group financial statements for the year ended 31 December 2019 Continued

14. Long term borrowings

	2019 £'000	2018 £'000
Property loans (note 15)	1,500	1,750
	<u>1,500</u>	<u>1,750</u>

15. Property loans

Loans at commercial rates

	2019 £'000	2018 £'000
Due within one year	1,500	250
Repayable within five years	-	1,500
	<u>1,500</u>	<u>1,750</u>

The bank loan is secured by way of first legal mortgage over certain freehold properties of the Group. The loan is for a three year term and interest is payable at 1.75% over bank base rate.

16. Deferred tax (liability)/asset

Deferred tax provided in the financial statements is set out below and is calculated using a tax rate of 17% (2018: 17%).

	2019 £'000	2018 £'000
Deferred tax asset recognised in income statement		
At 1 January	316	206
Charged in the year	(117)	110
At 31 December	<u>199</u>	<u>316</u>
Accelerated capital allowances	(167)	(32)
Other temporary differences	<u>366</u>	<u>348</u>
	<u>199</u>	<u>316</u>
Deferred tax liability recognised in other comprehensive income		
Pension surplus	<u>(375)</u>	<u>(277)</u>
Total deferred tax (liability)/asset	<u>(176)</u>	<u>39</u>

The recoverability of the deferred tax asset is dependent on future taxable profits. Group companies are budgeted to make profits in the next few years which supports the recognition of these assets. There are no unrecognised deferred tax assets.

Movements on the deferred tax asset relating to the pension asset (see statement of comprehensive income) are recognised directly in equity. All other deferred tax movements are recognised in the income statement.

The Government announced in March 2012 a reduction in the rate of corporation tax to 24% with effect from 1 April 2012, with further reductions of 1% each year to 20% by 1 April 2016. At the Summer Budget 2015, the Government announced legislation setting the Corporation Tax main rate at 19% for the years starting 1 April 2017, 2018 and 2019 and 17% for the year starting 1 April 2020.

17. Financial assets and liabilities

Categories of financial assets and financial liabilities

The accounting policies for each category of financial assets and financial liabilities, and a description of each, can be found in the accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Amortised cost £'000	FVTPL £'000	Derivatives used for hedging (FV) £'000	Total £'000
31 December 2019				
Current financial assets				
Trade and other receivables	6,353	–	–	6,353
Cash and cash equivalents	17,856	–	–	17,856
	<u>24,209</u>	<u>–</u>	<u>–</u>	<u>24,209</u>
Liabilities				
Trade and other payables	15,356	–	–	15,356
Lease liabilities	116	–	–	116
Current borrowings	1,500	–	–	1,500
	<u>16,972</u>	<u>–</u>	<u>–</u>	<u>16,972</u>
31 December 2018				
Current financial assets				
Trade and other receivables	6,962	–	–	6,962
Cash and cash equivalents	9,311	–	–	9,311
	<u>16,273</u>	<u>–</u>	<u>–</u>	<u>16,273</u>
Liabilities				
Trade and other payables	15,064	–	–	15,064
Derivative financial instruments	–	–	831	831
Non-current borrowings	1,500	–	–	1,500
Current borrowings	250	–	–	250
	<u>16,814</u>	<u>–</u>	<u>831</u>	<u>17,645</u>

Notes forming part of the Group financial statements for the year ended 31 December 2019 Continued

Derivative financial instruments

The Group's derivative financial instruments are measured at fair value and are summarised below:

	2019 £'000	2018 £'000
Foreign currency flexi-forward contracts - cash flow hedge	-	(831)
Derivative financial liabilities	-	(831)

The Group uses certain derivative financial instruments to mitigate foreign exchange rate exposure arising from forecast sales in Euros. The Group's policy is to hedge 100% of all contracted future sales in Euros.

Hedge effectiveness is determined at inception of the hedge relationship and at every reporting period end through the assessment of the hedged items and hedging instruments to determine whether there is still an economic relationship between the two.

The critical terms of the foreign currency flexi-forward contracts entered into exactly match the terms of the hedged items. As such the economic relationship and hedge effectiveness are based on the qualitative factors and the use of a hypothetical derivative where appropriate.

Hedge ineffectiveness may arise where the critical terms of the forecast transaction no longer meet those of the hedging instrument, for example if there was a change in the timing of the forecast sales transactions from what was initially estimated or if the volume of currency in the hedged items was below expectations leading to over-hedging.

The hedged items and the hedging instruments are denominated in the same currency and as a result the hedging ratio is always one to one.

All foreign currency flexi-forward contracts held at the previous balance sheet date were taken out during the period and have been designated as hedging instruments in cash flow hedges under IFRS 9. At the 31 December 2018 reporting date all hedging relationships continue to meet the criteria for hedge relationships and as such are regarded as continuing hedging relationships.

During the current period all flexi forward contracts have matured.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income.

