

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

Preliminary Results

Redhall Group plc, the specialist engineering support services group, announces its preliminary results for the year ended 30 September 2014.

KEY POINTS:

- Operating profit before exceptional items £0.14 million (2013: £2.64 million), in line with management expectations;
- Revenue of £103.2 million (2013: £113.1 million), reflecting contract delays and increased selectivity in choice of work;
- New strategic plan announced – *see separate release announced today*;
- Refinancing agreed, facility expiring 30 November 2016 underwritten by HSBC Bank plc;
- Manufacturing business profit of £2.9 million (2013: £1.5 million) and operating margin 10.1% (2013: 5.6%);
- Nuclear business suffered poor trading results arising from over-capacity;
- Order book of £52 million (2013: £82 million restated) with the quality of contracts improving;
- Exceptional charges of £3.6 million (2013: £10.9 million) reflecting legacy contracts, restructuring and other items

Martyn Everett, Chairman of Redhall commented: "The next financial year is key to the turnaround of Redhall's fortunes. Our entire team is focussed on risk reduction, margin improvement and profitable delivery of key contracts and over time we will deleverage the business. Our recent restructuring provides an appropriate platform to return to profit in the short term and to deliver growth through the nuclear and oil & gas sectors."

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Chairman's Statement

Introduction

My first statement as Chairman comes at an important time for the Redhall Group. We have had a number of difficult years including the disappointing year just completed. This has resulted in a substantial reduction in the Company's share price. However, under the leadership of Chief Executive Phil Brierley, the Group now has a clear strategy to reduce risk and improve shareholder value and we are committed to implementing this over the course of the next two years. We will increasingly be focusing on our higher margin manufacturing businesses and in particular concentrating our efforts in the strong growth nuclear and oil & gas sectors. There are undoubtedly excellent opportunities available to the Group albeit there remain risks in implementing the strategy and of delays in customer orders.

The Group's results for the year to 30 September 2014 reflect that Redhall experienced very significant delays in major customer orders, particularly in the second half, which resulted in a marked reduction in volumes and profitability. Our Nuclear business was particularly affected with substantial losses incurred arising from over capacity as we sought to gain assurances on committed volumes from our key customers. During the second half we substantially reduced headcount to right size the business. The management team has also announced that it will remove the divisional structure and centralise support services in order to streamline communication and generate substantial savings.

The year also saw the resolution of the long running Vivergo legal dispute and the receipt of £2.1 million in full and final settlement of the matter. We restructured the balance sheet in March with a placing which realised net proceeds of £7.0 million.

Trading results

Revenue for the year ended 30 September 2014 was £103.2 million, down by 8.8% on the corresponding year's revenue of £113.1 million. The Group reported an adjusted operating profit before exceptional items of £0.1 million compared with £2.6 million in 2013. Adjusted fully diluted earnings per share amounted to a loss of 3.23p (2013: earnings of 3.65p).

Exceptional items

Exceptional items amounted to £3.6 million. Losses on legacy contracts and other claims amounted to £2.1 million, with a further £1.3 million spent on restructuring the Board and our operating businesses. We also disposed of Chieftain Insulation Northern Ireland Limited incurring a loss of £0.2 million.

Financial position

We continue to receive strong support from our bankers. We have agreed extended facilities on normal banking terms which are fully underwritten by HSBC Bank plc until 30 November 2016. The facilities are adequate for our forecast trading requirements and allow us to perform the restructuring required by our strategic plans.

Net debt at 30 September 2014 amounted to £16.0 million (2013: £19.1 million). We carefully monitor our borrowing requirements against our facility and continue to work to reduce our overall working capital requirement.

Net assets at 30 September 2014 stood at £23.2 million (2013: £22.4 million). This reflects the increase in net assets of £7.0 million from the share placing offset by the losses incurred in the year and the actuarial loss on the pension scheme after tax of £0.5 million.

We have performed an impairment test on our intangible assets and goodwill and based upon our projections there has been no impairment of the amounts carried in the Consolidated Balance Sheet.

Dividend

In the light of performance in the year the Board has taken the decision not to pay a dividend (2013: nil).

People

There has been substantial change to the Group Board. Phil Brierley was appointed as Chief Executive in succession to Richard Shuttleworth in June, and at the same time Chris Kelly, after a brief interim period became Group Finance Director. Jamie Brooke joined the Board as a non-executive director in July and Paul Kirk resigned as a non-executive director in September. I was appointed as a non-executive director in September and then as Chairman on 4 December, replacing David Jackson. I believe that we now have a strong Board to lead the Group and implement the new strategy. I would like to thank David Jackson and Paul Kirk for their commitment to the Group during their period in office.

