

# Redhall Group plc

ANNUAL REPORT & ACCOUNTS

2018

# Redhall Group plc



## Redhall is a leading manufacturing and services provider in high hazard and security environments

Redhall supports its blue chip client base using its integrated offering of design, manufacture and installation. Redhall continues to develop additional added value skills and products for its clients through focused investment in organic growth, innovation and through selective acquisitions.

Redhall's mission is to be a leading manufacturing and services business, by providing high integrity products and services in demanding environments that consistently exceed our customers' expectation of quality, value and delivery.

### OUR ACTIVITIES

The Group designs, manufactures and installs bespoke specialist plant and equipment typically in the nuclear, defence, oil and gas, petrochemical, chemical, pharmaceutical, and food sectors. It has particular expertise in the design and manufacture of high integrity fire and blast resistant doors, window and wall systems, complex fabrications, installation services for the telecommunications industry and design & installation services for the food and pharmaceutical sector.

## FINANCIAL HIGHLIGHTS

	Year ended 30 September 2018 £000	Year ended 30 September 2017 £000
<b>Continuing business</b>		
Group revenue	<b>37,761</b>	38,905
Operating loss	<b>(3,768)</b>	(328)
Adjusted operating profit*	<b>159</b>	1,430
Adjusted profit/(loss) before tax*	<b>(487)</b>	573
Group loss after tax	<b>(4,115)</b>	(1,369)
Loss on discontinued operations net of tax	-	(265)
Adjusted fully taxed basic and diluted earnings per share continuing business*	<b>(0.12)p</b>	0.20p
Basic and diluted loss per share	<b>(1.24)p</b>	(0.59)p

\*Adjusted results are stated before exceptional items of £3.4 million (2017: £1.1 million), amortisation of acquired intangible assets of £0.3 million (2017: £0.3 million) and IFRS 2 credit £0.2 million (2017: charge £0.4 million). Adjusted measures are presented to illustrate how the Board views business performance and represents the underlying position of the ongoing businesses. A reconciliation is provided in the income statement and Note 8.

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## Chairman's Statement



**Martyn Everett**  
Chairman



*Hinkley Point C Nuclear Power Plant. Image courtesy of EDF Energy*

**The Redhall Group is highly regarded by its customers for its high integrity manufacturing and services and for its ability to work in complex, secure and hazardous environments. This customer recognition has enabled the Group to continue to secure key contracts, particularly for highly engineered manufactured products in the nuclear and rail sectors.**

The Group continues to pursue a strategy of operational excellence and continuous improvement to drive its pipeline of opportunities in target markets. This strategy seeks to deliver sustainable financial performance and provide a platform for growth.

It was disappointing to have to announce on 26 September 2018 that progress during the year had not been at the pace that the Board had originally anticipated and that the Group's full year performance would be materially below previous expectations. Delays on a number of key projects outside of the Group's control and slower than expected operational efficiency gains were identified as the key drivers of this underperformance.

The Group order book as at 30 September 2018 stood at £21 million, up 20% compared with last year (30 September 2017: £17 million using the same basis of measurement).

### **TRADING RESULTS**

Revenue in the year ended 30 September 2018 from continuing operations was £37.8 million (2017: £38.9 million). Operating loss was £3.8 million (2017: £0.3 million). Adjusted operating profit before exceptional items was £0.2 million (2017: £1.4 million). Adjusted diluted loss per ordinary share for the continuing business amounted to a loss of 0.12 pence per ordinary share (2017: profit of 0.20 pence per ordinary share).

The Group's reported loss post tax for the year was £4.1 million (2017: £1.4 million) which represents a loss of 1.24 pence per ordinary share (2017: loss of 0.59 pence per ordinary share).

## FINANCIAL POSITION

The Group has considered its obligation, in relation to the assessment of the going concern of the Group and each statutory entity within it and have reviewed the current budget, cash forecasts and assumptions as well as performing sensitivity analysis and a review of the main risk factors facing the Group. Whilst the Directors acknowledge that uncertainty exists in relation to the timing of award, commencement and performance on key new contracts during the forecast period, as well as a certain level of uncertainty regarding the continuing performance of key ongoing contracts, based on their review of current budget cash flows and assumptions and based on sensible downside sensitivity scenarios, the Directors do not believe that these uncertainties are material and the Group's ability to operate within existing loan and banking facilities is sufficient to fund its activities for not less than 12 months from the date of approval of these financial statements.

On 7 November 2018 a temporary uplift of £1.2 million was granted by HSBC to the Group's £2.0 million overdraft facility, extending through to 31 January 2019. In addition, on 24 January 2019 the Group raised additional short-term loans of £2.0 million from major shareholders of the Group (£1.0 million from Lombard Odier and £1.0 million from Downing LLP). These loans, which expire on 1 October 2019, have been raised to fund unusually high, short-term working capital balances, which are being driven principally by two of the Company's major contracts.

In the current year the Group adopted IFRS 15 Revenue from Contract with Customers which had the impact of a £3.9 million reduction to opening reserves. The adjustment relates to the recognition of customer claims according to the Group's assessment of each contract's performance obligation to be delivered to its customers. The full impact is shown in Note 26.

## DIVIDEND

The Board is not recommending a dividend for the year to 30 September 2018 (2017: nil).

## PEOPLE

On behalf of the Board I would like to thank all of our employees for their energy and commitment throughout the year. We operate in technically demanding markets and we rely on our highly qualified and experienced operatives to deliver the high standards required by our customers. Our commitment to invest in the development of our management teams, commenced last year, remains ongoing.

## BOARD CHANGES

There were a number of Board changes during the year, both Executive and Non-Executive roles.

Joe Oatley joined the Board on 15 May 2018 as the Senior Independent Non-Executive Director. Joe was most recently the Chief Executive of Cape plc and he brings a wealth of experience to

the Board. Phillip Hilling, who joined the Board as a Non-Executive Director in October 2011, stepped down on 30 June 2018.

On 2 July 2018, Simon Comer joined the Board as Chief Financial Officer, replacing Chris Kelly, who had worked at the Group since May 2014. Simon has a track record of senior financial roles at engineering businesses.

Shortly after the year-end, on 25 October 2018, Wayne Pearson, who had served as Chief Executive Officer since April 2018 and previously as Chief Operating Officer, resigned from the Board. Russ Haworth, a highly experienced executive with a track record in the aerospace, manufacturing and engineering sectors, has been appointed to the Board as Interim Chief Executive Officer. The process for the appointment of a full-time Chief Executive Officer is underway.

On behalf of the Board, I would like to welcome the Directors who have joined the Group. I would also like to thank those Directors who have left the Group and wish them well for the future.

## CORPORATE GOVERNANCE

Maintaining high standards of corporate governance is one of the key responsibilities of the Board. I am therefore pleased to confirm that, in compliance with AIM Rules for Companies, the Board formally adopted the 2018 QCA Corporate Governance Code with effect from 25 September 2018. Enhanced disclosures in this regard have been included in the various reports of this year's Annual Report and on the Group's website.

## OUTLOOK

Market conditions remain encouraging in the majority of the Group's core sectors and the Group benefits from a secure order book and a strong pipeline of opportunities. We continue to pursue our strategy of the operational transformation of our manufacturing business and believe that this pursuit of operational excellence will deliver long-term success for the Group. The near-term performance of the Group remains difficult to predict, being materially affected by the timing of both contract deliveries and awards, and the pace of operational transformation.

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### Martyn Everett

Chairman

31 January 2019



**Russ Haworth**  
*Interim Chief Executive Officer*



**I was delighted to join the Redhall Board as Interim Chief Executive Officer in October 2018, shortly after the financial year-end. While the Group as a whole has had a challenging year, my initial assessment is that the fundamentals of the businesses within the Group, and their target markets, remain attractive. There is much work to do but I am positive about the future prospects for the Group.**

I am supportive of the objectives of the business transformation strategy as set out by the Board last year. In summary, this strategy seeks to drive margin improvement and business stability through operational excellence, a competitive cost base and a balanced order book. With these elements in place, the Group will be well-positioned for further investment and growth. The limited progress to date is a function of implementation, which we are now addressing.

The improvement of operational performance has been a recurrent focus for me in previous executive roles and I am very pleased to be able to apply this experience at Redhall.

It will take time to fully deliver the desired business improvements, but I am confident that we can take important steps towards that

objective in the short-term. My initial focus has been on business basics, ensuring we have capable, efficient processes which match the overall business and customer requirements. We must also become more agile in matching customer driven contract variations, flexing and closely managing our costs and outputs.

I am pleased to report the continued growth of the Group order book which at 30 September 2018 stood at £21 million (30 September 2017: £17 million using the same basis of measurement). This does not include the value of the framework agreement with Cavendish Nuclear, anticipated to be worth up to £18 million over the first three years of activity. The majority of the order book is derived from high integrity manufacturing projects for the nuclear, defence and rail sectors.

The Group uses adjusted operating profit\* to reflect the underlying profitability of the Group as the GAAP measure incorporates non-repeating exceptional costs which would distort comparisons of KPIs. Adjusted operating profit on continuing operations was £0.2 million (2017: £1.4 million) on revenue of £37.8 million (2017: £38.9 million), representing a net adjusted operating margin of 0.4% (2017: 3.7%). Before deducting Group and central services costs, the adjusted operating profit was £2.4 million (2017: £3.6 million).

## HEALTH & 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 main subsidiaries obtained a minimum of the Gold Award for health and safety from The Royal Society for the Prevention of Accidents (RoSPA). These awards, which receive entries from organisations around the world, recognise achievements in health and safety management systems, including practices such as leadership and workforce involvement.

## TRADING

The Group's performance in the year to 30 September 2018 was disappointing compared to original expectations but the fundamentals of the businesses within the Group, and their target markets, are positive.

We believe that our Group companies are leaders in their respective fields, allowing them to work with many of the key operators within their markets. The focus of the Group remains on performance improvement and growth through cultivating customer relationships, devising bid-winning strategies and delivering our quality products and services efficiently.

### **Booth Industries**

Booth is a leading provider of high integrity steel doors for a broad range of specialist applications across a range of industrial sectors.

Activity in the year was again dominated by the manufacture of highly engineered doors, predominately for the nuclear, defence and rail sectors. During the year, the business commenced delivery of high-performance doors to a new Anglo-France defence Technology Development Centre in France and the UK's Crossrail project.

The financial performance of the business for the full year was lower than the prior year. Revenues were weighted toward the second half of the year, with the first-half impacted by delays in activity on a number of contracts.

Although the business has made slower than expected progress on improving operational efficiencies between engineering, manufacture and installation, this remains a key opportunity and focus. Significant improvements have been made in improving the process for identifying new business opportunities and follow through of high-quality tender documentation which matches customer expectations.

We continued to invest in product development to expand the core range of high integrity doors, investing £0.6 million during the year.

The business maintains a strong pipeline of opportunities in its core markets. Whilst defence and infrastructure markets continue to represent a significant proportion of the pipeline, we are also seeing more opportunities to deliver high performance, multi-function doors into new markets. The UK rail market remains attractive with continued investment in major infrastructure projects connected to extending the London Underground network. The recovery in the oil and gas sector represents a renewed opportunity and the business has received a number of preliminary enquiries from this sector.

### **Jordan Manufacturing**

Jordan manufactures and fabricates bespoke equipment in carbon steel, stainless steel and complex alloys for the nuclear, defence, industrial and architectural sectors.

The business has been very successful in securing work during the year. Order intake was robust with the award of three contracts with Balfour Beatty for the supply of specialist manufactured metal products for incorporation in the marine works at Hinkley Point C ('Hinkley'). These contracts substantially increased the scope of work at Hinkley for which Jordan was named preferred bidder. The business was also successful in securing a sizeable contract in the defence sector.

In addition to secured orders in the year, the business was successful in winning a significant long-term framework agreement for Cavendish Nuclear for glove boxes on the Sellafield nuclear site in Cumbria. The potential value of this framework agreement is not included in the Group's reported order book. The business also made good progress on the implementation of the "runners and repeaters" strategy across a more diverse range of sectors, which is a key element of improving its resilience.

The performance of Jordan in the year has been significantly affected by changes to the timing of the Hinkley project, both the contract award and subsequent deliveries. In particular, the change in our immediate customer on the project caused a delay in signing the contract to March 2018, significantly reducing first half revenues. With production works on Hinkley commencing in August 2018, revenues recovered strongly towards the end of the financial year.

The business has invested in specialist welding skills and technology to bring about the efficient delivery of the Hinkley contract, which will continue throughout 2018 and into 2019, and is well equipped and located to benefit from additional potential work on Hinkley.

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 several large runner and repeater programmes that will give us a strong baseload of future work.

### **Redhall Jex**

Jex provides design, manufacture, installation, relocation and refurbishment of process equipment, structural steelwork and packing lines.

While the food market remains a key focus, the business is looking to expand into other industrial sectors and has been successful in adding electrical contracting to its portfolio of expertise.

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

Order intake in the year, particularly in the second half, was lower than expected as some customers maximised their production, resulting in lower than usual levels of project work for the business.

Revenue was slightly lower than the previous year. However, operating profits improved, supported by the successful consolidation of the activities of Jex in Grimsby into the Trafford Park facility. During the year, the business successfully completed the delivery and installation of a rubber micronisation plant for Michelin-owned Lehigh Technologies in Spain. This plant is designed to cryogenically grind shredded tyres into powder for re-use in new tyre manufacture.

Our key customers operate in fast moving environments which involve a high level of innovation and process change to keep pace with trends in the market. All of our major food sector customers, including Kellogg's, Mondelez, Mars and Nestlé, have committed capital spend programmes for 2019 and we are now seeing positive levels of bidding for a 2019 pipeline of opportunities. We also expect deferred project activity to start in 2019.

We therefore expect the business to continue to perform well into 2019, albeit we note increasing price pressure from competitors.

#### **Redhall Networks**

Networks specialises in the installation, commissioning and maintenance of mechanical and electrical equipment for the private communications network sector.

Order intake and revenues in the year were lower than the previous year, mainly due to delays in the roll out of their 5G networks by certain telecommunications operators following auctions and awards earlier in the year.

Due to the nature of contract visibility in the Networks market, the order book remains commensurate with short-term order intake.

Mobile communications are an ever-increasing part of the UK's national infrastructure. We are confident that the maintenance, upgrading and consolidation of the network by the operators will provide us with a return to strong volumes and growing profitability. The business also sees significant opportunities in the short and medium-term following the Home Office's decision to extend the lifespan of the existing Emergency Services Network by three years.

