



Interim Results

for the six months ended 31 March 2016

Agenda

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- First Half Overview
- Strategic Update
- Financial Review
- Operational Review
- Appendix

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FIRST HALF OVERVIEW

First Half Overview

- Focus on building a Multidisciplinary High Integrity Manufacturing and Specialist Services business
- Order book increased to £24 million (December 2015: £21 million)
 - Manufacturing order book increased to £17 million (December 2015: £11 million)
 - Includes major defence contract win of £6.9 million
 - Decommissioning awards of £3.8 million in H1
 - Increasing Crossrail awards (now £6.2 million)
 - Continuing focus on infrastructure and nuclear projects
- Operating profit before central costs of £1.1 million
- Operating loss of £0.1 million with no exceptionals (H1 2015: £0.6 million before exceptionals)
- Group loss for the half year £0.8 million (2015: £9.4 million)

First Half Overview

- Manufacturing
 - Revenue and profits lower than H1 2015 due to reduction in oil and gas activity
 - Improvements anticipated as opportunities arise in infrastructure and nuclear sectors
 - Major defence contract win – £6.9 million
 - Over £6.2 million of orders on Crossrail projects to date
 - High level of tender activity on Sellafield related contracts including:
 - Vault floor plates – manufacture and install £1.0 million
 - Vessel vent covers – preferred bidder £0.7 million
 - Bogie System manufacture £0.7 million
 - Supply of doors £0.2million
 - Further contract extension on Glove Box contract – £1.1 million
 - Tenders for further defence work are ongoing
 - Opportunity pipeline strong. Anticipate further increase in order book by year end
 - Oil and gas market showing no signs of improvement. Group now has little reliance on this sector
 - Delay to EDF Final Investment Decision will not impact on 2016 or 2017 outlook

First Half Overview

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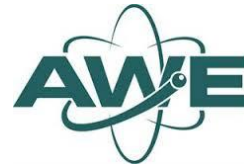
- Specialist Services
 - All businesses performed strongly
 - Buoyant telecommunications market for Redhall Networks
 - Higher than anticipated volumes for Marine business as client accelerates programme
 - Strong performance for Redhall Jex weighted to capital projects

Order Book

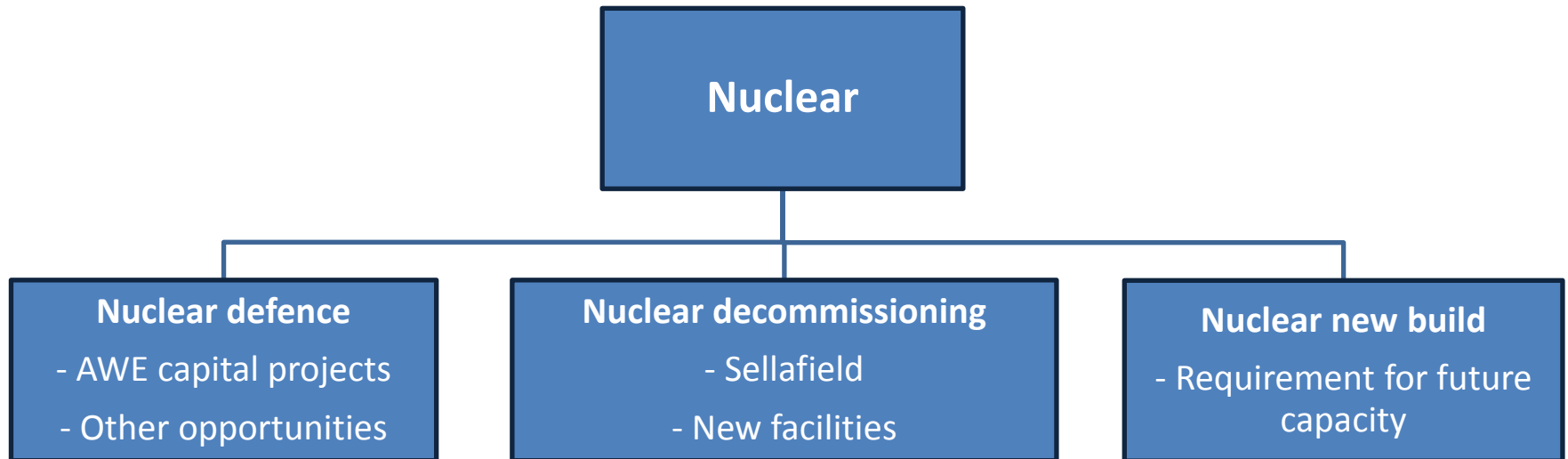
- For continuing businesses £24 million (December 2015: £21 million)
- Quality of order book continues to improve
- Benefit arising from increased sales, marketing and bid resource
- Very high bid levels
 - Defence
 - Nuclear decommissioning
 - Infrastructure
- Although not included in forecasts, revalidation of doors bid for Hinkley Point C with JV partner Baumert

Our Blue Chip Client Base

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Identified Future Opportunities