If a forecast transaction is no longer expected to occur, any net related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued, and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

During 2019 a gain of £831,000 (2018: loss of £831,000) was recognised in other comprehensive income.

A gain of £14,000 (2018: Nil) was recorded for hedge ineffectiveness during the period.

The effect of hedge accounting on the Group's financial position and performance is as follows, including the outline timing and profile of the hedging instruments:

	2019 £	2018 £
Carrying amount: EUR flexi-forward contracts	-	(831,000)
Notional amount: EUR flexi-forward contracts	n/a	32,000,000
Hedge ratio	n/a	1:1
Maturity date	n/a	March to December 2019
Average forward rate: EUR flexi-forward contracts	n/a	1.1419
Change in the fair value of the currency forward: EUR flexi-forward contracts	831,000	(831,000)
Change in the fair value of the hedged item used to determine hedge effectiveness: EUR contracted sales	831,000	(831,000)
Amounts in the cash flow hedge reserve: EUR flexi-forward contracts	-	(831,000)

The hedge relationships relate to the foreign exchange risk arising from contracted sales and the resulting receivable. Reclassification to profit and loss occurs at the time of the associated sale being recognised and then further movements to profit and loss to match the retranslation of the associated receivable. The above movements relating to the hedging instrument and hedged item exclude those elements reclassified by the reporting date. No amounts were reclassified during the financial period.

The potential sources of ineffectiveness include (a) differences between the timing of the cash flows of the hedged item and hedging instrument (b) changes in credit risk of the hedging instrument (c) potential over-hedging should volumes of highly probable sales fall below hedged amounts.

Due to the use of flexible forward contracts, the small differences in timing are not considered to give rise to any significant ineffectiveness. No ineffectiveness has arisen from credit risk and a gain of £14,000 arose as a result of over-hedging.

Financial instruments risk

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are foreign currency risk, market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

The Group enters into derivatives, principally for hedging foreign exchange risk. Associated disclosures relating to hedge accounting are included above.

Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from both its operating and investing activities.

Foreign currency sensitivity

Most of the Group's transactions are carried out in GBP. Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Euros.

To mitigate the Group's exposure to foreign currency risk, non-GBP cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within six months) from longer-term cash flows (due after six months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward exchange contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other same-currency transactions. Hedge accounting disclosures are included above.

At the balance sheet date, there were no contracted non-GBP sales. Therefore, there was no exposure to currency risk or sensitivity of profit and equity in regard to the exchange rate.

Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing where commercially viable. At 31 December 2019, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2018: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year		Equity	
	+1%	-1%	+1%	-1%
31 December 2019	(15)	15	-	-
31 December 2018	(17)	17	-	-

Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

Credit risk management

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedure.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

Notes forming part of the Group financial statements for the year ended 31 December 2019 Continued

The Group continuously monitors the credit quality of customers based on a credit rating scorecard. Where available, credit insurance is obtained on all customers across the Group. External credit ratings and/or reports on customers are also obtained and used. The Group's policy is to deal only with credit worthy counterparties. Where credit insurance is not obtainable for a specific customer, trade is only permissible following director approval. Exposure is monitored on an ongoing basis. The credit terms range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Security

Trade receivables consist of a large number of customers in various industries, predominantly although not exclusively construction, and geographical areas. The Group does not hold any security on the trade receivables balance.

In addition, the group does not hold collateral relating to other financial assets (eg derivative assets, cash and cash equivalents held with banks).

Trade receivables

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 31 December 2019 and 1 January respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst others are considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31 December 2019 was determined as follows:

	Trade receivables days past due				Total
	Current	More than 30 days	More than 60 days	More than 90 days	
Expected credit rate loss	7%	21%	37%	44%	-
Gross carrying amount	2,048	970	137	251	3,406
Lifetime expected credit loss	139	201	51	110	501

The closing balance of the of the trade receivables loss allowance as at 31 December 2019 reconciles with the trade receivables loss allowance opening balance as follows:

	£'000
Opening loss allowance as at 1 January 2019	519
Loss allowance recognised during the year	31
Receivables written off during the year	(49)
Loss allowance as at 31 December 2019	501

Liquidity risk

As at 31 December 2019 the Group's financial liabilities have contractual maturities which are summarised below:

	Current within 6 months £'000	Current 6 to 12 months £'000	Between 1 and 3 years £'000
31 December 2019			
Trade payables	15,248	-	-
Other payables	108	-	-
Lease liabilities	78	27	11
Property loans	125	1,375	-
	<u>15,559</u>	<u>1,402</u>	<u>11</u>

This compares to the maturity of financial liabilities for the Group in the previous reporting period which was as follows:

	Current within 6 months £'000	Current 6 to 12 months £'000	Between 1 and 3 years £'000
31 December 2018			
Trade payables	14,921	-	-
Other payables	974	-	-
Property loans	125	125	1,500
	<u>16,020</u>	<u>125</u>	<u>1,500</u>

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs through the close control, monitoring and forecasting of cash inflows and cash outflows. Net cash requirements are compared to available

borrowing facilities in order to determine headroom or any shortfalls. Management believe that levels of cash reserves and available headroom are sufficient to meet the Group's needs over its forecast period.

