

# Redhall Group plc

**Redhall Group plc**  
("Redhall" or the "Company")

## Preliminary Results

Redhall Group plc (AIM: RHL), the high integrity manufacturing and services group, announces its preliminary results for the year ended 30 September 2017.

### Highlights:

- Adjusted operating profit £1.4 million (2016: £0.9 million); £3.6 million before deduction of central costs of £2.2 million (2016: £3.3 million)
- Overall net margin before central costs of 9.3% (2016: 7.5%)
- Order book £32 million (December 2016: £27 million) with strong tender pipeline
- Group turnover £38.9 million (2016: £43.8 million), showing underlying increase after adjusting for cessation of marine contract
- Operating exceptional costs of £1.1 million (£0.7 million closure costs)
- Group loss for the year amounted to £1.4 million (2016: loss of £1.7 million)
- Net cash of £0.1 million (2016: net debt £8.2 million) following £9.5 million placing and £3.75 million debt conversion
- Investment of £1.2 million in new equipment, process improvement and 3D design
- The Board is pleased with the overall progress achieved in the year

### Martyn Everett, Chairman of Redhall, commented:

"The Board continues to see considerable opportunities for its manufacturing and services business. This is reflected in a significant volume of tenders, received by Booth Industries and Jordan Manufacturing, in our key nuclear defence, decommissioning and new build markets. We also see strong demand for our food process manufacturing and installation and mobile networks businesses."

### Contact details:

#### **Redhall Group plc**

Phil Brierley, Chief Executive  
Chris Kelly, Group Finance Director

Tel: +44 (0) 1924 385 386

#### **Buchanan**

Mark Court, Sophie Wills, Gemma Mostyn-Owen

Tel: +44 (0) 20 7466 5000

#### **GCA Altium, NOMAD and Financial Advisors**

Tim Richardson, Simon Lord

Tel: +44 (0) 845 505 4343

#### **WH Ireland, Broker**

Adrian Hadden, Ed Allsopp

Tel: +44 (0) 20 7220 1666

## **CHAIRMAN'S STATEMENT**

Redhall's strategic transformation into a focused high integrity Manufacturing and Services group, working in complex, secure and hazardous environments, gained momentum in 2017. A growing proportion of the Group's order book is now manufactured product, principally for the nuclear sector. The Board has focused on delivering improvements in profitability and operational performance during the year to build a robust platform for a sustained period of growth. Jordan Manufacturing's success in being awarded preferred bid status on the £8 million marine works at Hinkley Point C illustrates the Group's strategic progress.

In July 2017, and in response to the growing momentum of the Group's recovery, £9.5 million (before expenses) of new equity was successfully raised, at a premium, through an oversubscribed placing and additionally £3.75 million of debt was converted to equity. The fund raising provided increased working capital to deliver our order book as work moved from engineering to manufacturing in the second half. The order book stands at £32 million, up 19 per cent. compared with £27 million in December 2016. The order book comparison excludes the Redhall Marine contract with BAE which concluded in January 2017.

### **Trading result**

Revenue in the year ended 30 September 2017 from continuing operations was £38.9 million (2016: £43.8 million). Adjusted operating profit before exceptional items was £1.4 million (2016: £0.9 million). Adjusted diluted earnings per share for the continuing business amounted to 0.20 pence per share (2016: nil). The result was impacted by delays in major projects at the end of our financial year as announced in October 2017. Despite the outturn being below our original expectation, we are pleased with the progress achieved in the year.

The Group loss for the year was £1.4 million (2016: loss of £1.7 million) which represents a loss of 0.59 pence per share (2016: loss of 0.83 pence).

### **Exceptional items**

Exceptional costs for the continuing business of £1.1 million, comprised £0.7 million relating to the closure of the remaining element of our RBC business including the loss on sale of a long leasehold property and £0.4 million of management reorganisations in the manufacturing businesses as we continued to improve their capabilities and management teams.

We exited our final contract in nuclear site-based contracting and agreed all final accounts. This resulted in a write down of £0.3 million, which represents the exceptional loss for discontinued operations, and will generate £0.7 million of cash of which £0.5 million will be collected early in our 2018 financial year.

Total exceptional costs in the year ended 30 September 2016 amounted to £1.4 million.

### **Financial position**

It is very pleasing to be able to report that, following the placing and debt conversion in July and the capital reduction in September, the Group balance sheet is now considerably improved. Four-year bank facilities with HSBC Bank plc and funds managed by Lombard Odier Investment Management (LOIM) amounting to £7.2 million plus a further £2.5 million accordion facility were agreed in July 2017. At the year end the Group had net cash of £0.1 million (2016: net debt of £8.2 million).