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STRATEGIC UPDATE

Progress against The Strategic Plan

- Stage 2 focuses on improvements, investment and growth
 - Significant new product development activity at Booth Industries
 - Recruitment of key people across the business
 - Learning and development
 - Pre-contract sales, marketing and tendering
 - Product quality and engineering
 - Commercial
 - Supply chain
 - Investment in equipment to improve efficiency
 - Investment in working capital
 - CRM system

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FINANCIAL REVIEW

Income Statement

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- Continuing income reduced by 6%
 - Reduced manufacturing volumes in oil and gas
- Improved adjusted operating loss – £91k v £551k
- Central costs include HR, Finance and IT for H1 2016 following centralisation
- Finance charge reduced following placing and debt conversion
- No exceptional charge on continuing operations

	H1 2016 £'000	H1 2015 £'000
Revenue*	21,352	22,714
Adjusted operating profit before central costs	1,105	567
Central costs*	(1,196)	(1,118)
Adjusted operating (loss)*	(91)	(551)
Net financial charge	(398)	(744)
Adjusted (loss)/profit before tax*	(489)	(1,295)
Exceptional items	-	(647)
Amortisation of intangible assets	(162)	(162)
IFRS2 (charge)/credit	(101)	6
Loss before tax	(752)	(2,098)
Tax on profit on ordinary activities	157	143
Loss for period – continuing operations	(595)	(1,955)
Loss on discontinued activities	(159)	(7,453)
Group loss	(754)	(9,408)

* Before exceptional items, amortisation of intangible assets and IFRS2 charge.

Segmental Analysis

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- Specialist services has provided a bridge in profitability in H1 2016 as improvements in manufacturing orders come through for 2016/17
- Manufacturing
 - Some delay in workflow on infrastructure projects
 - Decline in oil & gas sector continues to impact on volumes in short term
 - Mothballing of RBC fabrication activity protected overall P&L
 - Overall volumes and margin for Manufacturing expected to improve in H2 with impact of improvement in order book
- Specialist Services
 - Good performances from all of the businesses
 - Strong volumes overall
- Central costs
 - 2016 includes HR and Finance costs previously reported in segments
 - Continued effort to minimise the Group's cost base

	H1 2016		H1 2015	
	Rev £'000	Op. Profit £'000	Rev £'000	Op. Profit £'000
Manufacturing	8,160	(32)	10,071	503
		(0.4%)		5.0%
Specialist Services	13,192	1,137	12,643	64
		8.6%		0.5%
Central costs		(1,196)		(1,118)
Total	21,352	(91)	22,714	(551)
		(0.4%)		(2.4%)

Before exceptional items, amortisation of intangible assets and IFRS2 charge.

Tax

- No tax payable due to losses carried forward

	H1 2016 £'000	H1 2015 £'000
Current year	-	-
Deferred tax credit	157	143
	157	143

