

Billington Holdings Plc

Billington Holdings Plc (‘Billington’ or ‘the Group’ or ‘the Company’)

Full Year Results

Billington Holdings Plc (AIM:BILN), one of the UK's leading structural steel and construction safety solutions specialists, today announces audited full year results for the year ended 31 December 2013.

	2013	2012
Revenue	£37.6m	£38.2m
Adjusted profit / (loss) before tax ¹	£929,000	(£133,000)
Profit / (loss) before tax	£720,000	(£455,000)
Year-end cash balance	£2.6m	£1.0m
Earnings / (loss) per share	4.0p	(3.6p)

¹ Adjusted profit / (loss) before tax excludes redundancy costs

Highlights

- Results in line with current market expectations, although adjusted profit before tax more than double original market expectations at the start of the 2013 financial year;
- Significantly improved performance from the Group's structural steel business, which accounts for 84 per cent of Group revenue, with steady progress at easi-edge and hoard-it;
- Group benefitted from a combination of prior restructuring activity, with no further material restructuring anticipated, and trading conditions that improved throughout the course of 2013;
- Balance sheet strength further enhanced, with cash balance increased to £2.6m (2012: £1.0m);
- Market remains challenging although continues to show signs of improvement, with an increase in tender opportunities; Group entered 2014 with its strongest order book for five years relative to output capacity; focus remains on complex, value-adding projects and hence margin, rather than volume, improvement.

Commenting on the results, Steve Fareham, Chief Executive, said:

“The improvement in Billington’s financial performance in 2013 is testament to the extensive efforts that have been made restructuring all Group operations in the recent past. We have established an

Chairman's Statement

Introduction

I am pleased to report that the full year results for Billington for 2013 show a considerable improvement against the previous year and, after adjusting for redundancy and reorganisation costs, are significantly ahead of the original market expectations set at the start of the 2013 financial year.

There were redundancy costs incurred in 2013 of £0.2 million, mainly as a result of further management changes across the Group. The restructuring activities that have prevailed across the Group over the last three years are believed to be materially complete and all Group businesses are now appropriately positioned in order to take advantage of improving market conditions.

There has been a substantial turnaround in the performance of the structural steel business as compared with the previous year. Although there have been a number of changes to the management team, we continue to look to strengthen where appropriate and are actively looking to appoint a new Technical Director. Turnover from this division is at a similar level to the previous year but an improvement in margin has been achieved by a combination of cost reductions and operating efficiencies and by concentrating on activities where we can influence the design and value engineering aspects of the work.

The results of the Peter Marshall Steel Stairs subsidiary were disappointing and as a consequence there have been further changes to the management team. A new team has now been installed and recent success in winning new work provides us with a base on which to build; we are looking to achieve a break even result at a minimum for this business in 2014.

The easi-edge safety barrier division has made steady progress during the year. It has expanded its range of fixings in an attempt to widen its appeal to the concrete sector and thus expand its market. This has had some limited success and there has also been a steady recovery in demand from customers in the traditional steel and timber markets. The new management team that was installed in 2012 has performed well in terms of improving systems and generating a substantially improved contribution in 2013.

The hoard-it division, which produces a range of sustainable hoardings, has continued to make steady progress. The new management team started at the beginning of 2013 and one of its main activities continues to be improving market awareness for hoard-it's products. The conversion rate achieved on enquiries is good, but there remains a need to improve the level of enquiries through additional sales and marketing activities to allow the customer base to be further expanded. The division has moved towards a mix of hire and sale for the product rather than solely concentrating on sales as it did previously which, given the product ranges' sustainable credentials, should leave the division well placed for repeat business.

Results

The profit after tax for the year from continuing operations was £0.5 million on revenue of £38 million, compared with a loss of £0.4 million on revenue of £38 million in the previous year.

The overall earnings per share for the year amounted to 4.0p compared with a loss of 3.6p in 2012, which represents a very significant turnaround in performance.

Dividend

The Board remains committed to supporting the shareholders with the payment of a dividend when it is prudent to do so. The results show a substantial improvement in trading over the previous year and there is an improvement in the cash position. However, it is envisaged that there will be demands on the cash resource as the Group increases its activity levels. In view of this it is considered to be in the best interests of the Group, for the immediate future, to continue to preserve cash for its working capital requirements. Therefore the Board has decided not to declare a final dividend at this time but remains aware that the payment of a dividend should be reinstated at the earliest opportunity.

