



Interim Results

for the six months ended 31 March 2015

Agenda

Redhall

- First Half Overview
- Strategic Update
- Financial Review
- Operational Review
- Outlook and Prospects
- Appendix

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FIRST HALF OVERVIEW

First Half Overview

- 2015 is a year for delivering the strategic plan
 - Strategy announced on 4 December 2014
 - Focus on higher margin Manufacturing capability in Nuclear (Defence, Decommissioning and New Build), Oil and Gas and specialist infrastructure sectors
 - Disposal of RESL on 14 May 2015 for an enterprise value of £6.0m; announced closure of site-based nuclear contracting businesses. Reduced debt and risk profile of the Group
 - Removal of old divisional structure and centralise support functions to reduce costs and improve communications
 - Sale of surplus property reducing debt and costs in business
 - First stage of turnaround completed
- Operating profit before exceptional and central costs of £567k for continuing businesses
- Group operating loss before exceptionals £933,000 (H1 2014 profit: £1071,000; 2014 full year profit £144,000)
 - Result broadly in line with H2 2014
- Anticipate a marginal reduction in loss for H2 2015 moving back to an operating profit in 2016

First Half Overview

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- Now reporting in two segments
 - Manufacturing
 - Booth Industries, Jordan Manufacturing and R Blackett Charlton
 - Specialist Services
 - Redhall Networks, Redhall Marine and Redhall Jex
- More focus being placed on investment and growth of core businesses

First Half Overview

- Manufacturing
 - Revenue and profitability temporarily depressed due to:
 - Nuclear New Build programme commencement continues to suffer delays
 - Decommissioning design stage expanding, delaying manufacturing orders
 - Defence delays due to the election and capital over-runs
 - Oil & gas market depressed due to oil pricing
 - However medium to long term opportunities remain excellent:
 - UK set to invest heavily in new build nuclear power capacity before 2030. Five nuclear new build sites have been identified
 - Substantial value of Redhall products and goods applicable to each site
 - Doors and frames
 - Ponds, liners, tanks and sumps
 - Grilles and hatches
 - Pipework
 - Joint venture arrangements in place to optimise potential opportunities
 - Capital defence projects are advancing
 - Substantial investment being committed into decommissioning
 - £4.75m of orders received for major rail infrastructure project

First Half Overview

- Specialist Services
 - Strong underlying performance from telecommunications business
 - Anticipate buoyant market to continue
 - Upgrades to existing network
 - Roll out of 4G (and subsequent 5G)
 - Consolidation
 - Volumes maintained but margins lower in food processing business due to competition on key contracts and higher than normal bid costs for both new and existing customers. This should broaden client base and improve volume in the medium term
 - Volume reductions and conservative profit recognition impact first half performance at Redhall Marine but it is expected that margins will return in H2

First Half Overview

- Exceptional costs of £2.5m and goodwill written off on disposal of £5.2m. Full year exceptionals of £3.6m
 - Removal of the divisional structure
 - Centralisation of certain Group activities
 - Restructuring costs for site based nuclear contracting including:
 - redundancy
 - closure costs
 - asset write-offs
- Order book
 - For continuing businesses stands at £21m (excludes RESL and site-based nuclear contracting)
 - Comparative for 2014 year end is £25m
 - Quality of order book very high
 - Significant investment made in sales, marketing and bid resource

