

## Preliminary Results

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9 December 2015

### Redhall Group plc

("Redhall" or the "Group")

### Preliminary Results for the year ended 30 September 2015

Redhall Group plc (AIM: RHL), the manufacturing and specialist services Group, announces its preliminary results for the year ended 30 September 2015.

#### Key points:

- Group now refocused on Manufacturing and Specialist Services following completion of first stage of strategic plan
- Placing, open offer and debt conversion in September 2015 reduced debt by £8.0 million and provided £5.0 million of funds (after expenses)
- Revenue on continuing operations of £44.7 million (2014: £57.2 million), reflecting continuing delays in customer programmes and the downturn in the oil and gas sector
- Operating loss on continuing operations before exceptional items £0.7 million (2014: profit of £1.6 million), in line with management expectations
- Loss on discontinued operations of £9.1 million including loss on sale of RESL of £5.1 million and costs of withdrawal from site based nuclear contracting
- Refinancing agreed - facility expiring in December 2018 with facilities provided by HSBC Bank plc and funds managed by Henderson
- Exceptional charges of £9.3 million (2014: £3.6 million) reflecting restructuring and other items of £4.2 million (continuing £1.2 million and discontinued £3.0 million) and loss on sale of RESL of £5.1 million
- Order book for continuing businesses of £21 million (2014: £21 million restated) with the quality of contracts improving

**Martyn Everett, Chairman of Redhall commented:** "Redhall has undergone dramatic change in the last financial year. The Group is now a Manufacturing and Specialist Services business with a clear strategy to leverage our relationships with customers in the nuclear and infrastructure sectors. The key to the next phase of the turnaround at Redhall is achieving an improved order flow in its core businesses. We firmly believe that the nuclear sector in particular represents a significant medium to long term opportunity for the Group."

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## CHAIRMAN'S STATEMENT

Redhall has undergone dramatic change in the last financial year. The Group is now a Manufacturing and Specialist Services business with a clear strategy to leverage our relationships with customers in the nuclear and infrastructure sectors. We have materially reduced borrowings. In September we successfully raised £5.0 million net of expenses by way of a placing and open offer and converted £3.0 million of shareholder debt to equity resulting in year end net debt of £5.5 million (2014: £16.0 million).

Our focus this year has been the implementation of the strategic plan announced in December 2014 and this is dealt with in greater detail in the Chief Executive's Strategic Report. With a focus on the nuclear defence, decommissioning and infrastructure sectors our key manufacturing businesses, Booth Industries and Jordan Manufacturing, have the capability of generating high margins with anticipated improvements in volumes.

Our manufacturing businesses performed acceptably given clients' budgetary constraints and client driven design delays exacerbated by the downturn in the oil and gas market. Our Specialist Services businesses have performed satisfactorily generating profits during the year.

In May we sold Redhall Engineering Solutions ("RESL") to Cape plc and announced the closure of our site-based nuclear contracting businesses based at Sellafeld and Aldermaston. Since then we have completed our withdrawal from site based work and are completing minor works and final accounts.

Following these actions we have created a more stable platform for the business as well as reducing the Group's overall risk profile.

The Group now has a much simplified structure and cost base with no divisional management and our finance, HR and IT are all managed on a Group basis.

### Trading results

This year's results reflect the transition that the Group has undergone. The revenue for the year from continuing operations was £44.7 million which compares with £57.2 million on a like for like basis. The adjusted operating loss before exceptional items amounted to £0.7 million compared with an operating profit of £1.6 million last year. Adjusted fully diluted loss per share for the continuing business was 3.34p (2014: 0.39p).

### Exceptional items

Exceptional items amounted to £9.3 million (2014: £3.6 million). They can be classified in three categories: the loss on disposal of RESL of £5.1 million, the loss on disposal of surplus assets of £0.1 million and other exceptional items of £4.1 million, which were incurred in executing the strategy and reshaping the Group to achieve ongoing cost savings. In addition to the restructuring announced in May, the decline in the oil and gas market has had a significant effect upon our fabrication business in Newcastle. This has been down sized and the related reorganisation costs amounted to £0.3 million.

### Financial position

The support of HSBC and of Henderson during this financial year has been fundamental in allowing the Group to implement the restructuring and begin the next stage of the turnaround. The HSBC facility has been reduced from £20.25 million to £6.0 million as a consequence of disposals, the fundraising and the purchase of debt by Henderson. Our total facilities at the year end were £12.2 million and I am pleased that both HSBC and funds managed by Henderson have agreed to extend the facilities to December 2018.

Net debt at 30 September 2015 was £5.5 million (30 September 2014: £16.0 million).

Net assets at 30 September 2015 amounted to £18.6 million. The increase in net assets of £8.0m from the placing and open offer and debt conversion was offset by losses of £12.2 million and the movement on the pension deficit of £0.4 million.

An impairment review of the carrying value of goodwill and intangible assets has been carried out and based upon our projections there is no impairment of the amounts carried in the consolidated balance sheet.

### Dividend

In the light of the performance in the year the Board does not recommend a dividend (2014: nil).

### People

We have had a settled Board over the past year and the Board remains focussed upon the implementation of the strategic plan.

The Board would particularly like to thank the Group's loyal staff for their commitment and for their hard work to support the Group's turnaround.

### Prospects

The key to the next phase of the turnaround in Redhall's fortunes is achieving an improved order flow in its core businesses. The order book now stands at £21.0 million. We are investing in sales resource to secure more work whilst taking full advantage of our strong brands and reputation. Whilst anticipated order flow from certain major customers is unpredictable, we firmly believe that the nuclear sector in particular represents a significant medium to long term opportunity for the Group. We are currently engaged in a number of major tenders for nuclear defence and decommissioning projects and infrastructure related work. The infrastructure opportunities are likely to result in work in FY16, and the nuclear opportunities are likely to lead to revenue in FY17 and beyond.