Going forward, the business will focus on increasing its service offering to existing and new clients by investing in more technically differentiated resources to deliver the installation and commissioning of radio equipment. The business is now seeing initial activity related to the roll out of the 5G network.

#### **Other Companies**

The remaining elements of R Blackett Charlton Ltd, Redhall Nuclear Ltd and Redhall Marine Ltd ceased in the prior year. These parts of the business contributed £6.1 million of revenue and £1.3 million of operating profit before exceptional items in the prior year.

### **SUMMARY**

The Group's performance in the year to 30 September 2018 was disappointing compared to original expectations but the fundamentals of the businesses within the Group, and their target markets, are positive. Our focus in the current year is on delivering the business transformation strategy and converting our pipeline of new business opportunities. I look forward to providing updates on progress in due course.

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#### **Russ Haworth**

Interim Chief Executive Officer  
31 January 2019



## Financial Review



**Simon Comer**  
Chief Financial Officer



### OPERATING RESULTS

Group revenue of £37.8 million was 3% lower than the £38.9 million reported in 2017. The remaining elements of R Blackett Charlton Ltd, Redhall Nuclear Ltd and Redhall Marine Ltd ceased in the prior year. These parts of the business contributed £6.1 million of revenue and £1.3 million of operating profit before exceptional items in the prior year. Therefore, Group revenue from ongoing operations increased by £5.0 million to £37.8 million (2017: £32.8 million).

The Group operating loss was £3.8 million (2017: £0.3 million) this includes an IFRS 2 credit of £0.2 million (2017: charge of £0.4 million), amortisation of intangible assets of £0.3 million (2017: £0.3 million) and exceptional costs of £3.9 million (2017: £1.1 million). Group adjusted operating profit excluding the above was £0.1 million (2017: £0.8 million profit).

The Group adjusted operating profit\* before central costs was £2.4 million (2017: £3.6 million). This demonstrates the underlying profitability of the businesses prior to the deduction of central costs. Group adjusted operating profit after central costs for the ongoing operations was flat compared to prior year at £0.2 million (2017 adjusted operating profit for the ongoing businesses: £0.2 million). Including £1.3 million of the 2017 operating profit associated with now ceased operations, Group adjusted operating profit of £0.2 million was significantly lower than the £1.4 million reported in 2017. Adjusted operating margin for the ongoing operations reduced slightly compared to the prior year, largely driven by product mix, with a higher proportion of lower margin fabrication projects compared to higher value engineered products, and additional costs incurred due to project delays.

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

After financing charges of £0.6 million (2017: £0.9 million), the adjusted loss before tax from continuing items amounted to £0.6 million (2017: loss of £0.1 million).

### WORKING CAPITAL

Working capital excluding cash and cash equivalents at 30 September 2018 was £4.3 million (2017: £1.8 million after restatement for IFRS 15 per Note 26) reflecting the increased work on large nuclear and infrastructure projects. This is largely expected to unwind during the financial year ending 30 September 2019.

### EXCEPTIONAL ITEMS

Certain charges and credits to the income statement, due to their size and incidence, have been separately identified as exceptional items. Exceptional costs in the Group's continuing businesses consisted of £0.3 million relating to the closure of a site in Grimsby for Redhall Jex, £0.6 million relating to the restructuring of management teams, £0.4 million of legal costs on claims and £2.5 million relating to impairment of goodwill. Exceptional costs on discontinued operations net of tax was £nil (2017: £0.3 million).

### INTEREST

The Group incurred financing charges of £0.6 million during the year (2017: £0.9 million) which comprised interest and arrangement fees of £0.4 million (2017: £0.7 million) and a pension scheme net finance charge of £0.2 million (2017: £0.2 million).

## TAXATION

The Group tax credit for the year was £0.3 million (2017: tax credit of £0.1 million). The tax charge and movements in deferred tax are shown in Notes 6 and 12. The Group has tax losses carried forward of £21.7 million upon which deferred tax assets have not been recognised.

## DIVIDENDS

The Board is not recommending a dividend.

## CASHFLOW & NET BORROWINGS

Group net debt at the year-end amounted to £5.6 million (2017: net cash of £0.1 million) largely driven by a build-up of Contract Assets associated with major nuclear and infrastructure projects and consisted of net debt with HSBC of £3.7 million, a term loan from funds managed by Lombard Odier of £1.7 million and £0.3 million due under finance leases. The Group had overdraft and revolving credit facilities of £5.5 million and an accordion facility of £2.5 million with HSBC of which £0.1 million of the overdraft and £3.5 million of the revolving credit facility were drawn at year-end. All of the Group's facilities expire in July 2021.

In January 2019 the Group arranged short-term loans from Lombard Odier for £1.0 million and Downing LLP for £1.0 million with repayment due on 1 October 2019. This additional financing has been raised by the Group to fund unusually high, short-term working capital balances, which are being driven principally by two of the Company's major contracts.

In addition, the Group had amounts due under finance leases at the year-end of £0.3 million (2017: £0.3 million). Net cash outflows from operating activities during the year amounted to £4.2 million (2017: £3.4 million).

The Group made a significant investment in new product development of £0.6 million and capital expenditure of £1.1 million (2017: £0.3 million and £0.9 million).

## GOODWILL & IMPAIRMENT REVIEWS

An impairment review of goodwill and intangible assets was carried out as at the year-end resulting in an impairment of £2.5 million and reducing the balance in the consolidated accounts to £18.6 million (2017: £20.9 million). Details of the calculations and assumptions used for the impairment review are shown in Note 11.

## EQUITY

Shareholders equity decreased by £8.9 million during the year. This comprised the loss for the year of £4.1 million, an increase in the pension deficit net of deferred tax of £0.7 million, £0.1 million deferred tax on equity and £3.9 million opening reserve transition to IFRS 15.

## PENSION SCHEME

A formal valuation of the defined benefit scheme was carried out as at 5 April 2015. The results of this valuation have been updated to 30 September 2018 by a qualified independent actuary to determine the IAS 19 position. The IAS 19 net deficit at the year-end increased to £0.81 million (2017: £0.45 million). The increase in deficit arises due to the decrease in gilt and bond yields in the year, more cautious mortality assumptions, partially offset by strong

asset performance. There has been a 20% reduction in the number of members since April 2015 as members have taken advantage of pension freedoms and the Company has worked with the Trustees to implement liability management exercises. The Company will continue to work with the Trustees to identify opportunities to reduce the risks inherent in a scheme of this nature.

The pension scheme is of a long-term nature and the portfolio of assets invested by the fund are selected to match the maturity of the liabilities. The Trustees seek advice on the periodic allocation of the scheme's assets in order to match the future liabilities. The Company has entered into an agreement with the Trustees to fund the deficit identified at the date of the triennial valuation and made payments of £140,000 per annum until 5 April 2018 and is making payments of £305,000 per annum thereafter until 5 April 2027. The next triennial valuation will be carried out as at 5 April 2018.

Based on information received from our actuarial advisors the potential quantum of any future adjustment for GMP equalisation is expected to be around £0.2 million to £0.3 million.

## IFRS 15

To ensure shareholders have the highest level of visibility, the Board have decided in accordance with the early adoption provisions of IFRS 15, to implement the standard one year ahead of schedule. Under this adoption the impact was a reduction to opening reserves of £3.9 million. The impact of the adoption is shown in Note 26.

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### Simon Comer

Chief Financial Officer  
31 January 2019



# Operating Environments, Risks & Uncertainties

## PRINCIPAL OPERATING RISKS & UNCERTAINTIES

The Group has an established system of internal control which includes financial, operational and risk management. The Board has overall responsibility for such a system and its ongoing review.

Given the breadth and complexity of the Group's activities the list of principal risks below is not exhaustive, but such specific risks are identified and managed on a business by business basis.

### **Major customers and contracts**

The Group has delivered a strategy of focusing on blue chip major clients. As a consequence, the Group could be affected by budgeting, regulatory or political constraints on the clients' business. This would have a bearing on the size, duration and timing of major contract awards which would in turn have an impact on the businesses of the Group.

During the year and as part of the Group's ongoing strategy we focus on longer-term partnerships where future work visibility can be assessed.

### **Bid success and contract performance**

The Group is dependent on the success of its bid activity across many of its sectors. Bidding, by its nature, can be long and expensive and investment in such activity needs to be closely monitored to ensure adequate return.

The success and performance of the Group also depends on our businesses' ability to successfully execute their contractual obligations on terms that provide the expected returns. Any failure could result in losses for the Group or irreparable reputational damage with our existing and potential future customers.

The Group has developed and laid down its 'gatekeeping' process to assess on a business by business basis, or if necessary at a Group level, the risk and reward balance in deciding to bid for or execute contracts whether on our own account or in partnership with others.

The ongoing contractual performance is monitored within a Group framework and discussed at both the divisional and Group level on a monthly basis.

### **Health, safety and environment**

The products we manufacture and the environments in which we work as a Group are inherently technically challenging and provide a barrier to entry for new competition. If our record in these areas were to fall short of both our clients' and our own expectations, it could cause the Group both reputational and financial damage. It is critical that the Group complies with all applicable laws, respects the rights of individuals to be protected from harm and to safeguard the environment.

The Group's performance, given the products it manufactures and the challenging environments it works in, demonstrates our absolute commitment to the safety of our people and the public at large and we continue to develop our systems and approach to ensure improvement every year.

### **People and capability**

Our key asset remains our technical know-how which is embedded in our people. People are the key driver of our success through their technical and management capabilities. We operate in markets where resources can become constrained due to decades of under investment in UK engineering. It is therefore key that we attract the best people, and also retain and develop those who have grown with the Group thus far.

The Group is focused on providing attractive competitive remuneration structures that reward performance whilst introducing greater flexibility and choice for our staff. We also run a number of development and training programmes to ensure we maximise our talent pool and grow it for the future.

### **Acquisitions**

When appropriate, the Group will seek to develop and grow by selective acquisition. All acquisitions entail risk and judgement and no guarantees can be provided that future financial performance will justify the acquisition consideration. The Group mitigates risk through carrying out due diligence to ensure acquisitions are made on the best available information and judgement. Integration plans are developed in advance and are then executed, and the acquired businesses continue to be monitored against targets set out at acquisition.

All acquisitions are monitored and approved by the Board.

### **Pensions**

The Group has one defined benefit pension scheme which was closed to new entrants in 1997 and to future accrual in June 2016. Risk is inherent within the principal assumptions used in determining the scheme liabilities, namely mortality and discount rates, and the return on scheme assets. Adverse movements in these underlying factors could result in an increase in the deficit in the scheme which would require additional funding. The Group, in conjunction with the scheme Trustees, mitigates risk through seeking professional advice on the most appropriate assumptions to be applied to the valuation of liabilities to ensure that the scheme is funded to a level which is adequate to meet its obligations. We also take advice to ensure that the scheme assets are invested in instruments which are most appropriate to meet the maturity profile of the scheme liabilities whilst seeking to maximise the return on those investments.

### **Debt finance**

The Group has facilities with its lenders as detailed in note 24. The core of the facilities is subject to renewal in July 2021.

### **Brexit**

As Brexit negotiations progress, the Group has looked at the potential impacts to the business, customers and supply chain. To the year ended 30 September 2018 the amount of revenue traded to the European Union was less than 1.5% of total revenues with purchases less than 2.5%. The Group believes that this level of European Union trade will not materially change and does not provide for material uncertainty within the outlook.

# Company Information

## DIRECTORS



**M J Everett**  
*Chairman*



**R D Haworth**  
*Interim Chief Executive Officer*



**S P Comer**  
*Chief Financial Officer and Company Secretary*



**J M Oatley**  
*Non-Executive*



**J D Brooke**  
*Non-Executive*

## REGISTERED OFFICE & ADMINISTRATION OFFICE

Unit 3, Calder Close  
Wakefield, WF4 3BA

## REGISTERED NUMBER

263995

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Neville House  
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Halesowen, B62 8HD

# Report of the Directors

The Directors present their report and audited financial statements of the Group and Company for the year ended 30 September 2018.

## PRINCIPAL ACTIVITY

The principal activity of the Group during the year has been manufacturing and services provided in complex, secure and hazardous environments.

## RESULTS & DIVIDENDS

The loss of the Group after taxation is £4,115,000 (2017: loss £1,369,000). The Board is not recommending a dividend for the year to 30 September 2018 (2017: nil).

## STRATEGIC REPORT

A general review of the business and activities of the Group, its strategy and its key operating and financial risks and key performance indicators are given in the Chairman's Statement (pages 2 to 3), Strategic Report (pages 4 to 6) and Financial Review (pages 7 to 8) which should be regarded as part of this report.

## DIRECTORS

The names of the Directors who served during the year were:

M J Everett

P Brierley (resigned 31 March 2018)

C J Kelly (resigned 29 June 2018)

W Pearson (resigned 24 October 2018)

S P Comer (appointed 2 July 2018)

P B Hilling (resigned 30 June 2018)

J M Oatley (appointed 15 May 2018)

J D Brooke

R D Haworth was appointed after the year-end on 24 October 2018.

Profiles of each Director serving at the date of issue of this report, and R D Haworth, are set out below.

### **M J Everett – Chairman (Non-Executive)**

Martyn Everett, aged 60, joined the Board in September 2014. He has experience both as an executive and non-executive director across a number of sectors including engineering, retail and media. He has particularly strong expertise in turnaround, restructuring and growth situations in both public and private businesses. He is a Chartered Accountant who qualified with PWC, and a Fellow of the Institute of Chartered Accountants. Martyn is currently Chairman of Mar City PLC and a Director of Stewart Milne Group Limited.

### **P Brierley – Chief Executive**

Philip Brierley, aged 54, joined the Board as Commercial Director in September 2012 and was appointed Chief Executive on 6 June 2014. He is a member of the Royal Institution of Chartered Surveyors. He has had a 30 year career in the construction industry during which the roles he has held include the Managing Director of Construction for Peterhouse Group PLC, the Chief Executive of Propensity Group PLC and a Director of ISG PLC.

### **C J Kelly – Group Finance Director and Company Secretary**

Chris Kelly, aged 56, joined the Board in June 2014. He is a Chartered Accountant. He was an Audit Partner with Ernst & Young from 1997 to 2009 and Finance Director of Town Centre Securities plc from 2010 to 2014.

### **W Pearson – Chief Executive Officer**

Wayne Pearson, aged 56, joined the Board in July 2017. He has a wealth of experience of multi-site engineering businesses, which has been gained over a 35 year career in roles including Managing Director of Brush Group Limited, Environmental Division Managing Director of Alcontrol Laboratories, Divisional Managing Director of Parker Hannifin and Chief Operating Officer of Bridgeport Machines.

