

BILLINGTON HOLDINGS PLC

Company number: 02402219

Report and Financial Statements

For the year ended

31 December 2020

THURSDAY



AA6UK4H7

A09

17/06/2021

#134

COMPANIES HOUSE

BILLINGTON HOLDINGS PLC

Annual report and financial statements for the year ended 31 December 2020

Contents

Page :

1	Chairman's Statement
3	Operational Review
7	Financial Review
10	Board Profile and Registered Office
13	Report of the Directors
16	Strategic Report
18	Sustainable and Responsible Business
22	Governance Report
24	Independent Auditor's Report
33	Consolidated income statement
34	Consolidated statement of comprehensive income
35	Consolidated statement of financial position
36	Consolidated statement of changes in equity
37	Consolidated cash flow statement
38	Principal accounting policies
48	Notes forming part of the Group financial statements
66	Parent company statement of financial position
67	Parent company statement of changes in equity
68	Notes forming part of the parent company financial statements

BILLINGTON HOLDINGS PLC

Chairman's Statement

2020 was dominated by the impact of the Covid-19 pandemic, but I am pleased to report that despite a significant reduction in activity, particularly in relation to our structural steel businesses, Billington remained profitable and is well positioned for the future as the recovery takes place.

In 2020 revenue decreased by 37.1 per cent to £66.0 million (2019: £104.9 million) and profit before tax decreased by 71.2 per cent to £1.7 million (2019: £5.9 million). The overall Earnings Per Share ("EPS") for the year amounted to 11.3 pence compared with 39.8 pence in 2019, a 71.6 per cent decrease. However, our balance sheet continued to strengthen with Net Assets of £29.2 million at 31 December 2020 (31 December 2019: £28.1 million), with a strong gross cash balance of £15.1 million at 31 December 2020 (31 December 2019: £17.9 million), providing a continuing solid foundation for the Group.

It was unfortunate that after a record year in 2019 we faced the serious issues caused by the Covid-19 pandemic in 2020. Our first priority was the safety of our staff and customers, with appropriate changes being made to working practices in line with government guidance.

We also focused on taking actions to preserve cash and protect liquidity in a way that did not compromise the long-term prospects of the business. This included the deferral of all non-essential capital expenditure for a period, a hiring freeze, cost reductions, agreed additional banking facilities, deferral of VAT payments and utilisation of the UK Government's Coronavirus Job Retention Scheme ("CJRS"). In addition, the Board agreed that it was not appropriate to recommend the payment of a final dividend for 2019. We understand the importance of the dividend to our shareholders and I am pleased to say that we are proposing the payment of a modest dividend for 2020.

During the year our structural steel businesses, Billington Structures and Peter Marshall Steel Stairs continued to see market pricing pressures, due to the impact of Covid-19, and suffered a number of project delays. Whilst our other facilities remained open the decision was taken to shut the Bristol facility for a period of six weeks and place the staff on furlough as a result of project delays. By the year end we had seen a return to more normal levels of activity and I am pleased that the businesses have been successful in securing a significant amount of new business for 2021, in a variety of sectors.

Peter Marshall Steel Stairs started the year with a strong order book and continued almost uninterrupted through the pandemic, with minimal staff furloughed, although the pandemic did have a negative impact on the level of profitability due to changes in product mix.

As with all the Group's businesses, the easi-edge perimeter edge protection and fall prevention business experienced a material drop in activity in the first half due to the Covid-19 lockdown, although as projects restarted a recovery was seen in the second half. The business entered 2021 with a good degree of forward visibility and we anticipate the improving trends experienced in the later part of 2020 to continue, although there remains uncertainty as to when certain project deferrals will restart.

hoard-it was impacted, particularly in the first half, as the pandemic led to a pause in new site commencements. However, on-site activities built back up to historic levels in the fourth quarter and hoard-it entered 2021 with a promising pipeline of new business.

Pension Scheme

The defined benefit pension scheme (closed to future accrual in 2011) continues in surplus despite the impact of the pandemic on equity markets in 2020. At 31 December 2020 a surplus of £1,683,000 (2019: £2,205,000) along with a corresponding deferred tax liability of £320,000, has resulted in a net recognised surplus of £1,363,000 (2019: £1,830,000).

The actuarial valuation was undertaken as at 31 March 2020 and despite the extremely depressed equity markets at this time as a consequence of the emerging pandemic the scheme remained in surplus.

Dividend

Despite the exceptional results in 2019 no final dividend was proposed in respect of that year as the dividend was suspended to preserve cash resources in light of the anticipated impact of the Covid-19 pandemic. No interim dividends were paid in 2020. However, the Board now feels it is appropriate for Billington to resume dividend payments, albeit at a modest level whilst the impact of Covid-19 continues. The Board is therefore recommending a final dividend of 4.25 pence per share for 2020, which is covered 2.66 times by earnings. The final dividend will be paid, subject to shareholder approval at the Company's AGM, on 6 July 2021, to those shareholders on the register on 4 June 2021.

Liquidity and capital reserves

In 2020 the Group experienced a net cash outflow of £2.7 million (2019: £8.5 million net cash inflow). The increase in working capital requirements from the prior balance sheet date was anticipated and more closely reflects the balance noted in previous years. 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 2020 increased over the level in 2019 and for 2021 is forecast to remain at a similar level as certain projects that were paused due to the pandemic have been restarted. The Group will seek to further enhance its manufacturing capabilities, and to replace some aged capital equipment when it is prudent to do so.

BILLINGTON HOLDINGS PLC

Chairman's Statement (continued)

Our People

The Covid-19 pandemic has dramatically impacted the personal and working lives of everyone. For the team at Billington this has required significant changes to working practices.

I am delighted with the way in which our workforce has met these challenges and I would like to take this opportunity to thank them all for their exceptional efforts, good humour and resilience in these difficult times.

Economic Outlook

Whilst the result of the General Election in December 2019 and the UK's departure from the European Union ("EU") at the end of January 2020 were the dominant themes at the start of the year, the impact of the Covid-19 pandemic has overshadowed everything.

UK gross domestic product ("GDP") fell by 9.9% in 2020, as no sector of the economy was left unscathed by lockdowns and plummeting demand during the pandemic. It was the biggest fall in annual GDP since 1709, although there was a very modest return to growth in the fourth quarter. The current estimate is that the UK structural steelwork market declined by 20 per cent in 2020.

Current forecasts for the UK structural steelwork industry are for the market to return to growth with an increase of 16.2 per cent in 2021 and a further 7.4 per cent in 2022 following the fall in 2020. However, these forecasts are likely to be subject to revision as the pace of the recovery from the impact of Covid-19 is assessed.

In addition to the demand issues caused by the pandemic, the Group has faced a significant increase in structural steel costs during the year. The purchase of British Steel by Jingye on 9 March 2020 has provided the Company and the wider steel industry with more stability and increased certainty of uninterrupted supply moving forward, but this has done little to alleviate the unprecedented scale of price increases and the volatility in prices experienced during 2020. During the period the price of iron ore and scrap steel nearly doubled leading to major increases in the price of steel products; a trend that is expected to continue.

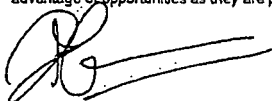
Whilst opportunities exist across Europe and are being actively pursued by the Company, no new business has been secured from the EU since the UK's exit at the end of January 2020. However, the new business opportunities identified by the Group in the UK provides confidence that the Group is able to secure sufficient volumes of contracts to maintain optimum output in the short to medium term.

As always, the Company continues to remain 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 continues to be dominated by the global Covid-19 pandemic, but we have seen a recovery in activity levels in the later part of 2020 and into 2021, and whilst pricing pressures remain in the market we are, however, anticipating improved results in 2021.

Whilst the Covid-19 pandemic will continue to impact the demand for certain products and services for some time, we have a robust business, supported by a healthy balance sheet and committed workforce. Billington remains well placed to take advantage of opportunities as they are presented.



Ian Lawson
Non Executive Chairman
12 April 2021

BILLINGTON HOLDINGS PLC

Operational Review

2020 was a year of significant challenge for Billington after the record year in 2019, dominated by the impact of the Covid-19 pandemic, resulting in revenues decreasing by 37.1 per cent to £65.0 million and profit before tax decreasing by 71.2 percent to £1.7 million. That we were able to overcome these challenges and remain profitable is a real credit to the tireless dedication of our workforce and I would like to thank them all for their efforts and adaptability in these difficult times.

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 Bamsley and Bristol and a heritage dating back over 70 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 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 a large number of 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.

During the first half of the year and into the summer months, the business faced significant challenges as a result of Covid-19, with the pricing pressures that impacted towards the end of 2019 continuing. As a result of the pandemic a number of projects were cancelled or delayed and even though few construction sites were closed completely, there was a pause in activity, particularly in April and May, as sites adapted to new ways of working. A number of suppliers did close during the period, but the business was able to overcome this without any significant impact.

Important to the efficient operation of the Structures business is that the facilities remain fully utilised as far as possible. Billington is not alone in this requirement and as the level of work available in the market decreased due to the impact of the pandemic, further significant pricing pressure was experienced. The decision was taken to close the Bristol facility for six weeks over the summer period and place all the staff on furlough leave in order to ensure that the remaining two facilities were fully utilised, albeit with much of the work at lower margins than those enjoyed historically.

Since the UK's exit from the EU at the end of January 2020 the business has continued to tender for new contracts in the EU, although to date no new EU business has been secured.

The larger projects undertaken by Billington Structures during 2020 included:

- All England Tennis Club Indoor Facility - Wimbledon
- Better Bamsley Town Centre Redevelopment - Bamsley
- Magna Park Distribution Centres - Lutterworth

Towards the end of 2020 and into 2021 Billington Structures has seen a significantly improved outlook. Now operating at full utilisation, the business has, post period end, won further new business, including some higher margin contracts; and has a strong order book for the remainder of the year. Whilst the detailed timing of certain projects remains uncertain, the order book is more balanced than it has been for some time, with a number of large projects, particularly for distribution warehouses and data centres in the UK regions outside of London.