Net assets at 30 September 2017 were £30.0 million (2016: £15.5 million) reflecting the net proceeds of the placing and the debt conversion of £12.6 million and a reduction in the pension deficit of £3.3 million partially offset by the retained loss for the year of £1.4 million. The pension deficit of £0.5 million (2016: £3.8 million) reflects improvements in yields and investment performance and changes in mortality assumptions.

## **Dividend**

The Board is not recommending a dividend for the year to 30 September 2017 (2016: nil).

Whilst the Board has no current intention of resuming dividend payments, the capital reduction which took place in September created a positive balance of £15.9 million on the Group profit and loss account, which provides it with the flexibility to pay dividends at the appropriate time in the future.

## **People**

In the past three years the Group board has been committed to delivering the Strategic Turnaround Plan which included de-risking the Group by exiting from capital intensive, low margin contracting activities; strengthening the balance sheet and financial resources of the Group through the disposal of the Engineering Division, sale of assets, recovery of work in progress on legacy projects and fundraisings; refocusing the Group's activities onto high integrity manufactured products and services for delivery into complex environments; and establishing the Group in key growth markets, particularly nuclear but also large infrastructure projects such as Crossrail.

The Board considers that the turnaround is complete, and the strategy is now focused on investment, improvement and growth in our core manufacturing businesses. With the completion of the turnaround, Phil Brierley has decided to step down from the role of Chief Executive on 31 March 2018. He will be succeeded by Wayne Pearson, currently the Group's Chief Operating Officer, who is an operationally focused executive with a background in manufacturing. To ensure a smooth handover of responsibilities Phil will remain with the Group in an advisory role until the end of 2018.

I would like to thank Phil for the tremendous commitment he has given in delivering the turnaround strategy and in positioning the business for future growth.

The Board receives great support from our employees and are very grateful to them for their commitment. We have commenced a management development programme for our senior employees and have engaged teams at all levels in business and process improvement projects during the year enabling them to make a strong contribution to the implementation of our strategy.

## **Prospects**

The Board continues to see considerable opportunities for its manufacturing and services business. This is reflected in a significant volume of tenders, received by Booth Industries and Jordan Manufacturing, in our key nuclear defence, decommissioning and new build markets. We also see strong demand for our food process manufacturing and installation and mobile networks businesses.

**Martyn Everett**

**Chairman**

**6 December 2017**

## STRATEGIC REPORT

### Overview

As the Group moves beyond the turnaround plan of the last three years, the focus of the 2017 financial year has been on putting in place the building blocks to deliver investment, improvement and growth in our high integrity manufacturing businesses.

During the year under review, the Group achieved many of its targets including:

- Further improvement in the size and quality of its forward order book. This stands at £32m (2016: £27m) with a greater proportion of the order book derived from high integrity manufacturing projects particularly in nuclear defence, decommissioning and nuclear new build;
- An improving pipeline of tendered opportunities with high probabilities of conversion particularly in respect of longer term nuclear projects;
- Strengthening the leadership team with particular focus on enhancing operational and manufacturing management expertise, most significantly with the appointment in July 2017 of Wayne Pearson as Chief Operating Officer. Wayne will be appointed Chief Executive at the end of March next year;
- The strengthening of the Group's finances and balance sheet through raising £9.5 million (before expenses) of new equity and conversion of £3.75 million of debt to equity in July, ensuring that the Group has the financial resources to invest in process improvement, plant and equipment, facilities and automation to achieve growth in its core manufacturing markets;
- The order for Hinkley Point C completes our penetration into all three of the Group's key nuclear markets, being defence, decommissioning and civil new build; and
- The restructuring of the Group's balance sheet through the capital reduction which completed in September, and resulted in positive retained earnings of £15.9 million. This will allow the Group to pay dividends at an appropriate point in the future and enhances the attractiveness of the Company's shares.

The Group made an adjusted operating profit on continuing operations of £1.4 million (2016: £0.9 million) on revenue of £38.9 million (2016: £43.8 million), representing a net adjusted operating margin of 3.7% (2016: 2.0%). As detailed in the Group's trading update issued on 4 October 2017, this performance is below earlier initial expectations for the year, due principally to customer delays particularly on the Hinkley Point C project. Despite this, it is pleasing that it still marks an improvement over the 2016 financial year in terms of adjusted operating profit and adjusted net operating margin. Before deducting Group and central services costs the adjusted profit amounted to £3.6 million (2016: £3.3 million).