### **R D Haworth – Interim Chief Executive Officer**

Russ Haworth, aged 63, joined the Board in October 2018 as Interim Chief Executive Officer. Russ is a highly experienced executive with a focus on businesses within the aerospace, manufacturing and engineering sectors. His former roles include Managing Director of Slingsby Aviation, Managing Director of BWT, Divisional Chief Executive Officer at Senior Aerospace and, from 2007 to 2016, a Senior Vice President at Rolls Royce. He is currently a director of SsuR Management Limited. Russ is a Fellow of the Royal Aeronautical Society and an Incorporated Engineer.

### **S P Comer – Chief Financial Officer and Company Secretary**

Simon Comer, aged 46, joined the Board in July 2018. He was previously Chief Financial Officer of Applied Composites Group, a private equity backed manufacturer of engineered polymer products for the aerospace and transport industries. Prior to that, he was Chief Financial Officer of RLC Engineering Group, a privately-owned provider of manufacturing solutions, for eight years. Simon is a member of the Chartered Institute of Management Accountants.

### **P B Hilling – Non-Executive Director**

Phillip Hilling, aged 69, joined the Board in October 2011. He is a Chartered Accountant and qualified with Ernst & Young LLP where he spent 25 years as an audit partner until his retirement from the firm in 2010. He held a number of senior roles within the firm and was Managing Partner of the Yorkshire Office for 14 years. He is Chairman of Tenet Group Limited and Chairman of its Remuneration Committee and Vice Chairman of St Peter's School, York, and Chairman of the Finance Committee.

### **J M Oatley – Non-Executive Director**

Joe Oatley, aged 50, joined the Board in May 2018. He is the Board's Senior Independent Non-Executive Director. He brings a wealth of relevant experience to the Board having been Chief Executive of Cape plc from 2012 until early 2018 and, prior to that, Chief Executive Officer of Hamworthy plc and Managing Director of Strachan & Henshaw, part of Weir Group. He is currently a Non-Executive Director of Wates Group Limited and Carclo plc.

### **J D Brooke – Non-Executive Director**

Jamie Brooke, aged 47, joined the Board in July 2014. He is a Fund Manager at Lombard Odier having previously worked for Gartmore, Henderson and 3i plc.

## Report of the Directors (cont.)

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT & THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and they have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### DIRECTORS & THEIR INTERESTS

The Directors at 30 September 2018 had beneficial interests in shares and share options as set out below:

#### Shareholdings

	At 30 September 2018	At 30 September 2017
M J Everett	900,000	900,000
P Brierley	1,230,000	1,230,000
C J Kelly	900,000	900,000
W Pearson	-	-
S P Comer	-	-
P B Hilling	357,455	357,455
J M Oatley	-	-
J D Brooke	-	-

There have been no changes to Directors' shareholdings between 30 September 2018 and the date of this report.

#### Share options

The Company has three share option schemes which were approved in 2007.

On 1 October 2015, the Remuneration Committee approved amendments to the Redhall Group 2007 Performance Share Plan. Under the Performance Share Plan, options were granted to certain Directors and senior employees under a two-year performance period.

The 2007 share incentive schemes can be summarised as follows:

- Redhall Group plc 2007 Performance Share Plan ("PSP") – A discretionary long-term incentive plan comprising two parts. Part 1 enables options to be granted at no cost to participants, whilst Part 2 enables conditional shares to be awarded.
- Redhall Group plc 2007 Enterprise Management Incentive Plan ("EMIP") – A plan which allows for the grant, to selected employees of the Group, of rights to acquire ordinary shares in the Company on a tax favoured basis.
- Redhall Group plc 2007 Discretionary Share Option Plan ("DSOP") – A plan which allows for the grant, to selected employees of the Group, of rights to acquire ordinary shares in the Company. These options may be granted as tax favoured options under the HM Revenue & Customs ("HMRC") approved addendum to the Plan, or as non-HMRC approved share options.

The exercise of awards under all three of the 2007 schemes will be subject to the attainment of one or more objective conditions set at the time the grant is made. The performance conditions will reflect market practice at the time the grant is made.

Generally, awards under the 2007 schemes will only be made in the six-week period commencing with any of the following: the dealing day following an announcement of the Company's results for any period; the day on which any change to relevant legislation, regulations or government directive affecting employees' share schemes is proposed or made; or the day on which a new employee first joins the Company or any of its qualifying subsidiaries.

The beneficial interests in share options of those Directors in office at 30 September 2018 are as follows (audited information):

Director	Class	Options at 30 September 2018 Number	Options at 30 September 2017 Number	Exercise price	Earliest exercise date	Latest exercise date
M J Everett	2007 PSP	6,113,793	6,113,793	8.45p	1 October 2017	1 October 2025
W Pearson	2007 DSOP Approved	320,000	320,000	16.2p	29 September 2020	29 September 2027
	2007 DSOP Non-approved	1,680,000	1,680,000	16.2p	29 September 2020	29 September 2027

Further details of the share option schemes under which options had been granted at 30 September 2018 are given in note 22.

The market price of the Company's ordinary shares on 30 September 2018 was 4.502p and the high and low prices during the year were 9.38p on 28 December 2017 and 4.50p on 28 September 2018. The share price on 31 January 2019 was 2.90p.

## DIRECTORS' EMOLUMENTS (AUDITED INFORMATION)

Details of the emoluments of Directors who served during the year are set out below.

	Salary and fees £000	Bonus £000	Social security costs £000	Taxable benefits £000	2018 Total (excl. pension) £000	2017 Total (excl. pension) £000	2018 Pension £000	2017 Pension £000
<b>Executive Director</b>								
P Brierley	264	-	37	12	313	264	28	27
C J Kelly	363	-	48	13	424	197	-	19
W Pearson	210	-	28	13	251	52	27	5
S P Comer	41	-	6	-	47	-	5	-
<b>Non-Executive Director</b>								
M J Everett	75	-	10	-	85	84	-	-
P B Hilling	34	-	3	-	37	46	-	-
J M Oatley	30	-	2	-	32	-	-	-
J D Brooke	35	-	-	-	35	35	-	-
	<b>1,052</b>	<b>-</b>	<b>134</b>	<b>38</b>	<b>1,224</b>	<b>678</b>	<b>60</b>	<b>51</b>

Executive remuneration is determined by the Remuneration Committee, details of which are set out in the Remuneration Committee Report on pages 19 to 21.

Pension contributions represent payments made to either defined contribution plans or personal pension arrangements. None of the Directors participate in the Group's defined benefit scheme.

Of the £363,000 reported under salary and fees for C J Kelly, £193,000 related to compensation for loss of office.

There were no shared based payments made during the year (2017: £nil).

## Report of the Directors (cont.)

### SUBSTANTIAL SHAREHOLDINGS

The Company has been notified that on 30 January 2019 the following shareholders had interests of 3% or more in the issued ordinary shares of the Company:

	Number	Percentage
LOIM	92,587,179	27.81%
Downing LLP	78,600,000	23.61%
Ruffer LLP	43,550,000	13.00%
Canaccord Genuity	26,672,580	8.01%

### FINANCIAL INSTRUMENTS

The Group's principal financial instruments are cash, an overdraft, revolving loan and term loan facility, trade receivables and trade payables. An analysis of the maturity of the Group's borrowings is given in note 17 and the maturity of financial instruments is given in notes 14 and 24.

The main sensitivities arising from the financial instruments are liquidity sensitivity, interest rate sensitivity, foreign exchange sensitivity, and credit risk sensitivity. The policies for managing these sensitivities and exposures are set out in note 24.

### EMPLOYMENT POLICIES

The Group places great importance on the involvement of its employees, the majority of whom are able to work closely with their managers on a daily basis. Certain key employees are encouraged to be involved in the Group's performance through the use of share options. Employees have frequent opportunities to meet and have discussions with management. The Group aims to keep employees regularly informed of the financial and economic factors affecting the performance of the Group and its objectives in part through quarterly staff briefings, the Group's Intranet and through the Group website.

The Group's policy is that, where it is reasonable and practicable within existing legislation, all employees, including disabled persons, are treated in the same way in matters relating to employment, training and career development.

### RESEARCH & DEVELOPMENT

The Group conducts research and development activities to the extent that management considers that it is required to maintain its competitive position in the markets in which it operates.

### POLITICAL DONATIONS

The Group made no political donations during the year (2017: nil).

### ANNUAL GENERAL MEETING

At the Annual General Meeting to be held on 6 March 2019 notice of which is set out within this Annual Report, three items of special business are to be considered:

- Resolution 8 is to grant authority to the Directors to issue shares up to a maximum nominal value of £11,096 which authority will terminate at the earlier of the subsequent Annual General Meeting

and 15 months from the date of this year's Annual General Meeting. This represents the renewal of the Directors' existing authority.

- Resolution 9 is to grant authority to the Directors to issue shares wholly for cash and on a non pre-emptive basis, otherwise than in connection with a rights issue, up to a maximum nominal amount of £1,664, which authority will terminate at the earlier of the subsequent Annual General Meeting and 15 months from the date of this year's Annual General Meeting. This represents the renewal of the Directors' existing authority.
- Resolution 10 is to grant authority to the Directors to make market purchases of Ordinary Shares up to a maximum number of 33,290,068 at minimum and maximum prices as set out in the Notice of Annual General Meeting. This authority will terminate at the earlier of the subsequent Annual General Meeting and 12 months from the passing of this resolution. This represents the renewal of the Directors' existing authority.

### DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of the Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### AUDITOR

Our auditor, KPMG LLP, has agreed to be put forward to be reappointed as auditor and a resolution concerning their appointment will be put to the members at the Annual General Meeting.

### APPROVAL

The Report of the Directors was approved by the Board on 31 January 2019 and signed on its behalf by:

**S P Comer**  
Secretary

# Corporate Governance Report

The Company remains committed to high standards of corporate governance for which the Board is accountable. This statement, together with the Remuneration Committee's Report and the Audit Committee's Report, describe how the Company has applied the key principles of the 2018 QCA Corporate Governance Code (the Code).

## THE BOARD

The Board is responsible for the long-term success of the Group.

At 30 September 2018 the Board was considered to comprise individuals with the necessary experience and strategic and operational skills required to drive the business forward, including a Non-Executive Chairman, two Executive Directors (the Chief Executive Officer and the Chief Financial Officer) and two other Non-Executive Directors, one of whom is considered to be independent. The Board meets at least eight times a year. Under the Company's articles of association, all Directors must offer themselves for re-election at least once every three years and at least one third of the Directors must offer themselves for re-election each year. The biographies of the Directors appear on page 11.

The roles of Chairman and Chief Executive Officer are held by separate Directors and there is a clear division of responsibilities between them. The Chairman leads the Board and ensures its effectiveness. He sets the Board agenda and ensures that all Directors make an effective contribution. The Chief Executive Officer has responsibility for all operational matters and the development and implementation of the Group's strategy as approved by the Board. The Non-Executive Directors have particular responsibility in ensuring that the strategies proposed by the Executive Directors are fully challenged.

The Executive Directors work full-time in the business and are contracted to make such contribution and time commitment as is required for the fulfilment of their duties. The Non-Executive Directors are required to prepare for and to attend Board meetings and meetings of such Board committees of which they are members. They are expected to commit sufficient time to enable them to fulfil their duties. Briefing papers are distributed by the Company Secretary to all Directors in advance of Board meetings. Where appropriate, Directors are able to take independent advice.

The Board composition is reviewed from time to time as appropriate. The Board considers that, collectively the Directors have the necessary mix of experience, skills, personal qualities and capabilities, with the appropriate balance of Executives and Non-Executives, to deliver the strategy of the Company for the benefit of its Shareholders over the medium to long-term. Recent Board changes (detailed on page 3) reflect the focus of the Group on high integrity manufacturing activities, with the related focus on operational improvement and longer-term growth being key considerations of the new appointments.

During the year the Board appointed Joe Oatley as Senior Independent Non-Executive Director. He is available to shareholders if they have concerns that have not been resolved through the normal channels through the Chairman or Chief Executive Officer.

The number of meetings held by the Board and the Board Committees during the year are set out below:

### Board and Committee Attendance

	Board meetings		Remuneration		Audit	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
M J Everett	8	8	1	1	2	2
W Pearson	8	8	-	-	2	2
S P Comer	2	2	-	-	-	-
J M Oatley	3	3	1	1	1	1
J D Brooke	8	7	1	1	2	2
P Brierley	4	4	-	-	1	1
C J Kelly	6	6	-	-	2	2
P B Hilling	6	6	-	-	2	2

## RISK MANAGEMENT & INTERNAL CONTROL

The identification, assessment and management of risk is embedded into the Board's procedures for setting, executing and delivering its strategy.

The Board has established a framework for the management of risk, including an Audit Committee, further details of which are set out on pages 17 to 18, which considers risk and internal control as a fundamental part of its responsibilities. The Board regularly considers risks highlighted as potentially impacting upon the Group's strategy and operations when making key decisions. Both internal and external risks are assessed, including those relating to the Group's supply chain.

The Board identifies risks through regular reviews of the Group's strategies and operations in the context of the markets in which it operates and by reviewing reports presented by the Executive Directors and other operational management. The Board obtains a detailed understanding of those risks identified and assesses its appetite and tolerance to each. Risks are managed within boundaries set by the Executive Directors in consultation with the Board and are reported on at Board meetings as appropriate. Internal controls are established to manage risks as appropriate.

The Board is responsible for the Group's systems of internal control for safeguarding shareholders' investment and the Group's assets. Such systems are designed to manage, rather than eliminate, the risks of failing to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The principle procedures are summarised as follows:

- Organisational structures established with clearly defined lines of responsibility, delegation of authority and reporting requirements to the Board.
- The management of the Group's operating companies are responsible for identifying risks facing each business and for putting in place procedures to mitigate and monitor risks.

## Corporate Governance Report (cont.)

- Regular discussions between subsidiary management and the Executive Directors, both of which sit on the Board of each operating company.
- A detailed annual budget is prepared for each operating company, and is reviewed and challenged by the Executive Directors before being formally adopted by the Board. The Board also formally adopts the Group's overall budget and plans.
- Monthly sales, profitability and cash are reported against budget and prior year and significant variances are investigated and explained.
- Daily cash monitoring and monthly cash forecasting and treasury reporting to the Group finance function and periodic reporting to the Board.
- Internal financial control is exercised within a clearly defined organisational structure which operates a system of financial management controls, including financial reporting procedures and levels of authority for commitment to contracts and expenditure.
- The Directors have considered their obligation, in relation to the assessment of the going concern of the Group and each statutory entity within it and review the current budget, cash forecasts and assumptions as well as performing sensitivity analysis and a review of the main risk factors facing the Group, (for further details go to Statement of Group Accounting Policies on page 27).