Awards

It is pleasing to note that the Company secured the Tekla Sports and Recreation Project award for The Glass Works, Bamsley town centre redevelopment project, where the company delivered circa 3,500 tonnes of highly complex structural steelwork.

Furthermore, efforts were recognised for the Company's delivery of the London School of Economics Centre Building through receiving a commendation in the Structural Steel Design awards.

BILLINGTON HOLDINGS PLC

Operational Review (continued)

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.

Peter Marshall Steel Stairs was the least impacted by the pandemic of any of Billington's businesses and there was only minimal requirement for staff to be placed on furlough leave during the year. The business started the year with a very healthy order book and benefited from supplying to projects involving both Billington Structures and other large projects from the wider engineering and construction market. However, there was a modest reduction in turnover and profitability, when compared to 2019, due to the product mix and an increase in the proportion of supply only contracts.

Notable projects undertaken in 2020 included:

- Ocado Distribution Centres – Andover, Avonmouth and Purfleet
- Virtus Data Centre - London
- Amazon Fulfilment Centre - Swindon

The business entered 2021 with a positive order book. Since the year end the company has received its largest single order, and enjoys a robust market position, particularly when viewed against its smaller competitors, in what is a fragmented market.

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 the first half of the year the business was particularly impacted by Covid-19 related delays to the start of projects and project deferrals, although a recovery was seen in the second half as sites reopened. The CJRS was utilised covering up to a maximum of 50 per cent of easi-edge's workforce in order to maintain employment, although staff were incrementally brought back to work as the year progressed and all had returned by the year end.

Projects undertaken by easi-edge in 2020 included:

- Milburngate Redevelopment – Tolent Construction - Durham
- Manchester College – Willmott Dixon - Manchester
- Barton Court School – Kier Construction - Canterbury

The target remains for easi-edge's stock to be utilised 85 per cent at any one time. 2020 started at this level, reducing to approximately 60 per cent during the lockdown in the first half and recovering to approximately 74 per cent by the year end.

The investments made in the business in 2019, adding to the stock available for hire, meant 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 will be introduced to the market in the first half of 2021.

The business brought a good forward order book into 2021 and whilst certain projects continue to be delayed, particularly in the commercial office market, other sectors such as distribution warehouses are more buoyant, all be it with a lower use of easi-edge product per project. We believe easi-edge is very well positioned as the market recovers in one of the higher margin segments for the Group.

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 was not immune to the impact of the pandemic, particularly in the first half of the year, as the pandemic led to a pause in new site openings. At the height of the impact approximately 50 per cent of the hoard-it staff were on furlough leave. However, as on-site activities built back up to the best levels enjoyed historically in the fourth quarter, all staff returned to work and the team was further strengthened.

Notable projects in 2020 undertaken by hoard-it included:

- Various Nightingale Hospital sites
- Pinewood Studios – Sir Robert McAlpine - Slough
- Swindon Radiotherapy Centre – John Sisk - Swindon
- Prince Charles Hospital – Interserve – Merthyr Tydfil

Significant capital expenditure of approximately £600,000 to increase the hire stock level was undertaken in the second half of the year with the continuing focus on establishing the product as the number one choice for main contractors and developers in the construction industry.

Whilst hoard-it is experiencing some pricing pressure, it entered 2021 with a promising pipeline of new business, particularly in relation to hospital and school projects, and 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.

BILLINGTON HOLDINGS PLC

Operational Review (continued)

Our People

Our workforce faced challenges in 2020 at a level never previously experienced, both in their working and personal lives as a result of the Covid-19 pandemic. I am pleased to say that they rose to these challenges, with new working practices implemented and both those working throughout the period and those subject to a period of furlough leave showing the resilience and flexibility required to maintain the Group in a strong position.

As a result of the restructuring of certain roles, average staff numbers in 2020 decreased 5.0 per cent, with 361 employed at the year end. We anticipate a modest increase in staff numbers in 2021 as activity returns to pre-pandemic levels, 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 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.

Billington also 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.

Additionally, Billington continues as an advocate, promoter 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. In light of the Covid-19 pandemic our immediate priority in 2020 was to ensure the health and wellbeing of our staff and customers. Significant changes were made 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.

Across the Group we continue to be 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.

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 2020 the Health and Safety department, which had been further strengthened in 2019, worked 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.

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 2020 Billington has actively supported many charity programmes.

Throughout 2020, Billington donated to the likes of Macmillan, Mind, Barnsley Hospice as well as a range of local sports teams that our employees are involved with.

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 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.

BILLINGTON HOLDINGS PLC

Operational Review (continued)

Steel Industry

In March 2020 we welcomed the news that the sale of British Steel to Chinese firm Jingye had been completed. The completed sale to Jingye has provided a degree of stability to the British steel industry, together with the anticipation of much needed investment, particularly in blast furnace refurbishment, which we understand awaits clarity on future environmental legislation.

Throughout 2020, the dominant theme has been the increase in steel prices. A near doubling in iron ore prices in the period, coupled with similar 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. Since May 2020 these price increases have been in the order of 40 percent and the scale and speed of the price rises is unprecedented. Additionally challenges have been faced with the restricted supply of cold rolled steel and Brexit related issues with imports.

However, Billington benefits from its scale in the market and trading relationships with its primary supply chain, which together with a hedging strategy covering most projects up to six months out, mitigates the immediate impact. Although, over the longer term price rises have to be passed onto customers as far as possible.

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.

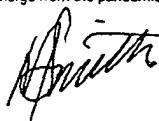
Prospects and Outlook

Whilst 2019 should be viewed as an exceptionally positive year for Billington, 2020 has been dominated by the impact of the Covid-19 pandemic and could be viewed in the opposite way. However, Billington fortunately entered 2020 in a strong position to navigate the difficulties ahead and remains today a profitable and significant player in the structural steel and safety solutions markets.

The major disruption caused by the Covid-19 pandemic in the first half of 2020 and through the summer months appears to have subsided and we enjoyed a return to more normal trading conditions in the later part of the year and into 2021.

The market remains very competitive and continued price escalation and availability of some raw materials remains a concern. Our strong partner relationships combined with strong controls and mechanisms ensures the Group is able to substantially mitigate these headwinds.

In conclusion, I would like to thank Billington's Board, employees, shareholders and all stakeholders for their unstinting support during these difficult times. Billington is a robust business, with good market positions and a committed workforce. As we emerge from the pandemic the outlook for Billington is encouraging and I look forward to the future with cautious optimism.



Mark Smith
Chief Executive Officer
12 April 2021

BILLINGTON HOLDINGS PLC

Financial Review

Consolidated Income Statement

	2020	2019
	£'000	£'000
Revenue	65,955	104,911
Operating profit	1,659	5,936
Profit before tax	1,667	5,931
Profit after tax	1,369	4,796
Profit for shareholders	1,369	4,796
Operating profit margin	2.5%	5.7%
Return on capital employed	13.9%	49.1%
Earnings per share (basic)	11.3 p	39.8 p

Revenue decreased 37.1 per cent year on year partly as a result of a reduction in output related to the structural steelwork activities of the Group as a consequence of the Covid-19 pandemic. Revenues in 2019 had significantly increased as a result of two significant projects being completed in the period, which were not repeated in 2020. Whilst construction activities in the UK were permitted to continue during the pandemic the Group experienced a number of project cancellations and deferrals impacting output.

Forecasts indicate that the consumption of structural steelwork within the UK declined to 683,000 tonnes in 2020 from 858,000 tonnes in 2019, a fall of 20.4 per cent. Projections indicate that consumption will increase by 16.2 per cent to 794,000 tonnes in 2021 and a further 7.4 per cent to 853,000 tonnes in 2022, allowing the Group to look forward with optimism in the medium term as the UK recovers from the pandemic.

Operating margins reduced to 2.5 per cent in the year as a result of a difficult trading environment and reduced output from the Group. The operating margin achieved within the Safety Solutions entities, at 16.9 per cent (2019: 20.2 per cent), was very encouraging and demonstrated resilience during the period. The level of utilisation for the hire products within the Safety Solutions divisions was immediately impacted at the onset of the pandemic and remained behind the levels achieved in 2019 for the remainder of 2020, resulting in revenues decreasing 9 per cent in the period.

Earnings per share reduced from 39.8 pence in 2019 to 11.3 pence in 2020 representing a decrease in the result for shareholders of 71.6 per cent.

Cash management was a primary focus during the year. The gross cash balance of £15,126,000 at 31 December 2020 (31 December 2019: £17,856,000) was consistent with the balance in 2019 after adjusting for some exceptional contributory factors raising the balance in the comparative period. The average gross cash balance during the year was £15,300,000 (2019: £10,700,000). The continued strong cash position leaves the Group well placed to achieve both its short- and long-term objectives, while providing financial security in a cyclical industry.

Average staff numbers in 2020 decreased 5.0 per cent with a related overall fall in staff costs of 4.0 per cent year on year. Industry wide challenges remain in attracting sufficient quality resource across all disciplines and the Group anticipates a modest increase in staff numbers in 2021 as activity returns to pre pandemic levels.

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

Consolidated Balance Sheet

	2020	2019
	£'000	£'000
Non current assets	16,219	16,456
Current assets	33,340	33,548
Current liabilities	(18,866)	(21,724)
Non current liabilities	(1,476)	(187)
Total equity	29,217	28,093

At the onset of the pandemic the Group's large capital expenditure projects planned for the period were paused to enable cash to be preserved. As the initial lockdown was eased two significant projects were restarted, one relating to the replacement of a current machine and one relating to an expansion of the current service offering of the Group. At the year end both projects remained under construction and totalled £921,000.

Within non-current assets, property, plant and equipment increased by £285,000, represented by capital additions of £2,216,000, depreciation charges of £1,911,000 and net disposals of £20,000.

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 £1,683,000 along with a corresponding deferred tax liability of £320,000 has resulted in a net recognised surplus of £1,363,000. The scheme was closed to future accrual in 2011.

BILLINGTON HOLDINGS PLC

Financial Review (continued)

Consolidated Balance Sheet (continued)

The net deferred tax liability at the year end was £476,000 (2019: £176,000), being a deferred tax liability of £156,000 (2019: asset of £199,000) related to temporary timing differences, combined with a deferred tax liability of £320,000 (2019: £375,000) related to the defined benefit pension scheme surplus.