Prospects and strategy

Our senior team is committed to delivering a platform for growth over the next year. They will deliver our strategic plan with a greater focus on our manufacturing businesses which will improve Group operating margins and improve the overall balance of risk and return.

The Group has good prospects in the medium term, particularly as growth is predicted in the nuclear sector where we have strong relationships and excellent delivery capability in defence, decommissioning and new build activities. We also have excellent capability in the oil & gas sector where the offshore sector remains strong and our fabrication on shore delivered substantial profits in 2014 and continues to perform well. In addition, we have secured our first, albeit small, contracts for Crossrail. We continue to be hopeful that we will secure more significant opportunities on this project where there is the potential for orders of up to £12 million.

Our current order book stands at £52 million. This is substantially lower than last year's £82 million (restated) and reflects both the cautious approach now taken in valuing framework contracts and our strategy to reduce our exposure to low margin contracting works in the nuclear division. Whilst smaller in value, the quality of the order book is much improved.

We put on hold our plans to consolidate our facilities in Bolton during the year due to delays in major customer projects. However this will be revisited when customer demand increases. Further investment in facilities will also be required in the event of the anticipated upturn in our other manufacturing businesses.

After a year of limited opportunity for major capital and maintenance projects our engineering business is beginning to see growth in tender levels. We have also reduced the cost base of the business to better reflect the current level of activity. The combination of these factors means that we are more confident the business will see much improved profitability in the current financial year.

Our Nuclear business has been restructured consistently in recent years and following further restructuring is expected to break even in 2014/15, though this is highly dependent upon the levels of activity controlled by our major framework customers. Greater emphasis will now be placed on improving margin by focusing on opportunities with a high manufacturing content that can be delivered in-house by the Group. We remain vigilant in the event that anticipated activity levels are not delivered.

I would like to thank all of Redhall's loyal staff for the continued commitment they have shown throughout a number of difficult years for the Group. The next financial year is key to the turnaround of Redhall's fortunes. Our entire team is focussed on risk reduction, margin improvement and profitable delivery of key contracts and over time we will deleverage the business. Our recent restructuring provides an appropriate platform to return to profit in the short term and to deliver growth through the nuclear and oil & gas sectors.

Martyn Everett

Chairman

4 December 2014

Chief Executive's Review

Following the announcement today of the Group's strategic plan, we have a clear aim to focus the Group on our high integrity manufactured products and reduce costs. By offering our customers a high quality and efficient service, and delivering specialist nuclear and oil & gas products we aim to achieve a substantial medium term improvement in the performance of the Group.

We have already seen the results of our focus onto our Manufacturing businesses, with the overall profit contribution from these far outweighing the contributions of our other businesses, with less exceptional costs incurred. We have also seen a number of recent examples of strong collaboration between our manufacturing and nuclear contracting teams which have generated orders that fit well into our manufacturing-led plan. These teams remain committed to successfully working closer together on new projects in the future.

In the year under review the Group has made an adjusted operating profit of £0.1 million. This is significantly lower than the year ended 30 September 2013, but in line with our previous guidance. The Vivergo dispute, which has had a material impact on the Group's results in prior years and which was a major distraction, is now behind us. The settlement of £2.1 million and the £7 million funds raised in the placing in March have provided greater financial security and with the extension of our facilities underwritten by our bankers until November 2016, the Group is able to pursue its planned strategic direction.

Part of our strategic plan is to remove the divisional structure that we previously operated under and to centralise some of the support functions. We believe that in doing this we will not only reduce costs but will streamline communication across our businesses and with strategic business development led by the Group we will deliver a broader offering to our customers.

Health and Safety

Health and safety remains a key priority for the Group. Both Booth Industries and Redhall Marine achieved certification to OHSAS 18001 during the year and we expect that Jordan Manufacturing will achieve this accreditation by the end of 2014, at which point eight of our nine businesses will be certified.

Our all accident frequency rate is below the 2013 comparable and with the roll out of a new accident reporting system we are seeing improved reporting and investigation of near-miss events. The number of hours worked since RIDDOR reportable accidents leading to over seven days absence from work continue to build with the Nuclear division having over 6 million hours, Engineering over 6.5 million hours and Manufacturing over 1 million hours.

Manufacturing

	2014	2013
	£000	£000
Revenue (pre-exceptionals)	28,380	26,171
Adjusted Operating Profit	2,858	1,455
Adjusted Operating Margin	10.1%	5.6%

Manufacturing encompasses the design, manufacture and installation of specialist high integrity products and equipment typically in the nuclear, oil & gas, petrochemical, chemical and pharmaceutical sectors. We have three businesses with very strong brands in their sectors: Booth Industries, Jordan Manufacturing and R Blackett Charlton.