We are encouraged by agreements reached between the UK Government, EDF and China General Nuclear Power in recent months relating to the Hinkley Point C nuclear new build project. Further announcements by the parties will clarify the timing and extent of work that Redhall's manufacturing businesses will be able to bid for over the coming years.

The oil and gas sector remains subdued. We expect this to impact on volumes for a second year at both Booth Industries and R Blckett Charlton and we do not anticipate any significant improvement in this sector over the course of this financial year.

Our Specialist Services businesses in the telecommunications and food sectors are likely to have a strong year in 2015/16 whilst our Marine business will continue to work for its major customer on site instructions but with lower volumes due to process changes.

To enhance profitability we will also focus over the next year on operational improvements to drive margin growth. We plan to invest in essential capital equipment and are committed to enhancing our margins with supply chain, bidding and commercial management improvements.

After a difficult few years, the business is now right sized, leaner and well set to capitalise on future prospects in the infrastructure and nuclear sectors.

### Martyn Everett

Chairman

9 December 2015

## STRATEGIC REPORT

### Strategic Update

The 2015 financial year has been one of considerable change for Redhall Group. In December 2014 we set out our Strategic Plan stating our intention to focus on our higher margin manufacturing and specialist services businesses, reduce contracting risk, reduce gearing and lower costs. The delivery of this plan was the Group's primary goal for the year.

We announced in June that Stage One of the Strategic Plan was largely complete. We have reduced the contracting risk through the disposal of RESL to Cape plc and the withdrawal from our site based nuclear contracting activities. Debt has been lowered as the sale of RESL for an enterprise value of £6.0 million injected £5.1 million of net cash into the Group and the sale of a non-core property generated net cash of £0.4 million. A further property sale raised net proceeds of £0.4 million after the year end. We have also lowered costs by removing the old divisional structure, centralising our service functions and exercising local cost reduction plans in some of our businesses.

We have now entered the second stage of the Strategic Plan, one of business improvement, investment and growth. To facilitate this we completed a fundraising in September consisting of a placing, open offer and debt conversion that improved the Group's balance sheet by £8.0 million and available cash by £5.0 million. We believe that this transaction will benefit the Group by:

- improving client confidence
- gaining better trading terms with our supply chain
- allowing investment in equipment and technology to improve productivity and expand our business offering
- allowing investment in pre-contract sales, marketing and tendering
- providing working capital to fund growth

Furthermore, this transaction has introduced new institutions to our shareholder base to support the Group's future growth.

These actions delivered in the year have been significant steps in realising our strategic goals and redefining Redhall as an established high integrity manufacturing and specialist services business.

## Overview

During this period of restructuring the Group has made an adjusted operating loss on continuing operations of £0.7 million on revenue of £44.7 million. This is lower than the £1.6 million of adjusted operating profit on revenues of £57.2 million for the year ended 30 September 2014, but is in line with expectations. The performance reflects the heavy restructuring that has been carried out during the financial year together with delays in some of our customers' capital projects and the substantial downturn in the oil and gas market. The ongoing activities have also taken the full burden of the Group costs in the year. These costs have progressively reduced as the restructuring has been delivered and will be lower in 2016. Pre Group costs the ongoing business made an adjusted operating profit of £1.2 million.

## Health and Safety

The health and safety of our employees and those who may be affected by our business remains our principal priority. All of our six subsidiaries, with the exception of Redhall Networks, now have management systems to control health and safety risks to OHSAS 18001 and environmental management systems certified to BS EN ISO 14001. We expect Redhall Networks will achieve accreditation to both standards by the end of 2015.

During the year our subsidiaries once again applied for health and safety awards from The Royal Society for the Prevention of Accidents (RoSPA), which recognises high or very high levels of performance. One of our businesses maintained performance to achieve the prestigious Order of Distinction for the fifth year in a row. This is awarded to organisations that have achieved 15 or more consecutive Gold Awards. Two businesses achieved Gold Awards whilst one achieved a Silver Award.

## Manufacturing

Manufacturing operations encompass the design, manufacturing, installation and commissioning of high integrity products and equipment typically in nuclear, oil and gas, specialist infrastructure and high end architectural metalwork sectors. We have three businesses with very strong brands and heritage in their areas: Booth Industries, Jordan Manufacturing and R Blckett Charlton.

Through a period of significant restructuring, the turnover for Manufacturing reduced to £18.5 million from £29.4 million in 2014. Operating profits also fell to £0.3 million from £2.8 million last period. Although all three subsidiaries experienced revenue reductions in the year the most pronounced was RBC which experienced a reduction in sales of 53.0% bringing turnover down to £5.7 million. RBC's principal activity is the manufacture of large bore pipe for supply into the oil and gas market. This business had an excellent year in 2014 but, as a result of the dramatic fall in oil prices, the market for these products has been very depressed in recent months. We do not see this market improving in the foreseeable future and so have taken the decision to considerably reduce the size of the operation. The cost of this restructure is £0.3 million but will result in a business that will be modestly profitable.

Despite the difficulties encountered in 2015, we have experienced an increase in the order books of Booth Industries and Jordan Manufacturing during the year.

The manufacturing opportunities in nuclear decommissioning and nuclear new build are medium to long term in nature, although we have seen a significant increase in tenders for this work in the past three months. We are confident that, having strategically refocused the business, we are now well positioned to take advantage of these opportunities in the coming years. In the shorter term, defence tenders have improved since the general election and we continue to expand our offering into other high integrity or high hazard environments. One notable success in the year has been the award to Booth Industries of five engineered doors contracts on the Crossrail major infrastructure project with a combined value in excess of £5 million.

## Specialist Services

Specialist Services consists of our activities in installation and maintenance of the telecommunications network infrastructure, design manufacture and installation of process lines in food and pharmaceutical markets and specialist surface finishings to Astute class submarines. We deliver these services through Redhall Networks, Redhall Jex and Redhall Marine.