The decrease of £208,000 in current assets included a decrease of £3,264,000 in inventories, an increase of £5,525,000 in trade and other receivables, and a decrease in the cash balance of £2,730,000.

Retention balances, contained within trade and other receivables outstanding at the year end, were £3,110,000 (2019: £3,364,000). It is anticipated that £2,921,000 will be received within one year and £189,000 in greater than one year.

The total fall of £2,858,000 in current liabilities principally comprised a decrease in trade and other payables of £826,000 along with a fall of £1,250,000 related to short term borrowings that were refinanced in the year upon their expiry.

Total equity increased by £1,124,000 in the year to £29,217,000. 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

	2020	2019
	£'000	£'000
Result for shareholders	1,369	4,796
Depreciation	1,911	1,814
Capital expenditure	(2,216)	(1,751)
Tax paid	(844)	(959)
Tax per income statement	298	1,135
Increase/(decrease) in working capital	(3,088)	5,378
Dividends paid	-	(1,565)
Net property loan movement	(250)	(250)
Others	90	(53)
Net cash inflow	(2,730)	8,545
Cash at beginning of year	17,856	9,311
Cash at end of year	15,126	17,856

Dividends were suspended to preserve cash resources in the period (2019: £1,565,000).

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	2019
	£'000	£'000
Inventories and work in progress	5,078	8,342
Accounts receivable	12,876	7,350
Accounts payable	(18,607)	(19,433)
Working capital at end of year	(653)	(3,741)

Cash balances at the year end totaled £15,126,000 and there were property loans outstanding of £1,250,000 representing a net cash position of £13,876,000 (2019: £16,356,000). 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 strong cash balance to be maintained 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. 2021 will note a modest increase in 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 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.

BILLINGTON HOLDINGS PLC

Financial Review (continued)

Covid-19 Cash Preservation

Dividends payable in respect of 2019 were suspended in the period to allow the Group to maintain its cash resources.

Capital expenditure was, for a time, limited to necessary replacements only and significant projects were deferred for a period until the impact of Covid-19 was better understood. Pleasingly, two of the three projects planned for the period commenced towards the latter part of the year with the third project now anticipated to be completed in 2021.

During the year the Group utilised the CJRS to maintain the employment of individuals as a number of projects were deferred, delayed or cancelled. The Group claimed £730,000 from the CJRS in the year. While certain individuals remained on furlough leave in 2021 the Group has resolved not to claim any further monies under the CJRS.

At the onset of the pandemic HM Revenue and Customs permitted all companies to defer their VAT liabilities for the period 20 March 2020 to 30 June 2020. The Company utilised the facility and deferred £671,000 of VAT, this will be repaid in equal instalments in the period April 2021 to March 2022.

Notwithstanding the continued strong cash position of the Group an additional contingent bank facility of £3,000,000 was put in place in March 2020 to mitigate the potential risk that construction activities would cease for period. Activities, albeit at lower levels were able to continue and the facility was not utilised in the year.

Pension Scheme

	2020	2019
	£'000	£'000
Scheme assets	9,292	8,552
Scheme liabilities	(7,609)	(6,347)
Surplus	1,683	2,205
Other finance income/(expense)	4	(6)
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'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 6,600, an increase of some 16 per cent thus providing increased confidence of the financial 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 514,395 share options outstanding at an average exercise price of £0.43 per share (2019: 424,705 shares at £2.63 per share)

The charge included within the accounts in respect of issued options is £118,000 (2019: £97,000).



Trevor Taylor
Chief Financial Officer
12 April 2021

BILLINGTON HOLDINGS PLC

Board profile and registered office

Directors

Ian Lawson	Non Executive Chairman
Mark Smith	Chief Executive Officer
Trevor Taylor	Chief Financial Officer
John Gordon	Non Executive Director
Alexander Ospelt	Non Executive Director
Stephen Wardell	Non Executive Director

Secretary

Darren Kemplay

Registered Office

Barnsley Road
Wombwell
Barnsley
South Yorkshire
S73 8DS

Registered in England : Company Number - 02402219

BILLINGTON HOLDINGS PLC

Board profile and registered office (continued)

Ian Michael Lawson
Non Executive Chairman
Appointed: 01/10/2018
Nationality: British

Ian is a fellow of both The Royal Institute of Chartered Surveyors (FRICS) and the Chartered Institute of Building (CIOB) 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
Chief Executive Officer
Nationality: British

Joined Billington Holdings Plc as Chief Operating Officer on 2 June 2014. Appointed as Chief Executive on 1 January 2015.

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
Chartered Accountant
Nationality: British

Trevor is a fellow of the Institute of Chartered Accountants in England & Wales (ICAEW) and joined Billington in 2008 after 5 years in audit practice specialising in Construction and Financial Services.

John Stuart Gordon
Non Executive Director
Appointed: 01/04/2007
Barrister and Solicitor
Nationality: British

John practised as a barrister from 1989 until 1999 when he re-qualified as a solicitor. John is in private practice as a partner / consultant in Excello Law Solicitors, specialising in commercial and property litigation. He was appointed to the Board in 2007, and his legal-commercial background makes him a valuable member of the team.

BILLINGTON HOLDINGS PLC

Board profile and registered office (continued)

Alexander Ospelt
Non Executive Director
Appointed: 01/01/2013
Nationality: Liechtensteiner

Alexander Ospelt has been in independent practice as a lawyer since 1997 and is a 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 Opselt 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
Chartered Accountant
Nationality: British

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 in 2014. Stephen currently has a non-executive role on the KPMG UK Audit Board and is also a director of The 5% Charity Club.

BILLINGTON HOLDINGS PLC

Report of the Directors for the year ended 31 December 2020

The Directors present their report together with the audited financial statements for the year ended 31 December 2020.

1. Results and dividends

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

No final dividend was proposed in respect of 2019 as the dividend was suspended to preserve cash resources. No interim dividends were paid in 2020. A final dividend has been proposed in respect of 2020 of 4.25 pence per ordinary share (£550,000).

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. Additionally 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, where available, to reduce the risk to an acceptable level (see notes 12 & 18 to the consolidated financial statements).

3. Directors

All Directors served throughout the year.

In accordance with the Articles of Association Mr T.M.Taylor and Mr M.Smith retire and offer themselves for re-election.

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

	Billington Holdings Plc ordinary 10p shares			
	31 December 2020		1 January 2020	
	Shares	Options	Shares	Options
Ian Lawson	17,200	-	17,200	-
Mark Smith	13,749	167,904	11,408	90,508
Trevor Taylor	14,749	126,369	12,408	70,802
John Gordon	82,270	-	282,270	-
Alexander Ospell	6,500	-	6,500	-
Stephen Wardell	-	-	-	-

The Directors outstanding options at the year of the year were as follows:

	Mark Smith		Trevor Taylor		Expected Exercise price	Expected exercise date
Bonus Scheme	11,625		9,161		nil	Mar 21 - Mar 22
Deferred Bonus Plan	18,160		13,620		nil	Mar 23
LTIP	138,119		103,588		nil	Mar 22 - Mar 23
	167,904		126,369			

BILLINGTON HOLDINGS PLC

Report of the Directors for the year ended 31 December 2020 (continued)

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 accounting standards in conformity with the requirements of the Companies Act 2006, 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 continued positive trading performance in 2020 and cash flows are detailed in the Financial Review and they demonstrate the robust position of the Group heading into 2021.

The Group has a gross cash balance of £15.1 million at 31 December 2020 and no significant long-term borrowings or commitments.

The Directors have prepared forecasts covering the period to April 2022 and approved by the Board in March 2021. 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 2021 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.

BILLINGTON HOLDINGS PLC

Report of the Directors for the year ended 31 December 2020 (continued)

6. Streamlined Energy and Carbon Reporting ('SECR')

Billington's SECR reporting is in accordance with UK regulations and includes emissions arising from our fleet, gas and electricity in all sites and offices of the Group's parent company and the main subsidiary Billington Structures Limited. To calculate its emissions into equivalent tonnes of carbon dioxide (CO₂e) the Government's carbon conversion factors updated in 2020 were used.

For the year ended 31 December 2020 the energy usage is as follows:

	<u>2020</u>
	KwH
Total energy consumption used to calculate emissions:	<u>6,402,369</u>
	<u>2020</u>
	Tonnes of CO ₂ e
Emissions from combustion of gas (CO ₂ e (Scope 1)	488
Emissions from combustion of fuel for transport purposes (Scope 1)	145
Emissions from purchased electricity (Scope 2, location-based)	609
Emissions from business travel in employee-owned vehicles (Scope 3)	<u>17</u>
Total gross CO ₂ e	<u>1,259</u>
Greenhouse gas emissions - intensity ratio: Tonnes of CO ₂ e per £'m of revenue	<u>19.1</u>

The Group's approach to environmental matters is included within the Sustainable and Responsible Business Report.

During the year the Group obtained the ESOS Audit Report for Phase 2 (2015-2019) and was deemed to be fully compliant with ESOS legislation. Billington also achieved re-certification for BS EN ISO 14001:2015 Environmental Management.

A project to migrate all lighting to LED across the Group has continued during the year and we have also placed orders for the first fully-electric and hybrid vehicles, which are due to be delivered in early 2021.

Due to the impact of Covid-19, a number of other planned efficiency reviews and improvement actions have been delayed, however the recommendations resulting from the ESOS audit and other planned improvements are currently in progress and are anticipated to be delivered in 2021.

7. 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.

8. 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
Secretary
Billington Holdings Plc
Company Number - 02402219
12 April 2021

BILLINGTON HOLDINGS PLC

Strategic Report for the year ended 31 December 2020

The Directors present their report together with the audited financial statements for the year ended 31 December 2020.

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 3 to 9), including an analysis using key financial and non-financial performance indicators.

2. Key non-financial performance indicators

	2020	2019
Production efficiency	111%	114%
Hire stock utilisation	72%	87%
Accidents (own employees) - reportable	2	2
Employee numbers	379	399
Apprentice intake	1	8
Staff turnover (excluding restructuring)	18%	12%

3. Principal Risks and Uncertainties

Principal risks and uncertainties have been reviewed and updated. There are no new principal risks or uncertainties identified during the year.