The turnover for the division showed an increase compared with 2013 of 8.4%. It is encouraging that the adjusted operating margin has also increased from 5.6% in 2013 to 10.1% in 2014. This increase is largely driven by higher margin work in the Oil & Gas and Nuclear Defence sectors and by much improved volumes at our large bore pipe manufacturing business, R Blackett Charlton on Tyneside. We have also seen the benefit of further investment in continuous improvement initiatives in the division.

The performance of Booth Industries, based in Bolton, was below that originally anticipated as customers deferred major programmes of work for our specialist doors. Whilst these projects are still likely to go ahead, we do not anticipate major activity during 2015. As a consequence we have taken the decision to delay the move to a new purpose built facility in Bolton for the time being until we have greater certainty over levels of orders from key customers. Despite lower volumes Booth Industries still achieved an operating margin of 10% and is well placed to benefit once our customers' programmes of work gain traction. We have now received initial orders in this business for the Crossrail project. Whilst these are relatively small in value they

are the first in a number of much larger opportunities to manufacture fire and security doors. The total value of doors on this scheme is in the region of £12 million.

Our Bristol Manufacturing operation, Jordan Manufacturing, traded at a small loss but the nature of the work performed is changing significantly. A higher proportion of the work at this site is focussed on defence and nuclear decommissioning related activities which are more specialist in nature and are generating higher margins.

Across this division our team has key skills in manufacture of high integrity products for the nuclear and oil & gas sectors and are able to demonstrate their ability on key projects in a growing market

Engineering

	2014	2013
	£000	£000
Revenue (pre-exceptionals)	44,746	54,949
Adjusted Operating Profit	682	2,210
Adjusted Operating Margin	1.5%	4.0%

The Engineering division comprises activities in industrial processes including oil & gas, petrochemical, chemical, pharmaceutical, telecoms and food and includes design, project management and delivery of on-site works through qualified and experienced engineers and trades personnel. Activities include mechanical design and construction, storage tank services, plant modifications and upgrades, repair and maintenance, shutdown services and off-site services.

The revenue for Engineering at £44.7 million has decreased by 18.6% from 2013, as a result of the reduction in capital and operating expenditure by many of our customers across the division as their budgets came under increasing pressure. In addition we consciously chose not to undertake high risk, high value projects which also impacted on our overall activity levels.

We continued to work for major clients such as Valero, Dow Corning, Huntsman, Conoco Phillips, Mars, Nestlé, Mondelez and Kellogg's and we are now seeing enquiries increase with most of these customers across the division.

We have recently completed a major shutdown at Valero and retain work on site on a number of framework contracts. We have also commenced work for Mondelez on initial elements of its £75 million investment at its facility in Bourneville and have also been engaged by Premier Foods performing work for Hovis as part of their five year investment programme.

Project work in the telecoms sector continues to deliver good operating margins through the framework agreements we have with the key customers in this sector, delivering 4G infrastructure and associated network upgrades.

Nuclear

	2014	2013
	£000	£000
Revenue (pre-exceptionals)	30,054	31,962
Adjusted Operating Profit	(1,278)	974
Adjusted Operating Margin	(4.3%)	3.0%

Nuclear comprises activities in both the civil and defence sectors and includes design, project management and execution of on-site works through qualified and experienced engineers and trades personnel. Activities in the civil sector include the provision of mechanical and electrical contracting support to nuclear decommissioning and waste management sites, nuclear power stations and nuclear new build. Activities in the defence sector encompass activities on behalf of the Ministry of Defence and include the marine outfitting of the Astute class submarines and the design and manufacture of specialist equipment and mechanical and electrical engineering activities for the AWE establishments.

The turnover for Nuclear at £30.1 million represents a 6.0% reduction on 2013. The operating loss was £1.3 million (2013 profit of £1.0 million). Both our Decommissioning and Waste Management and Defence operations found trading conditions to be extremely challenging. The Defence business in particular was impacted by major reductions in spending by our major customers, resulting in over capacity and the necessity to cut back our headcount in order to protect the core of the business. We are committed to working

with our customers to assess future work load and operational requirements whilst at the same time having a clear strategy to reduce our exposure to low margin contracting works in favour of the installation of manufactured equipment.

Our Marine business continues to support BAE Systems in the delivery of Boats 3, 4, 5 and 6 of the Astute Class submarine programme. The current arrangement is likely to continue until 2016 and we are in discussions with our client on how we can service their requirements beyond this and into the delivery of Successor Class.