The turnover for this business segment for the year ended 30 September 2015 was £26.2 million, down from £27.7 million in 2014. The adjusted operating profit for the same period was £0.9 million which is consistent with the performance in 2014. Volumes and profits in Redhall Networks were strong as the networks infrastructure market remained buoyant throughout the year. Our clients in the food and pharmaceutical sectors have remained fairly consistent in the volume of prospects suited to Redhall Jex resulting in this business performing at similar levels to last year. Since our 2015 year end there has been a noticeable increase in food tenders which should allow the business to improve the order book and become more selective. Redhall Jex was part of our old engineering division and since the disposal of RESL it has been managed independently and it has become clear that there are opportunities to improve margin through driving efficiencies in both fixed costs and cost of sales. Redhall Marine continued to provide specialist surface finishings to Astute class submarines for BAe at Barrow.

## Site Services

This reporting segment consists of the businesses held for strategic divestment or closure and is shown as discontinued operations. It encompasses the pre disposal activities of RESL and the site-based nuclear contracting activities of Redhall Nuclear Ltd.

The turnover from these businesses for year was £24.1 million and they contributed an adjusted operating loss of £1.0 million. These results are not directly comparable with 2014 as they do not relate to a full year of activity. Within this segment, the site-based nuclear contracting business also accounted for the majority of the Group's exceptional costs.

## Exceptional Items

Exceptional costs in the period under review totalled £9.3 million. We announced in our strategy update on 14 May 2015 that we expected total exceptional costs to be £8.8 million consisting of £3.6 million resulting from redundancy costs, closure costs and asset write offs due to restructuring and £5.2 million resulting from the disposal of RESL. A large part of this £0.5 million movement is as a result of the £0.3 million of redundancy costs at R Blckett Charlton to right size the business in the light of a significant drop in oil and gas contracts.

## Outlook

We have now restructured Redhall into a clearly focussed Manufacturing and Specialist Services Group. Since the fundraising in September we have begun to invest in strengthening our business development capability, recruiting more depth into our management teams, training and developing our people and upgrading our equipment and technology. The improved balance sheet also gives us more credibility with customers and suppliers.

There is still more work to be done before the turnaround is complete and the Group can begin to achieve its potential. One of our main strategic priorities is to grow the order book whilst maintaining its quality. It is therefore encouraging that we have recently seen a significant increase in manufacturing tenders particularly for longer term nuclear opportunities where we will have submitted around £150 million of bids in the last quarter of the 2015 calendar year. These projects are primarily for manufacture from 2017 onwards with some extending for 10 years. There is considerable work to do before any of these schemes become contracts but we believe that the submission of these tenders not only demonstrates increased activity in the market but also the level of credibility and resource our businesses now have.

Also within Manufacturing we have secured multiple orders for the Crossrail project and continue to tender for a number of sizable engineered door projects on this infrastructure scheme. We are also benefiting from repeat work with many high quality clients such as Sellafield Ltd, Dounreay Site Restoration Ltd, Rolls Royce, AWE, and Renishaw.

Within Specialist Services we have submitted our proposal to renew the framework contract for blasting, painting and insulating the Astute class submarines. This contract is likely to be awarded during 2016. If successful, it will provide us with a further 2 years of work with BAe which may be extended to 5 years in annual increments. We continue to receive good levels of opportunities from Mondelez, Kellogg's and Nestle in our food and pharmaceutical business and have recently seen a substantial increase in tenders from Mars. The contracts in our networks infrastructure business are always short term but this market has been buoyant recently and with the continued roll out of 4G and the consolidation of network providers we expect that it will remain buoyant throughout 2016.

In summary we believe that we are experiencing a significant increase in opportunities due to both an uplift in our target markets and an improving business development capability within the Group. The implementation of Stage Two of the Strategic Plan will provide a good platform to benefit from these opportunities.

**Phil Brierley**

Chief Executive

9 December 2015

## Consolidated Income Statement

	Year to 30 September 2015				Year to 30 September 2014		
	Note	Before	Exceptional	Total	Before	Exceptional	Total
		exceptional	items		exceptional	items	
		items	(Note 2)		items	(Note 2)	
£000	£000	£000	£000	£000	£000	£000	
				Restated	Restated	Restated	
<b>Revenue</b>	1	44,704	-	44,704	57,164	-	57,164
Cost of sales		(34,518)	(252)	(34,770)	(44,616)	(459)	(45,075)
Gross profit		10,186	(252)	9,934	12,548	(459)	12,089
Administrative expenses		(11,178)	(988)	(12,166)	(11,278)	(651)	(11,929)
<b>Operating (loss)/profit</b>	1	(992)	(1,240)	(2,232)	1,270	(1,110)	160
<b>Adjusted operating (loss)/profit*</b>		(671)	(1,240)	(1,911)	1,591	(1,110)	481
Amortisation of acquired intangible assets		(321)	-	(321)	(321)	-	(321)
Operating (loss)/profit		(992)	(1,240)	(2,232)	1,270	(1,110)	160
Financial income	5	-	-	-	4	-	4
Financial expenses	5	(1,411)	-	(1,411)	(1,792)	-	(1,792)
<b>Loss before tax from continuing operations</b>		(2,403)	(1,240)	(3,643)	(518)	(1,110)	(1,628)
Tax credit	6	551	-	551	173	-	173
<b>Loss on continuing operations</b>		(1,852)	(1,240)	(3,092)	(345)	(1,110)	(1,455)
Loss on discontinued operations net of tax	3	(964)	(8,105)	(9,069)	(1,715)	(2,510)	(4,225)
<b>Loss attributable to equity holders of the Parent Company</b>		(2,816)	(9,345)	(12,161)	(2,060)	(3,620)	(5,680)
<b>Loss per share</b>	8						
Basic				(24.57)p			(14.29)p
Diluted				(24.57)p			(14.29)p

\* Adjusted operating (loss)/profit is (loss)/profit before financial income, financial expenses, tax and amortisation of intangible assets acquired with business combinations. The comparative amounts have been restated as a result of discontinuance of site services operations (note 3).