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 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, 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.

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

2020 saw a great amount of economic and political uncertainty as a result of the efforts in agreeing a deal with the European Union (EU). Whilst the Group's activities in EU markets are limited there remains opportunity for the Group to increase its activity in these markets when it is right and prudent to do so. Furthermore, some material inputs are obtained from the EU and the Group remains alert to any possible supply and / or pricing issues that may arise as the full impact of the deal with the EU is noted.

It is pleasing to note that currently the Group has not noted any significant material supply issues related to Brexit since 1 January 2021.

BILLINGTON HOLDINGS PLC

Strategic Report for the year ended 31 December 2020 (continued)

Principal Risks and Uncertainties (continued)

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 although it is hoped and expected that the current vaccine roll out programme will materially reduce the spread and ultimately the 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. Further details as to the impact of Covid-19 and the mitigation measures implemented during the period are contained within the Report of the Directors, Chairman's, Chief Executive's, and Chief Financial Officer's statements.

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

Details of how the Directors have fulfilled their duties are included in the Governance Report.

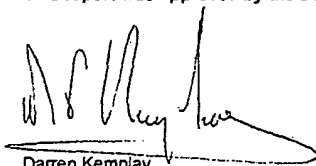
5. Disabled persons

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
Secretary
Billington Holdings Plc
Company Number - 02402219
12 April 2021

BILLINGTON HOLDINGS PLC

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 Group have 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 they against could present risks to employees and wider stakeholders. The Chief Executive Officer is ultimately responsible for the implementation and enforcement of the Group'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 Group's 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 Group 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, Billington has adopted policies that comply with the ISO BS EN 14001 - Environmental Management System.

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

Billington 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 Group'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 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 Group money, improve brand reputation and reduce Billington's environmental footprint.

BILLINGTON HOLDINGS PLC

Sustainable and Responsible Business (continued)

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, which from January 2021 is now a weekly 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.

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.

BILLINGTON HOLDINGS PLC

Sustainable and Responsible Business (continued)

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 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.

BILLINGTON HOLDINGS PLC

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 HOLDINGS PLC

Governance Report

Introduction to Governance

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.

Further details on how the Company complies with the Principles of the QCA code can be found on the Billington Holdings Plc website at - <https://billington-holdings.plc.uk/aim-information/corporate-governance-policy/>

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 be 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.

BILLINGTON HOLDINGS PLC

Governance Report (continued)

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 a strong balance of expertise at Board level.

Board Meeting Attendance

Mark Smith – 11/11
Trevor Taylor – 11/11
John Gordon – 11/11
Doctor Ospelt – 9/11
Ian Lawson – 11/11
Stephen Wardell – 11/11

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 John Gordon (previously 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. 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.

BILLINGTON HOLDINGS PLC

Audit Report for the year ended 31 December 2020

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 2020, which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated cash flow statement, the Parent company statement of financial position, 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 the international accounting standards in conformity with the requirements of the Companies Act 2006. 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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

BILLINGTON HOLDINGS PLC



Audit Report for the year ended 31 December 2020 (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

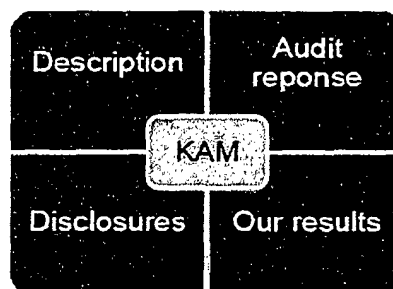
The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

 <p>Grant Thornton</p> 	<p>Overview of our audit approach</p>
	<p>Overall materiality:</p> <p>Group: £210,000, which represents 5% of the group's normalised profit before taxation.</p> <p>Parent company: £125,000, which represents 0.5% of the parent company's total assets.</p>
	<p>Key audit matters were identified as:</p> <ul style="list-style-type: none"> Revenue and profit recognition in relation to construction contracts: Same as previous year; and Going concern: New for the current year <p>Our auditor's report for the year ended 31 December 2019 did not include any key audit matters that have not been reported as key audit matters in our current year's report.</p>
	<p>We performed an audit of the financial information of the parent company and the subsidiary undertakings, using component materiality (full-scope audit procedures). 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.</p>

Key audit matters

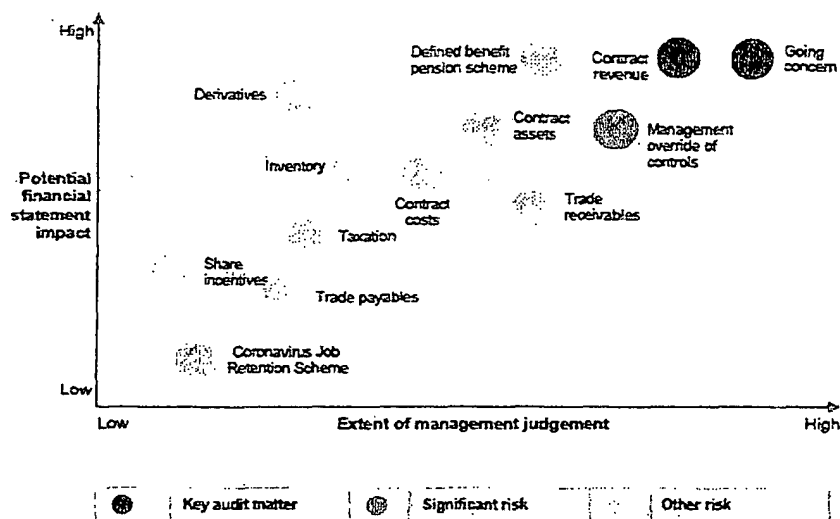
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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 the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.

BILLINGTON HOLDINGS PLC

Audit Report for the year ended 31 December 2020 (continued)



Key Audit Matter – Group

Revenue and profit recognition in relation to construction contracts

We identified Revenue and profit recognition in relation to construction contracts as one of the most significant assessed risks of material misstatement due to fraud.

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 the assessment of each contract's outcome and stage of completion requires management judgement and therefore there may be potential for manipulation and/or management bias.

There is a risk that the profit recognised in the year may not be appropriate. Revenue is recognised in line with performance obligations being satisfied. 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.

How our scope addressed the matter – Group

In responding to the key audit matter, we performed the following audit procedures:

- 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 the quantity surveyors 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

BILLINGTON HOLDINGS PLC

Audit Report for the year ended 31 December 2020 (continued)

Key Audit Matter – Group	How our scope addressed the matter – Group
	<p>updated expectation if the project was incomplete; and</p> <ul style="list-style-type: none"> Challenging management regarding their assumptions in assessing the progress and expected outcome of a sample of projects;
<p>Relevant disclosures in the Annual Report and Accounts 2020</p> <ul style="list-style-type: none"> Financial statements: Note 2, Revenue and profit before tax 	<p>Our results</p> <p>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.'</p>
<p>Going concern</p> <p>We have identified a key audit matter related to going concern as one of the most significant assessed risks of material misstatement due to fraud and error as a result of the judgment required to conclude whether there is a material uncertainty related to going concern.</p> <p>Covid-19 and Brexit are the most significant economic events for the UK, and at the date of this report there is an unprecedented level of uncertainty as to the ultimate impact of these events on the group. In undertaking their assessment of going concern for the group the directors considered the impact of the following Covid-19 and Brexit related events in their forecast future performance of the group and anticipated cash flows:</p> <ul style="list-style-type: none"> the current financing available to the group and associated debt covenants; cost saving actions that the group have implemented as a result of the Covid-19 pandemic; the Government's furlough scheme; the strong order book at the year end, which is a substantial proportion of the 2021 budgeted turnover; and the potential impact on revenues generated from European customers based on a number of Brexit related scenarios; <p>The directors have concluded, based on the various scenarios developed, that the group has sufficient resources available to meet its liabilities as they fall due and have concluded that there are no material uncertainties that cast significant doubt over the entity's ability to continue as a going concern.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> Obtaining management's forecasts covering the period from January 2021 to April 2022, assessing how these cash flow forecasts were compiled and assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, and challenging those assumptions; Assessing the accuracy of management's past forecasting by comparing management's forecasts for the prior year to the actual results for last year and considering the impact on the cash flow forecast; Assessing management's cash position at the year end and throughout the forecast period; Corroborating post year end cash position and key assumptions made in the forecast; Performed further sensitivity analysis to management's forecasts to determine the reduction in revenue and consequently earnings after tax that would lead to elimination of the headroom in their cash flow forecasts; and Assessing the adequacy of the going concern disclosures included within the annual report & financial statements.

Key Audit Matter – Group		How our scope addressed the matter – Group	
Relevant disclosures in the Annual Report and Accounts 2020		Our results	
<ul style="list-style-type: none">Financial statements: Accounting policies.Going concernReport of the Directors: Note 5. Going concern		We have nothing to report in addition to that stated in the "Conclusions relating to going concern" section of our report.	
Our application of materiality		We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.	
Materiality was determined as follows:			
Materiality measure	Group	Parent company	
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing, and extent of our audit work.		
Materiality threshold	£210,000 which is 5% of the group's normalised profit before taxation. Materiality is based on a three financial year average.		
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: The most important KPI to management of the group is earnings, we therefore considered profit before taxation to be the most appropriate benchmark for the group. There has been significant fluctuation year on year, for this reason we normalised the benchmark. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 to reflect on year decrease in total assets.		
Materiality threshold	£210,000 which is 5% of the group's normalised profit before taxation. Materiality is based on a three financial year average.		
Performance materiality threshold	£158,000 which is 75% of financial statement materiality.		
Performance materiality threshold	£94,000 which is 75% of financial statement materiality.		