Our new Framework with Dounreay Site Restoration Limited proved successful this year with a number of projects to build and assemble glove boxes. This work is precisely the type of high integrity activity that we are seeking to grow to take advantage of our expertise in manufacturing and installing equipment for the nuclear market. It is an illustration of the benefits of strong collaboration between our businesses.

In the Civil Nuclear new build market, we welcomed the positive news on Hinkley Point C. We continue to work with our French partners in the bid process for major work to support BYLOR/EDF. These are manufacturing and installation opportunities which fit well into our strategic plan and whilst these will not impact our 2015 Financial Year we remain positive on the opportunities these could deliver for the Group in 2016 and beyond.

Exceptional costs

There is a significant level of exceptional costs charged in the year. The costs primarily related to restructuring, redundancies and to amounts written off legacy contracts. The restructuring comprised changes to the Board and costs of implementing programmes to reduce headcount to levels appropriate to customer requirements. We have also addressed the commercial issues relating to a number of contracts predominantly in our contracting businesses. The extent of work in progress and receivables that could be recovered has been assessed and cautious estimates and judgements applied to amounts recorded in the balance sheet.

Outlook

Our strategy now clearly points to creating a strong manufacturing base in the organisation to take advantage of demand in the nuclear and oil & gas sectors for our bespoke specialist products and manufactured equipment. There are significant opportunities in these sectors for all our manufacturing businesses. We have a strong customer base and have seen increasing levels of tendering activity both for short and longer term requirements. We have aligned our Nuclear and Manufacturing business development and bid teams so that we can provide a broader and more joined-up offering to our customers.

In Engineering the industrial side of the business continues to be highly competitive. However as noted above there is a strong pipeline of opportunities for both Industrial and Food and we anticipate that cost savings identified as part of our strategic plan will generate significantly improved profits in the current financial year.

Our Nuclear contracting businesses will work very closely in future with our manufacturing businesses. Our installation capability will be aligned with projects where we can add value to our customers and increase our returns. We are very closely reviewing future workload and are in ongoing discussions with our key customers.

In summary, 2015 will see the impact of cost savings as the strategic plan will lead to a recovery in operating profit from the level experienced in 2014. The team is very focussed on winning profitable work and improving volumes in our areas of strategic focus. We are pleased to have support for our strategy from our bankers who have agreed to underwrite an extension to our facility until 30 November 2016. We will invest in the manufacturing businesses over the coming years to enable us to satisfy the expected increases in demand. We have bolstered our bid resource and are also investing in business development resource to enable us to expand our customer base.

Phil Brierley
Chief Executive
4 December 2014

Consolidated Income Statement

	Note	Year to 30 September 2014			Year to 30 September 2013		
		Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
		£000	(Note 2) £000		£000	Restated £000	
Revenue	1	103,180	-	103,180	113,082	-	113,082
Cost of sales		(86,016)	(2,643)	(88,659)	(96,040)	(9,459)	(105,499)
Gross profit		17,164	(2,643)	14,521	17,042	(9,459)	7,583
Administrative expenses		(17,521)	(977)	(18,498)	(14,906)	(1,397)	(16,303)
Operating (loss)/profit	1	(357)	(3,620)	(3,977)	2,136	(10,856)	(8,720)
Adjusted operating (loss)/profit*		144	(3,620)	(3,476)	2,640	(10,856)	(8,216)
Amortisation of acquired intangible assets		(501)	-	(501)	(504)	-	(504)
Operating (loss)/profit		(357)	(3,620)	(3,977)	2,136	(10,856)	(8,720)
Financial income	3	4	-	4	-	-	-
Financial expenses	3	(1,792)	-	(1,792)	(1,214)	-	(1,214)
(Loss)/profit before tax		(2,145)	(3,620)	(5,765)	922	(10,856)	(9,934)
Tax credit	4	85	-	85	432	-	432
(Loss)/profit attributable to equity holders of the Parent Company		(2,060)	(3,620)	(5,680)	1,354	(10,856)	(9,502)
Loss per share	6						
Basic				(14.29)p			(31.84)p
Diluted				(14.29)p			(31.84)p

* Adjusted operating profit is profit before financial income, financial expenses, tax and amortisation of intangible assets acquired with business combinations.