The Board believes that the Group's turnaround is complete, and its strategic focus is now investment, improvement and growth in our manufacturing businesses. The opportunities in our core markets are considerable and we are particularly encouraged by the size of the markets in nuclear decommissioning and new build.

We recognise that the future growth strategy requires a different type of expertise than the turnaround and corporate restructuring that has been the principal focus of the last three years. During our 2018 year we will progressively bring in further high calibre manufacturing and operational expertise to the leadership team.

### Health and Safety

The health and safety of our employees and those who may be affected by our business remains our highest priority. All of our subsidiaries have accredited management systems to control health and safety risks to OHSAS 18001 and environmental management systems certified to BS EN ISO 14001.

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. All our businesses obtained a minimum of the Gold Award.

## **Trading**

We believe that our Group companies are leaders in their respective markets and work with many of the key players within these markets. The focus of the Group is now on performance improvement and growth through cultivating customer relationships, devising bid winning strategies and delivering our quality products and services efficiently.

### Booth Industries

Booth had a particularly strong second half in this financial year. A number of projects that had been in design for several months were released onto the shop floor resulting in an increase in turnover and performance.

We invested £1.0 million in developing intangible assets and purchasing equipment during the year and are now starting to see some of the productivity benefits of this investment. By way of example our engineering output is significantly higher as a result of migrating all our core engineered doors onto 3D CAD models. We also invested in a laser cutting machine which has reduced lead times considerably.

Delivery in the year was dominated by the manufacture of highly engineered doors for defence projects, predominately in the nuclear sector and the design and manufacture of doors for Crossrail stations and tunnels.

These sectors are heavily represented in our bid pipeline where the largest elements are high integrity nuclear and tunnel doors. The delivery of the current order book in the first half of 2018 and conversion of the bid pipeline for the second half and beyond are key focuses for the business in the current year.

### Jordan Manufacturing

Jordan Manufacturing suffered as a result of the delayed start to the works on the Hinkley Point C project which materially impacted the outturn for the year. The contract, estimated to be in excess of £8 million, is expected to be delivered in full before the end of our 2018 financial year.

The Group remains very confident in the future prospects for this business. The Hinkley Point C project gives the business good visibility throughout 2018 and as a result of significant bid activity this year, we have a substantial pipeline of quality tendered projects which we remain optimistic of securing. We are also confident that Jordan will have the opportunity to secure a number of larger, long term nuclear contracts that will give us a strong baseload of future work.

### Redhall Jex

Redhall Jex performed well in the second half of the 2017 year, helped by the delivery of a £2.8 million order for a key client. This project has extended into 2018 and its scope has increased to over £4.7 million. Coupled with the fact that all our major customers have capital spend programmes for 2018, this means that Redhall Jex is likely to perform above 2017 levels.

Since the year end we made the decision to consolidate the activities of Redhall Jex in Grimsby into our Trafford Park facility in Manchester. This will make the overall operation more efficient and better controlled as well as reducing overheads. Most of the customer relationships are already held in Manchester.

### Redhall Networks

Our networks business had another strong year as it continued to benefit from high volumes of new and upgrade works to the national cellular infrastructure. The long-term outlook is encouraging with mobile operators installing more technologies, disentangling shared sites, upgrading, replacing and reviewing their estates. We are confident, therefore, that the robust performance in Redhall Networks will continue.

## **Exceptional items**

During the year we incurred £1.1 million of exceptional operating costs in our continuing businesses. These principally comprised of the costs incurred in the closure of the remaining element of the RBC business (including redundancies and the loss on sale of a property held by this business) and the costs incurred in further restructuring the senior management in the Group's manufacturing subsidiaries as we continue to improve our capabilities.

The Group also incurred £0.3 million of exceptional costs relating to discontinued operations. These are non-cash costs which relate to the settlement of legacy final accounts. With the exception of agreeing the Redhall Marine account with BAE, on which work concluded during the year, these legacy accounts are now all agreed.

## **Outlook**

We are pleased with the strategic progress achieved in the financial year. The strengthening of our manufacturing expertise, the further improvement in the quality of order book, an increasing pipeline of high quality opportunities and increasing adjusted operating profit margin give the Board reason for cautious optimism for 2018 and beyond.

In our businesses, we await decisions on a number of sizable bids. Within this tendered pipeline are contracts and frameworks which span many years. We are confident that the likely conversions will provide the Group with a good revenue stream for years to come.