### AUDIT COMMITTEE

The Audit Committee currently comprises the Company's Non-Executive Directors: Martyn Everett (chair), Joe Oatley and Jamie Brooke. Full details of the Committee can be found in the Audit Committee Report on pages 17 to 18.

### REMUNERATION COMMITTEE

The Remuneration Committee currently comprises the Company's Non-Executive Directors: Joe Oatley (chair), Martyn Everett and Jamie Brooke. Full details of the Committee can be found in the Remuneration Committee Report on pages 19 to 21.

### NOMINATIONS COMMITTEE

The Nominations Committee currently comprises the Company's independent Non-Executive Directors: Martyn Everett (chair) and Joe Oatley.

The Committee is responsible for proposing candidates for appointment to the Board, having regard to the balance of skills, experience, independence and knowledge required for the Group. It also considers the benefits of diversity, including gender diversity, when making appointments. In appropriate cases, recruitment consultants are used to assist the process. All Directors are subject to re-election at least every three years.

# Audit Committee Report

The Audit Committee acts independently from the executive to ensure that the interests of shareholders are properly protected in relation to the Group's internal controls, financial reporting and external audit process.

## ANNUAL STATEMENT BY THE CHAIRMAN OF THE AUDIT COMMITTEE

On behalf of the Board I am pleased to present the Audit Committee Report for the period ending 30 September 2018.

Redhall plc is listed on AIM and therefore is not required to prepare a Audit Committee Report. The following narrative disclosures are prepared on a voluntary basis and are not subject to audit.

We have introduced this report to be more informative for the reader and we continue to be committed to providing meaningful disclosure of the Committee's activities. As chair of the Audit Committee, I am intent on ensuring that the Committee's agenda is kept under review and keeps abreast of relevant developments.

## THE ROLE OF THE AUDIT COMMITTEE

The Audit Committee has due regard to the interests of shareholders. Specifically, the Audit Committee has primary responsibility for:

- reviewing the Group's financial and other systems/controls and financial reporting procedures, and to assess whether key risks to the Group are appropriately mitigated;
- agreeing with the external auditor the audit plan and scope for each annual audit, to receive the auditors' report on their audit of the financial statements;
- reviewing and challenging the judgements of management in relation to the financial statements;
- reviewing the remuneration independence, objectivity and effectiveness of the external auditors including their term, and for making a recommendation on the appointment, reappointment and removal of the external auditor;
- reviewing the scope, remit and effectiveness of the Group's internal control and risk management systems;
- ensuring that the financial performance of the Group is properly measured and reported on;
- reviewing reports from the Group's auditors relating to the Group's accounting and internal controls;
- reviewing the half-year and annual financial statements and any announcements relating to financial performance, including reporting to the Board on the significant issues considered by the committee in relation to the financial statements and how these were addressed;
- reviewing the Group's procedures for whistleblowing, reporting fraud and other inappropriate behaviour and to receive reports relating thereto;
- reporting to the Board on how it has discharged its responsibilities.

## COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee currently comprises all of the Non-Executive Directors: Martyn Everett (chair), Joe Oatley and Jamie Brooke. Both Martyn Everett and Joe Oatley are considered independent Non-Executive Directors. All members contribute to the work of the Committee and have the skills and necessary degree of financial literacy. Biographies of the Directors can be found on page 11 and are regularly updated on the Company's website.

All members of the Committee have an independent mindset and seek clarification and a full explanation from management or the external auditor on any matter necessary.

## MEETINGS & BUSINESS

The Audit Committee meets formally twice a year and otherwise as required. During the year, meetings were held on 29 November 2017 and 6 June 2018 and were fully attended by committee members. Only members of the Audit Committee are entitled to attend a meeting. However, the Chief Executive Officer, Chief Financial Officer and External Audit Engagement Partner are also invited to attend each meeting. Management are required to attend from time to time on request.

Representatives from the audit partner are each afforded time with the Committee and the Company Secretary to raise freely any concerns they may have without management being present. The Committee is authorised to seek outside legal or other independent professional advice as it sees fit.

Items of business for the Committee in the current year included a review of the going concern position of the business, a review of the Annual Report and associated matters, and a review of the processes and controls in place for risk management and control.

## EXTERNAL AUDIT

The Committee has responsibility for making a recommendation on the appointment, reappointment and removal of the external auditor. The external auditor's appointment is reviewed periodically and the lead audit partner is rotated at least once every five years. KPMG LLP has been the Group's external auditor since May 2011 following an audit tender process.

The Committee reviews reports from KPMG LLP as part of the annual audit process. These cover the scope, approach, and results of the external audit and include the procedures adopted for safeguarding the firm's independence and objectivity. The Committee assesses the effectiveness of the audit through its interaction with the auditor (including the quality and content of its reports) and feedback from the business on the overall conduct of the audit.

The Committee considers in advance proposed non-audit services the external auditor can provide. Such services must be justified on the grounds of cost and related expertise and must not lead to potential conflicts of interest. Given the type of non-audit services provided, they are not considered by the Company to affect the objectivity and independence of the external auditor.

Fees for audit and non-audit services provided by KPMG LLP in the year are presented in Note 4 to the financial statements.

## Audit Committee Report (cont.)

The Audit Committee has recommended that KPMG LLP will be proposed for re-appointment as auditor by shareholders at the Annual General Meeting on 6 March 2019.

### RISK MANAGEMENT & INTERNAL CONTROL

The Audit Committee maintains an oversight role in relation to risk management and internal control systems. Key risks are identified and the work performed by the external auditor is reviewed and challenged by the Committee. The principal operating risks and uncertainties are set out on page 9.

The Committee considers whether there is a requirement for internal audit. At this point in time it is not considered that there is such a requirement given the size and composition of the Group.

### SIGNIFICANT ISSUE RELATED TO THE FINANCIAL STATEMENTS

The Committee reviews accounting papers prepared by management relating to significant financial reporting issues, together with reports from the external auditor prepared in conjunction with the interim and full year results, and assesses:

- the appropriateness of accounting policies and practices;
- the clarity of disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- how significant judgements have been applied and related discussions with the external auditor;
- whether the Annual Report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- any correspondence from regulators in relation to financial reporting.

In its review of the Annual Report the following significant judgments were considered by the Committee where there was potential risk of material misstatement:

#### ■ **Revenue recognition**

The Group is engaged in long-term contracts to design, manufacture and install specialist plant and equipment. The carrying value of the contract balance and revenue recognition is based on estimates of the contract value and costs to complete which are impacted by final account assessments and variations. The impact of future events can result in uncertainties which may result in revisions to the value of future income and costs throughout the remaining contract period. The Committee has reviewed the key judgements relating to revenue recognition in assessing these key judgements.

To ensure shareholders have the highest level of visibility the Board have decided in accordance with the early adoption provisions of IFRS 15 to implement the standard one year ahead of schedule. Under this adoption the impact was a reduction to opening reserves of £3.9 million.

#### ■ **Goodwill on Consolidation**

The assessment by the Company of the carrying value of £26.1 million is valuation based and is subjective due to the inherent uncertainty

involved in forecasting and discounting future cash flows to arrive at a recoverable amount.

The Committee reviewed the recoverability issues in light of the fact that the Group market capitalisation is less than the Company's net assets and determined based on the executive management's review of discounted cash flows that an impairment of goodwill of £2.5 million should be recorded as set out in Note 11.

Other areas of judgement reviewed by the Committee but where it was concluded that there was not a material risk of misstatement included;

#### ■ **The IAS 19 pensions position**

The Group has a defined benefit pension scheme with assets and liabilities amounting to £22.3 million and £23.1 million respectively. These amounts are sensitive to the main assumptions used to calculate the surplus or deficit on the scheme, in particular the discount rate. The Audit Committee seeks assurance that these assumptions are appropriate.

#### ■ **Going concern**

The Committee also supported the Board in its assessment of the adoption of the going concern basis of preparing the financial statements. As a result of that review the Committee and the Board were satisfied that the approach adopted was appropriate.

### WHISTLEBLOWING

The Group has a Whistleblowing Policy in place whereby anonymous submissions can be made to an HR representative and the Audit Committee.

#### **Martyn Everett**

Chairman of the Audit Committee  
31 January 2019

# Remuneration Committee Report

The Remuneration Committee acts independently from the executive to ensure that the interests of shareholders are properly protected in relation to the link between reward and value creation.

## ANNUAL STATEMENT BY THE CHAIRMAN OF THE REMUNERATION COMMITTEE

On behalf of the Board I am pleased to present the report of the Remuneration Committee for the year ended 30 September 2018.

This report sets out the remuneration paid to Directors during the year ended 30 September 2018, including bonus payments and long-term incentives and also includes information on how the Remuneration Committee intends to implement the Group's Remuneration Policy for the year ending 30 September 2019.

The Remuneration Committee seeks to align the interests of Executive Directors and shareholders by setting appropriate targets for both bonus and Long-Term Incentive Plan ("LTIP") awards. It also seeks to demonstrate a clear link between executive remuneration and the performance of the business as a whole.

There have been a number of changes in the composition of the Board during the year. Page 3 and this report discloses the remuneration structure for both the current Board and the remuneration paid to any director who left the Group during the year.

## GOVERNANCE

As at 30 September 2018 the Remuneration Committee comprised the three Non-Executive Directors: Joe Oatley (chair), Martyn Everett and Jamie Brooke. Both Martyn Everett and Joe Oatley are considered Independent Non-Executive Directors. Phillip Hilling stepped down as chair when he retired from the Redhall Group plc board on 30 June 2018.

The remit of the Remuneration Committee is to set the policy for and oversee the operation of the remuneration of the Executive Directors. The Committee also has oversight of the remuneration for key members of the senior executive team. The fees for the Non-Executive Directors are set by the Board with the relevant director recusing themselves where appropriate so that no director is involved in the determination of their own fees.

## PERFORMANCE & REWARD

The year ended 30 September 2018 has been a disappointing one in terms of the financial performance of the Group, partly driven by delays in key projects, but also because the progress on the operational transformation of the Group has not been as fast as expected. Consequently, there has been no payment to any Executive Director during the year with regard to the annual bonus scheme.

## REMUNERATION IN THE YEAR ENDED 30 SEPTEMBER 2018

Philip Brierley stepped down as Chief Executive on 31 March 2018 at which point Wayne Pearson was promoted from Chief Operating Officer to Chief Executive Officer. Wayne Pearson's salary on appointment as Chief Executive Officer was £210,000 per annum (Philip Brierley: £260,555 per annum). Chris Kelly stepped down as Group Finance Director on 29 June 2018 with Simon Comer

appointed as Chief Financial Officer on 2 July 2018. Simon Comer's salary on appointment as Chief Financial Officer was £165,000 per annum (Chris Kelly: £187,500 per annum).

### Annual bonus

No payments in relation to the Annual Bonus Scheme will be made to any Executive Director in respect of the year ended 30 September 2018.

### Long-term incentive plan

Options granted to Philip Brierley, Chris Kelly and Martyn Everett on 1 October 2015 fully vested on 1 October 2017 as a result of meeting the 30% compound annual share price growth target set under the 2007 Performance Share Plan. Wayne Pearson was granted options under the 2007 Discretionary Share Ownership Plan on 29 September 2017. These options will vest on 29 September 2020 provided that a performance target of a 20% compound annual share price growth target set under the 2007 Performance Share Plan.

### Pension

The Executive Directors receive a contribution of between 12% to 13% of salary to their personal pension plans or a payment in lieu of pension contributions. Payments in the year were as follows: Philip Brierley £27,689, Wayne Pearson £26,950 and Simon Comer £4,950.

### Other benefits

Each of the Executive Directors received a company car allowance of £1,000 per month plus private health care.

## REMUNERATION POLICY FOR EXECUTIVE DIRECTORS FOR THE YEAR ENDING 30 SEPTEMBER 2019

The Remuneration Committee is mindful that the remuneration of senior executives is the subject of much scrutiny and seeks to be open and transparent in reporting on the Group's remuneration structure. The overriding principles of the Remuneration Policy are to attract, retain and motivate high quality individuals to promote the company's long-term success and to align the interests of senior executives and shareholders. Although, the Remuneration Policy is not subject to shareholder approval, this report aims to provide a clear description of the Company's Remuneration Policy so that shareholders have a clear picture of the key elements of the remuneration structure for each director.

## Remuneration Committee Report (cont.)

### Senior Executive Remuneration Policy 2019

Element	Operation	Performance metrics
<p><b>Base Salary</b></p> <p>To recognise the individual's skills and experience and provide a competitive base reward to attract and retain Executive Directors.</p>	<p>Base salary is set on recruitment or promotion into the role. Base salaries are reviewed annually taking into account a number of factors including the performance of the Company, salary levels for similar roles at comparator companies and salary changes across a wider employee population. Salary changes are normally made on 30 September.</p>	None
<p><b>Annual cash bonus</b></p> <p>To provide an incentive to drive the Executive Directors to deliver stretched performance.</p>	<p>The Company aims to provide annual bonus levels that are competitive against similar roles at comparator companies whilst maintaining a balance between reward for shareholders and reward for executives. The bonus arrangements for the Chief Executive Officer will be determined when a permanent Chief Executive Officer is in position. For the Chief Financial Officer the maximum annual bonus for FY19 will be 60% of salary. Bonuses will be subject to clawback in the event of a material misstatement of results.</p>	<p>Performance measures and weightings are set by the Remuneration Committee at the start of the bonus period based on a number of KPIs including profit and cash generation. At the end of each bonus period, the Remuneration Committee determines the extent to which targets have been achieved. The Remuneration Committee has the discretion to adjust bonus outcomes to ensure that payments accurately reflect business performance over the performance period.</p>
<p><b>Long-term incentives</b></p>	<p>The Company believes that share-based long-term incentives are an important part of remuneration and provide a strong link between the interests of shareholders and executives. The Remuneration Committee is in the process of determining a new LTIP scheme which is intended to be implemented for FY19.</p>	<p>The performance metrics for the new LTIP scheme will be determined when the scheme is finalised.</p>
<p><b>Pension</b></p>	<p>The pension arrangements for the Chief Executive Officer will be determined when a permanent Chief Executive Officer is in position. The Chief Financial Officer receives a pension contribution of 12% of base salary.</p>	None
<p><b>Other benefits</b></p>	<p>The benefit arrangements for the Chief Executive Officer will be determined when a permanent Chief Executive Officer is in position. The Chief Financial Officer receives a £1,000 per month car allowance plus private health care.</p>	None

### Remuneration Policy for the Chairman and Non-Executive Directors

The Board determines the Remuneration Policy and level of fees for the Non-Executive Directors, including the Non-Executive Chairman, based on a fair level of remuneration for the role taken by the relevant Director and relevant market data. No individual is allowed to participate in the discussions relating to their own remuneration. Except in exceptional circumstances, the Chairman and Non-Executive Directors will receive only fees for their services. Current and prior year fees paid to the Non-Executive Chairman and Non-Executive Directors can be found in the Report of the Directors on page 13.