Consolidated Statement of Comprehensive Income

	Note	Year to 30 September 2014 £000	Year to 30 September 2013 £000 Restated
Loss for the year		(5,680)	(9,502)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on pension scheme	7	(594)	1,194
Tax on actuarial (loss)/gain	4	119	(239)
Effect of tax rate change on actuarial loss	4	-	(21)
Tax on revaluation of property and amortisation of property revaluation transferred between reserves	4	2	3
Effect of tax rate change on revaluation of property and amortisation of property revaluation	4	-	18
Accelerated capital allowances	4	(4)	-
Other comprehensive income for the year net of tax		(477)	955
Total comprehensive income attributable to equity holders of the Parent Company		(6,157)	(8,547)

Consolidated Balance Sheet

	Note	As at 30 September 2014 £000	As at 30 September 2013 £000
Assets			
Non-current assets			
Property, plant and equipment		4,733	4,989
Intangible assets		4,911	5,354
Purchased goodwill		23,785	23,785
		<u>33,429</u>	<u>34,128</u>
Current assets			
Inventories		661	644
Trade and other receivables		27,030	32,561
Cash and cash equivalents		-	-
Current tax asset		-	-
		<u>27,691</u>	<u>33,205</u>
Assets held for sale		-	572
Liabilities			
Current liabilities			
Trade and other payables		(20,122)	(24,632)
Borrowings		(2,782)	(12,086)
Current tax payable		(19)	(19)
		<u>(22,923)</u>	<u>(36,737)</u>
Liabilities associated with the assets held for sale		-	(136)
Non-current liabilities			
Borrowings		(13,250)	(7,000)
Deferred tax liabilities	5	(68)	(270)
Retirement benefit obligations		(1,698)	(1,387)
		<u>(15,016)</u>	<u>(8,657)</u>
Net assets		<u>23,181</u>	<u>22,375</u>
Shareholders' equity			
Share capital		12,269	7,462
Share premium account		21,297	19,127
Merger reserve		12,679	12,679
Revaluation reserve		144	147
Other reserve		251	265
Retained earnings		(23,459)	(17,305)
Total equity		<u>23,181</u>	<u>22,375</u>

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 2012	7,462	19,127	12,679	129	306	(8,740)	30,963
Employee share-based compensation	-	-	-	-	(41)	-	(41)
Tax in connection with employee share-based compensation	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	(41)	-	(41)
Loss for the year (Restated)	-	-	-	-	-	(9,502)	(9,502)
Transfer between reserves in respect of depreciation on property revaluations	-	-	-	(3)	-	3	-
Other comprehensive income for the year (Restated)	-	-	-	21	-	934	955
Total comprehensive income for the year (Restated)	-	-	-	18	-	(8,565)	(8,547)
At 30 September 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

Consolidated Cash Flow Statement

	Year to 30 September 2014 £000	Year to 30 September 2013 £000 Restated
Cash flows from operating activities		
Loss after taxation	(5,680)	(9,502)
Adjustments for:		
Depreciation	548	632
Amortisation of intangible assets	577	557
Difference between pension charge and cash contributions	(337)	(342)
Loss on disposal of property, plant and equipment	48	(12)
Loss on disposal of subsidiary company	203	-
Share-based payments credit	(14)	(41)
Financial income	(4)	-
Financial expenses	1,792	1,214
Tax credit recognised in the income statement	(85)	(432)
Decrease in trade and other receivables (including £2.1m in respect of Vivergo)	6,103	4,592
Increase in inventories	(17)	(58)
Decrease in trade and other payables	(4,733)	(3,730)
Net assets sold on disposal of subsidiary company	(297)	-
Cash absorbed by operations	(1,896)	(7,122)
Interest paid	(1,651)	(972)
Income taxes received	-	18
Net cash absorbed by operating activities	(3,547)	(8,076)
Cash flows from investing activities		
Purchase of property, plant and equipment	(352)	(320)
Purchase of intangible assets	(134)	(112)
Proceeds from disposal of plant and equipment	12	15
Net proceeds from disposal of subsidiary company	94	-
Interest received	4	-
Net cash used in investing activities	(376)	(417)
Cash flows from financing activities		
Proceeds from issue of share capital (net of costs incurred)	6,977	-
Proceeds from borrowings	3,000	3,000
Repayment of long-term borrowing	(4,750)	-
Net cash generated by financing activities	5,227	3,000
Net increase/(decrease) in cash and cash equivalents	1,304	(5,493)
Cash and cash equivalents at beginning of year	(3,086)	2,407
Cash and cash equivalents at end of year	(1,782)	(3,086)

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:

Engineering

Engineering comprises activities in industrial processes including oil and gas, petrochemical, chemical, pharmaceutical and food and includes design, project management and execution of on-site works through qualified and experienced engineers and trades personnel. Activities include mechanical design and construction, storage tank services, plant modifications and upgrades, repair and maintenance, shutdown services and offsite services.