Whilst nuclear defence, decommissioning and new build are key markets in which we are submitting an increasing number of bids, we are also devoting resource to large and complex infrastructure schemes, building on the expertise gained in projects such as Crossrail as we look to secure future contracts for HS2, Crossrail 2 and several international tunnel projects. Whilst capital spend within the oil and gas sector continues to be constrained, we are seeing the first signs of increased activity in this market. It is unlikely that this will have a material impact on our 2018 year but we are once again encouraged to be submitting tenders for live schemes.

The cellular networks market remains buoyant with sufficient activity from the operators for the Group to be optimistic that this will continue for the foreseeable future. The operations in this business are well managed and we expect that it will remain a significant contributor in 2018.

The major food customers of Redhall Jex have committed spend programmes for this year and although this will need to be converted into orders we are confident that the performance of the second half of 2017 will continue through into 2018.

In support of our efforts to achieve growth in our order book, we aim to invest heavily in product development and equipment and to automate many of our activities to keep the Group at the forefront of its chosen markets. We continue to invest in our people, increasing the access they have to learning and development opportunities to create the highest calibre teams.

Our 2018 financial year is another important phase in the delivery of the Group's strategic plans and for Redhall as a high integrity manufacturing and services business serving secure, hazardous and complex environments. The Group's ambitions are to deliver a strong performance, further building shareholder value.

**Phil Brierley**  
**Chief Executive**  
**6 December 2017**

## CONSOLIDATED INCOME STATEMENT

	Note	Year to 30 September 2017			Year to 30 September 2016		
		Before exceptional items	Exceptional items (Note 2)	Total	Before exceptional items	Exceptional items (Note 2)	Total
		£000	£000	£000	£000	£000	£000
<b>Revenue</b>	1	38,905	-	38,905	43,823	-	43,823
Cost of sales		(29,066)	(243)	(29,309)	(33,739)	(164)	(33,903)
Gross profit		9,839	(243)	9,596	10,084	(164)	9,920
Administrative expenses		(9,083)	(841)	(9,924)	(9,924)	(233)	(10,157)
<b>Operating profit/(loss)</b>	1	756	(1,084)	(328)	160	(397)	(237)
Continuing businesses		3,632	(1,084)	2,548	3,295	(287)	3,008
Central costs		(2,202)	-	(2,202)	(2,439)	(110)	(2,549)
<b>Adjusted operating profit/(loss)*</b>		1,430	(1,084)	346	856	(397)	459
Amortisation of acquired intangible assets		(287)	-	(287)	(323)	-	(323)
IFRS 2 charge		(387)	-	(387)	(373)	-	(373)
Operating profit/(loss)		756	(1,084)	(328)	160	(397)	(237)
Financial expenses	3	(857)	-	(857)	(857)	-	(857)
<b>Loss before tax from continuing operations</b>		(101)	(1,084)	(1,185)	(697)	(397)	(1,094)
Tax credit	4	81	-	81	407	-	407
<b>Loss on continuing operations</b>		(20)	(1,084)	(1,104)	(290)	(397)	(687)
Loss on discontinued operations net of tax		-	(265)	(265)	-	(983)	(983)
<b>Loss attributable to equity holders of the Parent Company</b>		(20)	(1,349)	(1,369)	(290)	(1,380)	(1,670)
<b>Loss per share</b>	6						
Basic				(0.59)p			(0.83)p
Diluted				(0.59)p			(0.83)p

\*Adjusted operating profit/(loss) is profit/(loss) before financial expenses, IFRS 2 charge, tax and amortisation of intangible assets acquired with business combinations.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year to 30 September 2017 £000	Year to 30 September 2016 £000
<b>Loss for the year</b>		(1,369)	(1,670)
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement of defined benefit liability	7	3,234	(1,963)
Tax on actuarial gain	4	(566)	318
Revaluation gains on fixed assets	5	-	46
<b>Other comprehensive income for the year net of tax</b>		2,668	(1,599)
<b>Total comprehensive income attributable to equity holders of the Parent Company</b>		1,299	(3,269)

The accompanying notes form part of these financial statements.

