26 April 2022

Billington Holdings Plc

("Billington" or the "Company" or the "Group")

Results for the year ended 31 December 2021

Billington Holdings Plc (AIM: BILN), one of the UK's leading structural steel and construction safety solutions specialists, announces its audited results for the year ended 31 December 2021.

Highlights

	31 December 2021	31 December 2020	Change
Revenue	**£82.7m**	£66.0m	25.3%
Underlying EBITDA*	**£3.3m**	£3.6m	-8.3%
Underlying profit before tax*	**£1.3m**	£1.7m	-23.5%
Profit before tax	**£0.2m**	£1.7m	-88.2%
Underlying profit for the year*	**£1.0m**	£1.4m	-28.6%
Cash and cash equivalents	**£10.4m**	£15.1m	-31.1%
Underlying earnings per share*	**8.1p**	11.3p	-28.3%

* before an impairment charge of £1.1 million relating to a client with whom the Company was completing a contract which entered administration shortly after the year end. The Company has taken the decision to provide for the debt owed while continuing to seek recovery of the monies.

- Revenue increased by 25.3 per cent to £82.7 million for the Group (2020: £66.0 million) as activity levels improved following the peak of the pandemic shutdowns experienced in 2020

- The Group remained profitable in challenging market conditions with underlying profit before tax of £1.3 million (2020: £1.7 million)

- Continuing strong cash balance of £10.4 million (2020: £15.1 million) at the year end with cash position reflective of higher than historic levels of inventory at the year end

- Dividend declared of 3.00 pence per share (2020: 4.25 pence per share) – covered 2.7 times by underlying earnings

- Large industrial warehouse contracts secured post year end

- The market remains challenging, but significant contracts secured for 2022, with a good pipeline of further opportunities

Mark Smith, Chief Executive Officer of Billington, commented:

"2021 was a year of partial recovery for our markets as the worst effects of the Covid-19 pandemic abated. However, the Group continued to face challenges from the continuing impact of the Covid-19

pandemic, raw material price increases, together with supply constraints for certain materials and labour. Despite these challenges we operated our facilities at full utilisation and remained profitable as a Company.

"Whilst the market remains competitive, and market conditions and the macroeconomic environment remain challenging, Billington's order book continues at a consistently high level, comprising both delayed and new projects, and the Group has good visibility of significant further prospects. I anticipate an improvement in the Group's financial performance in 2022 and I am confident about the future prospects for the Group."

For further information please contact:

Billington Holdings Plc	Tel: 0122 634 0666
Mark Smith, Chief Executive Trevor Taylor, Chief Financial Officer	
W H Ireland Limited	Tel: 0207 220 1666
Chris Hardie Fraser Marshall	
IFC Advisory Limited	Tel: 0203 934 6630
Tim Metcalfe Graham Herring Zach Cohen	

About Billington Holdings Plc

Billington Holdings Plc (AIM: BILN), one of the UK's leading structural steel and construction safety solutions specialists, is a UK based group of companies focused on structural steel and engineering activities throughout the UK and European markets. Group companies pride themselves on the provision of high technical and professional standards of service to niche markets with emphasis on building strong, trusted and long-standing partnerships with all of our clients.

Chairman's Statement

2021 was a year of partial recovery as activity started to return, although significant impacts from the Covid-19 pandemic continued to be experienced and challenges such as substantial increases in steel prices were encountered. Margin pressure remained across the industry with material price increases and the availability of certain products and labour arising throughout the period. However, as with 2020, Billington remained profitable in 2021 and with our strong balance sheet we are well placed to take advantage of future market recovery.

In 2021 revenue increased by 25.3 per cent to £82.7 million (2020: £66.0 million) with underlying profit before tax decreasing by 23.5 per cent to £1.3 million (2020: £1.7 million). The overall underlying Earnings Per Share ("EPS") for the year amounted to 8.1 pence (0.6 pence after impairment charge) compared with 11.3 pence in 2020, a 28.3 per cent decrease. However, our balance sheet remained strong with Net Assets of £29.4 million at 31 December 2021 (2020: £29.2 million), with a continuing strong gross cash balance of £10.4 million at 31 December 2021 (31 December 2020: £15.1 million), despite higher than historic levels of inventory and contract work in progress at the year end, partially as a result of forward buying raw materials to mitigate market price increases.

Billington Structures entered 2021 with a strong order book, although business was heavily impacted by steel price increases and the results depressed by lower margin projects. The second half of the year was particularly challenging to manage as previously delayed projects commenced. However, the structures businesses navigated well through these issues and the prospects for 2022 are more encouraging, with a number of higher margin projects expected. The conscious decision to take delivery of a large quantity of steel prior to the year-end was to secure supply and ensure margin preservation on secured contracts. It is anticipated that the high steel stock levels at the year end will be consumed by the end of Q1 2022 leading to a return to historic levels of inventory and contract work in progress.

Peter Marshall Steel Stairs continued the strong performance seen in 2020 into 2021, recording record revenues for the year. Whilst the business was impacted by steel price increases, it retained robust margins, which were not as heavily impacted as those in the Group's other structural steel businesses. It currently enjoys a strong order book with significant prospects to secure further business.

The Easi-edge perimeter edge protection and fall prevention business continued to suffer from Covid-19 related delays to the start of projects and a subdued commercial office market, although it remained a significant contributor to Group profits. Easi-edge continues to see good opportunities and continues to innovate. The Group invested significantly in the business prior to the pandemic and it is well placed to take advantage of future market recovery.