Liquidity and capital resources

There has been a net inflow of cash during the year of £1.6 million, principally from an improvement in trading activities, which has resulted in an improved cash position at the year end. Cash flow is the lifeblood of any business and cash management will continue to play a particularly important role in this financial year as activity levels increase. The requirement to fund higher levels of work in progress and debtors and to manage the expectations of suppliers will require careful management, as will the need to ensure that funds are set aside for replacement and improvement of capital equipment to maintain and improve the quality of output. The Group had cash balances of £2.6 million at 31 December 2013, which together with the bank overdraft facilities will provide adequate funds to cover the projected working capital requirements of the Company.

Prospects

The results achieved in 2013 are a result of the hard work and difficult decisions taken by the executive management team in the last few years and represent a steady improvement over the course of the year. The current level and quality of enquiries show an improvement against this time last year. However, there is a concern over the impact that higher raw material and labour costs, as well as increasing overhead costs, might have on what still remains a fragile market.

There is no doubt the market will remain challenging in 2014 but management is of the view that we should continue to see further improvement during the course of the year and, as we are starting from a much healthier position than twelve months ago, this will translate into a further improvement in profitability.

Shareholders

I would like to welcome Henderson Global Investors as a shareholder of the Billington Group who acquired 1 million shares (7.73%) on 20 January 2014.

Our major shareholders have indicated that they remain fully supportive of the Group.

Management and workforce

I should like to express my thanks to all the directors and employees for their efforts and assistance over the last twelve months. 2013 was a challenging but highly productive year for the Group and the progress Billington has made recently enables me to look to the future with enhanced, albeit still cautious, optimism.

Peter Hems

Non-Executive Chairman

24 March 2014

Chief Executive's Operational Review

Market conditions for the UK construction industry began to steadily improve throughout the second half of 2013. Although the first half of the year remained difficult, the market began to show signs of improvement during the second half of the year, albeit from an extremely low position. The year saw further reductions in fabrication capacity as some smaller competitors exited the industry in addition to the notable, rapid failure of a top five ranked steelwork contractor. As can be clearly seen from this report, significant improvements were achieved on our mission to return to profitability and sustain the business for the benefit of our stakeholders.

Health, Safety, Sustainability, Quality and the Environment

As always, a clear focus on health, safety, sustainability, quality and the environment remained the cornerstone of our businesses. We remained actively involved at local and national level on a variety of initiatives and our onsite teams were awarded numerous accolades for their proactive health and safety practices.

During the period an increasing recognition by our customer base of our readiness to comply with the statutory requirements of CE marking of structural steelwork in 2014 began to differentiate Billington from its competition. CE marking, which confirms a product's compliance with EU legislation, becomes compulsory in July 2014 and Billington was one of the first structural steel firms in the UK to comply with the introduction of this new legislation.

Billington Structures Limited

Added complexity of product reduced our overall production levels from previous years to 13,000 tonnes of structural steel which was efficiently fabricated on a single shift basis from our factories in Barnsley and Bristol during 2013.

Major projects included:

- The completion of Derby multi sports arena.
- Distribution warehouses in the Midlands and Glasgow.
- Complex secondary steelwork to a project in Northern Europe, the division's first international project.
- Wakefield East Coast Main Line railway station and footbridge.

Billington Structures starts 2014 with its strongest order book for five years. Projects secured include a major exhibition hall in Liverpool, several energy from waste developments across the UK, sports centres in London, retail projects in Cornwall, Rotherham and Liverpool and a large data centre in the South of England.

Tubecon

Tubecon continues to seek new opportunities, but the market for complex steelwork has been somewhat commoditised in recent times. However, as the general market improves we look forward to a return of industry acceptance of added value in tubular structures.

Major projects included:

- A roof garden structure to a new office block in the heart of The City of London.
- Atrium roofs to Glasgow's new hospital.

easi-edge Limited

2013 saw a steady improvement in product utilisation and an expanded sales team delivering a corresponding increase in enquiries. Further enhancements were made to our timber fix products and, working in partnership with a major national contractor, a specialised concrete fix solution was developed.

Major projects included:

- Multi-storey office on Cheapside, London.
- 2 Glass Wharf, Bristol.
- CB1 Student Accommodation, Cambridge.
- Keynsham Town Hall, Bath.
- Aberdeen International Business Park, Scotland.