Nuclear

Nuclear comprises activities in both the civil and defence sectors and includes design, project management and execution of on-site works through qualified and experienced engineers and trades personnel. Activities in the civil sector include decommissioning and waste management, support to operating nuclear power stations, and nuclear new build. Activities in the defence sector encompass activities on behalf of the Ministry of Defence and include the marine outfitting of Astute class submarines at Barrow, West Cumbria, and the design and manufacture of specialist equipment and mechanical and electrical engineering activities for the AWE establishment at Aldermaston.

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.

Operating segments

Year to 30 September 2014

	Revenue £000	Group operating profit £000
Engineering	44,746	682
Exceptional items	-	(694)
Total Engineering	44,746	(12)
Nuclear	30,054	(1,278)
Exceptional items	-	(1,908)
Total Nuclear	30,054	(3,186)
Manufacturing	28,380	2,858
Exceptional items	-	(236)
Total Manufacturing	28,380	2,622
Central costs	-	(2,118)
Exceptional items	-	(782)
Total Central costs	-	(2,900)
Total operations before exceptional items*	103,180	144
Exceptional items	-	(3,620)
Total operations	<u>103,180</u>	<u>(3,476)</u>
Amortisation of acquired intangible assets		(501)
Operating loss		<u>(3,977)</u>
Financial income		4
Financial expenses		(1,792)
Group loss before tax		<u>(5,765)</u>
Tax		85
Group loss for the year		<u><u>(5,680)</u></u>

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

Year to 30 September 2013

	Revenue £000	Group operating profit £000 Restated
Engineering	54,949	2,210
Exceptional items	-	(8,301)
Total Engineering	54,949	(6,091)
Nuclear	31,962	974
Exceptional items	-	(2,284)
Total Nuclear	31,962	(1,310)
Manufacturing	26,171	1,455
Exceptional items	-	(159)
Total Manufacturing	26,171	1,296
Central costs	-	(1,999)
Exceptional items	-	(112)
Total Central costs	-	(2,111)
Total operations before exceptional items*	113,082	2,640
Exceptional items	-	(10,856)
Total operations	113,082	(8,216)
Amortisation of acquired intangible assets		(504)
Operating loss		(8,720)
Financial income		-
Financial expenses		(1,214)
Group loss before tax		(9,934)
Tax		432
Group loss for the year		(9,502)

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

1. Segment analysis (continued)

	2014 £000	2013 £000
Operating segment assets		
Engineering	10,842	16,775
Nuclear	7,494	8,174
Manufacturing	13,260	12,963
Head office and Central	1,215	1,183
Unallocated:		
- Cash and cash equivalents	-	-
- Acquired intangible assets	4,524	5,025
- Purchased goodwill	23,785	23,785
Total assets	61,120	67,905
Operating segment liabilities		
Engineering	6,944	9,919
Nuclear	6,471	7,833
Manufacturing	5,123	5,825
Head office and Central	1,584	1,191
Unallocated:		
- Current borrowings	2,782	12,086
- Non-current borrowings	13,250	7,000
- Retirement benefit obligations	1,698	1,387
- Current tax	19	19
- Deferred tax	68	270
Total liabilities	37,939	45,530
Net assets	23,181	22,375
Capital expenditure		
Engineering	155	127
Nuclear	12	62
Manufacturing	233	224
Head office and Central	86	19
	486	432
Depreciation		
Engineering	233	261
Nuclear	122	152
Manufacturing	168	194
Head office and Central	25	25
	548	632
Amortisation of intangible assets		
Manufacturing - development costs	76	53
Unallocated - acquired intangible assets	501	504
	577	557

1. Segment analysis (continued)

Geographical segments

	2014	2013
	£000	£000
Revenue by destination		
United Kingdom	92,849	103,377
Other European Union countries	727	2,029
Other overseas locations	9,604	7,676
	103,180	113,082

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

Analysis of revenue by category

	2014	2013
	£000	£000
Sales of goods manufactured by the Group	29,681	23,694
Sales of services	73,499	89,388
	103,180	113,082

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 Nuclear segment and accounted for revenue of £13.0 million (2013: one customer accounting for £13.4 million of revenue in the Nuclear and Manufacturing segments and another in the Nuclear segment only, accounting for revenue of £14.5 million).