Hoard-it enjoyed a strong 2021 operating at full capacity for much of the year, as projects resumed following the delays experienced in 2020 due to the Covid-19 pandemic. The positive momentum experienced in 2021 has continued into the current year with a good pipeline of new business for 2022.

The onset of the conflict in Ukraine has recently presented new challenges in our industry. Significant volumes of steel products originate in Russia and Ukraine and with supplies restricted from these regions, shortages, and as a consequence price increases, have been noted for some of the Group's raw materials. Alternative sources for these products have been sourced and supply constraints are anticipated to ease as we progress through 2022.

Despite the challenges faced over the last two years, Billington remains a robust and profitable business, supported by a healthy balance sheet and a committed workforce. The Group is well placed to take advantage of the significant number of opportunities at improving margin levels that are currently being presented.

Pension Scheme

The defined benefit pension scheme (closed to future accrual in 2011) continues in surplus despite the continuing impact of the pandemic on equity markets. At 31 December 2021 a surplus of £2,673,000 (2020: £1,683,000) along with a corresponding deferred tax liability of £668,000, has resulted in a net recognised surplus of £2,005,000 (2020: £1,363,000).

The last actuarial valuation which also showed the scheme in surplus was undertaken as at 31 March 2020 and the next scheme funding actuarial valuation is due as at 31 March 2023, at which time the need for any Group contributions will be reviewed.

Dividend

In the first half of 2021 Billington resumed the payment of dividends with the declaration of a final dividend in relation to the year ended 31 December 2020 of 4.25 pence per share amounting to £550,000, which was 2.66 times covered by 2020 earnings. The Board feels it is appropriate for Billington to continue dividend payments, albeit at a modest level, whilst the impact of Covid-19 continues and markets remain challenging. The Board is therefore recommending a final dividend of 3.00 pence per share for 2021, which is covered 2.7 times by underlying earnings. The final dividend will be paid, subject to shareholder approval at the Company's AGM, on 4 July 2022, to those shareholders on the register on 6 June 2022. No interim dividend for 2021 was declared (2020: nil), a policy consistent with prior years.

Liquidity and capital reserves

In 2021 the Group experienced a net cash outflow of £4.7 million (2020: £2.7 million net cash outflow) reducing the Group's gross cash and cash equivalents as at 31 December 2021 to £10.4 million from £15.1 million as at 31 December 2020. The cash balance at 31 December 2021 reflected good cash collection and certain modest customer pre-payments, offset by an increase in inventories and work in progress by £7.1 million to £12.2 million (31 December 2020 £5.1 million). The increase in inventories and work in progress at the year end was reflective of the Group's planning to mitigate further price increases and to ensure the availability of materials for contracted projects in Q1 2022.

Going forward the Group's cash continues to provide strong cover for its working capital requirements and a robust position from which to take the Group forward. Capital expenditure in 2021 was at a similar level to 2020 and for 2022 is forecast to rise modestly as the Group continues to invest in process improvements, together with capability and service enhancements.

Our People

Throughout the Covid-19 pandemic the focus has been on the welfare and protection of our dedicated workforce and this has required significant changes to working practices. The Company has continued to implement appropriate measures at all our facilities to ensure that social distancing can be maintained, with the workforce and our customers protected as far as possible.

At the peak of the pandemic in 2020, 46 per cent of the workforce were placed on furlough leave. During the later part of 2020 and into the first half of 2021 the majority of those previously on furlough returned to work. The Company took the decision to not claim any further furlough monies from the UK Government from 1 January 2021.

However, the Group did continue to experience Covid-19 related disruptions to its operations in 2021, with staff required to isolate, presenting some operational challenges, particularly in the second half of the year. I am pleased to say that the workforce rose to meet these challenges, covering for effected colleagues where possible, and I would like to place on record my thanks for the hard work, resilience and dedication of the Billington team.

Economic Outlook

During 2021 the impact of the Covid-19 pandemic continued to be a significant factor influencing the timing and profitability of contracts. We have managed through these unprecedented times and whilst there inevitably remain further challenges ahead we sit poised to deliver on our strategy to drive growth and margin enhancement in the medium term.

The UK structural steelwork market grew by 16.9 per cent in 2021, following a 20.0 per cent. decline in 2020. Current forecasts are for the market to continuing growing with an increase of 10.5 per cent in 2022, before the level of growth stabilises at 2.1 per cent in 2023. However, these forecasts are likely to be subject to revision as the pace of the recovery from the impact of Covid-19 and the impact of wider macroeconomic factors are assessed.

In addition to the demand issues caused by the pandemic, the Group has faced further significant increases in structural steel costs during the year, a Europe wide issue. Whilst iron ore prices ended the year below the level at the beginning of 2021 there was considerable volatility during the period, with the intra year high being nearly three times that of the low point, and increasing energy costs have also had a larger consequential impact on the price of steel.

Whilst the Group operates many fixed price supply contracts and has arrangements in place to mitigate most of the increases in steel prices, including the forward purchasing of steel where appropriate, escalation in the costs of consumables and ancillary products are not normally able to be passed on. Steel prices remain volatile and increasing energy costs coupled with government infrastructure based stimulus packages across the globe, and the development of HS2 in the UK, are providing further inflationary pressures and are restricting the supply of certain steel products.

Many of the markets in which Billington operates remain constrained, with a number of the main construction contractors continuing under significant pressure as they deliver contracts that were tendered for some time ago before the current inflationary pressures materialised. However, the Group will endeavour to focus on projects with the more robust larger contractors that can deliver an appropriate margin and we assess the risks associated with individual projects on a case-by-case basis. The Group is also looking at its longer-term steel procurement strategy in order to reduce its reliance on any one supplier.