18. Equity

Called up share capital

	2019		2018	
	No. of shares	£'000	No. of shares	£'000
Authorised				
Ordinary shares of 10p each	27,500,000	2,750	27,500,000	2,750
Allotted and fully paid				
Ordinary shares of 10p each	12,860,959	1,286	12,860,959	1,286
"A" ordinary shares of 10p each	73,368	7	73,368	7
	<u>12,934,327</u>	<u>1,293</u>	<u>12,934,327</u>	<u>1,293</u>

During the year no "A" ordinary shares were converted into ordinary shares (2018 - none).

Both classes of share rank pari passu in all respects.

Details of company share options outstanding at 31 December 2019 and treasury shares held by the ESOT are given in note 10.

The details of other components of equity are as follows:

Other components of equity

	ESOT £'000	Cash flow hedges £'000	Total £'000
At 1 January 2018	(844)	-	(844)
Cash flow hedges:			
current year losses	-	(831)	(831)
At 31 December 2018	(844)	(831)	(1,675)
At 1 January 2019	(844)	(831)	(1,675)
ESOP movement in year	24	-	24
Cash flow hedges:			
current year gains	-	831	831
At 31 December 2019	(820)	-	(820)

19. Ultimate controlling related party

At the year end, the directors considered that the Company had no ultimate controlling party.

20. Leases

The balance sheet shows the following amounts relating to leases:

	2019 £'000	2018 £'000
Right of use assets included within property, plant and equipment		
Property	46	-
Cars	68	-
	114	-
Lease liabilities		
Current	105	-
Non current	11	-
	116	-

There were no additions to right of use assets during the year other than on transition to IFRS 16.

The Group leases one property and various cars. The property lease is due to expire within one year and all car leases are due to expire with two years and are expected to be replaced by the Group by purchase of assets rather than leasing. The Group is not exposed to any significant future cash outflows that are not reflected in the measurement of the lease liabilities. The lease agreements do not impose any covenants.

The statement of profit or loss shows the following amounts relating to leases:

	2019 £'000	2018 £'000
Depreciation of right of use assets		
Property	80	-
Cars	89	-
Interest expense	6	-
Expense relating to short term leases	44	-

The total cash outflow for leases for the period was £216,000.

21. Retirement benefits

The Group operates funded pension schemes for certain employees and directors. The total contributions to all pensions by the Group for the year was £500,000 (2018: £441,000).

Defined contribution schemes accounted for £500,000 (2018: £441,000) of this amount with £nil (2018: £nil) relating to a defined benefit scheme, where the benefits are based on final pensionable pay.

The defined benefit scheme is legally separated from the Group and is managed by a board of trustees. The board of trustees of the scheme is required by its articles of association to act in the best interest of the fund and is responsible for setting the investment policies. The Group is represented on the board of trustees by employer nominated and appointed trustees.

The pension costs relating to the defined benefit scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit credit method of valuation. The latest actuarial valuation of the Group's pension scheme was carried out as at 31 March 2017 (approved 8 January 2018).

In accordance with the terms of the recovery plan dated 8 January 2018 the Group expects to contribute £nil to the defined benefit pension scheme in the year ending 31 December 2019. The next scheme funding actuarial valuation is due as at 31 March 2020. Any recovery plan, should this be required, and schedule of contributions will be reviewed at this date.

The scheme was closed to future accrual at 1 July 2011 and any remaining surplus upon satisfaction of all scheme liabilities is returnable to the Group.

The scheme exposes the Group to actuarial risk such as interest rate risk, investment risk, longevity risk and inflation risk:

Interest rate risk

The present value of the defined benefit liabilities is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation.

A decrease in market yield on high quality corporate bonds will increase the value of the scheme's liabilities, although it is expected that this would be offset partially by an increase in the fair value of certain of the plan assets.

Investment risk

The plan assets at 31 December 2019 are held predominantly in equity and debt instruments. The fair value of the equity assets is exposed to the risks of movements in UK and Overseas equity markets.

Longevity risk

The Group is required to provide benefits for life for the members of the scheme. The liabilities of the scheme are sensitive to unexpected changes in future mortality.