12 new customers were added during the year as a result of a focus on new business development. Improvements were also seen in regional activity, with increases in business from Scotland, the South West, Greater London and the South East.

hoard-it

2013 saw a period of stability and further development of its customer base with the appointment of a sales manager. Further technical improvements were made to our products and more detailed market research was carried out. Due to the increasing demands from our customer temporary works engineers, work was undertaken to substantiate the stability of our system, including the use of computational fluid dynamics analysis. As testament to the stability of our products, we experienced no failures in the high winds experienced during the winter of 2013.

Major projects included:

- Manchester City FC stadium development.
- Manchester Town Hall redevelopment.
- Internal hoardings Heathrow.
- Leicester markets development.
- School projects in Coventry, Littlehampton, Ilford and Lincoln.

Peter Marshall Steel Stairs Limited

The improvements in both management and procedures we anticipated during 2013 failed to materialise at Peter Marshall Steel Stairs. The team was reorganised mid-year and augmented by estimators and engineers from Billington Structures. The team relocated to our Wombwell HQ, leaving the facility at Gildersome as a production unit. It is planned to return to our Gildersome factory site in April 2014 under a new and metalwork experienced general manager.

We now anticipate achieving the required CE marking standards by mid 2014.

Some notable projects have included:

- Staircases for BSKyB office, London.
- Multi site staircases for the MOD project SLAM contracts.
- Porsche showroom, Knightsbridge, London.
- Exxon Mobil offices, London.
- Energy from waste projects in Staffordshire and Lincolnshire.

We start 2014 with the strongest order book that we have seen since we acquired Peter Marshall Steel Stairs and now look forward to keeping the recently created momentum going.

People

As always I would like to take the opportunity of thanking all of our employees, my fellow board members and wider stakeholders for their continuing support in what appears to be an improving but still challenging environment.

Conclusion

Pleasingly, the ongoing journey towards our corporate mission of '*Stability and return to profitability*' was partially achieved, with a significant financial improvement demonstrated. However, some of the changes in the structure of our senior staff were disappointing and materially affected performance in our Peter Marshall Steel Stairs subsidiary.

We have continued to recruit and train at all levels, including key shop floor apprentices. Our talent pool was further focussed during 2013 by the creation of a Twenty20 group. This small group allows us to recognise, train and develop the potential of individuals, in order that they may aspire to a senior management position by the year 2020 at the latest. It is worth noting that the construction industry has lost a great deal of talent through the recession. Inevitably as improvements now begin, we the industry, in its widest sense, are seeing increasing HR pressures. To further strengthen our management team, the process of identifying candidates and recruiting a Group Chief Operating Officer and, at Billington Structures, a Technical Director has commenced.

On a further cautious note the economy, and the construction sector in particular, is emerging from such a low and still fragile position that rebuilding our industry profit aspirations to the pre-recession levels we enjoyed may still be some two to three years away.

After five years of extraordinarily difficult trading environments, towards the end of 2013 the specialised sectors in which we operate, began to show tentative signs of recovery, as demonstrated by enhanced client optimism and an increase in tender opportunities.

Capitalising on our respective individual and collective strengths of quality, integrity, customer service and not least of all our financial strength, we are increasingly in a better shape to enter the next positive phase of our development as a Group. Finally, I look forward to working with my colleagues and clients to continue further developing our great businesses in 2014.

Steve Fareham

Chief Executive Officer

24 March 2014

Financial Review

Consolidated Income Statement

	2013	2012
	£'000	£'000
Revenue	37,571	38,171
Operating profit / (loss)	737	(438)
Profit / (loss) before tax	720	(455)
Profit / (loss) after tax	464	(415)
Profit / (loss) before tax excluding redundancy costs	929	(133)
Profit / (loss) for shareholders	464	(415)
Earnings / (loss) per share	4.0p	(3.6)p

The results for the year continue to show progressive and sustained improvement over the last three years as a result of the restructuring of the businesses in late 2011 and early 2012 along with a somewhat improved economic environment.

Revenue remained consistent with the prior period primarily as a result of the Billington Structures' business continuing to operate on a single shift operation at its plants in Barnsley and Bristol and a conscious effort to target value added work as opposed to production volumes. Demand for structural steel in 2013 still remained at relatively depressed levels, although the second half of the year did see production volumes increase as a degree of cautious optimism returned to the sector.