BILLINGTON HOLDINGS PLC

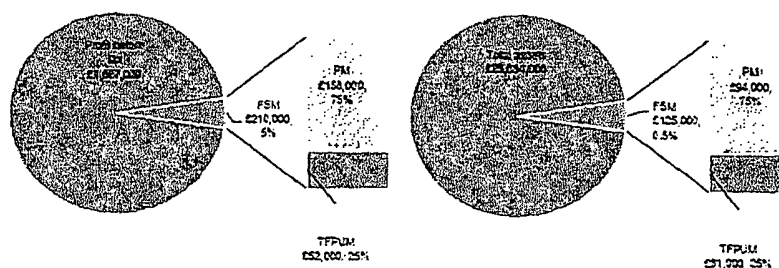
Audit Report for the year ended 31 December 2020 (continued)

Materiality measure	Group	Parent company
	misstatements identified in previous audits. Therefore we considered a higher performance materiality to be appropriate.	performance materiality to be appropriate.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality threshold	<p>We determined a lower level of specific materiality for the following areas:</p> <p>Directors remuneration</p> <p>Related party transactions</p>	<p>We determined a lower level of specific materiality for the following areas:</p> <p>Directors remuneration</p> <p>Related party transactions</p>
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£10,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£6,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group

Overall materiality – Parent company



FSM: Financial statements materiality. PM: Performance materiality. TFPUM: Tolerance for potential uncorrected misstatements

BILLINGTON HOLDINGS PLC

Audit Report for the year ended 31 December 2020 (continued)

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- the engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level;
- the engagement team obtained an understanding of the individual components, including component specific controls, and assessed the risks of material misstatement at the group level; planning discussions were held between the engagement team and the group's management team
- walkthroughs were performed of key areas to assess the risks of material misstatement at the group level.

Identifying significant components

- we identified all components as significant, performing a full-scope audit of the financial statements of the parent company, and of the financial information of the subsidiary undertakings.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- the engagement team performed a full-scope audit of the financial statements of the parent company, and of the financial information of the subsidiary undertakings, which are subject to a statutory audit.

Performance of our audit

- 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.

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.

BILLINGTON HOLDINGS PLC

Audit Report for the year ended 31 December 2020 (continued)

Matter 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, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the international accounting standards in conformity with the requirements of the Companies Act 2006 and the Health and Safety Act 1974;
 - We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through
-

BILLINGTON HOLDINGS PLC

Audit Report for the year ended 31 December 2020 (continued)

discussion with the directors and the Audit Committee, and from inspection of the group's board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the directors and the Audit Committee;

- We assessed the susceptibility of Billington Holdings Plc's consolidated financial statements to material misstatement, including how fraud might occur by meeting with management from relevant parts of the business to understand where management considered there was a susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts.
- Audit procedures performed by the engagement team included:
 - evaluation of the programmes and controls established to address the risks related to irregularities and fraud;
 - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
 - identifying and testing related party transactions.

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.

Grant Thornton UK LLP

Donna Steel
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
12 April 2021

BILLINGTON HOLDINGS PLC

Consolidated income statement for the year ended 31 December 2020

	Note	2020		2019	
		£'000	£'000	£'000	£'000
Revenue, excluding movements in work in progress			69,463		108,357
Decrease in work in progress			(3,508)		(3,446)
Revenue	2		65,955		104,911
Raw materials and consumables		40,514		73,995	
Other external charges		3,917		3,621	
Staff costs	3	16,028		16,700	
Depreciation	2	1,911		1,814	
Other operating charges		<u>1,926</u>		<u>2,845</u>	
			<u>(64,296)</u>		<u>(98,975)</u>
Operating profit			1,659		5,936
Share of post tax profit in joint ventures	24		-		-
Net finance income/(expense)	4		<u>8</u>		<u>(5)</u>
Profit before tax	2		1,667		5,931
Tax	5		<u>(298)</u>		<u>(1,135)</u>
Profit for the year			<u>1,369</u>		<u>4,796</u>
Profit for the year attributable to equity holders of the parent company			<u>1,369</u>		<u>4,796</u>
Earnings per share (basic and diluted)	7		<u>11.3 p</u>		<u>39.8 p</u>

All results arose from continuing operations.

The statement of accounting policies and notes 1 to 25 form part of these Group financial statements.

BILLINGTON HOLDINGS PLC

Consolidated statement of comprehensive income for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Profit for the year		1,369	4,796
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit surplus	22	(526)	581
Movement on deferred tax relating to pension liability	17	100	(98)
		(426)	483
Items that will be reclassified subsequently to profit or loss			
Cash flow hedging			
- current year gains	17	-	831
		-	831
Other comprehensive income, net of tax		(426)	1,314
Total comprehensive income for the year attributable to equity holders of the parent company		943	6,110

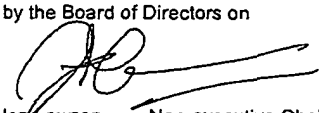
The statement of accounting policies and notes 1 to 25 form part of these Group financial statements.

BILLINGTON HOLDINGS PLC

Consolidated statement of financial position as at 31 December 2020

	Note	2020		2019	
		£'000	£'000	£'000	£'000
Assets					
Non current assets					
Property, plant and equipment	8		14,536		14,251
Pension asset	22		1,683		2,205
Investments in joint ventures	9, 24		-		-
Total non current assets			16,219		16,456
Current assets					
Inventories and work in progress	11	5,078		8,342	
Trade and other receivables	12	12,876		7,350	
Current tax receivable		260		-	
Cash and cash equivalents	14	15,126		17,856	
Total current assets			33,340		33,548
Total assets			49,559		50,004
Liabilities					
Current liabilities					
Current portion of long term borrowings	16	250		1,500	
Trade and other payables	13	18,607		19,433	
Lease liabilities	21	9		105	
Current tax payable		-		686	
Total current liabilities			18,866		21,724
Non current liabilities					
Long term borrowings	15, 16	1,000		-	
Lease liabilities	21	-		11	
Deferred tax liabilities	17	476		176	
Total non current liabilities			1,476		187
Total liabilities			20,342		21,911
Net assets			29,217		28,093
Equity					
Share capital	19		1,293		1,293
Share premium			1,864		1,864
Capital redemption reserve			132		132
Other components of equity			(783)		(820)
Accumulated profits			26,711		25,624
Total equity			29,217		28,093

The Group financial statements were approved and authorised for issue by the Board of Directors on 12 April 2021.


Ian Lawson Non-executive Chairman


Trevor Taylor Chief Financial Officer

The statement of accounting policies and notes 1 to 25 form part of these Group financial statements.

BILLINGTON HOLDINGS PLC

Consolidated statement of changes in equity for the year ended 31 December 2020

	Share capital £'000	Share premium £'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	-	-	-	-	(1,565)	(1,565)
Credit relating to equity-settled share based payments	-	-	-	-	97	97
ESOT 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
	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other components of equity £'000	Accumulated profits £'000	Total equity £'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 loss 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

The Group accumulated profits reserve includes a surplus of £1,363,000 (2019 - £1,830,000) relating to the net pension surplus (note 22).

The statement of accounting policies and notes 1 to 25 form part of these Group financial statements.

BILLINGTON HOLDINGS PLC

Consolidated cash flow statement for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Group profit after tax		1,369	4,796
Taxation paid		(844)	(959)
Interest received		41	43
Depreciation on property, plant and equipment	8	1,911	1,814
Share based payment charge		181	97
Profit on sale of property, plant and equipment		(274)	(331)
Taxation charge recognised in income statement		298	1,135
Net finance (income)/expense		(8)	5
Decrease in inventories and work in progress		3,264	3,669
(Increase)/decrease in trade and other receivables		(5,526)	177
(Decrease)/increase in trade and other payables		(826)	1,532
Net cash flow from operating activities		(414)	11,978
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,216)	(1,751)
Proceeds from sale of property, plant and equipment		294	341
Net cash flow from investing activities		(1,922)	(1,410)
Cash flows from financing activities			
Interest paid		(37)	(42)
Proceeds of bank and other loans		1,250	-
Repayment of bank and other loans		(1,500)	(250)
Capital element of leasing payments		(107)	(166)
Dividends paid	6	-	(1,565)
Net cash flow from financing activities		(394)	(2,023)
Net (decrease)/increase in cash and cash equivalents		(2,730)	8,545
Cash and cash equivalents at beginning of period		17,856	9,311
Cash and cash equivalents at end of period	25	15,126	17,856

The statement of accounting policies and notes 1 to 25 form part of these Group financial statements.

BILLINGTON HOLDINGS PLC

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 2020.

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 continued positive trading performance in 2020 and cash flows are detailed in the Financial Review and they demonstrate the robust position of the Group heading into 2021.

The Group has a gross cash balance of £15.1 million at 31 December 2020 and no significant long-term borrowings or commitments.

The Directors have prepared forecasts covering the period to April 2022 and approved by the Board in March 2021. 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 2021 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.

(a) Changes in accounting policies

New and revised standards that are effective for annual periods beginning on or after 1 January 2020

Accounting pronouncements which have become effective from 1 January 2020 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.

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.

BILLINGTON HOLDINGS PLC

Principal accounting policies (continued)

(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 in accordance with IFRS 15.35 (c).

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. Revenue is disclosed in the income statement both before (non-GAAP measure) and after (GAAP measure) movements in work in progress to present both performance obligations satisfied when something other than the passage of time is required before the consideration is due and when only the passage of time is required before the consideration is due respectively.

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 transaction price 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.

BILLINGTON HOLDINGS PLC

Principal accounting policies (continued)

(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%

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 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.

BILLINGTON HOLDINGS PLC

Principal accounting policies (continued)

(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 (ie 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.

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.

BILLINGTON HOLDINGS PLC

Principal accounting policies (continued)

(h) Leased assets

The Group assesses whether a contract is or contains a lease at inception of the contract. 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 assess 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.

BILLINGTON HOLDINGS PLC

Principal accounting policies (continued)

(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. 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 recognised initially at fair value plus transaction costs.

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.

BILLINGTON HOLDINGS PLC

Principal accounting policies (continued)

Financial Instruments (continued)

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 forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements include 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 not 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.

Trade and other receivables and contract assets

Trade receivables are initially measured at the transaction price upon inception.

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.

BILLINGTON HOLDINGS PLC

Principal accounting policies (continued)

Financial Instruments (continued)

Classification and measurement of financial liabilities

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.