### Remuneration Policy for the other Group employees

Group employees are paid salaries which are based on market rates for the roles performed. Other remuneration and benefits depend upon the level of seniority and contribution to the achievement of the Group's strategy.

Generally, a lower level of bonus (where applicable) applies to employees below executive Board level. Benefits include the provision of pension contributions (which may be enhanced by matching of additional employee contributions), life insurance and

health insurance. Company car or equivalent benefits are provided where this is required for the role or to meet market norms. Certain senior employees may be entitled to participate in the Group's long-term incentive arrangements.

### EXIT PAYMENT POLICY

It is the Company's policy that executive service contracts should not normally contain notice periods of more than 12 months.

There are no provisions within the contracts of employment to provide payments in excess of payment in lieu of notice upon termination by the Company and no predetermined compensation package exists in the event of termination of employment. Annual bonuses may be payable with respect to the period of the financial year served by the departing executive. Any share-based entitlements granted to an Executive Director will be determined based on the relevant plan rules.

### INDEPENDENT ADVICE

In undertaking its responsibilities, the Remuneration Committee seeks independent advice as necessary. Such advice was taken with regard to discussions with Philip Brierley and Chris Kelly.

## 2017/18 DIRECTORS' REMUNERATION

Details of the emoluments of Directors who served during the year can be found in the Report of the Directors on page 13.

## PAYMENTS FOR LOSS OF OFFICE

Philip Brierley and Chris Kelly entered into settlement agreements with the company during the year. Philip Brierley agreed to work his notice period providing support on projects being undertaken. He ceased being a director on 31 March 2018 and left the Group on 31 December 2018. Chris Kelly ceased being a director on 29 June 2018 and was paid £193,000 by way of compensation for loss of office. He continued to receive private medical insurance until 31 December 2018. Neither Director received a bonus for the year ended 30 September 2018.

## HISTORIC TSR PERFORMANCE

### Six-year Redhall TSR/FTSE AIM Index comparison



## DIRECTORS' INTERESTS

Details of the Directors' interests can be found in the Report of the Directors on page 12.

### Joe Oatley

Chairman of the Remuneration Committee

31 January 2019

# Corporate & Social Responsibility

## HEALTH, SAFETY AND ENVIRONMENT

Health and safety in Redhall remains of paramount importance. The protection of both our employees and those who may be affected by our business remains our principal priority. The Redhall Group subsidiaries have accredited management systems to control health and safety risks to OHSAS 18001. As part of our health and safety systems, each business prepares annual health and safety improvement plans, objectives and targets which drive us in striving for continual improvement. The current focus remains reviewing and improving compliance with safety management systems and development of behavioural safety.

The health, safety, environmental and quality performance of the Group is reviewed on a monthly basis both at subsidiary and Group level.

Group health, safety and environmental forums are chaired by our Group Health, Safety and Environmental Manager. These forums focus on reviewing performance, issues pertinent to business operations and the sharing of best practice to support continual improvement. Through our systems and monitoring of performance we expect to not only achieve legal compliance but take our performance to best practice levels.

During the year, our main subsidiaries obtained a minimum of the Gold Award for Health and Safety from The Royal Society for the Prevention of Accidents (RoSPA). These awards, which receive entries from organisations around the world, recognise achievements in health and safety management systems, including practices such as leadership and workforce involvement.

## OUR PEOPLE

Our people are our business. We believe that the quality of our people, not only contributes to, but drives the success of our business. They are the key drivers of profitability and growth within our business and we believe that if they are well motivated, we will be successful in retaining a high-quality workforce and they will continue to deliver the service that our clients expect and deserve.

We continue to be committed to the development of our people at all levels, ensuring that all our employees have the requisite skills and best practice knowledge to deliver actions that will drive organisational performance in keeping with our clients' expectations and demands.

We continue to invest in ongoing training and development by integrating the people dimension into business strategies, aligning our businesses to ensure the growth of the Group, increasing the effectiveness of delivery and enhancing our employees' skills, abilities and aspirations. This will lead to greater talent pools, providing clarity of career paths and more effective succession planning.

## DIVERSITY

Our culture is that of being truly committed to ensuring, supported by our internal policies, that we do not discriminate against our employees either directly or indirectly on grounds of race, colour, ethnic or national origin, religion or belief, sex, sexual orientation, marital status, disability, age or trade union membership and activity, and we will work hard to support and accommodate our employees and their reasonable needs throughout their employment with us.

## LOCAL COMMUNITIES

We operate throughout the UK and selectively overseas but always have due regard for our local communities on which our businesses are founded. We are often an important local employer and make a valuable contribution to the local economy. Our businesses are proactive in engaging with the local communities.

## CUSTOMERS

The Group's philosophy is to provide services of the highest quality to long-term blue-chip clients. We play an active role with clients in providing solutions and cost benefits that are of mutual benefit to the Group and our clients. We regularly request client feedback and conduct formal and informal feedback sessions with our customer base to ensure we improve our service levels. Our record of years of service with clients such as AWE, Sellafield and Mondelez evidence our focus on this area.

## ENVIRONMENT

Redhall Group is committed to ensuring our environmental impacts are managed. As a Group, we operate in technically challenging environments such as nuclear, oil and gas, and food where environmental performance is critical. Each subsidiary is aware of the legal requirements for environmental management and has accredited systems in place to control our environmental aspects and impacts certified to BS EN ISO 14001.

We continue to review our performance as environmental considerations increasingly form part of good business practice and are instrumental in securing work. Continual improvement is integrated into the annual health, safety and environmental improvement plans, objectives and targets prepared by each subsidiary.

# Independent Auditor's Report to the Members of Redhall Group plc

## 1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Redhall Group plc ("the Company") for the year ended 30 September 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive income, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow statement, Company Balance Sheet, Company Statement of changes in equity, and the related notes, including the accounting policies in the accompanying note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## 2. KEY AUDIT MATTERS: INCLUDING OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, were as follows:

### **The impact of uncertainties due to Britain exiting the European Union on our audit**

Refer to page 9 (principal risks), page 17 (Audit Committee Report), page 27 (accounting policy) and page 38 (financial disclosures).

#### **The risk**

#### **Unprecedented levels of uncertainty**

All audits assess and challenge the reasonableness of estimates, in particular as described in recognition of revenue and profit and

carrying value of contract assets and recoverability of group goodwill and of parent's investment in subsidiaries, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

#### **Our response**

We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

- Our Brexit knowledge – We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.
- Sensitivity analysis – When addressing recoverability of group goodwill and of parent's investment in subsidiaries and other areas that depend on forecasts, we compared the directors' sensitivity analysis to our assessment of the worst reasonably possible, known adverse scenario resulting from Brexit uncertainty and, where forecasts cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.
- Assessing transparency – As well as assessing individual disclosures as part of our procedures on recognition of revenue and profit and carrying value of contract balances, Recoverability of group goodwill and of parent's investment in subsidiaries

We considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

#### **Going Concern**

#### **Disclosure quality**

The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent company.

That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.

The risks most likely to adversely affect the Group's and Company's available financial resources over this period were:

- Uncertainty in relation to the timing of award, commencement and performance on key new contracts during the forecast period, as well as uncertainty regarding the continuing performance of key ongoing contracts

## Independent Auditor's Report to the Members of Redhall Group plc (cont.)

There are also less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.

### **Our procedures included:**

Funding assessment:

- Assessing current level of finance facilities to bridge short-term cash requirements, and ability of the Group to repay shareholder loans when due in October 2019. Assessing the Group's ability to comply with loan covenants.
- Obtaining external confirmation of timing and quantum of additional shareholder and external funding in the subsequent 12 months from the date of approval.

Historical comparisons:

- Assessing the directors' track record of forecasts vs actual cash flows achieved in the year and for the previous period, including assessment of order pipeline FY19 forecast vs actual achieved in FY19.

Sensitivity analysis:

- Considering sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively;
- Challenging the directors' sensitised cash flow forecast with specific assessment of forecast funding levels required for repayment of short-term shareholder loan facilities and to facilitate business-as-usual operations. Evaluating compliance with covenants for reasonable possible changes in forecasts'.

Evaluating directors' intent:

- Evaluating the achievability of the actions the Directors consider they would take to improve the position should the risks materialise;

Assessing Transparency:

- Assessing the completeness and accuracy of the matters covered in the going concern disclosure by assessing the reasonableness of risks and uncertainties specified by the disclosure against our findings from our evaluation of management's assessment of going concern.

**Recognition of revenue and profit and carrying value of contract assets (£10.9m of contract assets, 2017: £9.2m) £37.8m of revenue (2017: £38.9m)**

Refer to page 29 (accounting policy) and pages 38 and 39 (financial disclosures)

Risk v 2017 ◀▶

### **The risk**

#### **Subjective estimate**

The Group's operating activities are primarily long-term contracts to design, manufacture, and install specialist plant and equipment. Revenue and profit recognised, as well as carrying amount of contract assets are based on estimates of progress towards complete satisfaction performance obligations and estimates of value of contract variations.

Changes in these estimates could give rise to material variances.

### **Our response**

#### **Our procedures included:**

Test of detail: Identifying a sample of contracts for testing, taking into consideration risk indicators including: low margin or loss-making contracts, high values of variations and large carrying value of contract assets, amongst others. For these contracts, we discussed with project managers and executive directors the key assumptions made, namely costs to complete and value of variations, made in arriving at the percentage of completion. We agreed the cash received post period end where possible.

Sector experience: We challenged the significant assumptions based on our understanding of the contracts, the business, and our sector experience.

Test of detail: Assessing changes in estimated costs to complete against approved customer variation forms. Evaluating contract percentage completion against sign off by the quantity surveyor, where available.

Test of detail: Assessing the forecasted cost to complete and estimates of the costs of variations and claims in the sample identified by considering costs incurred and values of variations agreed post year-end.

Test of detail: Inspecting a sample of signed contracts with customers to identify key terms and conditions, including the contract period, contract sum, and the scope of work and evaluating whether these key terms and conditions had been appropriately reflected in the forecasted costs to complete.

Historical comparisons: Assessing the forecasting accuracy of contract margins by evaluating gross profit/(loss) recognised over the contract life to completion for a sample of contracts and gaining an understanding of the reasons for any significant variation in contract margins across the contract period against forecast.

Assessing transparency: Assessing the adequacy of the Group's disclosures on revenue recognition and the degree of estimation involved in arriving at the associated revenue and profit and the total contract asset.

### **Recoverability of group goodwill and of parent's investment in subsidiaries**

**Goodwill (£15.8m, 2017: £18.3m), Parent's investment in subsidiaries (£21.2m, 2017: £28.3m)**

Refer to pages 31 and 69 (accounting policy) and pages 47 and 74 (financial disclosures)

Risk v 2017 ▲

### **The Risk**

#### **Forecast-based valuation**

Goodwill in the Group and the carrying amount of the parent company's investments in subsidiaries are significant and at risk of irrecoverability due to uncertainty in relation to the timing of award, commencement and performance on key new contracts during the forecast period, as well as uncertainty regarding the continuing performance of key ongoing contracts. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

#### **Our procedures included:**

Comparing Valuations: Comparing the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cashflows.

Sensitivity analysis: Assessing and sensitising directors' future cash flow forecasts for changes in forecast growth, discount rates, and terminal value.

Benchmarking assumptions: Comparing the Group's assumptions, namely discount rates, to external data.

Our sector experience: Evaluating assumptions used, in particular those relating to discount rates and growth rates, against our sector experience.

Historical comparisons: Assessing the directors' track record of forecasts vs actual cash flows achieved in the year and for the previous period, including assessment of order pipeline forecast vs actual achieved in the year.

Assessing transparency: Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

Tests of detail: Comparing the carrying amount of the investments in subsidiaries with the respective net asset values to identify whether the net asset values of the subsidiaries were in excess of their carrying amount.

Tests of detail: Where the carrying amount of the investment exceeded the net asset value, further evaluation of the forecasts specific to that entity was performed (including the assessment of the future order book, and discount rates) to assess if an impairment was required.

### **3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT**

Materiality for the Group financial statements as a whole was set at £280,000 (2017: £350,000), determined with reference to a benchmark of total Revenue of which it represents 0.75% (2017: 0.9%). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

Materiality for the parent company financial statements as a whole was set at £209,000 (2017: £263,000), determined with reference to

a benchmark of company total assets, of which it represents 0.4% (2017: 0.4%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £13,000 (2017: £17,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 8 (2017: 8) reporting components, we subjected 8 (2017: 8) to full scope audits for group purposes. The Group team approved the component materialities, which ranged from £221,000 to £7,000 (2017: £217,000 to £27,000), having regard to the mix of size and risk profile of the Group across the components and the audits covered 100% (2017: 100%) of total Group revenue, Group profit before taxation and total Group assets.

The work on 8 of the 8 components (2017: 8 of the 8 components) including the audit of the parent company, was performed by the Group team.

### **4. WE HAVE NOTHING TO REPORT ON GOING CONCERN**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects.

### **5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT**

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated overleaf, any form of assurance conclusion thereon.

## Independent Auditor's Report to the Members of Redhall Group plc (cont.)

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### **Strategic report and directors' report**

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **7. RESPECTIVE RESPONSIBILITIES**

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 12, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with

ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Johnathan Pass (Senior Statutory Auditor)**

for and on behalf of KPMG LLP

Statutory Auditor

*Chartered Accountants*

1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA

31 January 2019

# Statement of Group Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

## BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and are effective at 30 September 2018.

In the current year the Group adopted IFRS 15 Revenue from Contract with Customers which had a material impact in the year.