Current trading and outlook

The current trading environment continues to be challenging as we emerge from the global Covid-19 pandemic, particularly in relation to material price inflation. However, we have seen a continuing recovery in activity levels and the return of higher margin opportunities.

We have a robust business that has weathered the pandemic storm well, supported by a strong balance sheet and committed workforce. Whilst pricing pressures and other market challenges remain, I believe Billington is well placed to deliver improved results in 2022.

Ian Lawson

Non-Executive Chairman

25 April 2022

Chief Executive Statement

Operational Review

2021 was a year of further challenge with the Covid-19 pandemic and its effects continuing to impact the Company. With a partial recovery in activity levels revenues increased by 25.3 per cent to £82.7 million, however the impact on margins of raw material price increases and the project mix led to underlying profit before tax decreasing by 23.5 percent to £1.3 million (£0.2m after impairment charge). Post period end we resolved that it would be prudent to take an impairment charge of £1.1 million relating to a client with whom the Company was completing a contract and who entered administration shortly after the year end. This event provided further evidence following previous communications prior to the year end that there was significant uncertainty regarding the recoverability of the receivable and contract work in progress owed by the client at the balance sheet date and is therefore considered an adjusted post balance sheet event. Whilst we have decided to provide for the debt owed we continue in dialogue with the developer to complete the project and recover the outstanding monies.

That we were able to remain resilient to these challenges and the underlying business continued to be profitable is a real credit to the dedication of our workforce and I would like to thank them all for their efforts.

Group Companies

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 75 years, the business is well recognised and respected in the industry with the capacity of processing over 50,000 tonnes of steel per annum.

The Shafton facility operates in two distinct business areas. The first undertakes activities for Billington Structures. The second, Shafton Steel Services offers a complete range of steel profiling services to many diverse external engineering and construction companies, providing further opportunities to increase the capacity of the business as well as allowing for the supply of value added, complementary products and services to enhance the comprehensive offering of the Group.

The Group's structural steel business started 2021 with a strong order book with further new business won during the course of the year, although business was heavily impacted by steel and other material price increases and the results depressed by lower margin projects. The level of work undertaken enabled the facilities to be operated at or near full capacity for much of the period, sub-contracting production as required to the longstanding, approved Group supply chain. It is important to the efficient operation of the structures business that its facilities remain fully utilised as far as possible. Billington is not alone in this requirement and the work undertaken during the year enabled the operation of the facilities to be as efficient as possible and for the business to be well positioned for the future, particularly as projects in other sectors that have been delayed by the pandemic are restarted.

Many of the projects undertaken in 2021 were in areas not significantly impacted by the Covid-19 pandemic, such as large distribution warehouses, which have a larger steel content per man hour than more complex projects such as commercial offices, and as such attracted a lower margin. 2022 has seen the continued growth in the company's orderbook and provides confidence of delivering increased value for its shareholders.

The larger projects undertaken by Billington Structures during 2021 included:

- Newhurst EfW, Leicestershire – Hitachi Zosen Inova
- Sandwell Aquatics Centre, Smethwick – Wates Construction
- Pinewood Studios, Slough – Sir Robert McAlpine

It is pleasing to note that some of the Company's complex and challenging projects were again recognised in some of the industry's prestigious awards. Sandwell Aquatics was voted the UK Tekla award winner in the Sports and Recreation category and Wenlock Works (Shepherdess Walk) achieved a merit award in the Structural Steel Design awards.

Billington Structures has a strong order book for 2022 and is seeing additional significant future project opportunities. This includes more complex projects, such as fulfilment centres, film studios and renewable energy infrastructure, at higher margin levels. Whilst the detailed timing of certain specific projects remains subject to change, and a number of potentially significant contracts have yet to be secured, the future prospects for Billington Structures are encouraging. The Group invested heavily in stockpiling steel in the later part of 2021 in order to mitigate against anticipated price increases and any supply issues for already contracted work. It is anticipated that this steel will be fully used for projects in the first quarter of 2022 leading to a return to historic levels of inventory.

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, data, commercial offices, education, healthcare, rail and many more.

Peter Marshall Steel Stairs continued the strong performance seen in 2020 into 2021, recording record revenues for the year. Whilst the business was impacted by steel price increases, it retained robust margins, which were not as heavily impacted as those in the Group's other structural steel businesses.

Notable projects undertaken in 2021 included:

- HH4 Data Centre, Hemel Hempstead – Flynn Contractors
- Siemens Blade Facility, Hull – J&D Pierce
- 20 Ropemaker Street, London – William Hare

As one of the largest companies in its sector, during the year the company received its biggest ever single order, and enjoys a robust market position, particularly when viewed against its smaller competitors, in what is a fragmented market. During 2021 Peter Marshall's was often operating at full capacity, sub-contracting work where appropriate. The Group continues to review opportunities to increase the capacity of the business and improve productivity, in what is one of the higher margin areas of the Group's structural steel business.

The business entered 2022 with a strong order book and significant prospects to secure further business.

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 2021, the business continued to suffer from Covid-19 related delays to the start of projects and a subdued commercial office market, although it remained a significant contributor to Group profits. The limited number of new commercial office developments currently being undertaken in the UK, in particular has a significant impact on Easi-edge as these types of projects require a greater amount of Easi-edge product when compared to most other types of developments, such as distribution warehouses, undertaken by the business.

However, Easi-edge continues to see good opportunities, with utilisation forecast to increase in 2022, although this is not expected to return to historic levels in the short to medium term whilst the commercial office market remains subdued.