## Consolidated Statement of Comprehensive Income

	Year to	Year to
	Note 30 September 2015	30 September 2014
	£000	£000
		Restated
<b>Loss for the year</b>	(12,161)	(5,680)

**Other comprehensive income:****Items that will not be reclassified to profit or loss:**

Remeasurement of defined benefit liability	9	(509)	(594)
Tax on actuarial (loss)/gain	6	102	119
Tax on revaluation of property and amortisation of property, revaluation transferred between reserves	6	-	2
Accelerated capital allowances	7	(1)	(4)
<b>Other comprehensive income for the year net of tax</b>		<b>(408)</b>	<b>(477)</b>
<b>Total comprehensive income attributable to equity holders of the Parent Company</b>		<b>(12,569)</b>	<b>(6,157)</b>

**Consolidated Balance Sheet**

	As at Note 30 September 2015	As at 30 September 2014
	£000	£000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,501	4,733
Intangible assets	2,792	4,911
Purchased goodwill	18,305	23,785
Deferred tax asset	154	-
	23,752	33,429
<b>Current assets</b>		
Inventories	517	661
Trade and other receivables	14,968	27,030
Cash and cash equivalents	687	-
Assets held for sale	440	-
	16,612	27,691
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	(13,628)	(20,122)
Borrowings	-	(2,782)
Current tax payable	(19)	(19)
	(13,647)	(22,923)
<b>Non-current liabilities</b>		
Borrowings	(6,175)	(13,250)
Deferred tax liabilities	7	-
Retirement benefit obligations	(1,960)	(1,698)
	(8,135)	(15,016)
<b>Net assets</b>	<b>18,582</b>	<b>23,181</b>
<b>Shareholders' equity</b>		
Share capital	12,284	12,269
Share premium account	28,326	21,297
Merger reserve	12,679	12,679
Revaluation reserve	102	144

Other reserve	1,177	251
Retained earnings	(35,986)	(23,459)
<b>Total equity</b>	<b>18,582</b>	<b>23,181</b>

## Consolidated Statement of Changes in Equity

	Share capital	Share premium	Merger reserve	Revaluation reserve	Other reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000
At 1 October 2013	7,462	19,127	12,679	147	265	(17,305)	22,375
Share capital issued during the year net of expenses	4,807	2,170	-	-	-	-	6,977
Employee share-based compensation	-	-	-	-	(14)	-	(14)
Tax in connection with employee share-based compensation	-	-	-	-	-	-	-
Transactions with owners	4,807	2,170	-	-	(14)	-	6,963
Loss for the year	-	-	-	-	-	(5,680)	(5,680)
Transfer between reserves in respect of depreciation on property revaluations	-	-	-	(3)	-	3	-
Other comprehensive income for the year	-	-	-	-	-	(477)	(477)
Total comprehensive income for the year	-	-	-	(3)	-	(6,154)	(6,157)
At 30 September 2014	12,269	21,297	12,679	144	251	(23,459)	23,181
Share capital issued during the year net of expenses	15	7,029	-	-	927	-	7,971
Employee share-based compensation	-	-	-	-	(1)	-	(1)
Tax in connection with employee share-based compensation	-	-	-	-	-	-	-
Transactions with owners	12,284	28,326	12,679	144	1,177	(23,459)	31,151
Loss for the year	-	-	-	-	-	(12,161)	(12,161)
Transfer between reserves in respect of depreciation on property revaluations	-	-	-	(3)	-	3	-
Transfer between reserves following disposal	-	-	-	(39)	-	39	-
Other comprehensive income for the year	-	-	-	-	-	(408)	(408)
Total comprehensive income for the year	-	-	-	(42)	-	(12,527)	(12,569)
At 30 September 2015	12,284	28,326	12,679	102	1,177	(35,986)	18,582

Other reserves comprise share based compensation £250,000 (2014: £251,000), equity reserve relating to the grant of options on conversion of debt during the year £925,000 and other reserves of £2,000.

## Consolidated Cash Flow Statement

	Year to	Year to
	Note 30 September 2015	30 September 2014
	£000	£000

**Cash flows from operating activities**

Loss after taxation		(12,161)	(5,680)
Adjustments for:			
Depreciation		697	548
Amortisation of intangible assets		519	577
Difference between pension charge and cash contributions		(307)	(337)
Loss/(profit) on disposal of property, plant and equipment		102	48
Loss on sale of discontinued operations (net of tax)	4	5,147	203
Share-based payments credit		(1)	(14)
Financial income		-	(4)
Financial expenses		1,411	1,792
Tax credit recognised in the income statement		(576)	(85)
Decrease in trade and other receivables		5,809	5,686
Decrease/(increase) in inventories		144	(17)
Decrease in trade and other payables		(2,239)	(4,613)
<b>Cash absorbed by operations</b>		<b>(1,455)</b>	<b>(1,896)</b>
Interest paid		(1,361)	(1,651)
<b>Net cash absorbed by operating activities</b>		<b>(2,816)</b>	<b>(3,547)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(103)	(352)
Purchase of intangible assets		(17)	(134)
Proceeds from disposal of fixed assets		395	12
Net proceeds from sale of discontinued operations (net of cash disposed of)	4	5,114	94
Interest received		-	4
<b>Net cash used in investing activities</b>		<b>5,389</b>	<b>(376)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital (net of costs incurred)		4,971	6,977
Proceeds from borrowings		-	3,000
Repayment of long-term borrowing		(5,075)	(4,750)
<b>Net cash generated by financing activities</b>		<b>(104)</b>	<b>5,227</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,469</b>	<b>1,304</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>(1,782)</b>	<b>(3,086)</b>
<b>Cash and cash equivalents at end of year</b>		<b>687</b>	<b>(1,782)</b>

See note 3 for cash flows relating to discontinued activities

## Notes to the Consolidated Financial Statements

### 1. Segment analysis

IFRS8 "Operating Segments" requires an entity to report on those operating segments that engage in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the chief operating decision maker ("CODM"); and for which discrete financial information is available. The CODM has been identified ultimately as the Board of Directors.