The consolidated financial statements have been prepared under the historical cost convention except that they have been modified to include the revaluation of certain non-current assets. The measurement bases and principal accounting policies of the Group are set out below.

## GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis. The Directors have taken note of the guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is the appropriate basis of preparation of the financial statements and have considered a number of factors. The Group's business activities and markets in which it operates are set out in the Strategic Report and illustrate the diversity of our operations and the strength of our client base.

As at 30 September 2018, the Group had overdraft and revolving credit facilities of £5.5 million (£2.0 million and £3.5 million respectively) and an accordion facility of £2.5 million with HSBC of which £0.1 million of the overdraft and £3.5 million of the revolving credit facility were drawn, these facilities are due to expire in July 2021. The Group had a term loan in place with Lombard Odier of £1.7 million due to expire in July 2021.

On 7 November 2018 a temporary uplift of £1.2 million was granted by HSBC extending through to 31 January 2019.

On 24 January 2019 the Group raised additional short-term loans of £2.0 million (£1.0 million from Lombard Odier and £1.0 million from Downing LLP) which are due to expire in October 2019. These loans are non-interest bearing, but bear a repayment premium of 12.5%. This additional financing has been raised by the Group to fund unusually high, short-term working capital balances, which are being driven principally by two of the Company's major contracts, this is over and above the existing Lombard Odier loan and existing bank facilities, of which the HSBC revolving credit facility and the Lombard Odier loan were fully drawn with £0.8 million of the overdraft drawn as at the date that the additional short shareholder loans were raised on 24 January 2019.

The Directors have considered their obligation, in relation to the assessment of the going concern of the Group and each statutory entity within it and have reviewed the current budget, cash forecasts

and assumptions as well as performing sensitivity analysis and a review of the main risk factors facing the Group. Whilst the Directors acknowledge that uncertainty exists in relation to the timing of award, commencement and performance on key new contracts during the forecast period, as well as a certain level of uncertainty regarding the continuing performance of key ongoing contracts, based on their review of current budget cash flows and assumptions and based on sensible downside sensitivity scenarios, the Directors do not believe that these uncertainties are material.

Accordingly, the Directors reasonably believe that the cash availability and the business' ability to operate within existing loan facilities and to comply with associated covenants is sufficient to fund its activities for not less than 12 months from the date of approval of these financial statements. These financial statements have therefore been prepared on a going concern basis.

## CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

The preparation of financial statements in accordance with generally accepted accounting principles under IFRS requires the Group to make estimates, judgements and assumptions that may affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the financial statements.

On an ongoing basis estimates are evaluated using historical experience, consultation with experts and other methods that are considered reasonable in the particular circumstances to comply with IFRS. Actual results may differ from these estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

An analysis of the key judgements and sources of estimation uncertainty is provided in the following paragraphs:

### ***Revenue and profit recognition on fixed price contracts (considered both a key judgement and estimate)***

A significant proportion of the Group's activities are undertaken via long-term contracts. The accounting policy for these contracts is set out later and is in accordance with IFRS 15 which requires estimates to be made for contract costs and revenues. The group adopted IFRS 15 from 1 October 2017 with the impact reflected in note 26.

Recognition of revenue and profit is based on judgements made in respect of the ultimate profitability of a contract. Such judgements are arrived at through the use of estimates in relation to the costs and value of work performed to date and to be performed in bringing contracts to completion. These estimates are made by reference to changes in work scope, the contractual terms under which the work is being performed, including the recoverability of any unagreed income from variations and the likely outcome of discussions on claims, costs incurred and the external certification of the work performed.

## Statement of Group Accounting Policies (cont.)

Management continually reviews the estimated final out-turn on contracts and makes adjustments where necessary. Based on the above, management believes that it is reasonably possible that outcomes within the next financial year that are different from these assumptions could require a material adjustment.

The Group has appropriate control procedures over the determination of the above variables to ensure that profit taken as at the balance sheet date and the extent of future costs to contract completion are reasonably and consistently determined and subject to review and authorisation.

Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. Furthermore, in many cases, the obligations under such contracts span more than one reporting period.

Management bases its judgements of costs and revenues and its assessment of the outcome of each long-term contract on the latest available information which includes detailed contract valuations and contract forecasts. The estimates of the contract position and the profit earned to date, or forecast loss, are updated regularly and significant changes are highlighted through established internal review procedures. The impact of any changes in accounting estimates is then reflected in the ongoing results.

### **Goodwill impairment testing (considered both a key judgement and estimate)**

Capitalised goodwill arises on the acquisition of businesses in which the total purchase consideration exceeds the fair value of net assets acquired including identified intangible assets. Such goodwill is tested annually for impairment by comparing the carrying value of goodwill with the recoverable amount which is determined by an estimation of the value in use of the related cash generating unit to which the goodwill is attributed. The calculation of the value in use requires estimates to be made of the future cash flows of the cash generating unit and the timescale over which they arise. Estimated growth rates and discount factors are also used in the calculation to estimate the net present value of the cash flows. A summary of the key assumptions made and results of the sensitivity analysis is included in note 11. Should the carrying value of the goodwill exceed its recoverable amount an impairment loss is recognised. The recoverable amounts are calculated based on an internal discounted cash flow evaluation.

## PENSIONS

The value of defined benefit pension plan liabilities and assessment of pension plan costs are determined by long-term actuarial assumptions. These assumptions include discount rates (which are based on the long-term yield of high-quality corporate bonds), inflation rates and mortality rates. Differences arising from actual experience or future changes in assumptions will be reflected in the Group's consolidated statement of comprehensive income. The Group exercises its judgement in determining the assumptions to be adopted, after discussion with a qualified actuary.

Defined benefit pension plan assets are measured at fair value. Where these assets cannot be valued directly from quoted market prices, the Group applies judgement in selecting an appropriate valuation method. The assumptions used in valuing unquoted investments are affected by current market conditions and trends, which could result in changes to the fair value after the measurement date.

## NEW STANDARDS, AMENDMENTS TO STANDARDS OR INTERPRETATIONS

### **Standards in effect in 2018**

In the current year the Group adopted IFRS 15 Revenue from Contract with Customers with the impact shown in Note 26.

### **IFRS in issue but not applied in the current financial statements**

The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Company in preparing these financial statements as they are not as yet effective. The Company intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- IFRS 9 Financial Instruments (effective date 1 October 2018).
- IFRS 16 Leases (effective date 1 October 2019).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date 1 January 2018).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date 1 January 2018).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date 1 January 2019).
- Annual Improvements to IFRS Standards 2014-2016 Cycle (effective date 1 January 2018).

It is expected that IFRS 9 will impact both the measurement and disclosure of financial instruments. IFRS 16 will impact the classification of operating leases. Beyond this, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 16 until a detailed review has been completed which is expected to be completed during the first half of 2019.

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Company's activities and which have not therefore been adopted in preparing these financial statements.

## BASIS OF CONSOLIDATION

The Group consolidated financial statements consolidate those of the Parent Company and all of its subsidiary undertakings drawn up to the period end. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from involvement with that entity and can affect those returns through its power to direct the activities of the entity.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of purchase consideration over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. In accordance with IFRS 3 (Revised) Business Combinations, the associated costs of an acquisition incurred since adoption of the standard on 1 October 2009 are expensed in the period in which they are incurred.

## **BUSINESS COMBINATIONS COMPLETED PRIOR TO THE DATE OF TRANSITION TO IFRS**

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to the date of transition being 1 October 2006.

Accordingly the classification of the combination (acquisition) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at the date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax is adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

## **GOODWILL**

Goodwill, representing the excess of the cost of each acquisition over the fair value of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Any excess of identifiable net assets over the cost of acquisition is recognised immediately after acquisition in the income statement.

Goodwill written off to reserves prior to the date of transition to IFRS remains in reserves. There is no reinstatement of goodwill that was amortised prior to the transition to IFRS. Goodwill previously written off to reserves is not written back to the income statement on subsequent disposal.

## **REVENUE**

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services

provided, excluding trade discounts and VAT. Revenue is recognised when control of goods or services is transferred to customer.

The Group has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of accounting policies under IAS 18 and IAS 11 are disclosed separately if they are different from those under IFRS 15 and the impact of changes is disclosed in Note 26.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from the sale of goods was recognised when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably.

Revenue from contracts is recognised in accordance with the Group's accounting policy on contracts.

## **CONTRACTS**

When the outcome of individual contracts can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion at the reporting date. Costs are recognised as incurred and revenue is recognised on the basis of the proportion of total costs at the reporting date to the estimated total costs of the contract. Estimates of the final out-turn on each contract may include cost contingencies to take account of the specific risks within each contract that have been identified during the early stages of the contract.

The cost contingencies are reviewed on a regular basis throughout the contract life and are adjusted where appropriate. However, the nature of the risks on contracts are such that they often cannot be resolved until the end of the project and therefore may not reverse until the end of the project. Management continually review the estimated final out-turn on contracts, and in certain limited cases, assess recoveries from insurers, and make adjustments where necessary. No margin is recognised until the outcome of the contract can be estimated with reasonable certainty.

Provision is made for all known or expected losses on individual contracts once such losses are foreseen. Revenue in respect of variations to contracts is recognised when it is probable it will be agreed by the customer. Revenue in respect of claims is recognised only if it is highly probable not to reverse in future periods. Profit for the year includes the benefit of claims settled in the year on contracts completed in previous years.

Pre-contract costs are generally expensed as incurred. However, when it is probable that a contract will be obtained which is expected to generate future net cash inflows then identifiable and measurable pre-contract costs will be included in the cost of that contract. It is considered probable that a contract will be obtained when preferred bidder status is awarded. Previously expensed pre-contract costs are not reinstated if a contract is subsequently awarded.

## Statement of Group Accounting Policies (cont.)

### EXCEPTIONAL ITEMS

Exceptional items are those significant items which are separately disclosed by virtue of their size, incidence or nature to enable a full understanding of the Group's financial performance.

### INTEREST

Interest receivable or payable is credited or charged to the income statement using the effective interest method.

### INTANGIBLE ASSETS

#### **Research and development**

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Development costs incurred are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale
- the Group intends to complete the intangible asset and use or sell it
- the Group has the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include costs of materials and employee costs incurred on product development along with an appropriate portion of relevant overheads.

Careful judgement by the Directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new products are continuously monitored by the Directors. Amortisation commences upon completion of the asset, and is included in administrative expenses. Amortisation

is provided at rates calculated to write off the cost of each intangible asset over its expected useful life with a range of 5 to 8 years.

#### **Assets acquired as part of a business combination**

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group comprising its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group.

Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the Group are not reliably measurable. Where the individual fair value of the complementary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives.

Amortisation commences when the intangible asset is first available for use and is provided at rates calculated to write off the cost of each intangible asset over its expected useful life. Amortisation charges are included in administrative expenses.

### PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment is stated at cost or valuation, net of depreciation and any provision for impairment. No depreciation is charged during the period of construction. Leasehold property is included in property, plant and equipment only where it is held under a finance lease.

#### **Disposal of assets**

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement. The gain or loss arising from the sale or revaluation of held for sale assets is included in "other income" or "other expense" in the income statement. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

#### **Assets carried at valuation**

The only classes of asset that are carried at valuation are freehold and long leasehold property. Revaluation is to fair value. Fair value is determined in appraisals by external professional valuers periodically. Any revaluation surplus is credited to the revaluation reserve in equity, unless the carrying amount has previously suffered a revaluation decrease or impairment loss. To the extent that any decrease has previously been recognised in the income statement, a revaluation increase is recognised in the income statement, with the remaining part of the increase credited to equity. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in the income statement.

## Depreciation

Depreciation is calculated to write down the cost or valuation less estimated residual value of all property, plant and equipment other than freehold land by equal annual instalments over their estimated useful economic lives. The rates or periods generally applicable are:

Freehold properties	2%
Leasehold properties	Period of lease
Machinery, equipment and vehicles:	
Plant, machinery and equipment	10% to 33.3%
Furniture, fixtures and fittings	10% to 20%
Computers and electronic equipment	10% to 33.3%
Motor vehicles	25%

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

## IMPAIRMENT TESTING OF GOODWILL, OTHER INTANGIBLE ASSETS & PROPERTY, PLANT & EQUIPMENT

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to the operating segment that is expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets or cash-generating units carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

## NON-CURRENT ASSETS & LIABILITIES CLASSIFIED AS HELD FOR SALE

Assets and liabilities held for sale comprise assets and liabilities that are available for sale in their present condition; that the Group intends and expects to sell within one year from the date of classification as held for sale; and for which it is unlikely that

significant changes will be made to the plan to sell. Disposal groups comprising assets and liabilities classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. Assets classified as held for sale are not subject to depreciation or amortisation.

## LEASED ASSETS

Finance leases which transfer substantially all the risks and rewards related to the ownership of the leased asset to the Group are capitalised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the Group. A corresponding amount is recognised as a finance leasing liability. Leases of land and buildings are split into land and buildings elements according to the relative fair values of the leasehold interests at the date of entering into the lease agreement.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

## INVENTORIES

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is calculated using the first in first out method. Provision is made for obsolescence or other losses where necessary.

## TAXATION

Tax comprises current tax which is the tax currently payable based on taxable profit for the period; and deferred tax which is provided on temporary differences between the carrying amount of assets and liabilities in the financial statements and the amounts used for taxation purposes.

Deferred taxes are calculated using the liability method on temporary differences. Deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Tax losses available to be carried forward as well as other tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income.

Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

## Statement of Group Accounting Policies (cont.)

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items of other comprehensive income in which case they are taken to the Consolidated Statement of Comprehensive Income; or transactions with owners in which case the related deferred tax is charged or credited directly to equity.

### FINANCIAL INSTRUMENTS

Financial instruments are classified into different categories by management on initial recognition. Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group and their accounting treatment are as follows:

Trade receivables are measured initially at fair value and subsequently measured at amortised cost using the effective interest rate. Irrecoverable amounts are charged to the income statement when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables.

The quantum of the irrecoverable amount is determined as the difference between the assets carrying amount and the present value of estimated cash flows.

Cash and cash equivalents comprise cash in hand, on demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Interest bearing bank loans and overdrafts are initially carried at fair value, being the amounts received after deduction of issue costs, and thereafter at amortised cost under the effective interest method.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on the effective interest rate method in the income statement and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables are measured initially at fair value and subsequently measured at amortised cost using the effective interest rate.

A financial asset is derecognised only where the contractual rights to cash flows from the asset expire, or the financial asset is transferred and that transfer qualifies for derecognition. A transfer qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains or transfers substantially all of the risks and rewards of ownership but does transfer control of that asset.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

### FINANCIAL INSTRUMENTS - HEDGING ACTIVITIES

Derivative financial instruments are used by the Group mainly for the management of its foreign currency exposure.