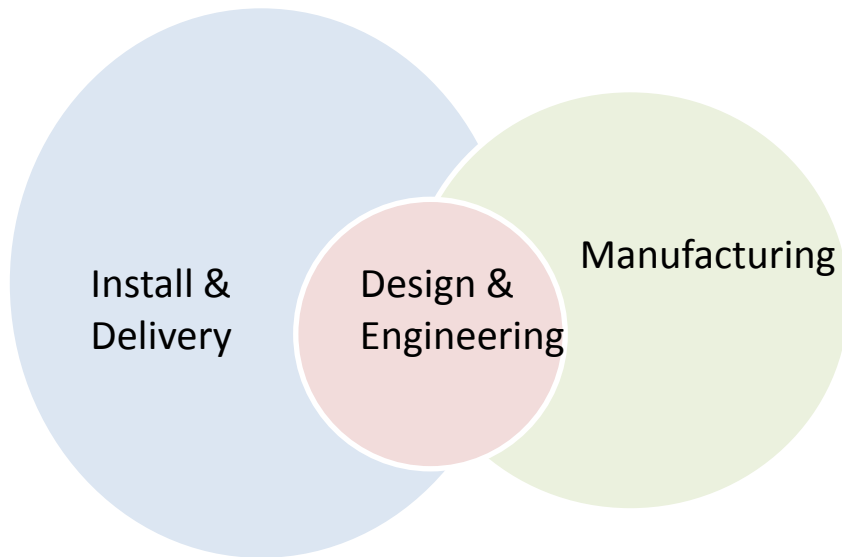
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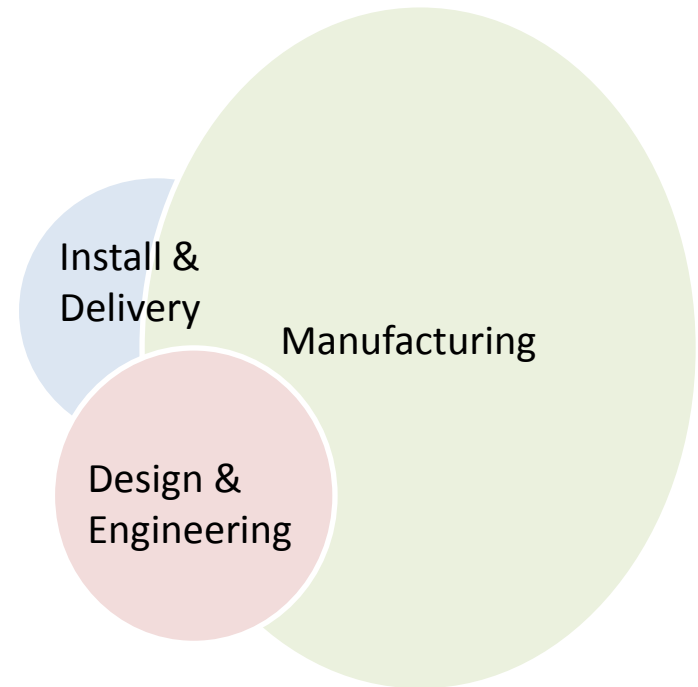
STRATEGIC UPDATE

Forward strategy: Future activities

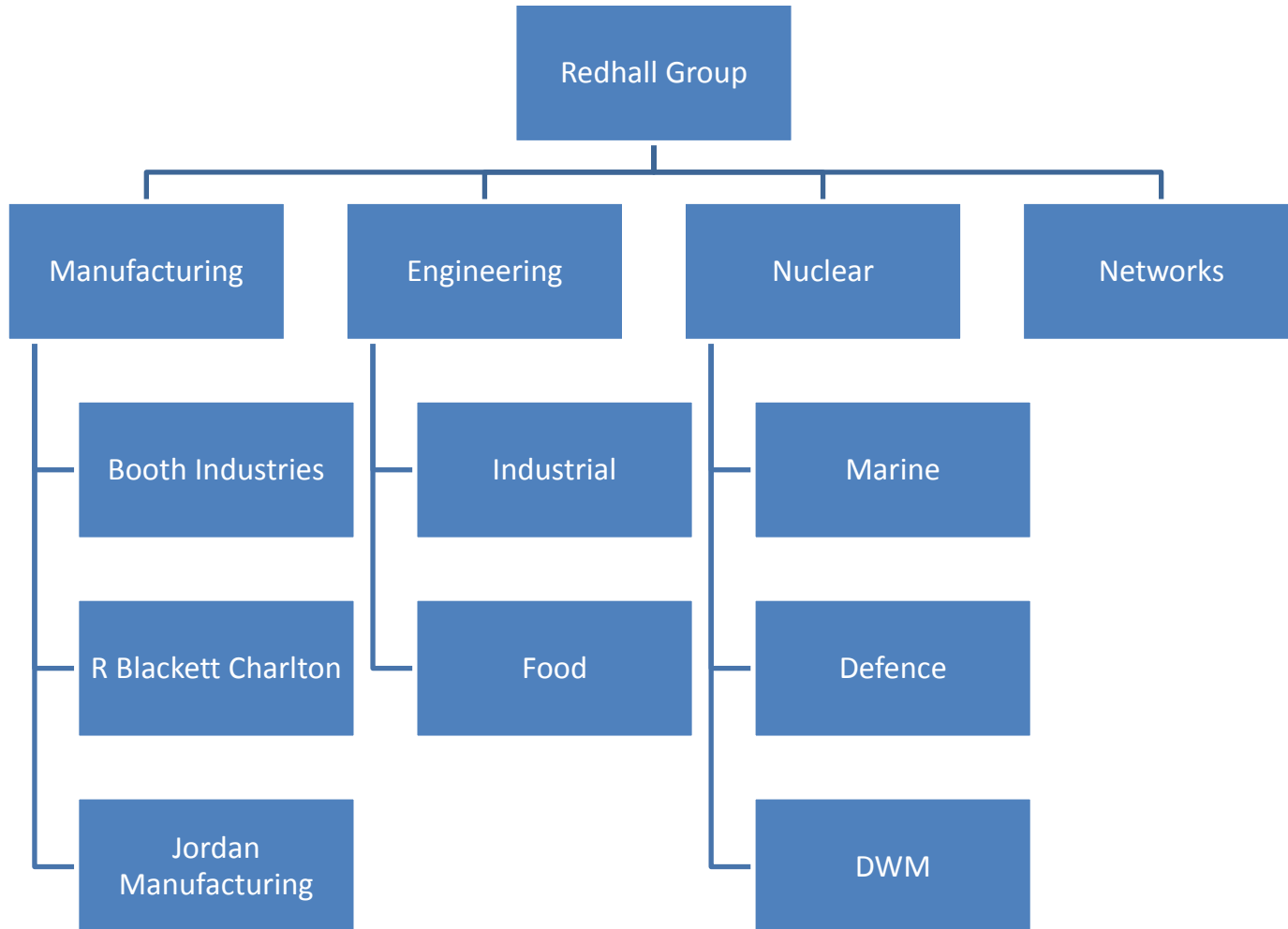
Old business:



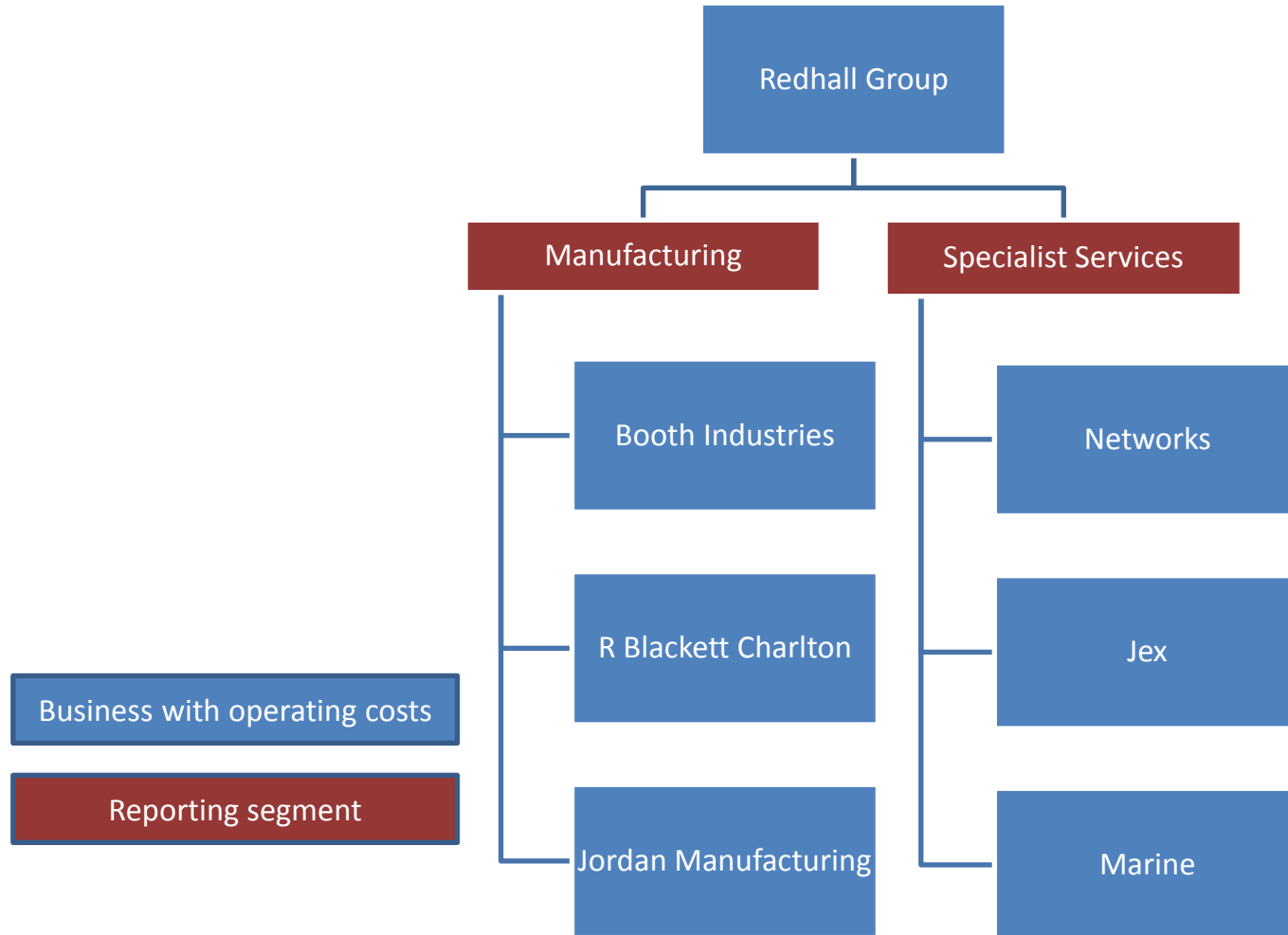
Future business:



Previous structure



Current structure



Progress against the strategic plan

- Group de-risked by exit from contracting businesses
 - Sale of RESL
 - Closure of site-based nuclear contracting
- Debt reduced by circa. £5m
- Costs reduced and communication improved
 - Divisional structure removed
 - Support functions centralised
 - Local overheads reduced
- Group now more than 60% high integrity, high margin manufacturing (including Jex manufacturing element)
- Further reductions in central overhead targeted
- Management time becoming more focussed on retained businesses
- Achieved 4 months ahead of plan

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FINANCIAL REVIEW

Income Statement

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- Revenue reduced by 19%
 - Continuing £22.7m (£27.6m)
 - Divestment and closure £18.7m (£23.0m)
- H1 loss of £933k
- Net finance charge of £744k (£838k)
- Exceptional charges include removal of divisional structure and redundancy and closure costs and asset write-offs following announcement on 14 May 2015

	H1 2015 £'000	H1 2014 £'000
Revenue*	41,379	51,325
Adjusted operating (loss)/profit*	(933)	1,071
Net financial charge	(744)	(838)
Adjusted (loss)/profit before tax*	(1,677)	233
Exceptional items	(2,461)	(1,003)
Goodwill written off	(5,163)	-
Amortisation of intangible assets	(250)	(250)
Loss before tax	(9,551)	(1,020)
Tax on profit on ordinary activities	143	92
Loss for period	(9,408)	(928)

* Before exceptional items and amortisation of intangible assets.

Segmental Analysis

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- Manufacturing
 - Three rail infrastructure door contracts now awarded to Booth Industries (£4.75m)
 - impacted by decline in Oil and Gas related revenues
 - Nuclear contract awards continue to be delayed by customer work programmes
- Specialist Services
 - Consistent performance in Redhall Networks
 - Volume reductions and conservative profit recognition at Redhall Marine impact on profits for H1
- Site Services
 - Continued losses at Sellafield and Aldermaston sites. Voluntary cessation of major frameworks at Sellafield and continued lack of volumes at Aldermaston. Full withdrawal announced
 - RESL sold to Cape

	H1 2015		H1 2014	
	Rev £'000	Op. Profit £'000	Rev £'000	Op. Profit £'000
Manufacturing	10,071	503	13,448	1,255
		5.0%		9.3%
Specialist Services	12,643	64	14,145	950
		0.5%		6.7%
Site Services	18,665	(388)	23,732	(92)
		(2.1%)		(0.4%)
Central costs		(1,112)		(1,042)
Total	41,379	(933)	51,325	1,071
		(2.3%)		2.1%

Before exceptional items and amortisation of intangible assets.