The Board assess the performance of the operating segments based on a measure of operating profit or loss which excludes the effects of exceptional items. Central costs and unallocated items represent head office functions and items such as amortisation of acquired intangible assets arising on the acquisition of businesses.

The activities of each business segment are as follows:

### **Manufacturing**

Manufacturing encompasses the design, manufacture and installation of bespoke specialist plant and equipment typically in the nuclear, defence, oil and gas, petrochemical, chemical, pharmaceutical and food sectors. The division has particular expertise in the design and manufacture of high integrity fire and blast resistant doors, window and wall systems.

### **Specialist Services**

Specialist Services comprises our activities in installation and maintenance of the telecommunications network infrastructure, design, manufacture and installation of process lines in food and pharmaceutical markets and specialist surface finishings to Astute class submarines.

### **Site Services**

During the period the activities of the Site Services segment were discontinued following the Group's decision to sell its Engineering business and to close its site-based Nuclear contracting businesses. The results of these businesses are disclosed in Note 3.

The Group has previously reported its activities in Manufacturing, Nuclear and Engineering segments. Following the strategic review by the Chief Executive businesses were reallocated to segments reflecting the Group's amended strategic direction.

## **Operating segments**

### **Year to 30 September 2015**

	Revenue	Group operating profit
	£000	£000
Manufacturing	18,461	321
Exceptional items	-	(867)
<b>Total Manufacturing</b>	<b>18,461</b>	<b>(546)</b>
Specialist Services	26,243	891
Exceptional items	-	(105)
<b>Total Specialist Services</b>	<b>26,243</b>	<b>786</b>
Central costs	-	(1,883)
Exceptional items	-	(268)
<b>Total Central costs</b>	<b>-</b>	<b>(2,151)</b>
<b>Total operations before exceptional items*</b>	<b>44,704</b>	<b>(671)</b>
Exceptional items	-	(1,240)
<b>Total operations</b>	<b>44,704</b>	<b>(1,911)</b>
Amortisation of acquired intangible assets		(321)
<b>Operating loss</b>		<b>(2,232)</b>
Financial income		-
Financial expenses		(1,411)
<b>Group loss before tax</b>		<b>(3,643)</b>
Tax		551
<b>Group loss for the year</b>		<b>(3,092)</b>

\*Adjusted operating profit is stated before exceptional items and amortisation of intangible assets acquired with business combinations.

### **Year to 30 September 2014**

	Revenue	Group operating profit
	£000	£000



	Restated	Restated
Manufacturing	29,443	2,844
Exceptional items	-	(236)
<b>Total Manufacturing</b>	<b>29,443</b>	<b>2,608</b>
Specialist Services	27,721	865
Exceptional items	-	(298)
<b>Total Specialist Services</b>	<b>27,721</b>	<b>567</b>
Central costs	-	(2,118)
Exceptional items	-	(576)
<b>Total Central costs</b>	<b>-</b>	<b>(2,694)</b>
<b>Total operations before exceptional items*</b>	<b>57,164</b>	<b>1,591</b>
Exceptional items	-	(1,110)
<b>Total operations</b>	<b>57,164</b>	<b>481</b>
Amortisation of acquired intangible assets		(321)
<b>Operating loss</b>		<b>160</b>
Financial income		4
Financial expenses		(1,792)
<b>Group loss before tax</b>		<b>(1,628)</b>
Tax		173
<b>Group loss for the year</b>		<b>(1,455)</b>

\* Adjusted operating profit is stated before exceptional items and amortisation of intangible assets acquired with business combinations.

## 1. Segment analysis (continued)

	2015	2014
	£000	£000
<b>Operating segment assets</b>		
Manufacturing	8,881	13,260
Specialist Services	4,952	5,375
Site Services - discontinuing	3,785	12,961
Head office and Central	1,135	1,215
Unallocated:		
- Cash and cash equivalents	687	-
- Acquired intangible assets	2,466	4,524
- Purchased goodwill	18,305	23,785
- Deferred tax	154	-
<b>Total assets</b>	<b>40,365</b>	<b>61,120</b>
<b>Operating segment liabilities</b>		
Manufacturing	4,712	5,123
Specialist Services	4,664	4,113
Site Services - discontinuing	2,008	9,302
Head office and Central	2,245	1,584
Unallocated:		

- Current borrowings	-	2,782
- Non-current borrowings	6,175	13,250
- Retirement benefit obligations	1,960	1,698
- Current tax	19	19
- Deferred tax	-	68
<b>Total liabilities</b>	<b>21,783</b>	<b>37,939</b>
<b>Net assets</b>	<b>18,582</b>	<b>23,181</b>
<b>Capital expenditure</b>		
Manufacturing	20	233
Specialist Services	11	32
Site Services - discontinuing	25	135
Head office and Central	47	86
	<b>103</b>	<b>486</b>
<b>Depreciation</b>		
Manufacturing	182	168
Specialist Services	83	99
Site Services - discontinuing	385	256
Head office and Central	47	25
	<b>697</b>	<b>548</b>
<b>Amortisation of intangible assets</b>		
Manufacturing - development costs	78	76
Unallocated - acquired intangible assets	441	501
	<b>519</b>	<b>577</b>

## 1. Segment analysis (continued)

### Continuing operations

#### Geographical segments

	2015	2014
	£000	£000
		Restated
<b>Revenue by destination</b>		
United Kingdom	41,697	48,275
Other European Union countries	439	727
Other overseas locations	2,568	8,162
	<b>44,704</b>	<b>57,164</b>

All of the Group's assets and capital expenditure originate in the United Kingdom.

#### Analysis of revenue by category

	2015	2014
	£000	£000
		Restated
Sales of goods manufactured by the Group	17,732	29,681
Sales of services	26,972	27,483
	44,704	57,164

Practically all of the Group's revenue is considered to be contract revenue as defined by IAS11.

### **Customers accounting for more than 10% of revenue**

One customer accounted for more than 10% of revenue in the year, which is a customer of the Specialist Services segment and accounted for revenue of £9.6 million (2014: one customer accounting for £13.0 million of revenue in the Specialist Services segment).