Projects undertaken by Easi-edge in 2021 included:

- Cornbrook Commercial Offices, Manchester – ISG Construction
- Milburngate, Durham – Tolent Construction
- S1 Kings Cross, London – Elland Steel Structures

The investments made in the business prior to the pandemic, adding to the stock available for hire, meant 2021, like 2020, was a year of low capital expenditure, focusing on replacements where required. However, the business continues to innovate and Easi-edge's new Core Safe product for the protection of lift shafts was introduced to the market in 2021.

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.

Hoard-it enjoyed a strong first half of 2021 and an even stronger second half, operating at full capacity, as projects resumed following the delays experienced in 2020 due to the Covid-19 pandemic.

Projects were undertaken for both existing and new customers, as the client base expanded in line with the goal of ensuring the product is the number one choice for main contractors and developers in the construction industry, particularly in the residential construction market, where Hoard-it's range of printed boards and panels are proving attractive to developers looking for a professional and promotional site image, with added functionality.

Hoard-it also continued to add to its product offering, providing additional products used on sites such as accommodation, trackway, security cameras and graphics. An expanded graphics solution, Brand-it, was introduced in the first half of 2021, which is being utilised on both Hoard-it's own products and on those produced by others. Brand-it's site graphics solutions enable site perimeter hoarding to be a prime marketing tool with added functionality such as anti-graffiti and anti-climbing coatings.

Notable projects in 2021 undertaken by Hoard-it included:

- Platform 6 Kings Cross, London – Morgan Sindall Construction
- Nightingale Hospitals, Various – Graham Construction

- Hull Maritime Museum, Hull – Simpson

Following significant capital expenditure in 2020 to increase the hire stock level the Group continued to invest in Hoard-it during 2021, in particular bulk buying board to ensure supply was always available and mitigating cost increases as far as possible.

Hoard-it entered 2022 with a good pipeline of new business and the positive momentum experienced in 2021 has continued into the current year.

Our People

The pandemic related challenges faced in 2020 continued in 2021, with particular disruption experienced in the second half of the year due to Covid-19 related staff absences. I am pleased to say that the Billington workforce rose to these challenges, covering for staff absences as diligently as possible, and showing the resilience and flexibility required to maintain the Group in a strong position.

Average staff numbers in 2021 decreased 1.8 per cent, with 391 employed at the year end.

We anticipate a modest increase in staff numbers in 2022 as activity levels increase, although attracting sufficient, experienced, quality people remains a challenge for both Billington and the industry as a whole. The Group therefore continues its focus on developing its people and has implemented a number of training initiatives to assist in overcoming this issue.

Of particular note is the welding school we have established in partnership with Betterweld to help mitigate the shortage of skilled fabricator welders. We have increased our number of apprentices in this area and through a structured training programme we aim to provide the next generation with the appropriate skills for our industry.

Billington maintains close relationships with other local education providers, with continuing support being provided to 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.

Billington also continues to actively promote its apprenticeship and graduate schemes in other areas, particularly focusing on technical staff. These programmes are geared to help the business maintain the necessary skills and expertise to meet both its current and future requirements.

Additionally, Billington continues as an advocate, promotor and contributor to the British Constructional Steelwork Association's CRAFT apprentice programme. The scheme has become an important 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

A commitment to health, safety, sustainability, quality and the environment is core to everything that Billington does.

In light of the Covid-19 pandemic the health and wellbeing of our staff and customers has, and continues to be, of the highest priority. The significant changes made in 2020 to the way we operate to allow for social distancing, home working by office staff where appropriate and to provide a healthy working environment for those working in our facilities and on sites, continued and was adapted as appropriate in 2021. We are regularly reviewing our working practices to ensure we meet best practice and ensure all appropriate measures are taken to ensure the health and wellbeing of our staff, subcontractors and customers.

Across the Group, led by our Health and Safety department, we work to ensure that continued progress can be achieved in enhancing working practices and improving the safety culture at all the Group's facilities and in our on-site activities. We are also actively involved in a number of initiatives both locally and nationwide to ensure the safety of our staff and to minimise the impact of our operations on the environment. 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.

Charity

Billington continues to be a significant advocate and supporter of both local and national charities. In 2017 the Billington Charity Foundation was established in order to focus efforts. In 2021 Billington has continued to actively support many charity programmes.

Throughout 2021, Billington donated to charities including Macmillan, Mind and Barnsley Hospice, together with a range of local sports teams and other causes that our employees are involved with.

Billington actively supports a diverse range of charitable and social causes that our employees are involved with, and 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 and monitors these on a regular basis.

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

Throughout 2021, the dominant theme has been the increase in steel prices across Europe. This has primarily been driven by increased energy costs, although extreme volatility in iron ore prices during the period, coupled with overall increases in scrap steel values, has led to consequential price increases in the wide range of steel products that the Group sources from a variety of steel producers worldwide.

In 2021 these price increases were in the order of 60 per cent, on top of the c.40 per cent. increases seen in 2020. We anticipated a more stable supply picture in 2022, with previous supply constraints removed and Billington benefiting from its scale in the market and trading relationships with its primary supply chain. The onset of the conflict in Ukraine has noted a restriction in some raw materials used in the steel making process of some steel products and further price rises have been encountered as a result.

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 volatility in steel prices and any variability in supply over the short term. This hedging strategy, coupled with the stockpiling seen in the later part of 2021, enables most projects to be covered up to six months out, mitigating the immediate impact. Although, over the longer-term price rises are passed onto customers as far as possible. The Group is also reviewing its steel procurement strategy in order to reduce its reliance on any one supplier as far as possible.