## CONSOLIDATED BALANCE SHEET

	Note	As at 30 September 2017 £000	As at 30 September 2016 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		2,488	2,648
Intangible assets		2,569	2,732
Purchased goodwill		18,305	18,305
Deferred tax asset	5	1,021	1,032
		<b>24,383</b>	<b>24,717</b>
<b>Current assets</b>			
Inventories		626	636
Trade and other receivables		13,778	11,452
Cash and cash equivalents and overdraft		2,370	1,021
Assets held for sale		141	-
		<b>16,915</b>	<b>13,109</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		(8,645)	(9,217)
Borrowings and overdraft		(266)	-
Current tax payable		-	(19)
		<b>(8,911)</b>	<b>(9,236)</b>
<b>Non-current liabilities</b>			
Borrowings		(1,969)	(9,269)
Retirement benefit obligations	7	(450)	(3,796)
		<b>(2,419)</b>	<b>(13,065)</b>
<b>Net assets</b>			
		<b>29,968</b>	<b>15,525</b>
<b>Shareholders' equity</b>			
Share capital		12,297	12,284
Share premium account		-	28,326
Merger reserve		-	12,679
Revaluation reserve		102	102
Other reserve		1,690	1,389
Retained earnings		15,879	(39,255)
<b>Total equity</b>		<b>29,968</b>	<b>15,525</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Merger reserve £000	Revaluation reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 October 2015	12,284	28,326	12,679	102	1,177	(35,986)	18,582
Employee share-based compensation	-	-	-	-	212	-	212
Transactions with owners	-	-	-	-	212	-	212
Loss for the year	-	-	-	-	-	(1,670)	(1,670)
Other comprehensive income for the year	-	-	-	-	-	(1,599)	(1,599)
Total comprehensive income for the year	-	-	-	-	-	(3,269)	(3,269)
At 30 September 2016	12,284	28,326	12,679	102	1,389	(39,255)	15,525
Share capital issued during the year net of expenses	13	12,608	-	-	-	-	12,621
Capital reduction net of expenses	-	(40,934)	(12,679)	-	-	53,583	(30)
Employee share-based compensation – current year	-	-	-	-	221	-	221
– prior year amounts realised	-	-	-	-	(11)	-	(11)
Employee share based compensation – deferred tax	-	-	-	-	343	-	343
Transactions with owners	12,297	-	-	102	1,942	14,328	28,669
Loss for the year	-	-	-	-	-	(1,369)	(1,369)
Movement between reserves	-	-	-	-	(252)	252	-
Other comprehensive income for the year	-	-	-	-	-	2,668	2,668
Total comprehensive income for the year	-	-	-	-	(252)	1,551	1,299
<b>At 30 September 2017</b>	<b>12,297</b>	<b>-</b>	<b>-</b>	<b>102</b>	<b>1,690</b>	<b>15,879</b>	<b>29,968</b>

Other reserves comprise share based compensation £420,000 (2016: £462,000), equity reserve relating to the grant of options on conversion of debt during the prior year £925,000 (2016: £925,000) deferred tax of £343,000 and other reserves of £2,000 (2016: £2,000). An amount of £252,000 has been transferred to retained earnings in respect of previously lapsed options.

On 21 September, the Company announced that a court order and a statement of capital approved by the court had been registered with the Registrar of Companies. The Company issued and immediately cancelled bonus shares to a value of £12,679,000 to capitalise the amount standing to the credit of the Company's merger reserve. The court order had the effect of reducing the share premium to nil with the balance transferred to the profit and loss account.

## CONSOLIDATED CASH FLOW STATEMENT

	Note	Year to 30 September 2017 £000	Year to 30 September 2016 £000
<b>Cash flows from operating activities</b>			
Loss after taxation		(1,369)	(1,670)
Adjustments for:			
Depreciation		392	331
Amortisation of intangible assets		447	415
Difference between pension charge and cash contributions		(88)	(196)
Loss on disposal of property, plant and equipment		210	-
Share-based payments charge*		210	212
Financial income		-	-
Financial expenses		857	857
Deferred tax credit		(81)	(514)
(Increase)/decrease in trade and other receivables		(2,511)	3,516
Decrease/(increase) in inventories		10	(119)
Decrease in trade and other payables		(641)	(4,407)
<b>Cash absorbed by operations</b>		<b>(2,564)</b>	<b>(1,575)</b>
Interest paid		(807)	(792)
<b>Net cash absorbed by operating activities</b>		<b>(3,371)</b>	<b>(2,367)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(883)	(478)
Purchase of intangible assets		(284)	(355)
Proceeds from disposal of fixed assets		300	-
Proceeds from disposal of assets held for sale		-	440
<b>Net cash used in investing activities</b>		<b>(867)</b>	<b>(393)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital (net of costs incurred)		8,871	-
Finance lease borrowing		384	-
Repayment of finance leases		(61)	-
Proceeds from borrowings		197	9,744
Repayment of facility		-	(5,745)
Repayment of long-term borrowing		(3,804)	(905)
<b>Net cash generated by financing activities</b>		<b>5,587</b>	<b>3,094</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,349</b>	<b>334</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,021</b>	<b>687</b>
<b>Cash and cash equivalents at end of year</b>		<b>2,370</b>	<b>1,021</b>

\*IFRS 2 amount charged to reserves net of employer's national insurance

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. SEGMENT ANALYSIS

IFRS 8 “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, following cessation of work by Redhall Marine, considers that the Group now comprises one segment and this is how the CODM reviews performance and allocates resources. The comparatives have been restated to reflect this. The Group’s businesses are all market leaders in the provision of high integrity manufacturing and services delivered into complex and hazardous environments, share resources and have similar characteristics.