BILLINGTON HOLDINGS PLC

Principal accounting policies (continued)

(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) Government grants

Government grant income is recognised at the point that there is reasonable assurance that the Group will comply with the conditions attached to it and that the grant will be received. During the year Coronavirus Job Retention Scheme ('CJRS') income has been received and accounted for under the IAS 20 grants relating to income approach. Grant income is included within other operating charges in the profit and loss.

(q) 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.

(r) Standards and interpretations in issue not yet effective

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.

(s) 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. 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.

BILLINGTON HOLDINGS PLC

Principal accounting policies (continued)

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

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 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.

(t) 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.

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020

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.

31 December 2020	Structural Steelwork £'000	Safety Solutions £'000	Central £'000	Total £'000
Revenue				
From external customers	62,099	7,364	-	69,463
Decrease in work in progress	(3,508)	-	-	(3,508)
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

31 December 2019	Structural Steelwork £'000	Safety Solutions £'000	Central £'000	Total £'000
Revenue				
From external customers	100,233	8,124	-	108,357
Decrease 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

2. Revenue and profit before tax

Revenue and profit before tax are attributable to the Group's continuing operations. Two customers included within the structural steel sector accounted for greater than 10% of the Group's revenue. The contractors accounted for 17% and 15% respectively (2019: one contractor greater than 10% with 49%) of Group revenue. The one contractor with revenue of greater than 10% in 2019 is also one of the customers with revenue of greater than 10% in 2020. Revenue from contracts with customers and from hire revenue is recognised over time and revenue from other sources is recognised at a point in time.

Analysis of revenue:

31 December 2020	Structural Steelwork		Safety Solutions		Total £'000
	Contracts with customers £'000	Other sources of revenue £'000	Hire revenue £'000	Other sources of revenue £'000	
United Kingdom	52,832	1,887	5,183	2,181	61,883
Europe	4,072	-	-	-	4,072
	56,704	1,887	5,183	2,181	65,955

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

2. Revenue and profit before tax (continued)

31 December 2019	Structural Steelwork		Safety Solutions		Total £'000
	Contracts with customers £'000	Other sources of revenue £'000	Hire revenue £'000	Other sources of revenue £'000	
United Kingdom	66,110	1,781	5,404	2,720	76,015
Europe	28,896	-	-	-	28,896
	<u>95,006</u>	<u>1,781</u>	<u>5,404</u>	<u>2,720</u>	<u>104,911</u>

	2020 £'000	2019 £'000
Information about contract balances		
Contract liabilities - included in Trade Payables - Note 13	(4,524)	(2,869)
Contract assets - work in progress	4,170	7,678
Contract receivables	9,830	4,053
Contract receivables impairment losses	(235)	(194)

Combined contract asset and contract receivables have increased due to significant balances that were due in December 2020 not being received until January 2021. Contract liabilities have increased due to the timing of contract progress at the year end and increase in the expected costs to complete ongoing contracts.

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.

Profit before tax is stated after:

	2020 £'000	2019 £'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	37	41
Fees payable to the company's auditor for other services:		
the audit of the company's subsidiaries	41	40
tax compliance	-	4
tax advisory	11	38
other services	1	6
Depreciation	1,911	1,814
Foreign exchange (gains)/losses	(207)	25
Government grants - furlough	(730)	-
Profit on disposal of property, plant and equipment	<u>274</u>	<u>331</u>

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

3. Staff costs

Staff costs during the year including Directors:

	2020 £'000	2019 £'000
Wages and salaries	13,917	14,639
Social security	1,378	1,464
Pension costs	552	500
Share-based payments	181	97
	<u>16,028</u>	<u>16,700</u>

The average number of production employees of the Group during the year was 185 (2019 - 196).

The average number of administration employees of the Group during the year was 194 (2019 - 203).

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:

	Salary and fees £'000	Other emoluments £'000	Pension £'000	Total 2020 £'000	Total 2019 £'000
Executive					
M. Smith	211	46	23	280	292
T.M. Taylor	158	43	17	218	223
Non-executive					
I. Lawson	60	2	-	62	62
J.S. Gordon	36	1	-	37	37
S.J. Wardell	36	-	-	36	35
Dr. A. Ospelt	12	-	-	12	13
	<u>513</u>	<u>92</u>	<u>40</u>	<u>645</u>	<u>662</u>
Employer's NI				76	82
Share based payment				127	71
Key management personnel compensation				<u>848</u>	<u>815</u>
Short-term employee benefits				681	728
Post-employment benefits				40	16
Share-based payment				<u>127</u>	<u>71</u>
				<u>848</u>	<u>815</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 69,153 and 13,749 share options and Mr T.M. Taylor 51,864 and 14,749 share options related to a long term incentive plan and Deferred Bonus Plan respectively, exercisable at nil value between the third and tenth anniversary of their grant.

During the year two Directors (2019: two Directors) exercised share options with a total gain on exercise of £19,000 (£9,500 related to the highest paid director).

During the year no Directors (2019: no Directors) participated in defined benefit pension schemes and two Directors (2019: two Directors) participated in a defined contribution pension scheme.

4. Net finance income/(expense)

	2020 £'000	2019 £'000
Payable on bank loans and overdrafts	(35)	(36)
Interest expense for leasing arrangements	(2)	(6)
Receivable on bank balances	41	43
Other finance income/(costs) - pension scheme (see note 22)	<u>4</u>	<u>(6)</u>
Net finance income/(expense)	<u>8</u>	<u>(5)</u>

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

5. Tax on profit

The tax charge represents:

	2020	2019
	£'000	£'000
Corporation tax at 19% (2019 - 19%)	(68)	1,018
Adjustments in respect of prior years	-	-
Total current tax	(68)	1,018
Deferred tax charge at 19% (2019 - 17%) - (note 17)	364	114
Adjustments in respect of prior years - (note 17)	2	3
Total tax charge for the year	<u>298</u>	<u>1,135</u>

Tax relating to other comprehensive income:

	2020	2019
	£'000	£'000

Corporation tax at 19% (2019 - 19%)

Current tax charge relating to pension liability

The tax assessed for the year is at the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%). The differences are explained as follows:

	2020	2019
	£'000	£'000
Profit before tax	<u>1,667</u>	<u>5,931</u>
Profit multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%)	317	1,127
Effects of:		
expenses not deductible for tax purposes	3	21
fixed asset differences	31	36
adjustments to tax charge in respect of prior years	2	3
rate differences	26	(13)
other adjustments	<u>(81)</u>	<u>(39)</u>
Total tax charge for year	<u>298</u>	<u>1,135</u>

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

6. Dividends

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

A final dividend has been proposed in respect of 2020 of 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. Earnings per share

Earnings per share is calculated by dividing the profit for the year of £1,369,000 (2019: profit - £4,796,000) by 12,082,548 (2019: 12,052,554) 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	Long leasehold property	Plant, equipment and vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
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 1 January 2020	8,414	1,125	16,819	-	26,358
Additions	-	-	1,295	921	2,216
Disposals	-	-	(492)	-	(492)
At 31 December 2020	8,414	1,125	17,622	921	28,082
	Freehold property	Long leasehold property	Plant, equipment and vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Depreciation					
At 1 January 2019	766	-	12,972	-	13,738
Charge for year	88	79	1,647	-	1,814
Disposals	-	-	(3,445)	-	(3,445)
At 1 January 2020	854	79	11,174	-	12,107
Charge for year	88	46	1,777	-	1,911
Disposals	-	-	(472)	-	(472)
At 31 December 2020	942	125	12,479	-	13,546
Net book value at 31 December 2020	7,472	1,000	5,143	921	14,536
Net book value at 31 December 2019	7,560	1,046	5,645	-	14,251

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 £336,000 payable in 2021. There were no other material contractual commitments to acquire property, plant and equipment at 31 December 2020 (2019: £349,000).

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

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

9. Investments

All Group companies have only ordinary shares in issue, are registered in England and Wales and have the same registered office as the parent company.

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
Shafon Steel Limited	Dormant	100	100
Shafon Steel Services Limited	Dormant	100	100
Tubécon 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 £2,000 during the year (2019: £1,000).

As of 31 December 2020 the Trust held 833,731 (2019: 869,827) ordinary shares of 10p each in the capital of the company (6.45% of the allotted share capital (2019: 6.72%)). The market value of the shares in the ESOT Trusts at 31 December 2020 was £2,601,241 (2019: £3,151,557).

Dividends have been waived by the Trust.

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

10. Share based payments (continued)

During the year ended 31 December 2020, the Group had two share-based payment arrangements for employees, subsidiary and Group Directors (Approved ESOT and LTIP) and two share-based payment arrangements for the Group Directors (Bonus Scheme and Deferred Bonus Scheme). 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, the LTIP 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).

	Number of shares		Weighted average exercise price	
	2020	2019	2020	2019
	No.	No.	£	£
Brought forward at 1 January	424,705	281,104	1.54	2.63
Granted	234,446	198,463	-	-
Exercised	(144,256)	(50,000)	3.03	1.65
Lapsed	(500)	(4,862)	3.03	0.62
Outstanding at 31 December	514,395	424,705	0.43	1.54
Exercisable at 31 December	73,447	213,841	3.03	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. The following inputs were used:

Scheme	Approved ESOT	LTIP 2019	LTIP 2020
Date of grant	18 January 2016	19 August 2019	23 December 2020
Share price at date of grant	303p	290p	295p
Weighted average exercise price	263p	nil	nil
Expected volatility	25.0%	n/a	n/a
Expected dividends	Nil	Nil	Nil
Risk free rate	1.5%	n/a	n/a
Expected option life	3 years	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 £181,000 (2019: £97,000).

11. Inventories and work in progress

	2020	2019
	£'000	£'000
Raw materials	908	664
Contract work in progress	4,170	7,678
	5,078	8,342

Raw materials and consumables recognised as an expense in the Income Statement for the year ended 31 December 2020 totalled £40,495,000 (2019: £73,910,000).

The provision against the value of inventories at the balance sheet date was £77,000 (2019: £65,000).