## **2. Exceptional items**

The Board has separately identified, by virtue of their size or incidence, certain credits and charges to the consolidated income statement that should be separately disclosed to enable users of the financial statements to better understand the underlying performance of the Group:

### **Continuing operations**

	2015	2014
	£000	£000
<b>Cost of sales</b>		
Redundancy and restructuring costs	252	-
Provisions against contracts	-	459
	252	459
<b>Administrative expenses</b>		
Redundancy and restructuring costs	883	651
Loss on disposal of properties	105	-
	988	651
Exceptional items before tax	1,240	1,110
Tax credit	-	-
Exceptional items after tax	1,240	1,110

Redundancy and restructuring costs reflect the costs of resizing the businesses within the Manufacturing segment and Head Office. These are split between cost of sales and administrative expenses on the basis of the function of the personnel to which they relate.

Provisions against contracts in 2014 relate to charges in respect of legacy contracts which have suffered losses.

### **Discontinued operations**

	2015	2014
	£000	£000
<b>Cost of sales</b>		
Redundancy, restructuring costs and other costs	1,893	570
Provisions against contracts	-	1,614
	1,893	2,184
<b>Administrative expenses</b>		
Redundancy and restructuring costs	1,025	64
Loss on disposal of Chieftain Insulation (NI) Limited	40	203

Loss on disposal of Redhall Engineering Solutions Limited (note 25)	5,147	-
Other	-	209
Vivergo legal and professional fees	-	(150)
	<b>6,212</b>	326
Exceptional items before tax	<b>8,105</b>	2,510
Tax credit	-	-
Exceptional items after tax	<b>8,105</b>	2,510

Redundancy and restructuring costs relate to the winding down and ultimate closure of those businesses which are discontinued, split between cost of sales and administrative expenses on the basis of the function of the personnel to which they relate.

### 3. Discontinued operations

Income and expenditure incurred on discontinued operations during the period comprises the Site Services business. RESL was sold on 13 May 2015 and on 14 May 2015 the Group announced the closure of its site based nuclear contracting businesses.

Site Services comprised certain engineering and nuclear related activities. These included engineering activities in industrial processes including oil and gas, petrochemical and chemical, and included design, project management and execution of on-site works through qualified and experienced engineers and trades personnel. Activities included mechanical design and construction, storage tank services, plant modifications and upgrades, repair and maintenance, shutdown services and offsite services.

The segment also included activities in both the civil and defence nuclear sectors and included design, project management and execution of on-site works through qualified and experienced engineers and trades personnel. Activities in the civil sector included decommissioning and waste management, support to operating nuclear power stations, and nuclear new build. Activities in the defence sector encompassed activities on behalf of the Ministry of Defence and included the design and manufacture of specialist equipment and mechanical and electrical engineering activities for the AWE establishment at Aldermaston.

	2015	2014
	£000	£000
Revenue	24,132	46,016
Cost of sales	(21,222)	(41,488)
Gross profit	2,910	4,528
Administrative expenses	(3,899)	(6,155)
Adjusted operating loss before exceptionals	(989)	(1,627)
Exceptional items	(2,958)	(2,307)
Operating loss before impairment and loss on disposal of operations	(3,947)	(3,934)
Impairment	-	-
Loss on disposal of operations	(5,147)	(203)
Operating loss and loss before taxation	(9,094)	(4,137)
Taxation credit/(charge)	25	(88)
Loss after taxation from discontinued operations	(9,069)	(4,225)

During the period, discontinued operations contributed a net outflow of £4.37m (2014: £0.63m outflow) to the Group's operating cash flows and a net inflow of £5.09m (2014: £0.03m outflow) to investing activities. There were no cash flows from financing activities.

The adjusted operating loss before exceptionals is stated after amortisation of acquired intangible assets of £120,000 (2014: £180,000).

#### Geographical segments

	2015	2014
	£000	£000
<b>Revenue by destination</b>		
United Kingdom	23,302	44,574
Other European Union countries	-	-

Other overseas locations	830	1,442
	<b>24,132</b>	46,016

All of the Group's assets and capital expenditure originate in the United Kingdom.

#### Analysis of revenue by category

	2015	2014
	£000	£000
Sales of goods manufactured by the Group	-	-
Sales of services	24,132	46,016
	<b>24,132</b>	46,016

Practically all of the Group's revenue is considered to be contract revenue as defined by IAS11.

#### 4. Disposal of subsidiary company

On 13 May 2015, the Group sold Redhall Engineering Solutions Limited to Cape plc for an enterprise value of £6.0m. The business is classified as a discontinued operation.

	£000
Property, plant and equipment	701
Amounts recoverable on contracts	3,096
Trade debtors	2,946
Prepayments and other debtors	211
Deferred tax asset	455
Trade creditors	(1,670)
Accruals and other creditors	(2,575)
<b>Net assets sold</b>	<b>3,164</b>
Goodwill and intangible assets at date of disposal	7,097
Loss on disposal	(5,147)
<b>Proceeds, less costs of disposal</b>	<b>141</b>
Debts assumed by purchaser	(5,255)

#### 5. Financial income and expenses

	2015	2014
	£000	£000
<b>Financial income</b>		
Interest income	-	4
<b>Financial expenses</b>		
Interest on bank loans and overdrafts	(1,262)	(1,641)
Net finance expense on pension scheme*	(149)	(151)
	<b>(1,411)</b>	(1,792)

\* Includes £89,000 of pension administration expenses paid for by the Company (2014: £98,000).