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. Central costs include the costs of the Group’s centralised Finance, IT and HR functions.

#### **Site Services**

During the second half of the year ended 30 September 2015, the activities of the Site Services segment were discontinued.

### **Continuing operations**

#### **Geographical segments**

	2017 £000	2016 £000
<b>Revenue by destination</b>		
United Kingdom	34,318	41,833
Other European Union countries	2,794	953
Other overseas locations	1,793	1,037
	<b>38,905</b>	<b>43,823</b>

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

#### **Analysis of revenue by category**

All of the revenue of the Group relates to the provision of high integrity manufacturing and services delivered into complex and hazardous environments.

Practically all of the Group’s revenue is considered to be contract revenue as defined by IAS 11.

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

One customer accounted for more than 10% of revenue in the year and accounted for revenue of £5.0 million (2016: one customer accounting for £10.2 million of revenue).

## 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

	2017 £000	2016 £000
<b>Cost of sales</b>		
Business closure costs	243	-
Other redundancy and restructuring costs	-	15
Provisions against contracts	-	149
	<b>243</b>	<b>164</b>
<b>Administrative expenses</b>		
Business closure costs	205	-
Other redundancy and restructuring costs	429	233
Loss on disposal of properties	207	-
	<b>841</b>	<b>233</b>
Exceptional items before tax	<b>1,084</b>	397
Tax credit	-	-
Exceptional items after tax	<b>1,084</b>	<b>397</b>

Business closure costs represents the costs of closure of R Blakett Charlton. It includes redundancy and disruption costs (£243,000) and asset write-downs and related property costs (£412,000).

Other redundancy and restructuring costs reflect the costs of resizing the businesses. These are split between cost of sales and administrative expenses on the basis of the function of the business to which they relate.

### Discontinued operations

Exceptional costs relate to final account settlements of £265,000 (2016: £983,000 - relates to account settlements and redundancy and restructuring costs).

## 3. FINANCIAL INCOME AND EXPENSES

	2017 £000	2016 £000
<b>Financial expenses</b>		
Interest on loans and overdrafts	(632)	(703)
Net finance expense on pension scheme*	(225)	(154)
	<b>(857)</b>	<b>(857)</b>

\*Includes £135,000 of pension administration expenses paid for by the Company (2016: £85,000).

#### 4. TAX EXPENSE

	2017 £000	2016 £000
<b>(a) Recognised in the income statement</b>		
<b>Current tax charge:</b>		
Current year	66	-
Adjustment in respect of prior years	65	107
<b>Current tax charge</b>	<b>131</b>	<b>107</b>
Deferred tax credit	(90)	(312)
Effect of change of tax rate	(13)	96
Prior years	(109)	(298)
<b>Deferred tax credit</b>	<b>(212)</b>	<b>(514)</b>
<b>Tax credit in the income statement</b>	<b>(81)</b>	<b>(407)</b>
<b>(b) Reconciliation of the effective tax rate</b>		
Loss before tax - continuing operations	(1,185)	(1,094)
Loss before tax - discontinued operations	(265)	(983)
<b>Loss before tax</b>	<b>(1,450)</b>	<b>(2,077)</b>
Tax at standard rate of UK corporation tax of 19.5% (2016: 20.0%)	(283)	(415)
Expenses not deductible for tax purposes	39	48
Income not taxable for tax purposes	(3)	(31)
Tax losses not recognised	245	86
Adjustments in relation to prior periods	(44)	(191)
Change in tax rate	(13)	96
Share options	34	-
Other	(56)	-
<b>Tax credit in the income statement</b>	<b>(81)</b>	<b>(407)</b>
<b>Tax credit in the income statement - continuing operations</b>	<b>(81)</b>	<b>407</b>
<b>(c) Deferred tax charge/(credit) recognised in other comprehensive income</b>		
On actuarial gain/(loss)	566	(318)
Accelerated capital allowances	-	(46)
	<b>566</b>	<b>(364)</b>