Exceptional Items

- Exceptional items include costs relating to:
 - Removal of the divisional structure
 - Centralisation of certain Group activities
 - Restructuring costs for site based nuclear contracting including redundancy and closure costs and asset write-offs
- Full year forecast for exceptional costs £3.6m

	H1 2015 £'000	H1 2014 £'000
Restructuring costs	2,461	-
Disposal of CINIL	-	132
Legacy Nuclear balance sheet write offs	-	871
	2,461	1,003
Write-off of goodwill	5,163	-

Tax

- No current tax payable due to losses carried forward

	H1 2015 £'000	H1 2014 £'000
Current year		(8)
Deferred tax credit	143	100
	143	92

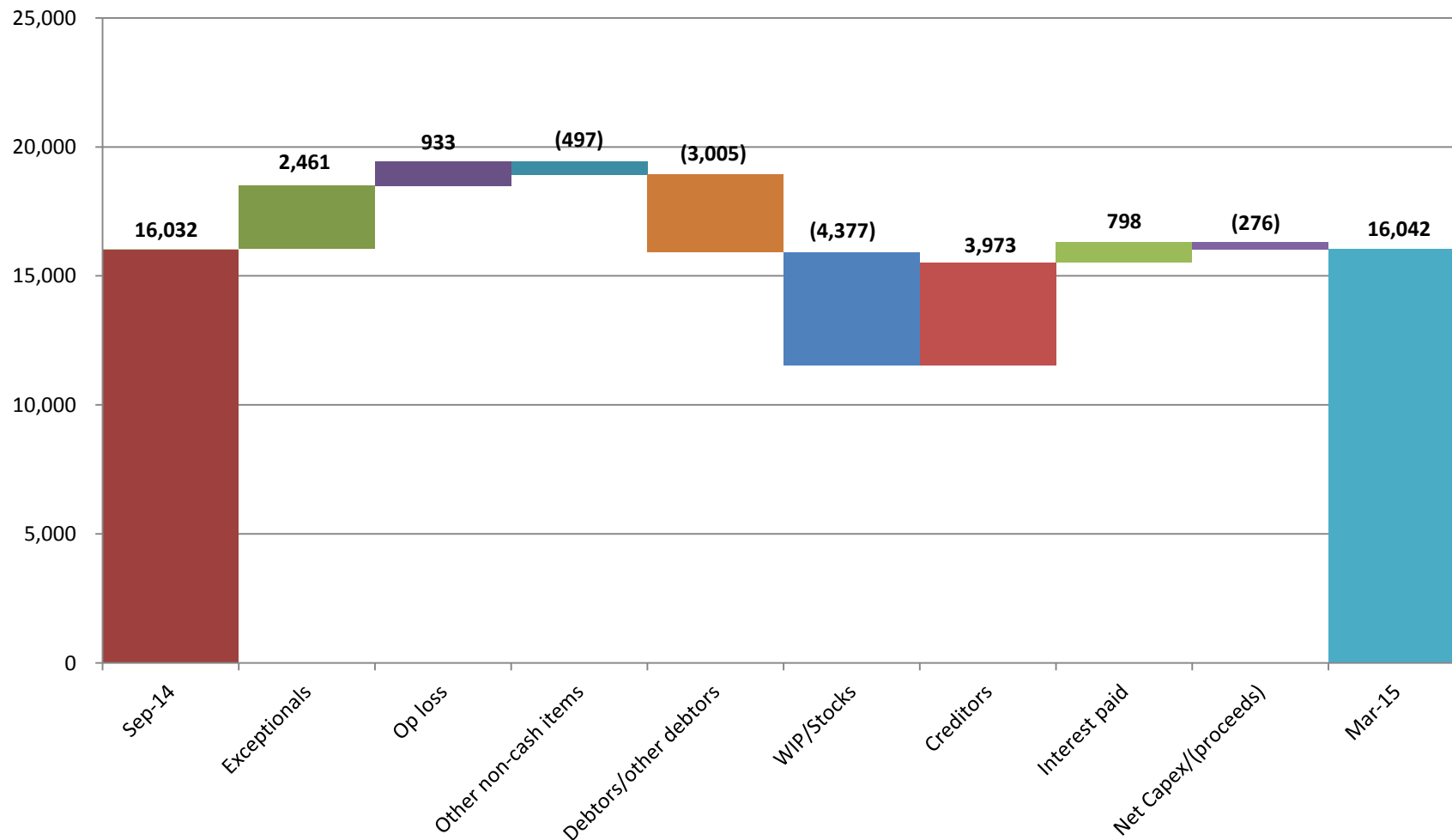
Cash Flows and Borrowings

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	£'000		H1 2015 £'000	H1 2014 £'000
Cash generated from operations before interest	512	Net cash from operating activities	(286)	86
Interest	(798)	Net cash from investing activities	276	(125)
		Net cash from financing activities	(625)	7,727
Net cash outflow from operating activities	(286)	Net cash flow	(635)	7,688
		Opening net funds	(1,782)	(3,086)
		Closing net funds	(2,417)	4,602
Borrowings prior to disposal of RESL		Borrowings	(13,625)	(16,750)
		Net borrowings	(16,042)	(12,148)
		Borrowings at 30 September	(16,032)	(19,086)