Strategy and Acquisition

The Group has implemented a strategy to improve operating margins over the medium term through the investment and upgrading of some principal items of capital equipment, combined with projects to increase the capacity from the company's fixed asset base. These projects shall ensure the Group maximises the inherent value within the business and capitalises upon its strong market position within the industry.

Post period end we established a new trading subsidiary, Specialist Protective Coatings Ltd ("SPC"), following the Company's acquisition of the trading assets of Orrmac Coatings Ltd, a specialist painting company based in Sheffield, UK, out of administration. The Group has been seeking to expand its painting capabilities for some time and the acquisition presented an excellent opportunity to strengthen the Group's internal offering in this area as well as providing a specialist service to the wider market. Since Billington acquired the trading assets of Orrmac Coatings, sited from the 55,000 square foot facility in Sheffield, it has undergone a substantial refurbishment and investment programme to ensure the facility is able to effectively service the most demanding of projects, including shotblasting and lifting capabilities for steel assemblies that are amongst the largest capacity in the UK.

The incorporation of SPC will provide the Group with increased control of a significant subcontract trade that had previously been outsourced and ensure the margin associated with this trade is maintained within the business.

Prospects and Outlook

The Group continued to face challenges during the year, both from the continuing impact of the Covid-19 pandemic, particularly in relation to staff absences, and raw material price increases, together with supply constraints for certain materials and labour. However, whilst the overall market continues to be challenging, the Directors believe the outlook for Billington is encouraging.

We remain in a financially robust position and I believe all our businesses are well placed for the future. We have weathered the pandemic well and as the market returns to more normal operating conditions we are well placed to take advantage. A number of our competitors and suppliers have suffered to a much greater extent than Billington, with a number ceasing to trade over the past two years. This, over the longer term, will aid margin improvement across the industry and will create opportunities for Billington to secure new business.

Whilst the potential for continuing material price inflation and the macroeconomic landscape, particularly with events in Ukraine, remains a concern the order book continues to grow. The current order book comprises both delayed and new projects, and the Group has significant future order prospects, many at improved margins. There are a number of larger, more complex projects both contracted and in prospect, and the number and quality of enquires continues to improve. We are seeing opportunities in all sectors, particularly large retail distribution warehouses, data centres, 'Gigafactories', food processing developments, film industry, public sector works, rail infrastructure, together with a return of some commercial office development projects.

In closing, I would like to thank Billington's Board, employees, shareholders and all stakeholders for their continued support. Despite the continuing challenging market conditions I look forward with optimism that the shoots of recovery seen in 2021 and into the early part of the current year will continue to gain traction.

Mark Smith

Chief Executive Officer

25 April 2022

Financial Review

Consolidated Income Statement

	Underlying 2021 £'000	Non Underlying 2021 £'000	Total 2021 £'000	2020 £'000
Revenue	82,720	-	82,720	65,955
Operating profit/(loss)	1,339	(1,123)	216	1,659
Profit/(loss) before tax	1,302	(1,123)	179	1,667
Profit/(loss) after tax	978	(910)	68	1,369
Profit/(loss) for shareholders	978	(910)	68	1,369
Operating profit margin	1.6%	-	0.3%	2.5%
Return on capital employed	8.4%	-	1.4%	13.9%
Earnings/(loss) per share (basic)	8.1p	(7.5)p	0.6p	11.3p

Revenue increased 25 per cent year on year primarily as a result of increased output related to the structural steelwork activities of the Group. Revenue was also impacted by cost inflation related to some of the primary input costs of the Group. Over the course of 2021, as a result of iron ore and energy cost escalation, the price for steelwork increased by over 100 per cent, with further increases seen during the early part of 2022.

Forecasts indicate that the consumption of structural steelwork within the UK increased to 803,000 tonnes in 2021 from 686,000 tonnes in 2020, an increase of 17 per cent. Projections indicate that consumption will increase by 10.5 per cent to 887,000 tonnes in 2022 and a further 2.1 per cent to 905,000 tonnes in 2023, allowing the Group to look forward with optimism in the medium term as the UK continues to recover from the pandemic.

Underlying operating margins reduced to 1.6 per cent in the year as a result of overhead cost inflation, input material price increases that are unable to be hedged, a number of challenging projects and subdued margins attainable on new contracts. The operating margin achieved within the Safety Solutions entities, at 14.2 per cent (2020: 16.9 per cent), was very encouraging and demonstrated resilience during the period. The level of utilisation for the hire products within the Safety Solutions division continued to be impacted primarily as a result of continued low levels of commercial office construction throughout the UK.
Underlying earnings per share reduced from 11.3 pence in 2020 to 8.1 pence in 2021 (0.6 pence after impairment charge) representing a decrease of 28 per cent.

Cash management continued to be a primary focus during the year. The reduction in the gross cash balance to £10,382,000 at 31 December 2021 (31 December 2020: £15,126,000) was primarily attributable to working capital requirements increasing £3,565,000 in the period as a consequence of high workloads and the forward purchasing of raw materials at the period end. The average gross cash balance during the year was £13,390,000 (2020: £15,300,000). The continued strong cash position leaves the Group well placed to achieve both its short and long-term objectives, while providing financial security and providing opportunities to invest and mitigate short term price volatility in some of its primary input costs.

Average staff numbers in 2021 decreased 1.8 per cent to 372, with an overall rise in staff costs of 1.5 per cent year on year. Industry wide challenges remain to ensure wage inflation is mitigated and in attracting sufficient quality resource across all disciplines. The Group anticipates a modest increase in staff numbers in 2022 as activity returns to pre pandemic levels.
The Shafton facility continues to provide the Group with opportunity to expand and diversify its operations further optimising the current resources within the control of the Group.