**(d) A deferred tax credit of £343,000 (2016: nil) is included in equity relating to share based payments**

## 5. DEFERRED TAX ASSETS AND LIABILITIES

### *Recognised deferred tax assets and liabilities*

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

	Balance as at 1 October 2016	Credit/(charge) to Consolidated Income Statement	Credit directly to equity	Disposal of investment	Balance as at 30 September 2017
	£000	£000	£000	£000	£000
Accelerated capital allowances/ revaluation gains on fixed assets	262	110	-	-	372
Short term timing differences	123	142	-	-	265
Losses	656	(150)	-	-	506
Intangible assets	(651)	39	-	-	(612)
Retirement benefits	642	-	(566)	-	76
Share options	-	71	343	-	414
	1,032	212	(223)	-	1,021

	Balance as at 1 October 2015	Credit/(charge) to Consolidated Income Statement	(Charge)/credit directly to equity	Disposal of investment	Balance as at 30 September 2016
	£000	£000	£000	£000	£000
Accelerated capital allowances/ revaluation gains on fixed assets	170	46	46	-	262
Short term timing differences	30	93	-	-	123
Losses	528	128	-	-	656
Buildings	(160)	160	-	-	-
Intangible assets	(803)	152	-	-	(651)
Retirement benefits	389	(65)	318	-	642
	154	514	364	-	1,032

### *Unrecognised deferred tax assets*

Deferred tax assets have not been recognised on tax losses of £18,450,000 (2016: £16,200,000) as their recovery is insufficiently certain in the longer term. £14,900,000 are related to the discontinued site services segment.

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

The reduction in the main rate of corporation tax from 19% to 17% was substantively enacted on 6 September 2016. This will have effect from 1 April 2020. Accordingly, deferred tax balances have been recognised at the reduced rate of 17% in these financial statements.

## 6. LOSS PER SHARE

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

The calculation of the basic loss per share of 0.59p (30 September 2016: loss per share 0.83p) is based on 232,080,273 shares (30 September 2016:

200,050,084) being the weighted average number of shares in issue throughout the period and on a loss of £1,369,000 (30 September 2016: loss of £1,670,000).

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 2017 and 30 September 2016 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 IAS 33. At 30 September 2017 there were 28,640,436 outstanding options under relevant schemes and 18.5 million shares under option to funds managed by LOIM. 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, IFRS 2 charge and amortisation of acquired intangible assets and on a fully taxed basis). The impact of the dilutive share options is taken into account where these measures result in earnings per share. The basic and adjusted weighted average numbers of shares and the adjusted earnings have been calculated as follows:

	2017	2016
	Number	Number
Basic weighted average number of shares	232,080,273	200,050,684
Dilutive potential ordinary shares arising from share options	45,151,395	-
Adjusted weighted average number of shares	277,231,668	200,050,684
	£000	£000
Earnings:		
Loss before tax*	(1,450)	(2,077)
Exceptional items	1,349	1,380
Amortisation of acquired intangible assets	287	323
IFRS 2 charge	387	373
Adjusted profit/(loss) before tax	573	(1)
Tax at 19.5% (2016: 20.0%)	(112)	-
Adjusted loss after tax	461	(1)
Adjusted, fully taxed basic profit per share	0.20p	0.00p
Adjusted, fully taxed diluted profit per share	0.20p	0.00p
<b>Continuing operations</b>		
	£000	£000
Loss before tax	(1,185)	(1,094)
Exceptional items	1,084	397
Amortisation of acquired intangible assets	287	323
IFRS 2 charge	387	373
Adjusted profit/(loss) before tax	573	(1)
Tax at 19.5% (2016: 20.0%)	(112)	-
Adjusted profit/(loss) after tax	461	(1)
Adjusted, fully taxed diluted profit/(loss) per share	0.20p	0.00p
<b>Discontinued operations</b>		
	£000	£000
Loss before tax	(265)	(983)
Exceptional items	265	983
Amortisation of acquired intangible assets	-	-

Adjusted loss before tax	-	-
Tax at 19.5% (2016: 20.0%)	-	-
Adjusted loss after tax	-	-
Adjusted, fully taxed diluted loss per share	<b>0.00p</b>	0.00p

\* Loss before tax from continuing operations plus loss on discontinued operations net of tax.