Debt Bridge

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Borrowings and facilities

- Total bank facility at 31 March 2015

	£m
Overdraft	6.0
RCF	3.6
Term loan	10.0
	<u>19.6</u>

30 November 2016 Renewal

- Covenants are cash flow, not profit based
- Strong focus on working capital management
- Following RESL sale (14 May) RCF repaid in full; £0.8m repaid on Term Loan
- Reduced facility of £15.2m
- Term loan debt owned by funds managed by Henderson (major shareholder)

	Current £m	>1 Year £m	Total
As at 31/03/15:			
Overdraft	(2,417)	-	(2,417)
Loans	(7,925)	(5,700)	(13,625)
	(10,342)	(5,700)	(16,042)

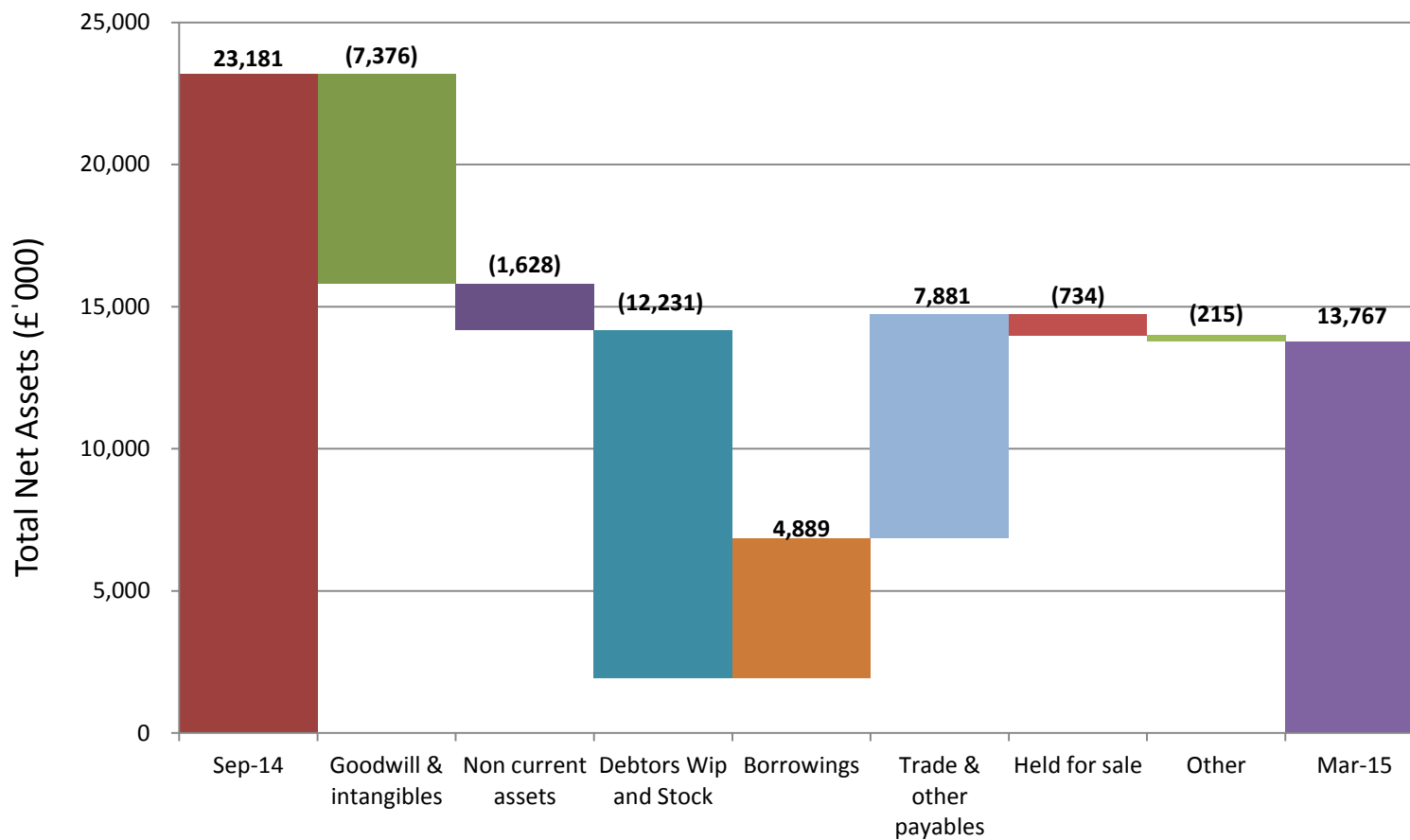
Balance Sheet

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- RESL assets and liabilities shown as liabilities held for resale, including related overdraft

	H1 2015 £'000	H1 2014 £'000
Non-current assets	6,120	9,937
Goodwill	18,305	23,785
Non-cash current assets	15,460	29,664
Net (liabilities) held for sale	(734)	-
Non-cash current liabilities	(12,260)	(21,373)
Deferred tax	(380)	(174)
Pension scheme	(1,601)	(1,242)
Borrowings net of cash balance	(11,143)	(12,148)
Net assets	13,767	28,449

Balance Sheet Bridge



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OPERATIONAL REVIEW