Consolidated Balance Sheet

	2021 £'000	2020 £'000
Non current assets	17,527	16,219
Current assets	35,428	33,340
Current liabilities	(21,705)	(18,866)
Non current liabilities	(1,858)	(1,476)
Total equity	29,392	29,217

During the year two significant capital expenditure projects were completed that were previously paused upon the onset of the pandemic. One project, at Shafton, related to the investment in a dedicated plate girder manufacture line to ensure that the Group's offering was enhanced and could service all its clients' requirements. The second project related to the replacement of an aged shotblast machine at its Yate facility.

Further investment projects to improve operational efficiencies and increase certain manufacture capacities were commenced just prior to the year end, with the majority of this expenditure to occur in 2022. At the year end these projects under construction totalled £421,000.

As part of the Group's ongoing strategy to improve operating margins there is an agreed programme of capital equipment replacement and enhancement over the next four years.

Within non-current assets, property, plant and equipment increased by £318,000, represented by capital additions of £2,351,000, depreciation charges of £1,960,000 and net disposals of £73,000.

The defined benefit pension scheme has performed well in the period against a backdrop of turbulent equity markets. At the year end, a surplus of £2,673,000 along with a corresponding deferred tax liability of £668,000 has resulted in a net recognised surplus of £2,005,000. The scheme was closed to future accrual in 2011.

The net deferred tax liability at the year end was £1,108,000 (2020: £476,000), being a deferred tax liability of £440,000 (2020: £156,000) related to temporary timing differences, combined with a deferred tax liability of £668,000 (2020: £320,000) related to the defined benefit pension scheme surplus.

The increase of £2,088,000 in current assets included an increase of £7,073,000 in inventories and work in progress, a decrease of £660,000 in trade and other receivables, and a decrease in the gross cash balance of £4,744,000.

Retention balances, contained within trade and other receivables outstanding at the year end, were £1,951,000 (2020: £3,110,000). It is anticipated that £1,667,000 will be received within one year and £284,000 in greater than one year.

Trade and other payables increased by £2,848,000. Within this, trade payables increased £7,188,000 and was offset through decreases of £2,409,000 related to social security and other taxes and £1,388,000 related to contract losses.

On 1 March 2021 the reverse charge VAT regime by HMRC was implemented. Under the new procedures VAT is no longer charged, and monies received to the majority of its customers for on site construction activities. The new procedure has resulted in an adverse impact on the cash flows relating to the payments of VAT to HMRC.

Total equity increased by £175,000 in the year to £29,392,000. The financial position of the Group at the end of the year remains robust and provides a strong platform to drive shareholder value.

Consolidated Cash Flow Statement

	2021	2020
	£'000	£'000
Result for shareholders	68	1,369
Depreciation	1,960	1,911
Capital expenditure	(2,351)	(2,216)
Tax paid	(246)	(844)
Tax per income statement	111	298
Increase in working capital	(3,565)	(3,088)
Dividends	(515)	-
Net property loan movement	(250)	(250)
Others	44	90
Net cash outflow	(4,744)	(2,730)
Cash at beginning of year	15,126	17,856
Cash at end of year	10,382	15,126

Dividends were reinstated in the year following their suspension in 2020 with £515,000 paid in the period.

A dividend has been proposed in respect of the 2021 financial year of 3 pence per share (£388,000), covered 2.7 times underlying earnings and will be paid to shareholders upon approval at the AGM in July 2022.

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 was as shown below:

	2020	2020
	£'000	£'000
Inventories and work in progress	12,151	5,078
Trade and other receivables	12,216	12,876
Trade and other payables	(21,455)	(18,607)
Working capital at end of year	2,902	(653)

Cash balances at the year end totalled £10,382,000 and there were property loans outstanding of £1,000,000 representing a net cash position of £9,382,000 (2020: £13,876,000). Cash management and preservation remained a continued focus during the year. The robust cash position of the Group allowed it to take advantage of advanced purchase of structural steelwork to mitigate some of the price escalations during the year and mitigate margin pressure.

The strong cash position provides the Group with financial stability and allows the investment in capital assets to improve operating margins and provide a comprehensive service to its clients.

The cash balance was impacted in the year through the transition to the new reverse charge VAT regime implemented by HMRC from 1 March 2021, the repayment of the deferred VAT liability (£671,000) under the coronavirus deferral scheme and the high level of contract work in progress at the year end.

The strong year end cash position allows the Group to further invest in replacing and upgrading some of its capital assets. 2022 to 2025 will see a programme of capital additions, primarily within the structural steel division of the Group. The additional capital expenditure will support both an increase in the range of services the Company can perform as well as replacing a number of aged machines with more efficient models. Investment in the latest technologies will ensure Billington can deliver the most challenging projects, efficiently, for its clients.

Non Underlying Items

Shortly after the year end a client with whom the company was completing a contract entered administration. The decision has been taken to provide for the debt owed while continuing in dialogue with the developer to complete the outstanding contract works and recover the monies owed.

This event provided further evidence following previous communications prior to the year end that there was significant uncertainty regarding the recoverability of the receivable and contract work in progress owed by the client at the balance sheet date and is therefore considered an adjusted post balance sheet event.

Pension Scheme

	2021 £'000	2020 £'000
Scheme assets	9,693	9,292
Scheme liabilities	(7,020)	(7,609)
Surplus	2,673	1,683
Other finance (expense)/income	(33)	4
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 scheme's assets have performed well, in a difficult market during the period, leaving the scheme in a strong position as at the balance sheet date. The scheme underwent an asset review in the period and the decision taken to derisk the portfolio and hedge against future inflation while maximizing returns. As a result the majority of the schemes assets are now held in government bonds.