Inflation risk

Elements of the pensions in payment under the scheme are linked to inflation. An increase in the inflation rate would increase the value placed on the liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

Value of scheme assets

	Value at 31 December		
	2019 £'000	2018 £'000	2017 £'000
Equities			
UK	-	-	-
Overseas	-	365	459
Bonds			
UK Government	3,338	1,998	2,058
UK Corporate	-	-	-
Equity-linked Bonds	2,482	3,077	3,487
Cash	31	33	60
Other	2,701	2,324	2,451
Total market value of assets	8,552	7,797	8,515
Present value of scheme liabilities	(6,347)	(6,167)	(6,317)
Surplus in the scheme	2,205	1,630	2,198
Related deferred tax liability	(375)	(277)	(374)
Net pension asset	1,830	1,353	1,824

Notes forming part of the Group financial statements for the year ended 31 December 2019 Continued

	2019 £'000	2018 £'000
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A reconciliation of the defined benefit obligation and plan assets to the amounts presented in the balance sheet for each of the reporting periods is presented below:

Defined benefit obligation	(6,347)	(6,167)
Fair value of plan assets	8,552	7,797
	<u>2,205</u>	<u>1,630</u>

Analysis of the amount charged to other finance income:

Interest income	205	202
Interest on pension scheme liabilities	(161)	(149)
Past service cost (including curtailments)	-	(61)
Administration cost	(50)	(28)
Total income recognised in profit or loss	<u>(6)</u>	<u>(36)</u>

Past service cost relates to the provision made to cover the equalisation of GMP.

Analysis of amount recognised in statement of comprehensive income:

Return on plan assets (excluding amounts included in net interest)	979	(695)
Actuarial (gains) / losses from changes in financial assumptions	(526)	253
Actuarial gains from changes in demographic assumptions	128	38
Actuarial losses from experience differing from that assumed	-	(128)
Total income recognised in other comprehensive income	<u>581</u>	<u>(532)</u>

Movements in the fair value of plan assets

	2019 £'000	2018 £'000
At 1 January	7,797	8,515
Interest income	205	202
Return on plan assets (excluding amounts included in net interest)	979	(695)
Contributions	-	-
Benefits paid	(379)	(197)
Administration costs	(50)	(28)
At 31 December	<u>8,552</u>	<u>7,797</u>

Movements in the defined benefit obligation

	2019 £'000	2018 £'000
At 1 January	(6,167)	(6,317)
Past service cost	-	(61)
Interest cost	(161)	(149)
Remeasurement - actuarial (gains) / losses from changes in financial assumptions	(526)	253
Remeasurement - actuarial losses from changes in demographic assumptions	128	38
Remeasurement - experience differing from that assumed	-	(128)
Benefits paid	379	197
At 31 December	<u>(6,347)</u>	<u>(6,167)</u>

The assumptions adopted for the scheme valuation were developed by Group management with the advice of an independent actuary. These assumptions are based on current actuarial benchmarks, management's historical experience and by reference to market yields on corporate bonds.

The significant actuarial assumptions used for the valuation are as follows:

Actuarial assumptions			
	2019	2018	2017
	%	%	%
Rate of increase in pensionable salaries	2.5	3.2	3.2
Rate of increase in pensions in payment	2.7	3.1	3.1
Discount rate	1.9	2.7	2.4
Inflation assumption	2.7	3.2	3.2

The mortality assumption adopted for the purposes of the calculations as at 31 December 2019 is as follows:

- Base table: S2PxA tables, year of birth
- Future mortality improvements: CMI 2018 mortality projection model at 1.5% per annum.

Average life expectancies – Billington Scheme		
	2019	2018
Male retiring at reporting date at age 62 (in years)	24.4	24.9
Male retiring at reporting date +20 years at age 62 (in years)	26.2	26.7
Female retiring at reporting date at age 62 (in years)	26.4	26.9
Female retiring at reporting date +20 years at age 62 (in years)	28.3	28.8

Members are assumed to retire at the earliest age at which they can take their full pension unreduced. No allowance is included for members continuing their benefits at retirement.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the rate of inflation and the average life expectancy. The calculation of the net defined benefit surplus is sensitive to these assumptions.

Changes in the significant actuarial assumptions		
	2019	2018
	£'000	£'000
0.5% increase to discount rate	(444)	(432)
0.5% increase in inflation and related assumptions	317	308
1 year increase in life expectancy	190	185

The above shows the impact on the defined benefit obligation if the assumptions were changed as shown (assuming all other assumptions remain constant). This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Notes forming part of the Group financial statements for the year ended 31 December 2019 Continued

22. Related party transactions

No transactions took place with any companies with which the Group has common directors during the year. There were no outstanding balances with any such related parties at either the opening or closing balance sheet dates.

23. Joint ventures

The Group's investment in joint ventures relates to an equal shareholding of £1 held in BS2 (2011) Limited which was incorporated on 23 February 2011. The principal activity of BS2 (2011) Limited is that of design engineering, fabrication and construction of structural steelwork and commenced trading on 1 November 2011.

The joint venture has been accounted for in the Group accounts using the equity accounting method.