No reversal of previous write-downs was recognised as a reduction of expense in 2020 or 2019. None of the inventories are pledged as securities for liabilities.

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

12. Trade and other receivables

	2020	2019
	£'000	£'000
Amounts due from customers:		
- Trade receivables	8,789	2,904
- Retentions due within one year	2,921	3,110
- Retentions due after one year	189	254
Total	11,899	6,268
Other receivables	86	85
Derivative financial instruments (note 18)	15	-
Prepayments and accrued income	876	997
	<u>12,876</u>	<u>7,350</u>

Detailed disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses are in Note 18. Certain trade receivables were found to be impaired and a loss allowance for lifetime credit losses of £441,000 (2019: £501,000) has been recorded accordingly. The amount credited to the consolidated income statement for the year in relation to expected credit losses was £2,000 (2019: charge of £227,000).

The movement in the expected lifetime credit losses for trade receivables can be reconciled as follows:

	2020	2019
	£'000	£'000
Balance at 1 January	501	519
Impairment loss	(2)	2
Receivables written off during the year	(58)	(20)
Balance at 31 December	<u>441</u>	<u>501</u>

13. Trade and other payables

	2020	2019
	£'000	£'000
Trade payables	11,827	15,248
Social security and other taxes	3,029	2,097
Other payables	121	108
Accruals and deferred income	3,630	1,980
	<u>18,607</u>	<u>19,433</u>

14. Cash and cash equivalents

	2020	2019
	£'000	£'000
Cash at bank and in hand	5,126	10,856
Short term deposits	10,000	7,000
	<u>15,126</u>	<u>17,856</u>

15. Long term borrowings

	2020	2019
	£'000	£'000
Property loans (note 16)	1,250	1,500
	<u>1,250</u>	<u>1,500</u>

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

16. Property loans

	2020	2019
	£'000	£'000
Loans at commercial rates -		
due within one year	250	1,500
repayable within five years	1,000	-
	<u>1,250</u>	<u>1,500</u>

The bank loan is secured by way of first legal mortgage over certain freehold properties of the Group. The loan is for a five year term and interest is payable at 2% over bank base rate.

17. Deferred tax liability

Deferred tax provided in the financial statements is set out below and is calculated using a tax rate of 19% (2019: 17%).

	2020	2019
	£'000	£'000
Deferred (liability)/asset liability recognised in income statement		
At 1 January	199	316
Charged in the year	(355)	(117)
At 31 December	<u>(156)</u>	<u>199</u>
Accelerated capital allowances	(299)	(167)
Other temporary differences	143	366
	<u>(156)</u>	<u>199</u>
Deferred tax liability recognised in other comprehensive income		
Pension surplus	<u>(320)</u>	<u>(375)</u>
Total deferred tax liability	<u>(476)</u>	<u>(176)</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 liability 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.

At the Summer Budget 2015, the UK 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. At the 2020 Budget, the UK Government announced that the Corporation Tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%. Post the balance sheet date the UK Government has announced its intention to increase the prevailing rate of Corporation Tax to 25% in 2023.

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

18. 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 are equal to the fair value and are as follows:

31 December 2020	Amortised cost	FVTPL	Total
	£'000	£'000	£'000
Current financial assets			
Trade and other receivables	12,000	-	12,000
Derivative financial instruments	-	15	15
Cash and cash equivalents	15,126	-	15,126
	<u>27,126</u>	<u>15</u>	<u>27,141</u>
Liabilities			
Trade and other payables	11,948	-	11,948
Lease liabilities	9	-	9
Non-current borrowings	1,000	-	1,000
Current borrowings	250	-	250
	<u>13,207</u>	<u>-</u>	<u>13,207</u>

31 December 2019	Amortised cost	FVTPL	Total
	£'000	£'000	£'000
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>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>16,972</u>

Derivative financial instruments

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

	2020	2019
	£'000	£'000
EUR time-option forward contracts	15	-
Derivative financial assets	<u>15</u>	<u>-</u>

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.

As at 31 December 2020 the Group had an open forward exchange contract to sell EUR 2,000,000. The contract is a time-option that matures on 1 February 2021 and the forward rate of the contract is 1.104539. The fair value of the contract as at 31 December was £15,000.

The forward exchange contract is considered by management to be part of economic hedge arrangements but has not been formally designated as such. Therefore a gain of £15,000 has been recognised in the profit and loss account during the year.

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

18. Financial assets and liabilities (continued)

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 2020, 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% (2019: +/- 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 2020	(13)	13	-	-
31 December 2019	(15)	15	-	-

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.

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

18. Financial assets and liabilities (continued)

Credit risk management

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

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.

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 2020 and 1 January respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward 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 2020 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	2%	3%	46%	54%	5%
Gross carrying amount (£'000)	4,660	4,125	213	233	9,231
Lifetime expected credit loss (£'000)	83	135	97	126	441

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

18. Financial assets and liabilities (continued)

The closing balance of the trade receivables loss allowance as at 31 December 2020 reconciles with the trade receivables loss allowance opening balance as follows:

	£'000
Opening loss allowance as at 1 January 2020	501
Loss allowance recognised during the year	(2)
Receivables written off during the year	(58)
Loss allowance as at 31 December 2020	441

Liquidity risk

As at 31 December 2020 the Group's financial liabilities have contractual maturities which are summarised below:

31 December 2020	Current within six months £'000	Current six to twelve months £'000	Between one and five years £'000
Trade payables	11,827	-	-
Other payables	121	-	-
Lease liabilities	9	-	-
Property loans	125	125	1,000
	12,082	125	1,000

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

31 December 2019	Current within six months £'000	Current six to twelve months £'000	Between one and five years £'000
Trade payables	15,248	-	-
Other payables	108	-	-
Lease liabilities	78	27	11
Property loans	125	1,375	-
	15,559	1,402	11

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.

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

19. Equity

Called up share capital	2020		2019	
	Number of shares	£'000	Number 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 2020 and treasury shares held by the ESOT are given in note 10.

Other components of equity

The details of other components of equity are as follows:

	ESOT £'000	Cash flow hedges £'000	Total £'000
At 1 January 2019	(844)	(831)	(1,675)
ESOT movement in year	24	-	24
Cash flow hedges:			
- current year gains	-	831	831
At 31 December 2019	(820)	-	(820)
At 1 January 2020	(820)	-	(820)
ESOT movement in year	37	-	37
At 31 December 2020	(783)	-	(783)

20. Ultimate controlling related party

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

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

21. Leases

The balance sheet shows the following amounts relating to leases:

Right of use assets included within property, plant and equipment

	2020	2019
	£'000	£'000
Property	-	46
Cars	8	68
	<u>8</u>	<u>114</u>

Lease liabilities

	2020	2019
	£'000	£'000
Current	9	105
Non-current	-	11
	<u>9</u>	<u>116</u>

There were no additions to right of use assets during the year.

The Group leases one property and various cars. The property lease expired during the year and all car leases are due to expire with a year 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:

	2020	2019
	£'000	£'000
Depreciation of right of use assets		
Property	46	80
Cars	60	89
Interest expense	2	6
Expense relating to short term leases	<u>-</u>	<u>44</u>

The total cash outflow for leases for the period was £109,000 (2019: £216,000).

22. 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 £552,000 (2019: £500,000).

Defined contribution schemes accounted for £552,000 (2019: £500,000) of this amount with £nil (2019: £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 2020 (approved 10 December 2020).

In accordance with the terms of schedule of contributions dated 10 December 2020 the Company expects to contribute approximately £nil to the defined benefit pension scheme in the year ending 31 December 2021. The next scheme funding actuarial valuation is due as at 31 March 2023. The recovery plan 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 2020 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.

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

22. Retirement benefits (continued)

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.

The assets of the schemes were:

		Value at		
		31 December		
		2020	2019	2018
		£'000	£'000	£'000
Equities	- Overseas	-	-	365
Bonds	- UK Government	4,690	3,338	1,998
Equity-Linked Bonds		2,750	2,482	3,077
Cash		45	31	33
Other		1,807	2,701	2,324
Total market value of assets		9,292	8,552	7,797
Present value of scheme liabilities		(7,609)	(6,347)	(6,167)
Surplus in the scheme		1,683	2,205	1,630
Related deferred tax liability		(320)	(375)	(277)
Net pension asset		1,363	1,830	1,353

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:

	2020	2019
	£'000	£'000
Defined benefit obligation	(7,609)	(6,347)
Fair value of plan assets	9,292	8,552
	<u>1,683</u>	<u>2,205</u>

Analysis of the amount charged to other finance income:

	2020	2019
	£'000	£'000
Interest income	160	205
Interest on pension scheme liabilities	(119)	(161)
Administration cost	(37)	(50)
Total income/(loss) recognised in profit or loss	<u>4</u>	<u>(6)</u>

Analysis of amount recognised in statement of comprehensive income:

	2020	2019
	£'000	£'000
Return on plan assets (excluding amounts included in net interest)	827	979
Actuarial losses from changes in financial assumptions	(968)	(526)
Actuarial (losses)/gain from changes in demographic assumptions	(127)	128
Actuarial losses from experience differing from that assumed	(258)	-
Total (loss)/income recognised in other comprehensive income	<u>(526)</u>	<u>581</u>

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

22. Retirement benefits (continued)

Movements in the fair value of plan assets during the year were as follows:

	2020	2019
	£'000	£'000
At 1 January	8,552	7,797
Interest income	160	205
Return on plan assets (excluding amounts included in net interest)	827	979
Contributions	-	-
Benefits paid	(210)	(379)
Administration costs	(37)	(50)
At 31 December	9,292	8,552

Movements in the defined benefit obligation during the year were as follows:

	2020	2019
	£'000	£'000
At 1 January	(6,347)	(6,167)
Interest cost	(119)	(161)
Remeasurement - actuarial losses from changes in financial assumptions	(968)	(526)
Remeasurement - actuarial (losses)/gains from changes in demographic assumptions	(127)	128
Remeasurement - experience differing from that assumed	(258)	-
Benefits paid	210	379
At 31 December	(7,609)	(6,347)

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:

	2020	2019	2018
	%	%	%
Rate of increase in pensionable salaries	2.5	2.5	3.2
Rate of increase in pensions in payment	2.9	2.7	3.1
Discount rate	1.2	1.9	2.7
Inflation assumption	2.9	2.7	3.2

The mortality assumption adopted for the purposes of the calculations as at 31 December 2020 is as follows:

- Base table: S3PxA tables, year of birth

- Future mortality improvements: CMI 2019 mortality projection model at 1.5% per annum.