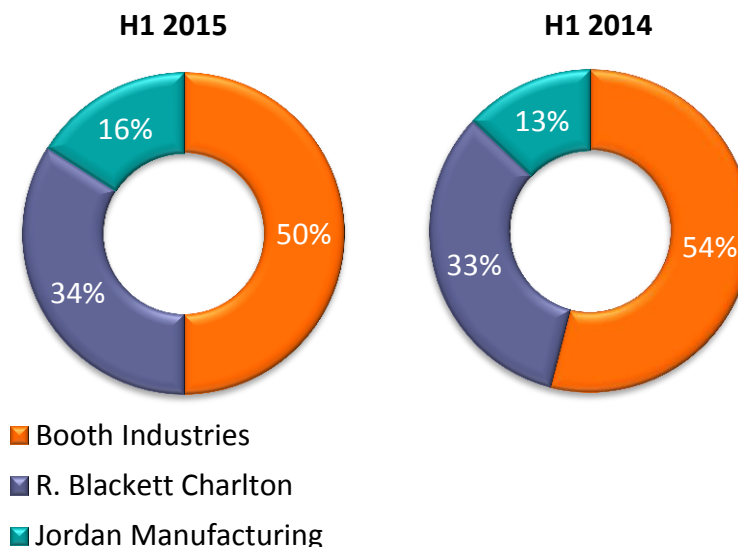
Manufacturing

- Reduction in revenue and operating profit
 - Decline in Oil and Gas related revenues
 - Key Nuclear contract awards continue to be delayed
- Three infrastructure related door contracts awarded to Booth Industries totalling £4.75m
- Strong first half for R. Blackett Charlton delivering Oil and Gas related projects
- Businesses have been reorganised and restructured to be able to take advantage of upturn
- Increased investment in sales and bidding resource

	£k		Change %
	H1 2015	H1 2014*	
Revenue	10,071	12,967	(22.3)
Adjusted operating profit	503	1,233	(59.2)
Adjusted operating margin	5.0%	9.5%	

*Figures exclude CINIL

Revenue split by sector



Manufacturing - Outlook

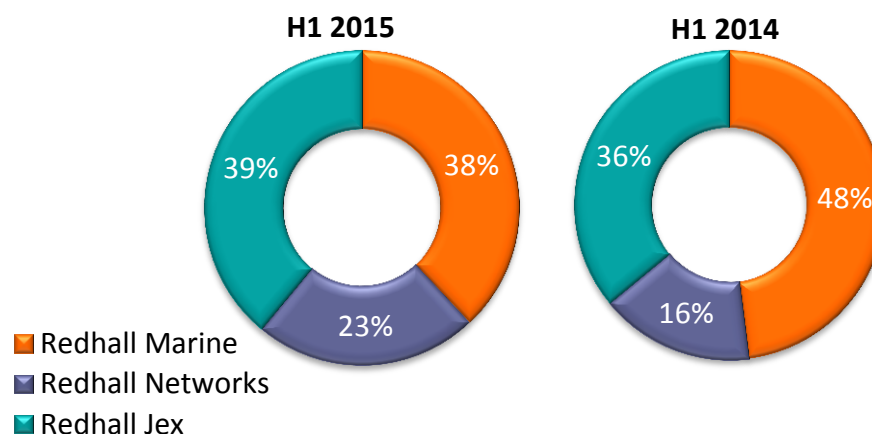
- Significant longer term prospects in Nuclear, Oil & Gas and Infrastructure markets
- Focus on Manufacturing opportunities in Nuclear sector
 - Key defence contracts
 - Major decommissioning frameworks
 - Nuclear New Build
- Timing of major awards is hard to predict
- Three significant wins on large rail infrastructure project will provide a good base level of activity
- Stronger expectations for 2015/16 and beyond