The Group's share of transactions and balances with BS2 (2011) Limited as at 31 December 2019 were as follows:

The Group's share of transactions and balances with BS2 (2011) Limited

	£'000
Share of revenue	-
Share of profit before taxation	-
Share of profit after taxation	-
Share of current assets	3
Share of liabilities due within one year	3

24. Reconciliation of net cash flow to movement in net cash

	Cash and cash equivalents £'000	Property loans £'000	Net cash £'000
At 1 January 2018	8,063	(2,004)	6,059
Cash flow	1,248	254	1,502
At 31 December 2018	9,311	(1,750)	7,561
Cash flow	8,545	250	8,795
At 31 December 2019	17,856	(1,500)	16,356



The defined benefit pension scheme performed well in the period despite a backdrop of continued volatility in the equity market.





Parent company statement of financial position as at 31 December 2019


	Note	2019		2018	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		8,542		8,628
Investments	9		570		570
			<u>9,112</u>		<u>9,198</u>
Current assets					
Debtors falling due within one year	11	1,136		1,286	
Cash at bank and in hand		17,854		9,310	
		<u>18,990</u>		<u>10,596</u>	
Creditors: amounts falling due within one year	12	<u>(15,671)</u>		<u>(4,364)</u>	
Net current assets			<u>3,319</u>		<u>6,232</u>
Total assets less current liabilities			<u>12,431</u>		<u>15,430</u>
Creditors: amounts falling due after more than one year	13		<u>-</u>		<u>(1,500)</u>
			<u><u>12,431</u></u>		<u><u>13,930</u></u>
Capital and reserves					
Called up share capital	15		1,293		1,293
Share premium	16		1,864		1,864
Capital redemption reserve	16		132		132
Other reserve	16		(820)		(844)
Retained earnings	16		9,962		11,485
Shareholders' funds			<u><u>12,431</u></u>		<u><u>13,930</u></u>

The parent company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements.

The loss after taxation and receipt of dividends of the company for the year was £6,000 (2018: profit of £2,948,000).

The parent company financial statements were approved and authorised for issue by the Board of Directors on 20 April 2020.

Ian Lawson
Non executive Chairman



Trevor Taylor
Chief Financial Officer



The notes 1 to 21 form part of these parent company financial statements.

Parent company statement of changes in equity for the year ended 31 December 2019

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve - ESOT £'000	Accumulated profits £'000	Total equity £'000
At 1 January 2018	1,293	1,864	132	(844)	9,875	12,320
Profit for the financial year	-	-	-	-	2,948	2,948
Credit relating to equity-settled share-based payments	-	-	-	-	47	47
Dividends	-	-	-	-	(1,385)	(1,385)
At 31 December 2018	1,293	1,864	132	(844)	11,485	13,930

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve - ESOT £'000	Accumulated profits £'000	Total equity £'000
At 1 January 2019	1,293	1,864	132	(844)	11,485	13,930
ESOT movement in year	-	-	-	24	(24)	-
Loss for the financial year	-	-	-	-	(6)	(6)
Credit relating to equity-settled share-based payments	-	-	-	-	72	72
Dividends	-	-	-	-	(1,565)	(1,565)
At 31 December 2019	1,293	1,864	132	(820)	9,992	12,431

The notes 1 to 21 form part of these parent company financial statements.



Notes forming part of the parent company financial statements for the year ended 31 December 2019

1. Company information

Billington Holdings Plc is a company domiciled in England and Wales, registration number 02402219. The registered office is Barnsley Road, Barnsley, S73 8DS.

The company is a holding company providing management services to its subsidiaries.

2. Compliance with Accounting Standards

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

The individual accounts of Billington Holdings Plc have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes.
- key management personnel
- certain financial instruments

3. Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Impairment of assets

Management determine whether there are indications of impairment of the Company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

4. Accounting Policies

Basis of preparation of financial statements

The financial statements have been prepared on the historical cost basis. The presentation currency is Sterling (£).

Going concern

The consolidated financial statements have been prepared on a going concern basis. The directors have taken note of the guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is the appropriate basis of preparation of the financial statements and have considered a number of factors.

The financial position of the Group, its record trading performance in 2019 and cash flows are detailed in the Financial Review and they demonstrate the robust position of the Group heading into 2020.

The Group has a gross cash balance of £17.9 million at 31 December 2019 and no significant long-term borrowings or commitments. At the end of March 2020 the Group had a gross cash balance of £13.0 million and during March 2020 the Group have secured a 12 month overdraft facility of £3 million, giving the Group available cash to utilise of £16.0 million.

The directors have prepared forecasts covering the period to April 2021 and approved by the Board in March 2020. The forecasts reflect the exceptional nature of the 2019 trading performance and the current political and economic uncertainty and pricing pressures in the structural steel market, excluding the potential impact of Covid-19 which is considered below.