Average life expectancies - Billington Scheme	2020	2019
Male retiring at reporting date at age 62 (in years)	24.9	24.4
Male retiring at reporting date +20 years at age 62 (in years)	26.6	26.2
Female retiring at reporting date at age 62 (in years)	27.3	26.4
Female retiring at reporting date +20 years at age 62 (in years)	29.1	28.3

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.

BILLINGTON HOLDINGS PLC

Notes forming part of the Group financial statements for the year ended 31 December 2020 (continued)

22. Retirement benefits (continued)

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:

	2020	2019
	£'000	£'000
0.5% increase to discount rate	(609)	(444)
0.5% increase in inflation and related assumptions	380	317
1 year increase in life expectancy	304	190

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.

23. Related party transactions

During the year sales of £120,000 (2019 - £nil) were made by one of the Group subsidiaries, easi-edge Limited, to Tolent Construction Limited. A non-executive Director of the ultimate parent of Tolent Construction Limited is also a non-executive Director of Billington Holdings Plc. All transactions were conducted on an arm's length basis on normal trading terms. At 31 December 2020 £59,000 (2019 - £nil) was owed to easi-edge Limited.

No other 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.

24. 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 2020 were as follows:

	£'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

25. Reconciliation of financing activities

	Cash and cash equivalents	Property loans	Net cash
	£'000	£'000	£'000
At 1 January 2019	9,311	(1,750)	7,561
Cash flow	8,545	250	8,795
At 31 December 2019	17,856	(1,500)	16,356
Cash flow	(2,730)	250	(2,480)
At 31 December 2020	15,126	(1,250)	13,876

BILLINGTON HOLDINGS PLC

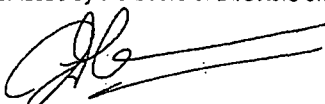
Parent company statement of financial position as at 31 December 2020

	Note	2020		2019	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		8,435		8,542
Investments	9		570		570
			9,005		9,112
Current assets					
Debtors falling due within one year	11	935		1,128	
Deferred tax		51		8	
Cash at bank and in hand		15,093		17,854	
		16,079		18,990	
Creditors: amounts falling due within one year	12	(8,442)		(15,671)	
Net current assets			7,637		3,319
Total assets less current liabilities			16,642		12,431
Creditors: amounts falling due after more than one year	13		(1,000)		-
			15,642		12,431
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		(783)		(820)
Retained earnings	16		13,136		9,962
Shareholders' funds			15,642		12,431

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 profit after taxation and receipt of dividends of the company for the year was £3,077,000 (2019: loss of £6,000).

The parent company financial statements were approved and authorised for issue by the Board of Directors on 12 April 2021.


Ian Lawson Non-executive Chairman


Trevor Taylor Chief Financial Officer

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

BILLINGTON HOLDINGS PLC

Parent company statement of changes in equity for the year ended 31 December 2020

	Share capital £'000	Share premium £'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)	9,962	12,431
	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve - ESOT £'000	Accumulated profits £'000	Total equity £'000
At 1 January 2020	1,293	1,864	132	(820)	9,962	12,431
ESOT movement in year	-	-	-	37	(37)	-
Profit for the financial year	-	-	-	-	3,077	3,077
Credit relating to equity-settled share-based payments	-	-	-	-	134	134
At 31 December 2020	1,293	1,864	132	(783)	13,136	15,642

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

BILLINGTON HOLDINGS PLC

Notes forming part of the parent company financial statements for the year ended 31 December 2020

1. Company information

Billington Holdings Plc is a company domiciled in England and Wales, registration number 02402219. The registered office is Bamsley Road, Bamsley, 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 continued positive trading performance in 2020 and cash flows are detailed in the Financial Review and they demonstrate the robust position of the Group heading into 2021.

The Group has a gross cash balance of £15.1 million at 31 December 2020 and no significant long-term borrowings or commitments.

The Directors have prepared forecasts covering the period to April 2022 and approved by the Board in March 2021. 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 2021 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.

BILLINGTON HOLDINGS PLC

Notes forming part of the parent company financial statements for the year ended 31 December 2020 (continued)

4. Accounting Policies (continued)

(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.

(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 profit or loss.

(i) Government grants

Government grant income is recognised at the point that there is reasonable assurance that the Company will comply with the conditions attached to it and that the grant will be received. During the year Coronavirus Job Retention Scheme ("CJRS") income has been received and accounted for under the accruals model and classified as grants relating to revenue. Grant income is included within other operating income in the profit and loss.

BILLINGTON HOLDINGS PLC

Notes forming part of the parent company financial statements for the year ended 31 December 2020 (continued)

5. Profit/(loss)

Profit/(loss) before taxation is stated after:

	2020	2019
	£'000	£'000
Depreciation	108	110
Fees payable to the company's auditor for the audit of the company's annual accounts	37	36
Fees payable to the company's auditor for other services:		
tax compliance	11	4
other services	1	44
Operating lease rentals	42	51
Government grant - furlough	(28)	-
Reconciliation to profit/(loss):		
	2020	2019
	£'000	£'000
Profit/(loss) after tax	77	(6)
Dividends received	3,000	-
	<u>3,077</u>	<u>(6)</u>

6. Directors and employees

Staff costs during the year including Directors:

	2020	2019
	£'000	£'000
Wages and salaries	1,231	1,267
Social security	169	170
Pension costs	71	44
Share-based payments	134	72
	<u>1,605</u>	<u>1,553</u>

The average number of employees of the company during the year was 19 (2019: 19).

Remuneration in respect of Directors was as follows:

	2020	2019
	£'000	£'000
Aggregate emoluments	605	646
Company pension contributions to a defined contribution scheme	41	16

During the year no Directors (2019: no Directors) participated in defined benefit pension schemes and two Directors (2019: two Directors) participated in a defined contribution pension scheme.

During the year two Directors (2019: two Directors) exercised share options with a total gain of £19,000 (£9,500 related to the highest paid director).

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

	2020	2019
	£'000	£'000
Aggregate emoluments	257	283
Company pension contributions to a defined contribution scheme	23	9

During the year the highest paid Director exercised share options.

BILLINGTON HOLDINGS PLC

Notes forming part of the parent company financial statements for the year ended 31 December 2020 (continued)

7. Dividends

No final dividend was proposed in respect of 2019 as the dividend was suspended to preserve cash resources. No interim dividends were paid in 2020. A final dividend has been proposed in respect of 2020 of 4.25 pence per ordinary share (£550,000).

8. Property, plant and equipment

	Land & buildings £'000	Plant & equipment £'000	Total £'000
Cost			
At 1 January 2020	9,199	129	9,328
Additions	-	1	1
At 31 December 2020	9,199	130	9,329
Depreciation			
At 1 January 2020	716	70	786
Charge for year	88	20	108
At 31 December 2020	804	90	894
Net book value at 31 December 2020	8,395	40	8,435
Net book value at 31 December 2019	8,483	59	8,542

Included within land and buildings above is land with a cost 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 2020 and at 31 December 2020	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.

BILLINGTON HOLDINGS PLC

Notes forming part of the parent company financial statements for the year ended 31 December 2020 (continued)

10. 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 a HMRC 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).

	<u>Number of shares</u>		<u>Weighted average exercise price</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	No.	No.	£	£
Brought forward at 1 January	185,356	102,264	0.59	1.92
Granted	161,429	136,954	-	-
Exercised	(24,140)	(50,000)	3.03	1.65
Lapsed	-	(3,862)	-	-
Outstanding at 31 December	<u>322,645</u>	<u>185,356</u>	<u>0.15</u>	<u>0.59</u>
Exercisable at the end of the year	<u>15,723</u>	<u>36,001</u>	<u>3.03</u>	

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 £134,000 (2019: £72,000).

11. Debtors

	<u>2020</u>	<u>2019</u>
	£'000	£'000
Amounts falling due within one year		
Amounts owed by group undertakings	830	1,052
Other debtors	65	61
Prepayments and accrued income	<u>40</u>	<u>15</u>
	<u>935</u>	<u>1,128</u>

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.

BILLINGTON HOLDINGS PLC

Notes forming part of the parent company financial statements for the year ended 31 December 2020 (continued)

12. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Bank loans	250	1,500
Trade creditors	146	184
Amounts owing to group undertakings	7,391	13,345
Social security and other taxes	69	80
Accruals and deferred income	523	522
Current taxation	63	40
	<u>8,442</u>	<u>15,671</u>

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

	2020	2019
	£'000	£'000
Bank loans and mortgages	<u>1,000</u>	<u>-</u>
Bank loans are repayable as follows:		
Within one year	250	1,500
Between one to two years	250	-
Between two to five years	750	-
	<u>1,250</u>	<u>1,500</u>

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 19% (2019: 17%).

	2020	2019
	£'000	£'000
Accelerated capital allowances	4	4
Other short term timing differences	47	4
	<u>51</u>	<u>8</u>

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.

BILLINGTON HOLDINGS PLC

Notes forming part of the parent company financial statements for the year ended 31 December 2020 (continued)

15. Called up share capital

Equity	2020		2019	
	Number of shares	£'000	Number 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 2020 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.

18. Leasing commitments

	2020		2019	
	Land & buildings	Other	Land & buildings	Other
	£'000	£'000	£'000	£'000
Future operating lease payments are as follows:				
within one year	-	-	-	14
between one and five years	-	-	-	5
	-	-	-	19

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 £71,000 (2019: £44,000).

Defined contribution schemes accounted for £71,000 (2019: £44,000) of this amount with £nil (2019: £nil) relating to defined benefit schemes, where the benefits are based on final pensionable pay.

BILLINGTON HOLDINGS PLC

Notes forming part of the parent company financial statements for the year ended 31 December 2020 (continued)

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.