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:

	2014	2013
	£000	£000
Cost of sales		
Redundancy and restructuring costs	570	1,088
Provisions against contracts	2,073	671
Write down of Vivergo contract	-	7,700
	2,643	9,459
Administrative expenses		
Redundancy and restructuring costs	715	1,185
Loss on disposal of Chieftain Insulation (NI) Limited	203	-
Other	209	-
Nuclear new build bidding costs	-	112
Vivergo legal and professional fees	(150)	100
	977	1,397
Exceptional items before tax	3,620	10,856
Tax credit	-	-
Exceptional items after tax	3,620	10,856

Redundancy and restructuring costs reflect the costs of resizing of businesses within our Nuclear and Engineering segments to align them with the reduced level of activity currently being experienced in these sectors. These are split between cost of sales and administrative expenses on the basis of the function of the personnel to which they relate. The cost of compensation paid to executive directors during the year is also included within this category.

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

The Vivergo contract was subject to dispute over a number of years. Following receipt of a judgement on the matter on 16 December 2013, Vivergo made an offer of £2.1million in full and final settlement of all claims between the parties. After careful consideration of the risks associated with pursuing the matter further through legal proceedings the Board accepted the offer of £2.1 million on 30 January 2014 and accordingly wrote down the carrying amount by £7.7 million in the 2013 financial statements.

3. Financial income and expenses

	2014	2013
	£000	£000
Financial income		
Interest income	<u>4</u>	<u>-</u>
Financial expenses		
Interest on bank loans and overdrafts	(1,641)	(948)
Net finance expense on pension scheme*	<u>(151)</u>	<u>(266)</u>
	<u>(1,792)</u>	<u>(1,214)</u>

* Includes £98,000 of pension administration expenses paid for by the Company (2013: £150,000).

4. Tax expense

	2014 £000	2013 £000
(a) Recognised in the income statement		
Current tax credit:		
Current year	-	-
Recovery of tax that relates to prior year	-	(119)
Current tax credit	<u>-</u>	<u>(119)</u>
Deferred tax credit	(251)	(286)
Effect of change of tax rate	16	(38)
Prior years	150	11
Deferred tax credit	<u>(85)</u>	<u>(313)</u>
Tax credit in the income statement	<u><u>(85)</u></u>	<u><u>(432)</u></u>

2014
£000

2013
£000
Restated

(b) Reconciliation of the effective tax rate

Loss before tax	<u>(5,765)</u>	<u>(9,934)</u>
Tax at standard rate of UK corporation tax of 22.0% (2013: 23.5%)	(1,268)	(2,334)
Expenses not deductible for tax purposes	21	103
Income not taxable for tax purposes	(8)	(20)
Tax losses not recognised	1,008	1,965
Adjustments in relation to prior periods	150	(108)
Change in tax rate	20	(38)
Non deductible loss on disposal of investment	45	-
Tax losses previously not recognised	(53)	-
Tax credit in the income statement	<u>(85)</u>	<u>(432)</u>

2014
£000

2013
£000

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

Actuarial (losses)/gains	(119)	239
Effect of tax rate change on actuarial loss	-	21
Revaluation of property	(2)	(3)
Effect of tax rate change on revaluation of property	-	(18)
Accelerated capital allowances	4	-
	<u>(117)</u>	<u>239</u>

(d) Deferred tax credit recognised directly in equity

Share options	<u>-</u>	<u>-</u>
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5. 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 2013 £000	Credit/ (charge) to Consolidated Income Statement £000	(Charge)/ credit directly to equity £000	Balance as at 30 September 2014 £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
	<u>(270)</u>	<u>85</u>	<u>117</u>	<u>(68)</u>

	Balance as at 1 October 2012 £000	Credit/ (charge) to Consolidated Income Statement £000	Credit/ (charge) directly to equity £000	Balance as at 30 September 2013 £000
Accelerated capital allowances	40	81	-	121
Short term timing differences	89	119	-	208
Losses	460	(60)	-	400
Buildings	(322)	17	21	(284)
Intangible assets	(1,256)	264	-	(992)
Retirement benefits	645	(108)	(260)	277
	<u>(344)</u>	<u>313</u>	<u>(239)</u>	<u>(270)</u>

Unrecognised deferred tax assets

Deferred tax assets have not been recognised on tax losses of £20,700,000 (2013: £15,850,000) as their recovery is insufficiently certain in the longer term.

Effect of reduction in the main rate of Corporation tax

The reduction in the main rate of corporation tax from 23% to 21% and 21% to 20% effective from 1 April 2014 and 1 April 2015 respectively was substantively enacted on 2 July 2013. Accordingly, deferred tax balances which are expected to reverse between 1 October 2014 and 31 March 2015 have been recognised at the reduced rate of 21%, and those balances which are expected to reverse after March 2015 have been recognised at the reduced rate of 20% in these financial statements.