The uncertainty as to the future impact on the Group of the recent Covid-19 outbreak has been separately considered as part of the directors' consideration of the going concern basis of preparation. The directors put in a place many positive preventative measures at an early stage in the outbreak in response to Covid-19 to minimise the potential impact. Thus far, the measures have been effective.

In the downside scenario analysis performed, the directors have considered the reasonably plausible impact of the Covid-19 outbreak on the Group's trading and cash flow forecasts. In preparing this analysis, a number of scenarios were modelled ranging from a 30% drop in revenue by June 2020 followed by a gradual recovery from September through to December, to a total country-wide lockdown and subsequent closure of all sites for up to six months. In each scenario, mitigating actions

within the control of management, including reductions in areas of discretionary spend, have been modelled, but no fixed cost reductions have been assumed. It is difficult to predict the overall outcome and impact of Covid-19 at this stage and the duration of disruption could conceivably be longer than anticipated. However, even under the scenario of the closure of all sites for a significant period, the company has sufficient liquidity and resources to continue to meet liabilities as they fall due, without any additional funding from either financial institutions or the government, which is considered separately below.

The UK Government has announced a number of funding initiatives throughout March 2020 to support businesses. The main scheme that the Group is eligible for is the Coronavirus Job Retention Scheme. The Scheme grants support from HMRC to cover up to 80% of salary costs of anyone not working due to Coronavirus but whose job has been retained, up to a maximum of £2,500 per month for an initial period up to 31 May 2020, but it will be extended if necessary. If there was a significant reduction in operations or if any or all of the sites were required to close, the scheme would provide a significant amount of support and short-term cost reduction without impacting the long-term strategy of the Group.

Notwithstanding these positive indications of the financial stability of the Group, there is a risk that the impact of Covid-19 could be more significant than can be currently anticipated and the Directors have concluded that these circumstances represent a material uncertainty which could cast significant doubt on the Group's ability to continue as a going concern.

Nonetheless, the Directors expect that the Group has sufficient resources to enable it to continue to adopt the going concern basis in preparing the financial statements. These financial statements do not include any adjustment that would arise if the going concern basis of preparation was not considered appropriate.

(a) Property, plant and equipment

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write off the cost of fixed assets less estimated residual value by equal annual instalments over their expected useful lives. Land is not depreciated. The rates applicable are:

Buildings	2%
Plant and equipment	5% to 33.3%

(b) Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in retained earnings. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred balances are recognised on all timing differences that have originated but not reversed by the statement of financial position date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences.

(c) Retirement benefits

Defined Contribution Pension Schemes

The pension costs charged against operating profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

(d) Investments

Within the parent company, investments in subsidiary undertakings are stated at cost less provision for permanent diminution in value.

(e) Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

(f) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.



Notes forming part of the Group financial statements for the year ended 31 December 2019 Continued

(g) Financial instruments

The company uses financial instruments, other than derivatives, comprising borrowings, cash resources and various items such as trade debtors, trade creditors etc. that arise from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to retained earnings in the financial period to which it relates.

(h) Leased assets

All leases are operating leases and the annual rentals are charged wholly to retained earnings.

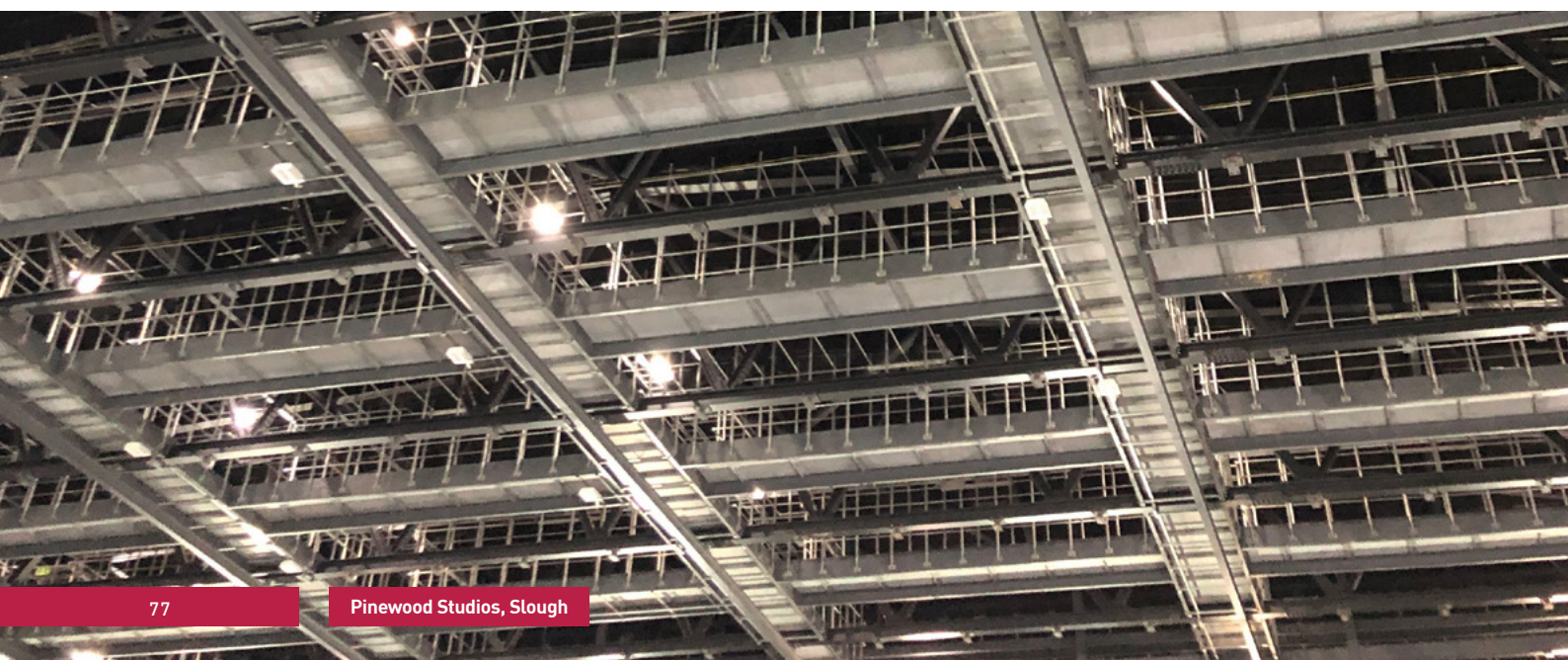
5. Profit/(loss)