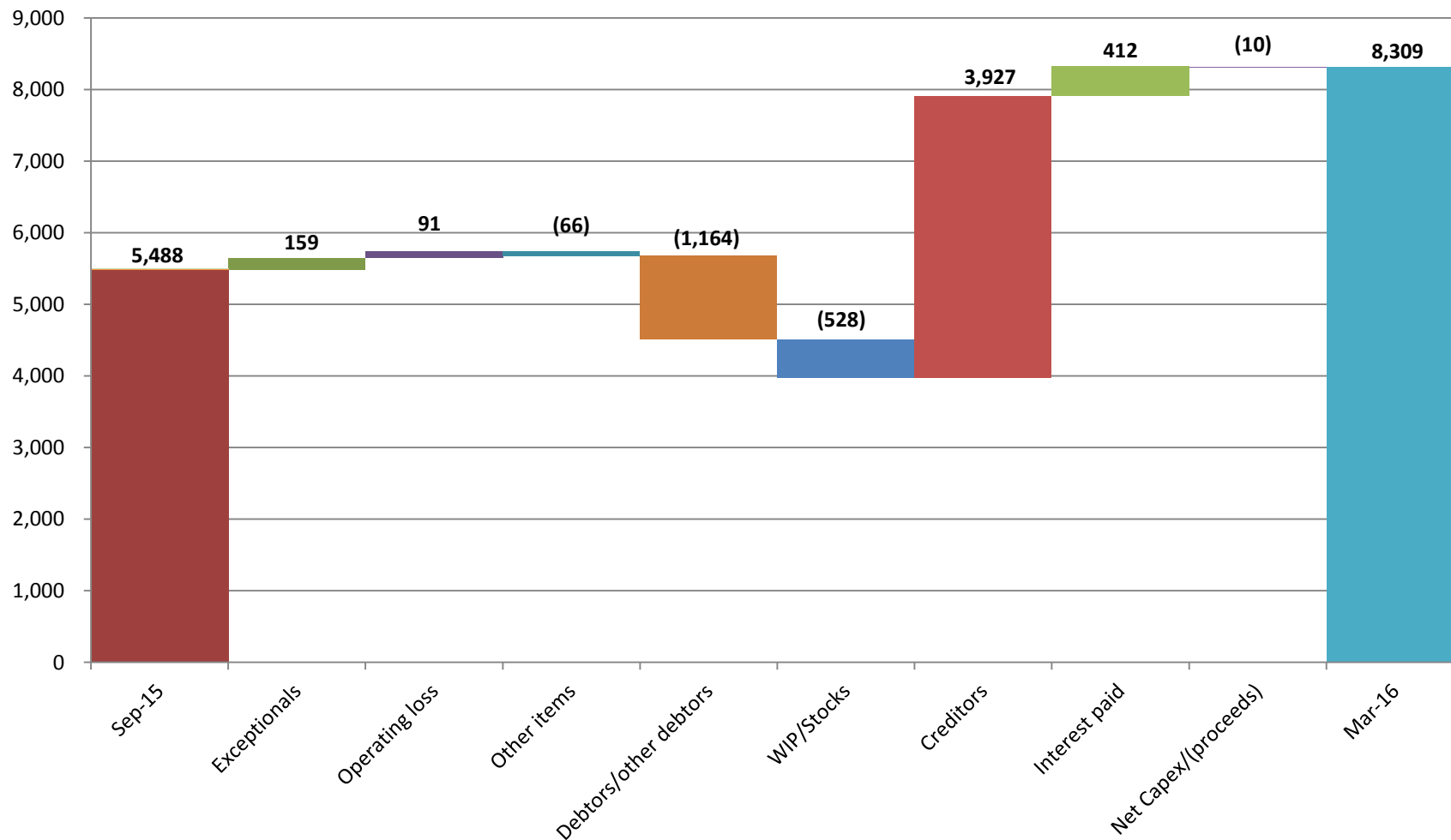
Cash Flows and Borrowings

- Investment in working capital
- Payments relating to exceptional provisions and reducing remaining site based nuclear creditors
- Continue to collect remaining site based WIP and retentions

	H1 2016 £'000	H1 2015 £'000
Net cash from operating activities	(2,831)	(286)
Net cash from investing activities	10	276
Net cash from financing activities	3,570	(625)
Net cash flow	749	(635)
Opening net funds	687	(1,782)
Closing net funds	1,436	(2,417)
Borrowings	(9,745)	(13,625)
Net borrowings	(8,309)	(16,042)

Debt Bridge

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Borrowings and facilities

- Total borrowing facility at 31 March 2016

	£k
Overdraft	2,000
RCF	<u>4,000</u>
HSBC	6,000
Funds managed by Henderson (Term loan)	<u>5,745</u>
	<u>11,745</u>

Total Borrowings	Current £m	>1 Year £m	Total
As at 31/03/16:			
Cash/(Overdraft)	1,436		1,436
Loans	-	(9,745)	(9,745)
	1,436	(9,745)	(8,309)

Facilities expire in December 2018

No amortisation required

Balance Sheet

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- Balance sheet improvement since H1 2015 due to £8 million placing, open offer and debt conversion
- Pension scheme 2015 triennial actuarial valuation completed – deficit £2.0 million
 - Low gilt yield environment driving deficit
 - Closed to new members
 - Closing to active members

	H1 2016 £'000	H1 2015 £'000	Full Year 2015 £'000
Non-current assets	5,371	6,120	5,293
Goodwill	18,305	18,305	18,305
Non-cash current assets	13,793	15,460	15,485
Net (liabilities) held for sale	-	(734)	440
Non-cash current liabilities	(9,706)	(12,260)	(13,647)
Deferred tax	311	(380)	154
Pension scheme	(1,836)	(1,601)	(1,960)
Borrowings net of cash balance	(8,309)	(11,143)	(5,488)
Net assets	17,929	13,767	18,582

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OPERATIONAL REVIEW

Manufacturing - Outlook

- Opportunity pipeline very strong. Anticipate continued improvements in the order book
- Nuclear defence and decommissioning opportunities increased (£10.6m of combined orders placed in H1)
- Outlook for oil and gas remains depressed but has now been replaced with high integrity nuclear and complex infrastructure opportunities
- Investment and improvement in key areas continues, principally:
 - Business development
 - People development
 - Quality and service
 - Technology
 - Commercial
- Anticipate improving revenue and profit from H2
- Nuclear new build remains a strategic focus for the Group but is discounted from forecast expectations

Specialist Services - Outlook

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- Anticipate sustaining strong volumes and contribution
- Businesses operate on a low risk model
- Telecoms market expected to remain buoyant for the coming year
- BAE retendering the scope of the Marine business (blast, spray and insulation) – in the meantime volumes remain high
- Strong opportunity pipeline in food

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APPENDIX

Major Shareholders

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Shareholders	Shares 31 May 2016	%
1. Henderson Global Investors	55,087,179	27.54
2. Downing LLP	28,000,000	14.00
3. Ruffer LLP	20,005,068	10.00
4. Hargreave Hale	15,888,000	7.94
5. City Financial Investment Company Ltd	14,576,925	7.29
6. Spreadex Limited	6,799,201	3.40
7. Others	59,694,311	29.83
Total	200,050,684	

Note:

Henderson have options over 18.5 million shares. They can exercise options to increase their holding to 29.9%. Options issued to directors and senior employees amount to 26.64 million options.