6. Loss per share

Basic and diluted loss per share

The calculation of the basic loss per share of 14.29p (30 September 2013: loss per share 31.84p) is based on 39,751,863 shares (30 September 2013: 29,846,700) being the weighted average number of shares in issue throughout the period and on a loss of £5,680,000 (30 September 2013: loss of £9,502,000).

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 2014 and 30 September 2013 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.

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:

	2014	2013
	Number	Number
Basic weighted average number of shares	39,751,863	29,846,700
Dilutive potential ordinary shares arising from share options	-	15,118
Adjusted weighted average number of shares	39,751,863	29,861,818
	£000	£000
		Restated
Earnings:		
Loss before tax	(5,765)	(9,934)
Exceptional items	3,620	10,856
Amortisation of acquired intangible assets	501	504
Adjusted (loss)/profit before tax	(1,644)	1,426
Tax at 22.0% (2013: 23.5%)	362	(335)
Adjusted (loss)/profit after tax	(1,282)	1,091
Adjusted, fully taxed basic (loss)/earnings per share	(3.23)p	3.66p
Adjusted, fully taxed diluted (loss)/earnings per share	(3.23)p	3.65p

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, 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 2014 by an independent qualified actuary. The assumptions used were as follows:

Assumptions

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

	2014	2013
Discount rate	3.90%	4.40%
Retail Prices Index (RPI) inflation	3.10%	3.20%
Consumer Prices Index (CPI) inflation	2.10%	2.20%
Salary increases	2.60%	3.20%
Rate of increases to pensions in payment subject to inflationary increases:		
- RPI capped at 5% pa	3.00%	3.10%
- RPI capped at 2.5% pa	2.30%	2.30%
- CPI capped at 3% pa	1.90%	2.00%
- CPI capped at 5% pa with minimum 3% pa	3.10%	3.10%
Rate of increase for deferred pensioners	2.10%	2.20%
Mortality basis:		
Before retirement	S1 PA CMI 2013 (year of birth) + 2 years	S1 PA CMI 2012 (year of birth) + 2 years
After retirement	S1 PA CMI 2013 (year of birth) + 2 years	S1 PA CMI 2012 (year of birth) + 2 years

Asset class	2014		2013	
	Market value	% of total scheme assets	Market value	% of total scheme assets
	£000		£000	
Equities	10,265	51%	10,278	52%
Bonds	4,406	22%	4,267	22%
Gilts	3,560	18%	3,275	17%
Property	1,672	8%	1,482	8%
Cash	253	1%	232	1%
Total	20,156	100%	19,534	100%

The actual return on the scheme assets for the year ended 30 September 2014 was £1,252,000 (2013: £2,777,000).

Pension expense

Amounts recognised within administrative expenses within the income statement are:

	2014 £000	2013 £000 Restated
Charge for current service cost	(92)	(78)
Administration costs	(15)	-
	<u>(107)</u>	<u>(78)</u>

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 2014 were £444,000 (2013: £420,000).

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

	2014 £000	2013 £000 Restated
Return on assets recorded as interest*	748	594
Interest on pension scheme liabilities	(899)	(860)
Net financial expense	<u>(151)</u>	<u>(266)</u>

* Includes £98,000 of pension administration expenses paid for by the Company (2013: £150,000).

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 £2,271,000 (2013: loss £1,677,000).

Analysis of movement in retirement benefit obligation

	2014 £000	2013 £000 Restated
Retirement benefit obligation at start of the year	20,921	19,877
Current service cost	92	78
Interest cost on retirement benefit obligation	899	860
Contributions by employees	31	33
Benefits paid and transfers out	(1,090)	(766)
Actuarial losses	1,001	839
Retirement benefit obligation at end of year	<u>21,854</u>	<u>20,921</u>

Change in fair value of scheme assets during the year

	2014	2013
	£000	£000
Fair value at start of the year	19,534	Restated 17,070
Interest income	846	744
Actual return on assets less interest	406	2,033
Employer contributions	444	420
Member contributions	31	33
Benefits paid	(1,090)	(766)
Administration costs	(15)	-
Fair value at end of the year	<u>20,156</u>	<u>19,534</u>

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	2014 Change in defined benefit obligation	Change in assumption	2013 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 £897,000 (2013: £824,000).

8. Basis of preparation

The financial information set out above for the years ended 30 September 2014 and 2013 ("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 2014.

The financial information does not constitute the statutory financial statements (as defined by S434 of the Companies Act 2006) for those years. The 2014 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 2013 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 2014 will be posted to shareholders. 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.