Profit/(loss) before taxation is stated after:

	2019 £'000	2018 £'000
Depreciation	110	96
Fees payable to the company's auditor for the audit of the company's annual accounts	36	36
Fees payable to the company's auditor for other services:		
tax compliance	4	4
other services	44	41
Operating lease rentals	51	49

Reconciliation to profit/(loss):

	2019 £'000	2018 £'000
Loss after tax	(6)	(52)
Dividends received	-	3,000
	(6)	2,948



6. Directors and employees

Staff costs during the year including directors

	2019 £'000	2018 £'000
Wages and salaries	1,267	1,190
Social security	170	142
Pension costs	44	51
Share-based payments	72	47
	<u>1,553</u>	<u>1,430</u>

The average number of employees of the company during the year was 19 (2018: 17).

Remuneration in respect of directors

	2019 £'000	2018 £'000
Aggregate emoluments	646	630
Company pension contributions to a defined contribution scheme	<u>16</u>	<u>23</u>

During the year no directors (2018: no directors) participated in defined benefit pension schemes and two directors (2018: two directors) participated in a defined contribution pension scheme.

During the year two directors (2018: no directors) exercised share options.

The amounts set out above include remuneration in respect of the highest paid director as follows:

Remuneration in respect of the highest paid director

	2019 £'000	2018 £'000
Aggregate emoluments	283	260
Company pension contributions to a defined contribution scheme	<u>9</u>	<u>6</u>

Notes forming part of the Group financial statements for the year ended 31 December 2019 Continued

7. Dividends

A final dividend was proposed in respect of 2018 of 13.0 pence per ordinary share (£1,681,463). No final dividend has been proposed in respect of 2019 as the dividend has been suspended to preserve cash resources.

8. Property, plant and equipment

	Land & buildings £'000	Plant & equipment £'000	Total £'000
Cost			
At 1 January 2019	9,245	59	9,304
Additions	17	7	24
Reclassification	(63)	63	-
At 31 December 2019	9,199	129	9,328
Depreciation			
At 1 January 2019	628	48	676
Charge for year	88	22	110
At 31 December 2019	716	70	786
Net book value at 31 December 2019	8,483	59	8,542
Net book value at 31 December 2018	8,617	11	8,628

Included within land and buildings above is land with a value of £3,947,000 inclusive of leasehold land of £1,000,000.

The company has charged the freehold properties to secure bank facilities across the Group.

9. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2019	570
Movement in year	-
At 31 December 2019	570

All companies have only ordinary shares in issue and are registered in England and Wales unless otherwise stated.

The principal trading subsidiary undertakings are disclosed in note 9 of the Group consolidated financial statements.

7. Share based payments

The company operates a share based payment scheme for certain employees. These share options are granted based on seniority and length of service with share options granted in the Company. There are two Trusts in existence being an Inland Revenue approved share option scheme and an unapproved share option scheme.

The options are granted with a fixed exercise price, are exercisable three years after the date of grant and expire ten years after the date of grant. Employees are not entitled to dividends until the shares are exercised. Employees are required to remain in employment with the Company until exercise, otherwise the awards lapse. On exercise of the options by the employees the Company issues shares held in the relevant trust in operation.