#### 6. Tax expense

2015	2014
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**(a) Recognised in the income statement**

**Current tax credit:**

Current year	-	-
Recovery of tax that relates to prior year	-	-
Current tax credit	-	-
Deferred tax credit	(583)	(251)
Effect of change of tax rate	9	16
Prior years	(2)	150
Deferred tax credit	(576)	(85)
Tax credit in the income statement	(576)	(85)
	2015	2014
	£000	£000

**(b) Reconciliation of the effective tax rate**

Loss before tax - continuing operations	(3,643)	(1,628)
Loss before tax - discontinued operations	(9,094)	(4,137)
Loss before tax	(12,737)	(5,765)
Tax at standard rate of UK corporation tax of 20.5% (2014: 22.0%)	(2,611)	(1,268)
Expenses not deductible for tax purposes	131	21
Income not taxable for tax purposes	-	(8)
Tax losses not recognised	1,065	1,008
Adjustments in relation to prior periods	(2)	150
Change in tax rate	11	20
Non deductible loss on disposal of investment	830	45
Tax losses previously not recognised	-	(53)
Tax credit in the income statement	(576)	(85)
Tax credit in the income statement - continuing operations	551	173
Tax credit in the income statement - discontinued operations	25	(88)
	2015	2014
	£000	£000

**(c) Deferred tax (credit)/charge recognised in other comprehensive income**

Actuarial losses	(102)	(119)
Revaluation of property	-	(2)
Effect of tax rate change on revaluation of property	-	-
Accelerated capital allowances	1	4
	(101)	(117)

**(d) Deferred tax credit recognised directly in equity**

Share options	-	-
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**7. Deferred tax assets and liabilities**

**Recognised deferred tax assets and liabilities**

The net deferred tax liability at the year-end and movement during the year is analysed as follows:

	Balance as at 1 October 2014	Credit/(charge) to Consolidated Income Statement	Credit/(charge) directly to equity	Disposal of investment	Balance as at 30 September 2015
	£000	£000	£000	£000	£000
Accelerated capital allowances	196	124	(1)	(149)	170
Short term timing differences	56	(20)	-	(6)	30

Losses	508	320	-	(300)	528
Buildings	(275)	115	-	-	(160)
Intangible assets	(892)	89	-	-	(803)
Retirement benefits	339	(52)	102	-	389
	(68)	576	101	(455)	154

	Credit/(charge) to				
	Balance as at 1 October 2013	Consolidated Income Statement	(Charge)/credit directly to equity	Disposal of investment	Balance as at 30 September 2014
	£000	£000	£000	£000	£000
Accelerated capital allowances	121	79	(4)	-	196
Short term timing differences	208	(152)	-	-	56
Losses	400	108	-	-	508
Buildings	(284)	7	2	-	(275)
Intangible assets	(992)	100	-	-	(892)
Retirement benefits	277	(57)	119	-	339
	(270)	85	117	-	(68)

### **Unrecognised deferred tax assets**

Deferred tax assets have not been recognised on tax losses of £16,300,000 (2014: £20,600,000) as their recovery is insufficiently certain in the longer term. £14,500,000 are related to the discontinued site services segment.

### **Effect of reduction in the main rate of Corporation tax**

Reductions in the UK corporation tax rate from 23% to 21% (effective 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax balances have been calculated based on the rate of 20% which was substantively enacted at the balance sheet date.

## **8. Loss per share**

### **Basic and diluted loss per share**

The calculation of the basic loss per share of 24.57p (30 September 2014: loss per share 14.29p) is based on 49,491,094 shares (30 September 2014: 39,751,863) being the weighted average number of shares in issue throughout the period and on a loss of £12,161,000 (30 September 2014: loss of £5,680,000).

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted loss per share for both the year ended 30 September 2015 and 30 September 2014 are identical to those used for the basic loss per share. This is because the exercise of share options would have the effect of reducing the loss per share and is, therefore, not a dilution under the terms of IAS33. The dilutive potential ordinary shares are therefore not included in the table below. At 30 September 2015 there were 250,000 outstanding options under relevant schemes and 18.5m shares under option to funds managed by Henderson. These may impact dilutive earnings per share in future.

### **Adjusted earnings per share**

The Directors believe that helpful additional earnings per share calculations are earnings per share on adjusted bases (i.e. based on profit before exceptional items and amortisation of acquired intangible assets and on a fully taxed basis). The basic and adjusted weighted average numbers of shares and the adjusted earnings have been calculated as follows:

	2015	2014
	Number	Number
Basic weighted average number of shares	49,491,094	39,751,863
Dilutive potential ordinary shares arising from share options	-	-
Adjusted weighted average number of shares	49,491,094	39,751,863
	£000	£000
Earnings:		
Loss before tax	(12,737)	(5,765)

Exceptional items	9,345	3,620
Amortisation of acquired intangible assets	441	501
Adjusted loss before tax	(2,951)	(1,644)
Tax at 20.5% (2014: 22.0%)	605	362
Adjusted loss after tax	(2,346)	(1,282)
Adjusted, fully taxed basic loss per share	(4.74)p	(3.23)p
Adjusted, fully taxed diluted loss per share	(4.74)p	(3.23)p

### Continuing operations

	£000	£000
Loss before tax	(3,643)	(1,628)
Exceptional items	1,240	1,110
Amortisation of acquired intangible assets	321	321
Adjusted loss before tax	(2,082)	(197)
Tax at 20.5% (2014: 22.0%)	427	43
Adjusted loss after tax	(1,655)	(154)
Adjusted, fully taxed diluted loss per share	(3.34)p	(0.39)p

### Discontinued operations

	£000	£000
Loss before tax	(9,094)	(4,137)
Exceptional items	8,105	2,510
Amortisation of acquired intangible assets	120	180
Adjusted loss before tax	(869)	(1,447)
Tax at 20.5% (2014: 22.0%)	178	318
Adjusted loss after tax	(691)	(1,129)
Adjusted, fully taxed diluted loss per share	(1.40)p	(2.84)p

## 9. Retirement benefit obligation

The Group sponsors a defined benefit pension scheme in the United Kingdom, the Booth Industries Group PLC Staff Pension and Life Assurance Scheme ("the Booth Scheme") and operates a small number of defined contribution pension schemes and makes contributions to personal pension plans.