The scheme's triennial valuation for the period ended 31 March 2020 was completed on 10 December 2020. The position of the scheme as at the date of the valuation was an asset position of £8,048,000 and a liability position of £7,776,000 resulting in a surplus of £272,000. At the valuation date of 31 March 2020, the equity market had been significantly impacted by the pandemic and as a consequence affected the value of the assets within the scheme. The FTSE 100 index at 31 March 2020 was 5,672 and has subsequently recovered to circa 7,600, an increase of some 34 per cent, before the assets were transferred into UK government bonds to protect and manage the strong surplus position of the scheme in the long term. The next actuarial valuation is due to be completed as at 31 March 2023.

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

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 subject to achieving progressive Group performance metrics over a three year period.

At the year end there were 474,577 share options outstanding at an average exercise price of £0.29 per share (2020: 514,395 shares at £0.43 per share).

The credit included within the accounts in respect of issued options is £53,000 (2020: charge £181,000).

Trevor Taylor
Chief Financial Officer
25 April 2022

Summarised consolidated income statement for the year ended 31 December 2021

	Underlying 2021	Non-underlying 2021	Total 2021	2020
	£'000	£'000	£'000	£'000
Revenue	82,720	-	82,720	65,955
Raw materials and consumables	(55,784)	-	(55,784)	(40,514)
Other external charges	(4,542)	-	(4,542)	(3,917)
Staff costs	(16,268)	-	(16,268)	(16,028)
Depreciation	(1,960)	-	(1,960)	(1,911)
Other operating charges	(2,827)	-	(2,827)	(1,926)
Impairment losses	-	(1,123)	(1,123)	-
	(81,381)	(1,123)	(82,504)	(64,296)
Operating profit	1,339	(1,123)	216	1,659
Net finance (expense)/income	(37)	-	(37)	8
Profit before tax	1,302	(1,123)	179	1,667
Tax	(324)	213	(111)	(298)

Profit for the year	978	(910)	68	1,369
Profit for the year attributable to equity holders of the parent company	978	(910)	68	1,369
Earnings per share (basic and diluted)			0.6 p	11.3 p

Summarised consolidated statement of comprehensive income for the year ended 31 December 2021

	2021	2020
	£'000	£'000
Profit for the year	68	1,369
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit surplus	1,023	(526)
Movement on deferred tax relating to pension liability	(348)	100
Other comprehensive income, net of tax	675	(426)
Total comprehensive income for the year attributable to equity holders of the parent company	743	943

Summarised consolidated statement of financial position as at 31 December 2021

	2021		2020	
	£'000	£'000	£'000	£'000
Assets				
Non current assets				
Property, plant and equipment		14,854		14,536
Pension asset		2,673		1,683
Investments in joint ventures		-		-
Total non current assets		17,527		16,219
Current assets				
Inventories	1,894		908	
Contract work in progress	10,257		4,170	
Trade and other receivables	12,216		12,876	
Current tax receivable	679		260	
Cash and cash equivalents	10,382		15,126	
Total current assets		35,428		33,340
Total assets		52,955		49,559
Liabilities				
Current liabilities				

Current portion of long term borrowings	250		250	
Trade and other payables	21,455		18,607	
Lease liabilities	-		9	
Total current liabilities		21,705		18,866
Non current liabilities				
Long term borrowings	750		1,000	
Deferred tax liabilities	1,108		476	
Total non current liabilities		1,858		1,476
Total liabilities		23,563		20,342
Net assets		29,392		29,217
Equity				
Share capital		1,293		1,293
Share premium		1,864		1,864
Capital redemption reserve		132		132
Other components of equity		(770)		(783)
Retained earnings		26,873		26,711
Total equity		29,392		29,217

Summarised consolidated cash flow statement for the year ended 31 December 2021

	2021	2020
	£'000	£'000
Cash flows from operating activities		
Group profit after tax	68	1,369
Taxation paid	(246)	(844)
Interest received	21	41
Depreciation on property, plant and equipment	1,960	1,911
Share based payment (credit)/charge	(53)	181
Profit on sale of property, plant and equipment	(221)	(274)
Taxation charge recognised in income statement	111	298
Net finance expense/(income)	37	(8)
(Increase)/decrease in inventories and contract work in progress	(7,073)	3,264
Decrease/(increase) in trade and other receivables	660	(5,526)
Increase/(decrease) in trade and other payables	2,848	(826)
Net cash flow from operating activities	(1,888)	(414)
Cash flows from investing activities		

Purchase of property, plant and equipment	(2,351)	(2,216)
Proceeds from sale of property, plant and equipment	294	294
Net cash flow from investing activities	(2,057)	(1,922)
Cash flows from financing activities		
Interest paid	(25)	(37)
Proceeds of bank and other loans	-	1,250
Repayment of bank and other loans	(250)	(1,500)
Capital element of leasing payments	(9)	(107)
Dividends paid	(515)	-
Net cash flow from financing activities	(799)	(394)
Net decrease in cash and cash equivalents	(4,744)	(2,730)
Cash and cash equivalents at beginning of period	15,126	17,856
Cash and cash equivalents at end of period	10,382	15,126

Summarised consolidated statement of changes in equity for the year ended 31 December 2021