Operating margins (after redundancy costs) improved to 2.0 per cent, against (1.1) per cent in 2012.

Earnings per share improved from a loss of 3.6p in 2012 to a profit of 4.0p in 2013.

Redundancy costs of £209,000 were expended in the year, primarily as a result of the restructuring at the Peter Marshall Steel Stairs' business which materially completed the Group's anticipated restructuring activities. The Group continues to monitor its resources on an on-going basis with a view to aligning the cost base with that of anticipated demand and the related price the Group feels it is able to achieve for its products.

Consolidated Balance Sheet

	2013	2012
	£'000	£'000
Non current assets	8,903	9,331
Current assets	14,902	11,127
Current liabilities	10,919	7,791
Non current liabilities	-	368
Total equity	12,886	12,299

Capital expenditure has been kept to a minimum where possible; the total amount expended in the year was £449,000 against £347,000 in 2012. The requirement to upgrade units of capital machinery within the Billington Structures business, along with a continual requirement to replace the hire stock of the safety barrier business, will see capital expenditure increase over the next few years as confidence returns to the market and the return on capital expenditure can be assessed and realised with more certainty.

Within non current assets, property, plant and equipment decreased by £440,000, and deferred tax assets decreased by £257,000. Capital expenditure of £449,000 was incurred in the year with net disposals being £32,000 and depreciation was charged in the year of £857,000. The balance of the movement is as a result of a surplus on the defined benefit pension scheme, to which the surplus increased £269,000 in the year.

The increase of £3,775,000 in current assets included increases of £2,018,000 in inventories, £193,000 in trade and other receivables and £1,564,000 in cash.

The total rise of £3,128,000 in current liabilities principally comprised an increase in trade and other payables as the businesses enjoyed an improvement in workflow towards the latter part of the year.

A property loan of £469,000 was taken in 2011 to purchase the trading premises of Peter Marshall Steel Stairs. £368,000 of this is reflected within current liabilities with repayments made against the balance in the year of £45,000.

Total equity increased by £587,000 in the year to £12,886,000 which is particularly encouraging following a protracted period of market depression the businesses have been trading within. The financial position of the Group at the end of the year remains robust and provides a platform from which to continue to move forward and build upon the significant progress made to date.

Consolidated Cash Flow Statement

	2013	2012
	£'000	£'000
Result for shareholders	464	(415)
Depreciation	857	1,080
Capital expenditure	(449)	(347)
Tax	-	(10)
Decrease / (increase) in working capital	555	(934)
Dividends	-	-
Net property loan movement	(45)	(49)
Others	182	(152)
Net cash inflow / (outflow)	1,564	(827)
Cash at beginning of year	1,012	1,839
Cash at end of year	2,576	1,012

The primary factors underlying the net cash inflow in the year were capital expenditure being significantly lower than that of the associated depreciation charge in the year and significant effort being exerted across the Group to collect cash on a timely basis and in line with agreed credit terms with customers.

The Group remains committed to treating its suppliers and subcontractors fairly and to paying them in line with their agreed payment terms.

Working capital was as shown below:

	2013	2012
	£'000	£'000
Inventories	7,915	5,897
Accounts receivable	4,411	4,218
Accounts payable	(10,512)	(7,746)
Working capital at end of year	<u>1,814</u>	<u>2,369</u>

Cash balances at the year-end totalled £2,576,000 and there was a property loan outstanding of £368,000. It is pleasing to note the overall improvement in the cash position of the Group as compared to the prior period end. Improved trading performance combined with effective working capital management will ensure that cash balances are maintained and improved.

It is inevitable that as business volumes increase there will be added pressure on cash management although the combination of strong financial controls and adequate, agreed banking facilities will ensure that the Group has sufficient headroom for cash not to impede future growth and progression.

Pension Scheme

	2013	2012
	£'000	£'000
Scheme assets	6,422	6,025
Scheme liabilities	(5,769)	(5,641)
Surplus	<u>653</u>	<u>384</u>
Other finance income	-	-
Contributions to defined benefit scheme	106	167

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.

A recovery plan for the Billington scheme was agreed with the trustees following an actuarial valuation of the scheme liabilities as at 31 March 2011 (approved 18 June 2012), in accordance with the requirements of the Pensions Act. Additional contributions are being made in accordance with this agreement.

Trevor Taylor

Financial Director

24 March 2014