### a) Defined benefit scheme

Pension benefits are linked to the members' final pensionable salaries and service at their retirement date (or date of leaving if earlier). The scheme is closed to new entrants. The scheme is governed by a Board of Trustees who meet on a quarterly basis. The Group has opted to recognise all actuarial gains and losses immediately through the Consolidated Statement of Comprehensive Income.

The most recent formal actuarial valuation, which was completed prior to 30 September 2014, was carried out as at 6 April 2012. The results of this valuation have been updated to 30 September 2015 by an independent qualified actuary. The assumptions used were as follows:

#### Assumptions

The following were the principle actuarial assumptions at the reporting date:

	2015	2014
Discount rate	3.70%	3.90%
Retail Prices Index (RPI) inflation	2.90%	3.10%
Consumer Prices Index (CPI) inflation	1.90%	2.10%
Salary increases	1.90%	2.60%
Rate of increases to pensions in payment subject to inflationary increases:		
- RPI capped at 5% pa	2.80%	3.00%
- RPI capped at 2.5% pa	2.20%	2.30%
- CPI capped at 3% pa	1.70%	1.90%
- CPI capped at 5% pa with minimum 3% pa	3.10%	3.10%
Rate of increase for deferred pensioners	1.90%	2.10%



Mortality basis:

Before retirement	<b>S2 PA CMI 2014</b> (year of birth)	S1 PA CMI 2013 (year of birth)
	+ 2 years	+ 2 years
After retirement	<b>S2 PA CMI 2014</b> (year of birth)	S1 PA CMI 2013 (year of birth)
	+ 2 years	+ 2 years

Asset class	2015		2014	
	Market value	% of total scheme assets	Market value	% of total scheme assets
	£000		£000	
Equities	9,657	48%	10,265	51%
Bonds	4,452	22%	4,406	22%
Gilts	3,747	19%	3,560	18%
Property	1,877	9%	1,672	8%
Cash	307	2%	253	1%
<b>Total</b>	<b>20,040</b>	<b>100%</b>	<b>20,156</b>	<b>100%</b>

The actual return on the scheme assets for the year ended 30 September 2015 was £431,000 (2014: £1,252,000).

## 9. Retirement benefit obligation (continued)

### Pension expense

Amounts recognised within administrative expenses within the income statement are:

	2015	2014
	£000	£000
Charge for current service cost	(86)	(92)
Administration costs	(50)	(15)
	<b>(136)</b>	<b>(107)</b>

Following the 6 April 2012 valuation the Company agreed to pay annual contributions of 13.4% to 5 July 2013 and thereafter at 17.6% of members' pensionable salaries each year plus deficit repair contributions of £334,184 pa increasing at 3% pa on 6 April 2013, 6 April 2014 and 6 April 2015 and then to increase at 5% pa from 6 April 2016 to 31 May 2026. Total employer contributions in 2015 were £443,000 (2014: £444,000).

The amounts credited/(charged) to financial income and expense are:

	2015	2014
	£000	£000
Return on assets recorded as interest*	687	748
Interest on pension scheme liabilities	(836)	(899)
<b>Net financial expense</b>	<b>(149)</b>	<b>(151)</b>

\* Includes £89,000 of pension administration expenses paid for by the Company (2014: £98,000).

**Total actuarial gains and losses recognised in the consolidated statement of comprehensive income**

The cumulative actuarial loss recognised in the consolidated statement of comprehensive income from 1 October 2006 (being the transition date to the adoption of International Financial Reporting Standards) is £2,780,000 (2014: loss £2,271,000).

#### Analysis of movement in retirement benefit obligation

	2015	2014
	£000	£000
Retirement benefit obligation at start of the year	21,854	20,921
Current service cost	86	92
Interest cost on retirement benefit obligation	836	899
Contributions by employees	28	31
Benefits paid and transfers out	(968)	(1,090)
Actuarial losses	164	1,001
Retirement benefit obligation at end of year	22,000	21,854

#### Change in fair value of scheme assets during the year

	2015	2014
	£000	£000
Fair value at start of the year	20,156	19,534
Interest income	776	846
Actual return on assets less interest	(345)	406
Employer contributions	443	444
Member contributions	28	31
Benefits paid	(968)	(1,090)
Administration costs	(50)	(15)
Fair value at end of the year	20,040	20,156

#### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the percentage amounts shown below:

Assumption	2015		2014	
	Change in assumption	Change in defined benefit obligation	Change in assumption	Change in defined benefit obligation
Discount rate	+/- 0.5% pa	+/- 7%	+/- 0.5% pa	+/- 7%
RPI and CPI inflation	+/- 0.5% pa	+/- 3%	+/- 0.5% pa	+/- 3%
Future salary increases	+/- 0.5% pa	+/- 1%	+/- 0.5% pa	+/- 1%
Assumed life expectancy	+ 1 year	+ 3%	+ 1 year	+ 3%

#### b) Defined contribution schemes and personal pension plans

The Group operates a small number of defined contribution pension schemes and contributes to a number of personal pension plans. The total expense for these schemes during the year was £1,022,000 (2014: £897,000).

#### 10. Basis of preparation

The financial information set out above for the years ended 30 September 2015 and 2014 ("the financial information"), has been prepared with consistent accounting policies and in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and are effective at 30 September 2015.

The financial information does not constitute the statutory financial statements (as defined by S434 of the Companies Act 2006) for those years. The 2015 financial statements, upon which the auditors issued an unqualified opinion and did not contain a statement either under sections 498(2) or 498(3) of the Companies Act 2006, have not yet been delivered to the Registrar.

The 2014 financial statements have been delivered to the Registrar and included the auditors' report which was unqualified and did not contain a statement either under sections 498(2) or 498(3) of the Companies Act 2006.

The annual report and accounts for the year ended 30 September 2015 will be posted to shareholders who have requested them. Copies will be available from the Company's registered office, 1 Red Hall Court, Wakefield WF1 2UN, and will be made available on the Company's website at [www.redhallgroup.co.uk](http://www.redhallgroup.co.uk).

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