Specialist Services

- Reduction in turnover by 11%
- Profit significantly reduced
- Redhall Marine
 - Revenues down by c.£2m as customer re-engineers aspects of our work
 - Conservative profit recognition substantially reduced profitability in H1
- Redhall Networks continues to perform well in buoyant market with strong key customer relationships
- Redhall Jex held volume levels but experienced reduction in margins due to strong competition on key projects and higher than normal bid costs
 - Anticipate broader client base and higher volumes in the medium term

	£k		Change %
	H1 2015	H1 2014	
Revenue	12,643	14,145	(10.6)
Adjusted operating profit	64	950	(93.3)
Adjusted operating margin	0.5%	6.7%	

Revenue split by sector



Specialist Services - Outlook



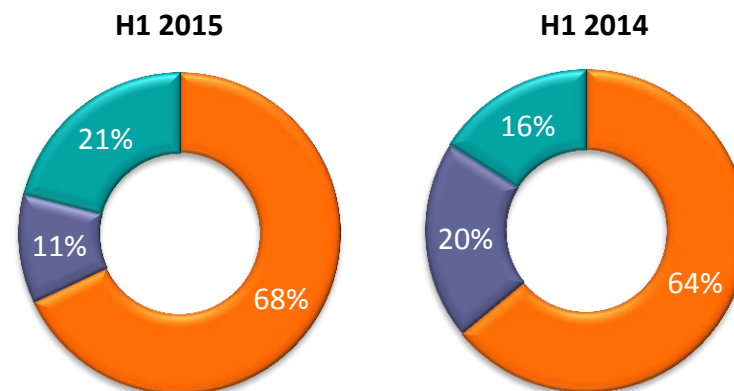
- Redhall is performing strongly on Astute Class Submarine contract. Profitability expected to return in H2 but at reduced volumes
- Order intake for Redhall Networks has been strong in H1 and expectations are for similar performance in H2 and beyond as network roll outs continue
- Redhall Jex continues to rely upon key customer spending plans and will need to broaden client base for future growth

Site Services

- RESL sold in May 2015
- Announced closure of site-based nuclear contracting businesses in May 2015
- Plan to extract working capital from Nuclear contracting businesses as efficiently as possible

	£k		Change %
	H1 2015	H1 2014	
Revenue	18,665	23,732	(21.4)
Adjusted operating loss	(388)	(92)	(320)
Adjusted operating margin	(2.1%)	(0.4%)	

Revenue split by sector



- RESL
- Defence
- Decommissioning & Waste Management

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OUTLOOK AND PROSPECTS

Outlook and Prospects

- First stage of strategic plan complete
- Strategic plan implementation to continue (stage two)
- Focus on, invest in and develop our high integrity manufacturing capability with higher margins
- Continue to reduce debt level
- Convert opportunities for Nuclear related manufacturing in Civil (NNB and Decommissioning) and Defence sectors
- Build on existing capabilities in Specialist Services
- Extract working capital from Nuclear contracting businesses
- Complete cost reduction programmes
- Anticipate a reduced loss in H2 2015 moving back to an operating profit in 2016

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APPENDIX

Major Shareholders

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Shareholders	Shares 31 May 2015	%
1. Henderson Global Investors	13,587,179	27.69%
2. Groupe Gorgé	5,809,194	11.84%
3. Hargreave Hale	2,764,102	5.63%
4. City Financial	2,576,925	5.25%
5. Westcombe	2,035,785	4.15%
6. Hargreave Landsdown	1,672,521	3.41%
7. Others	20,631,763	42.03%
Total	49,077,469	100.00%