The Group enters into forward foreign exchange instruments as required on a contract-by-contract basis to reduce its exposure to movements in the future value of foreign currency receipts and payments. Hedge accounting is not applied and movements in the fair value of such derivative instruments, when material, are recognised within the income statement.

### DIVIDENDS

Dividends are recorded in the Group's consolidated financial statements in the period in which they are approved by the Company's shareholders.

### EQUITY

Equity comprises the following:

- "Share capital" representing the nominal value of equity shares.
- "Share premium" representing the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Merger reserve" representing the excess over nominal value of the fair value of consideration received for equity shares allotted in connection with the acquisition of subsidiary undertakings, net of expenses of the share allotment.
- "Revaluation reserve" representing gains and losses due to the revaluation of property.
- "Other reserve" representing equity-settled share-based employee remuneration until such share options are exercised and paid up amounts on certain share options.
- "Retained earnings" representing retained profits.

### FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise.

### EMPLOYEE BENEFITS

#### **Defined contribution pension schemes**

The Group operates a small number of defined contribution pension schemes. In addition, a number of the Group's subsidiary companies have now auto enrolled staff into pension arrangements in accordance with legal requirements. Contributions to these schemes are charged to the income statement as incurred.

#### **Defined benefit pension scheme**

The Group operates one defined benefit pension scheme, the Booth Industries Group PLC Staff Pension and Life Assurance

Scheme, which was closed to new entrants in 1997 and to future accrual in June 2016.

The Scheme's assets are measured at fair values. The Scheme's liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that benefits are already vested the Group recognises past service cost immediately.

Actuarial gains and losses are recognised immediately through the consolidated statement of comprehensive income. The net surplus or deficit is presented with other net assets on the balance sheet. The related deferred tax is shown with other deferred tax balances. A surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost, past service cost and costs from settlements and curtailments are charged against administrative expenses. The Group determines the net interest expense (income) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any material changes in the net defined benefit liability (as set) during the period as a result of contributions and benefit payments.

## SHARE-BASED PAYMENT

### ***Equity settled share-based payment***

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 October 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "other reserve".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Provision is made for employer National Insurance contributions on options granted under unapproved share option schemes over the period from the date of grant to the first date upon which the option could be exercised.

## DISCONTINUED OPERATION

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations: or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

## Consolidated Income Statement

	Note	Year to 30 September 2018			Year to 30 September 2017		
		Before exceptional items £000	Exceptional items (Note 2) £000	Total £000	Before exceptional items £000	Exceptional items (Note 2) £000	Total £000
<b>Revenue</b>	1	37,761	-	37,761	38,905	-	38,905
Cost of sales		(29,956)	-	(29,956)	(29,066)	(243)	(29,309)
Gross profit		7,805	-	7,805	9,839	(243)	9,596
Administrative expenses		(7,721)	(1,379)	(9,100)	(9,083)	(841)	(9,924)
Other expenses		-	(2,473)	(2,473)	-	-	-
<b>Operating profit/(loss)</b>	1	84	(3,852)	(3,768)	756	(1,084)	(328)
Continuing businesses		2,432	(1,379)	1,053	3,632	(1,084)	2,548
Central costs		(2,273)	-	(2,273)	(2,202)	-	(2,202)
<b>Adjusted operating profit/(loss)*</b>		159	(1,379)	(1,220)	1,430	(1,084)	346
Amortisation of acquired intangible assets	11	(269)	(2,473)	(2,742)	(287)	-	(287)
IFRS 2 (charge)/credit		194	-	194	(387)	-	(387)
Operating profit/(loss)		84	(3,852)	(3,768)	756	(1,084)	(328)
Financial expenses	5	(646)	-	(646)	(857)	-	(857)
<b>Loss before tax from continuing operations</b>	4	(562)	(3,852)	(4,414)	(101)	(1,084)	(1,185)
Tax credit	6	232	67	299	81	-	81
<b>Loss on continuing operations</b>		(330)	(3,785)	(4,115)	(20)	(1,084)	(1,104)
Loss on discontinued operations net of tax	10	-	-	-	-	(265)	(265)
<b>Loss attributable to equity holders of the Parent Company</b>		(330)	(3,785)	(4,115)	(20)	(1,349)	(1,369)
<b>Loss per share</b>	8						
Basic				(1.24)p			(0.59)p
Diluted				(1.24)p			(0.59)p

\*Adjusted operating profit/(loss) is operating profit/(loss) before IFRS 2 (charge)/credit and amortisation of intangible assets acquired with business combinations. The Group uses adjusted operating profit to reflect the underlying profitability of the Group as the GAAP measure incorporates non-repeating exceptional costs which would distort comparisons of KPIs.

## Consolidated Statement of Comprehensive Income

	Note	Year to 30 September 2018 £000	Year to 30 September 2017 £000
<b>Loss for the year</b>		(4,115)	(1,369)
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement of defined benefit liability (loss)/gain	20	(697)	3,234
Tax on actuarial gain (loss)/gain	6	118	(566)
<b>Other comprehensive income for the year net of tax</b>		(579)	2,668
<b>Total comprehensive income attributable to equity holders of the Parent Company</b>		(4,694)	1,299

The accompanying notes form part of these financial statements.

## Consolidated Balance Sheet

	Note	As at 30 September 2018 £000	As at 30 September 2017 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	3,140	2,488
Intangible assets	11	2,841	2,569
Purchased goodwill	11	15,832	18,305
Deferred tax asset	12	1,320	1,021
		<b>23,133</b>	<b>24,383</b>
<b>Current assets</b>			
Inventories	13	814	626
Trade and other receivables	14	15,516	13,778
Cash and cash equivalents and overdraft		-	2,370
Assets held for sale	15	141	141
		<b>16,471</b>	<b>16,915</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	(12,065)	(8,645)
Borrowings and overdraft	17	(209)	(266)
Current tax payable	16	-	-
		<b>(12,274)</b>	<b>(8,911)</b>
<b>Non-current liabilities</b>			
Borrowings	17	(5,425)	(1,969)
Retirement benefit obligations	20	(808)	(450)
		<b>(6,233)</b>	<b>(2,419)</b>
<b>Net assets</b>			
		<b>21,097</b>	<b>29,968</b>
<b>Shareholders' equity</b>			
Share capital	18	12,297	12,297
Revaluation reserve		102	102
Other reserve		1,446	1,690
Retained earnings		7,252	15,879
<b>Total equity</b>			
		<b>21,097</b>	<b>29,968</b>

The Group adopted IFRS 15 Revenue from Contracts with Customers on 1 October 2017 retrospectively with the cumulative effect of initial application recognised as an adjustment to opening equity (Note 26).

The financial statements were approved by the Board on 31 January 2019 and signed on its behalf by:

**R D Haworth**

Interim Chief Executive Officer

**S P Comer**

Chief Financial Officer

Company registered number - 263995

The accompanying notes form part of these financial statements.

## 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 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
At 30 September 2017	12,297	-	-	102	1,690	15,879	29,968
Adjustment as a result of transitioning to IFRS 15 on 1 October 2017	-	-	-	-	-	(3,933)	(3,933)
Adjusted equity as at 1 October 2017	<b>12,297</b>	-	-	<b>102</b>	<b>1,690</b>	<b>11,946</b>	<b>26,035</b>
Employee share-based compensation – current year	-	-	-	-	37	-	37
– prior year amounts realised	-	-	-	-	(52)	-	(52)
Employee share-based compensation - deferred tax	-	-	-	-	(229)	-	(229)
Transactions with owners	<b>12,297</b>	-	-	<b>102</b>	<b>1,446</b>	<b>11,946</b>	<b>25,791</b>
Loss for the year	-	-	-	-	-	(4,115)	(4,115)
Movement between reserves	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	(579)	(579)
Total comprehensive income for the year	-	-	-	-	-	(4,694)	(4,694)
<b>At 30 September 2018</b>	<b>12,297</b>	-	-	<b>102</b>	<b>1,446</b>	<b>7,252</b>	<b>21,097</b>

Other reserves comprise share based compensation £406,000 (2017: £420,000), equity reserve relating to the grant of options on conversion of debt during 2016 £925,000 (2017: £925,000) deferred tax of £113,000 and other reserves of £2,000 (2017: £2,000).

The Group adopted IFRS 15 Revenue from Contracts with Customers on 1 October 2017 retrospectively with the cumulative effect of initial application recognised as an adjustment to opening equity (Note 26).

## Consolidated Cash Flow Statement

Note	Year to 30 September 2018 £000	Year to 30 September 2017 £000
<b>Cash flows from operating activities</b>		
Loss after taxation	(4,115)	(1,369)
Adjustments for:		
Depreciation	351	392
Amortisation of intangible assets	524	447
Impairment losses on intangible assets and goodwill	2,473	-
Difference between pension charge and cash contributions	(119)	(88)
(Gain)/loss on disposal of property, plant and equipment	(20)	210
Share-based payments (credit)/charge*	(15)	210
Financial income	-	-
Financial expenses	146	857
Deferred tax credit	(299)	(81)
(Increase)/decrease in trade and other receivables	(5,670)	(2,511)
Decrease/(increase) in inventories	(188)	10
Increase/(decrease) in trade and other payables	3,420	(641)
<b>Cash absorbed by operations</b>	<b>(3,512)</b>	<b>(2,564)</b>
Interest paid	(475)	(807)
<b>Net cash absorbed by operating activities</b>	<b>(3,987)</b>	<b>(3,371)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,193)	(883)
Purchase of intangible assets	(589)	(284)
Proceeds from disposal of fixed assets	-	300
Proceeds from disposal of assets held for sale	-	-
<b>Net cash used in investing activities</b>	<b>(1,782)</b>	<b>(867)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital (net of costs incurred)	-	8,871
Finance lease borrowing	25	384
Repayment of finance leases	(94)	(61)
Proceeds from borrowing	3,525	-
Repayment of facility	-	-
Repayment of long-term borrowing	-	(3,804)
<b>Net cash generated by financing activities</b>	<b>3,456</b>	<b>5,397</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,313)</b>	<b>1,152</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,173</b>	<b>1,021</b>
<b>Cash and cash equivalents at end of year</b>	<b>(140)</b>	<b>2,173</b>

See note 10 for cash flows relating to discontinued activities

\*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 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 assesses 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. The results of this discontinued activity are disclosed in Note 10.

## Continuing operations

### Geographical segments

	2018 £000	2017 £000
<b>Revenue by destination</b>		
United Kingdom	35,026	34,318
Other European Union countries	1,897	2,794
Other overseas locations	838	1,793
	<b>37,761</b>	<b>38,905</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.

### 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 £8.9 million (2016: one customer accounting for £5.0 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 information to better understand the underlying performance of the Group:

### Continuing operations

	2018 £000	2017 £000
<b>Cost of sales</b>		
Business closure costs	-	243
Other redundancy and restructuring costs	-	-
	-	243
<b>Administrative expenses</b>		
Business closure costs	317	205
Other redundancy, restructuring and legal costs	1,062	429
Loss on disposal of properties	-	207
	1,379	841
<b>Other expenses</b>		
Impairment losses on intangible assets and goodwill	2,473	-
	2,473	-
Exceptional items before tax	3,852	1,084
Tax credit	(67)	-
Exceptional items after tax	3,785	1,084

Business closure costs represents the costs of closure of a facility in Grimsby for Redhall Jex. It includes redundancy, disruption costs and asset write-downs and related property costs.

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 of £nil (2017: £265,000 – relates to final account settlement).

## Notes to the Consolidated Financial Statements (cont.)

### 3. STAFF NUMBERS & COSTS

	2018 Number	2017 Number
<b>Average numbers employed, including Directors</b>		
Continuing business	335	363
Discontinued business	-	3
Head office and Central	23	23
	<b>358</b>	<b>389</b>
	£000	£000
<b>Aggregate payroll costs</b>		
Wages and salaries	14,969	15,625
Social security costs	1,626	1,707
Other pension costs	411	428
Share-based payments (credit)/charge	(194)	387
	<b>16,812</b>	<b>18,147</b>
	2018 £000	2017 £000
<b>Directors' remuneration</b>		
Emoluments for services as Directors	1,090	601
Social security costs	134	77
Pension contributions	60	51
	<b>1,284</b>	<b>729</b>

The emoluments of the highest paid Director were £424,000 (2017: £251,000) and contributions to his pension arrangement were £nil (2017: £27,000). Further details of Directors' emoluments as required by AIM Rule 19 are set out in the Report of the Directors and form part of the audited financial statements.

Share-based payments (credit)/charge relates to accrued NIC costs on share options.

### DIRECTORS' PENSION BENEFITS

The Group paid contributions of £60,000 in total into the personal pension plans of three Directors for the year ended 30 September 2018 (2017: £51,000 in respect of three Directors).

#### 4. LOSS BEFORE TAX

Loss before tax is stated after charging/(crediting) the following:

	2018 £000	2017 £000
Depreciation of owned property, plant and equipment	351	392
Amortisation of intangible assets	524	447
Loss on disposal of property, plant and equipment	-	210
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	24	24
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	68	56
Audit related assurance services	5	10
Corporate finance services	-	-
All other services	2	2
Hire of plant	689	684
Plant operating lease rentals	201	275
Other operating lease rentals	658	786
Exceptional items (note 2) - continuing	2,931	1,084
Exceptional items (note 2) - discontinued	602	265

#### 5. FINANCIAL INCOME & EXPENSES

	2018 £000	2017 £000
<b>Financial expenses</b>		
Interest on loans and overdrafts	(475)	(632)
Net finance expense on pension scheme*	(171)	(225)
	<b>(646)</b>	<b>(857)</b>

\*Includes £159,000 of pension administration expenses paid for by the Company (2017: £135,000).