In addition, one of the schemes provides additional remuneration for those employees who are key to the operations of the Company. Vesting of the options for this scheme is also conditional on meeting agreed growth targets (non-market performance conditions).

	No. of shares		Weighted average exercise price (£)	
	2019	2018	2019	2018
Brought forward at 1 January	102,264	89,863	1.92	1.92
Granted	136,954	12,401	-	-
Exercised	(50,000)	-	1.65	-
Lapsed	(3,862)	-	-	-
Outstanding at 31 December	185,356	102,264	0.59	1.92
Exercisable at the end of the year	36,001	-	3.03	

The Company is unable to directly measure the fair value of employee services received. Instead the fair value of the share options granted during the year is determined using the Black-Scholes model. The model is internationally recognised as being appropriate to value employee share schemes similar to this scheme.

Under FRS102, the Group recognises an expense in the relevant company's financial statements. The expense is apportioned over the vesting period based upon the number of options which are expected to vest and the fair value of those options at the date of grant. The total charge apportioned to Billington Holdings plc and recognised as expense in the year was £72,000 (2018: £47,000).

11. Debtors

Amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed by Group undertakings	1,052	1,204
Other debtors	61	48
Prepayments and accrued income	15	25
Deferred tax asset	8	9
	1,136	1,286

Amounts owed by group undertakings are payable on demand. Interest payable on these loans is charged at a market rate. No provisions are deemed to be required against the outstanding amounts.

Notes forming part of the Group financial statements for the year ended 31 December 2019 Continued

12. Creditors: amounts falling due within one year

Amounts falling due within one year		
	2019 £'000	2018 £'000
Bank loans	1,500	250
Trade creditors	184	429
Amounts owing to Group undertakings	13,345	3,064
Social security and other taxes	80	60
Accruals and deferred income	522	545
Current taxation	40	16
	15,671	4,364

Amounts owed to group undertakings are payable on demand. Interest payable on these loans is charged at a market rate.

13. Creditors: amounts falling due after more than one year

Amounts falling due after more than one year		
	2019 £'000	2018 £'000
Bank loans and mortgages	-	1,500
Bank loans are repayable as follows:		
Within one year	1,500	250
Between one to two years	-	1,500
	1,500	1,750

The bank loans are secured by way of first legal mortgage over certain freehold properties of the Group.



14. Deferred tax asset

Deferred tax provided in the financial statements is set out below and is calculated using a tax rate of 17% (2018: 17%).

	2019 £'000	2018 £'000
Accelerated capital allowances	4	7
Other short term timing differences	4	2
Accelerated capital allowances	8	9

The recoverability of the deferred tax asset is dependent on future Group taxable profits which the directors consider likely as a result of recently prepared financial forecasts.

15. Called up share capital

Equity	2019		2018	
	No. of shares	£'000	No. of shares	£'000
Authorised				
Ordinary shares of 10p each	27,500,000	2,750	27,500,000	2,750
Allotted and fully paid				
Ordinary shares of 10p each	12,860,959	1,286	12,860,959	1,286
"A" ordinary shares of 10p each	73,368	7	73,368	7
	12,934,327	1,293	12,934,327	1,293

Both classes of share rank pari passu in all respects.

Details of company share options outstanding at 31 December 2019 and treasury shares held by the ESOT are given in note 10 of the Group financial statements.

16. Reserves

Share premium - represents the premiums received on issue of share capital.

Capital redemption reserve - represents the accumulated balance resulting from the Company's purchase of own shares.

Other reserve - represents the accumulated balance of share capital held by the Employee Share Ownership Trust.

Retained earnings - includes all current and prior period retained profits and losses.

17. Ultimate controlling related party

At the year end, the directors considered that the Company had no ultimate controlling party.

Notes forming part of the Group financial statements for the year ended 31 December 2019 Continued

18. Leasing commitments

	2019		2018	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Within one year	-	14	-	50
Between one and five years	-	5	-	18
	-	19	-	68

19. Retirement benefits

The company operates funded pension schemes for certain employees and directors. The total contributions to all pensions by the company for the year was £44,000 (2018: £49,000).

Defined contribution schemes accounted for £44,000 (2018: £49,000) of this amount with Enil (2018: Enil) relating to defined benefit schemes, where the benefits are based on final pensionable pay.

20. Related party transactions

No transactions took place with any companies with which the Group has common directors during the year. There were no outstanding balances with any such related parties at either the opening or closing balance sheet dates.

In accordance with FRS102 Billington Holdings plc is exempt from disclosing related party transactions with its wholly owned subsidiaries.

21. Contingent liabilities

The company is part of the Group cross guarantee to the principal bankers. At the year end there were no outstanding liabilities.



The Company will continue to work towards improving efficiencies and maintaining and strengthening its client relationships



Billington Holdings Plc

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