	Share capital	Share premium	Capital redemption reserve	Other components of equity	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2020	1,293	1,864	132	(820)	25,624	28,093
Transactions with owners						
Credit relating to equity-settled share based payments	-	-	-	-	181	181
ESOT movement in year	-	-	-	37	(37)	-
Transactions with owners	-	-	-	37	144	181
Profit for the financial year	-	-	-	-	1,369	1,369
Other comprehensive income						
Actuarial losses recognised in the pension scheme	-	-	-	-	(526)	(526)
Income tax relating to components of other comprehensive income	-	-	-	-	100	100
Total comprehensive income for the year	-	-	-	-	943	943

At 31 December 2020	1,293	1,864	132	(783)	26,711	29,217

	Share capital	Share premium	Capital redemption reserve	Other components of equity	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	1,293	1,864	132	(783)	26,711	29,217
Transactions with owners						
Dividends (note 6)	-	-	-	-	(515)	(515)
Debit relating to equity-settled share based payments	-	-	-	-	(53)	(53)
ESOT movement in year	-	-	-	13	(13)	-
Transactions with owners	-	-	-	13	(581)	(568)
Profit for the financial year	-	-	-	-	68	68
Other comprehensive income						
Actuarial gain recognised in the pension scheme	-	-	-	-	1,023	1,023
Income tax relating to components of other comprehensive income	-	-	-	-	(348)	(348)
Total comprehensive income for the year	-	-	-	-	743	743

At 31 December 2021	1,293	1,864	132	(770)	26,873	29,392

The Group retained earnings reserve includes a surplus of £2,005,000 (2020 - £1,363,000) relating to the net pension surplus.

Notes forming part of the Group financial statements for the year ended 31 December 2021

1) Basis of preparation

The financial information in this preliminary announcement has been prepared in accordance with accounting policies which are based on the International Financial Reporting Standards (IFRSs) as adopted by the UK and in issue and in effect at 31 December 2021.

2) Accounts

The summary accounts set out above do not constitute statutory accounts as defined by Section 434 of the UK Companies Act 2006. The summarised consolidated balance sheet at 31 December 2021, the summarised consolidated income statement, the summarised consolidated statement of comprehensive income, the summarised consolidated statement of changes in equity and the summarised consolidated cash flow statement for the year then ended have been extracted from the Group's 2021 statutory financial statements upon which the auditor's opinion is unqualified and did not contain a statement under either sections 498(2) or 498(3) of the Companies Act 2006. The audit report for the year ended 31 December 2020 did not contain statements under sections 498(2) or 498(3) of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2020 have been delivered to the Registrar of Companies. The 31 December 2021 accounts were approved by the directors on 25 April 2022, but have not yet been delivered to the Registrar of Companies.

3) Earnings per share

Earnings per share and underlying earnings per share are calculated by dividing the profit for the year of £68,000 and underlying profit for the year of £886,000 respectively (2020: profit - £1,369,000) by 12,106,797 (2020: 12,082,548) 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.

4) Reports, Accounts & AGM

The Annual Report and Accounts for the year ended 31 December 2021 will be available on the Company's website www.billington-holdings.plc.uk from no later than 20 May 2022.

The Annual General Meeting will be held on 31 May 2022 at 14.00 at Billington Holdings Plc, Steel House, Barnsley Road, Wombwell, South Yorkshire S73 8DS.

5) 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.

31 December 2021	Structural Steelwork £'000	Safety Solutions £'000	Central £'000	Total £'000
Segment revenues	73,960	8,760	-	82,720
Raw materials and consumables	(52,948)	(2,836)	-	(55,784)
Other external charges	(3,261)	(1,281)	-	(4,542)
Staff costs	(13,008)	(1,623)	(1,637)	(16,268)
Depreciation	(663)	(1,023)	(274)	(1,960)
Other operating charges	(4,096)	(756)	2,025	(2,827)

Segment operating profit/(loss) - underlying	(16)	1,241	114	1,339
Impairment losses - non-underlying	(1,123)	-	-	(1,123)
Segment operating profit/(loss)	(1,139)	1,241	114	216

31 December 2020	Structural Steelwork £'000	Safety Solutions £'000	Central £'000	Total £'000
Segment revenues	58,591	7,364	-	65,955
Raw materials and consumables	(38,534)	(1,980)	-	(40,514)
Other external charges	(2,748)	(1,169)	-	(3,917)
Staff costs	(12,811)	(1,612)	(1,605)	(16,028)
Depreciation	(636)	(972)	(303)	(1,911)
Other operating charges	(3,475)	(389)	1,938	(1,926)
Segment operating profit	387	1,242	30	1,659

6) Dividend

A final dividend has been proposed in respect of 2021 of 3.0 pence per ordinary share (£388,000) (2020: 4.25 pence) per ordinary share (£550,000). As the distribution of dividends by Billington Holdings Plc requires approval at the shareholders' meeting, no liability in this respect is recognised in the consolidated financial statements.

7) 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 continued positive trading performance in 2021 and cash flows are detailed in the Financial Review and they demonstrate the robust position of the Group heading into 2022.

The Group has a gross cash balance of £10.4 million at 31 December 2021 and no significant long-term borrowings or commitments.

The Directors have prepared forecasts covering the period to April 2023 and approved by the Board in March 2022. The uncertainty as to the future continued impact on the Group and the Company of the Covid-19 outbreak has been separately considered as part of the Directors' consideration of the going concern basis of preparation.

The continued support of the construction industry by the UK Government and the ability shown by the business to react and adapt to the challenges of the last twelve months provides a degree of confidence that the Group will be able to maintain its output throughout the current and any future lockdowns. Furthermore, the current orderbook secured for 2022 allows the Group to look forward with an increasing degree of optimism.

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.