## 7. 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 was carried out as at 6 April 2015. The results of this valuation have been updated to 30 September 2017 by an independent qualified actuary. The assumptions used were as follows:

#### Assumptions

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

	<b>2017</b>	2016
Discount rate	<b>2.80%</b>	2.40%
Retail Prices Index (RPI) inflation	<b>3.10%</b>	3.00%
Consumer Prices Index (CPI) inflation	<b>2.00%</b>	2.00%
Salary increases	<b>n/a</b>	n/a
Rate of increases to pensions in payment subject to inflationary increases:		
- RPI capped at 5% pa	<b>3.00%</b>	2.90%
- RPI capped at 2.5% pa	<b>2.30%</b>	2.30%
- CPI capped at 3% pa	<b>1.80%</b>	1.80%
- CPI capped at 5% pa with minimum 3% pa	<b>3.10%</b>	3.10%
Revaluation of deferred pensions (non-GMP)	<b>2.00%</b>	2.00%
Mortality basis pre and post retirement	<b>130% S2PMA/S2PFA</b>	100% S2PMA/S2PFA + 2 years
	<b>CMI 2016 with a long term rate of improvement of 1% pa</b>	CMI 2015 with a long term rate of improvement of 1% pa
Allowance for cash commutation	<b>95% of maximum</b>	95% of maximum
Proportion married	<b>80% for males</b>	80% for males
	<b>70% for females</b>	70% for females

Asset class	2017		2016	
	Market value £000	% of total scheme assets	Market value £000	% of total scheme assets
Equities	12,763	56%	12,167	54%
Diversified growth funds	1,639	7%	996	5%
Bonds	2,221	10%	2,285	10%
Gilts	3,234	14%	4,051	18%
Liability driven investment	1,003	4%	1,134	5%
Property	1,812	8%	1,662	7%
Cash	227	1%	162	1%
<b>Total</b>	<b>22,899</b>	<b>100%</b>	<b>22,457</b>	<b>100%</b>
Actual return on assets over period	1,578		3,029	

#### Pension expense

Amounts recognised within administrative expenses within the income statement are:

	2017 £000	2016 £000
Charge for current service cost	-	(49)
Administration costs	(52)	(52)
	<b>(52)</b>	<b>(101)</b>

Following the 6 April 2015 valuation the Company agreed to pay annual contributions of £365,000 for the year to 5 April 2016, followed by contributions of £140,000 for the following 2 years. Contributions will then increase to £305,000 per annum until 5 April 2027. Total employer contributions in 2017 were £140,000 (2016: £297,000).

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

	2017 £000	2016 £000
Return on assets recorded as interest*	390	645
Interest on pension scheme liabilities	(615)	(799)
<b>Net financial expense</b>	<b>(225)</b>	<b>(154)</b>

\*Includes £135,000 of pension administration expenses paid for by the Company (2016: £85,000).

#### 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 £1,395,000 (2016: loss £4,743,000).

#### Analysis of movement in retirement benefit obligation

	2017 £000	2016 £000
Retirement benefit obligation at start of the year	26,253	22,000
Current service cost	-	49
Interest cost on retirement benefit obligation	615	799
Contributions by employees	-	18
Benefits paid and transfers out	(1,224)	(875)

Actuarial (gains)/losses	(2,295)	4,262
Retirement benefit obligation at end of year	23,349	26,253
<b>Change in fair value of scheme assets during the year</b>		
	<b>2017</b>	2016
	<b>£000</b>	£000
Fair value at start of the year	22,457	20,040
Interest income	525	730
Actual return on assets less interest	1,053	2,299
Employer contributions	140	297
Member contributions	-	18
Benefits paid	(1,224)	(875)
Administration costs	(52)	(52)
Fair value at end of the year	22,899	22,457

### 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	Change in assumption	2017 Change in defined benefit obligation	Change in assumption	2016 Change in defined benefit obligation
Discount rate	+/- 0.5% pa	+ 7% / - 6%	+/- 0.5% pa	+ 8% / - 7%
RPI and CPI inflation	+/- 0.5% pa	+3% / - 2%	+/- 0.5% pa	+/- 3%
Future salary increases	n/a	n/a	n/a	n/a
Assumed life expectancy	+ 1 year	+ 4%	+ 1 year	+ 4%

### 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 £428,000 (2016: £469,000).

## 8. BASIS OF PREPARATION

The financial information set out above for the years ended 30 September 2017 and 2016 ("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 2017.

The financial information does not constitute the statutory financial statements (as defined by S434 of the Companies Act 2006) for those years. The 2017 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 2016 financial statements have been delivered to the Registrar and included in 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 2017 will be posted to shareholders. Copies will be available from the Company's registered office, Unit 3, Calder Close, Wakefield WF4 3BA and will be made available on the Company's website at [www.redhallgroup.co.uk](http://www.redhallgroup.co.uk).