## Notes to the Consolidated Financial Statements (cont.)

### 6. TAX EXPENSE

	2018 £000	2017 £000
<b>(a) Recognised in the income statement</b>		
<b>Current tax charge:</b>		
Current year	92	66
Adjustment in respect of prior years	19	65
<b>Current tax charge</b>	<b>111</b>	<b>131</b>
Deferred tax credit	(62)	(90)
Effect of change of tax rate	6	(13)
Prior years	(354)	(109)
<b>Deferred tax credit</b>	<b>(410)</b>	<b>(212)</b>
<b>Tax credit in the income statement</b>	<b>(299)</b>	<b>(81)</b>
<b>Tax credit in the income statement - continuing operations</b>	<b>(299)</b>	<b>(81)</b>
	<b>2018 £000</b>	<b>2017 £000</b>
<b>(b) Reconciliation of the effective tax rate</b>		
Loss before tax - continuing operations	(4,414)	(1,185)
Loss before tax - discontinued operations	-	(265)
<b>Loss before tax</b>	<b>(4,414)</b>	<b>(1,450)</b>
Tax at standard rate of UK corporation tax of 19% (2017: 19.5%)	(839)	(283)
Expenses not deductible for tax purposes	549	39
Income not taxable for tax purposes	(45)	(3)
Tax losses not recognised	975	245
Adjustments in relation to prior periods	(334)	(44)
Change in tax rate	(6)	(13)
Share options	(32)	34
IFRS 15 Adjustment	(594)	-
Other	27	(56)
<b>Tax credit in the income statement</b>	<b>(299)</b>	<b>(81)</b>
<b>Tax credit in the income statement - continuing operations</b>	<b>(299)</b>	<b>(81)</b>
	<b>2018 £000</b>	<b>2017 £000</b>
<b>(c) Deferred tax charge/(credit) recognised in other comprehensive income</b>		
On actuarial gain/(loss)	(118)	566
Accelerated capital allowances	-	-
	<b>(118)</b>	<b>566</b>

**(d) A deferred tax credit of £229,000 (2017: £343,000) is included in equity relating to share-based payments.**

### 7. DIVIDENDS ON EQUITY SHARES

No dividend is recommended for the year (2017: nil)

## 8. LOSS PER SHARE

### Basic and diluted loss per share

The calculation of the basic loss per share of 1.24p (30 September 2017: loss per share 0.59p) is based on 332,900,684 ordinary shares (30 September 2017: 232,080,273) being the weighted average number of ordinary shares in issue throughout the period and on a loss of £4,115,000 (30 September 2017: loss of £1,369,000).

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 2018 and 30 September 2017 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 2018 there were 25,640,436 outstanding options under relevant schemes and 18,510,959 shares under option to funds managed by LOIM. These may impact earnings per share in the future.

### Adjusted earnings per share

The Directors have included additional earnings per share calculations based on the underlying performance of the business, 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:

	2018 Number	2017 Number
Basic weighted average number of ordinary shares	332,900,684	232,080,273
Dilutive potential ordinary shares arising from share options	44,151,395	45,151,395
Adjusted weighted average number of ordinary shares	377,052,079	277,231,668
	£000	£000
Earnings:		
Loss before tax*	(4,414)	(1,450)
Exceptional items	3,852	1,349
Amortisation of acquired intangible assets	269	287
IFRS 2 charge/(credit)	(194)	387
Adjusted profit/(loss) before tax	(487)	573
Tax at 19% (2017: 19.5%)	93	(112)
Adjusted loss after tax	(394)	461
Adjusted, fully taxed basic profit per ordinary share	(0.12)p	0.20p
Adjusted, fully taxed diluted profit per ordinary share	(0.12)p	0.17p
<b>Continuing operations</b>		
	£000	£000
Loss before tax	(4,414)	(1,185)
Exceptional items	3,852	1,084
Amortisation of acquired intangible assets	269	287
IFRS 2 charge/(credit)	(194)	387
Adjusted profit/(loss) before tax	(487)	573
Tax at 19% (2017: 19.5%)	93	(112)
Adjusted profit/(loss) after tax	(394)	461
Adjusted, fully taxed diluted profit/(loss) per ordinary share	(0.12)p	0.17p
<b>Discontinued operations</b>		
	£000	£000
Loss before tax	-	(265)
Exceptional items	-	265
Amortisation of acquired intangible assets	-	-
Adjusted loss before tax	-	-
Tax at 19% (2017: 19.5%)	-	-
Adjusted loss after tax	-	-
Adjusted, fully taxed diluted loss per ordinary share	0.00p	0.00p

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

## Notes to the Consolidated Financial Statements (cont.)

### 9. PROPERTY, PLANT & EQUIPMENT

	Long leasehold land, buildings and improvements £000	Freehold land and buildings £000	Machinery, equipment and vehicles £000	Total £000
<b>Cost or Valuation</b>				
At 1 October 2016	1,256	989	7,099	9,344
Additions	25	-	858	883
Disposals	(637)	-	(2,373)	(3,010)
Adjustments	298	-	(582)	(284)
Transfer to assets held for sale	(190)	-	-	(190)
At 1 October 2017	752	989	5,002	6,743
Additions	33	43	1,117	1,193
Disposals	(35)	-	(12)	(47)
Adjustments*	-	(17)	(210)	(227)
<b>At 30 September 2018</b>	<b>750</b>	<b>1,015</b>	<b>5,897</b>	<b>7,662</b>
<b>Depreciation</b>				
At 1 October 2016	(358)	(54)	(6,284)	(6,696)
Charge for the year	(41)	(7)	(344)	(392)
Disposals	127	-	2,373	2,500
Adjustments	(114)	(2)	400	284
Transfer to assets held for sale	49	-	-	49
At 1 October 2017	(337)	(63)	(3,855)	(4,255)
Charge for the year	(52)	(7)	(292)	(351)
Disposals	30	-	9	39
Adjustments	-	22	23	45
<b>At 30 September 2018</b>	<b>(359)</b>	<b>(48)</b>	<b>(4,115)</b>	<b>(4,522)</b>
<b>Net book value</b>				
<b>At 30 September 2018</b>	<b>391</b>	<b>967</b>	<b>1,782</b>	<b>3,140</b>
At 30 September 2017	415	926	1,147	2,488
At 30 September 2016	898	935	815	2,648

The long leasehold and freehold land and buildings were revalued to market value as at 30 September 2012. The valuations were conducted by Knight Frank LLP, Humberts, Chartered Surveyors, Joseph Jackson & Sons, Chartered Surveyors, Natrass Giles, Chartered Surveyors and PPH Commercial, Chartered Surveyors. These valuations were undertaken in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors in the United Kingdom.

Depreciation amounting to £263,000 (2017: £75,000) has been charged to cost of sales and that amounting to £88,000 (2017: £317,000) has been charged to administrative expenses.

\*Cost adjustments in the year to 30 September 2018 has £207,000 of reclassification between property, plant and equipment to intangible assets.

If freehold land and buildings had not been re-valued, they would have been included at the following historical cost amounts:

	Long leasehold land, buildings and improvements £000	Freehold land and buildings £000
Cost	244	570
Accumulated depreciation	(55)	(177)
<b>Net book value at 30 September 2018</b>	<b>189</b>	<b>393</b>
Net book value at 30 September 2017	192	399

Certain machinery and equipment is currently funded by finance lease or hire purchase agreements.

The Group's property, plant and equipment is pledged as security to the Group's lenders under the terms of a debenture.

## 10. DISCONTINUED OPERATIONS

Income and expenditure incurred on discontinued operations during the prior period related to the completion and agreement of final accounts of a small number of contracts at customer sites.

	2018 £000	2017 £000
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Administrative expenses	-	-
Adjusted operating loss before exceptionals	-	-
Exceptional items	-	(265)
Operating loss before loss on disposal of operations	-	(265)
Loss on disposal of operations	-	-
Operating loss and loss before taxation	-	(265)
Taxation credit/(charge)	-	-
Loss after taxation from discontinued operations	-	(265)

The adjusted operating loss before exceptionals is stated after amortisation of acquired intangible assets of £nil (2017: £nil).

### Geographical segments

	2018 £000	2017 £000
<b>Revenue by destination</b>		
United Kingdom	-	-
	-	-

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

### Analysis of revenue by category

	2018 £000	2017 £000
Sales of services	-	-
	-	-

Practically all of the Group's revenue is considered to be contract revenue as defined by IFRS 15.

## Notes to the Consolidated Financial Statements (cont.)

### 11. INTANGIBLE ASSETS & PURCHASED GOODWILL

	Acquired intangible assets £000	Development costs £000	Intangible assets sub-total £000	Goodwill £000
<b>Cost</b>				
At 1 October 2016	6,021	1,001	7,022	21,533
Internally generated development costs	-	284	284	-
At 1 October 2017	6,021	1,285	7,306	21,533
Internally generated development costs	-	589	589	-
Impairment of goodwill	-	-	-	(2,473)
Adjustments*	-	207	207	-
<b>At 30 September 2018</b>	<b>6,021</b>	<b>2,081</b>	<b>8,102</b>	<b>19,060</b>
<b>Amortisation</b>				
At 1 October 2016	(3,878)	(412)	(4,290)	(3,228)
Charge for the year	(287)	(160)	(447)	-
At 1 October 2017	(4,165)	(572)	(4,737)	(3,228)
Charge for the year	(269)	(255)	(524)	-
<b>At 30 September 2018</b>	<b>(4,434)</b>	<b>(827)</b>	<b>(5,261)</b>	<b>(3,228)</b>
<b>Net book value</b>				
<b>At 30 September 2018</b>	<b>1,587</b>	<b>1,254</b>	<b>2,841</b>	<b>15,832</b>
At 30 September 2017	1,856	713	2,569	18,305
At 30 September 2016	2,143	589	2,732	18,305

All amortisation has been charged to administrative expenses for each of the years ended 30 September 2018 and 2017.

Acquired intangible assets comprise customer contracts and customer relationships in connection with acquired businesses and were separately identified and valued at acquisition. They are being amortised over their useful economic lives which range between 5 years and 20 years. Those acquired intangible assets with a useful economic life of 5 years have been fully amortised. The remaining amortisation period for those acquired intangible assets not yet fully amortised ranges between 4 and 7 years.

Development costs are being amortised over their useful economic lives which do not exceed 8 years.

\*Cost adjustments in the year to 30 September 2018 has £207,000 of reclassification between property, plant and equipment to intangible assets.

## 11. INTANGIBLE ASSETS & PURCHASED GOODWILL (CONT.)

### Goodwill

The carrying amount of goodwill at 30 September 2018 relates to the acquisitions of businesses by the Group in each of the two years ended 30 September 2007 and 2009. There are no intangible assets with indefinite useful lives. The goodwill arising from those acquisitions is attributable to the workforce of those businesses.

	2018 £000	2017 £000
Goodwill	18,305	18,305
Impairment	(2,473)	-
At end of year	15,832	18,305

### Impairment review process

The Group tests goodwill and the associated intangible assets and other assets annually for impairment, or more frequently if there are indications that an impairment may have occurred. Testing for impairment is performed at the operating segment level ("groups of units") which is the level at which management monitors goodwill for internal purposes.

The recoverable amounts of the groups of units are based on their values in use. The key assumptions for the value in use calculations are set out below. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money for the Group. Other assumptions reflect external data where appropriate and management's best estimates.

The values in use are calculated by reference to discounted cash flows based upon the following year's budget and after this period, growth for the purpose of this exercise was assumed to continue at no more than 2.0% pa, which is in line with longer term rates of inflation.

### Assumptions

The key assumptions (being those to which the recoverable amount is most sensitive) used in the estimation of the recoverable amount are:

	2018	2017
	%	%
Discount rate	13.0	9.0
Terminal value growth rate	2.0	2.0
Sales growth rate (average of next five years)	2.8	10.8

The discount rate was a pre-tax measure based on the capital asset pricing model weighted-average cost of capital adjusted to reflect a size premium, risks specific to the cash flows and a market participant's capital structure. The increase from a discount rate of 9% to 13% reflects the Director's assessment of risk applied to the review.

### Sensitivity analysis

Revenue projections and the discount rate are the key assumptions used in the forecast for goodwill impairment.

	Change in Assumption	2018 Change in Value Impact
Discount rate	+/- 1.0%	+9% / -7%
Terminal value growth rate	+/- 0.5%	+3% / -3%
Sales growth rate (average of next five years)	+/- 1.0%	+2% / -2%

## Notes to the Consolidated Financial Statements (cont.)

### 12. DEFERRED TAX ASSETS & 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 2017 £000	Credit/(charge) to Consolidated Income Statement £000	Credit directly to equity £000	Disposal of investment £000	Balance as at 30 September 2018 £000
Accelerated capital allowances/ revaluation gains on fixed assets	372	(118)	-	-	254
Short term timing differences	265	59	-	-	324
Losses	506	126	-	-	632
Intangible assets	(612)	343	-	-	(269)
Retirement benefits	76	-	118	-	194
Share options	414	-	(229)	-	185
	<b>1,021</b>	<b>410</b>	<b>(111)</b>	<b>-</b>	<b>1,320</b>

	Balance as at 1 October 2016 £000	Credit/(charge) to Consolidated Income Statement £000	(Charge)/credit directly to equity £000	Disposal of investment £000	Balance as at 30 September 2017 £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
	<b>1,032</b>	<b>212</b>	<b>(223)</b>	<b>-</b>	<b>1,021</b>

#### Unrecognised deferred tax assets

Deferred tax assets have not been recognised on tax losses of £21,700,000 (2017: £18,450,000) as their recovery is insufficiently certain in the longer term. £18,600,000 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.

### 13. INVENTORIES

	2018 £000	2017 £000
Raw materials	814	626

Inventories comprise products which are not generally subject to rapid obsolescence on account of technological advancement, deterioration in condition or market trends. Consequently, the Directors consider that there is little risk of significant adjustments to the Group's inventory assets during the next financial year. The Group's inventories are pledged as security to the Group's lenders under the terms of a debenture.

### 14. TRADE & OTHER RECEIVABLES

	2018 £000	2017 £000
Amounts falling due within one year:		
Trade receivables	2,136	3,114
Contract assets	10,951	9,215
Other receivables	1,192	827
Prepayments and accrued income	1,237	622
	<b>15,516</b>	<b>13,778</b>

The carrying amount of all trade and other receivables is considered to be a reasonable reflection of their fair value. Trade receivables includes retentions amounting to £292,000 (2017: £248,000), of which £292,000 (2017: £126,000) was due within 12 months of the year-end. All trade and other receivables have been reviewed for indications of impairment. Certain trade receivables were found to be impaired and the movement in the provisions during the year were as follows:

	2018 £000	2017 £000
At start of the year	27	27
Provisions released or utilised	-	-
Provisions made	2	-
At end of the year	<b>29</b>	<b>27</b>

## Notes to the Consolidated Financial Statements (cont.)

### 14. TRADE & OTHER RECEIVABLES (CONT.)

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables noted above. The Group does not hold any collateral as security. The Group's trade receivables and amounts recoverable on contracts are pledged as security to the Group's lenders under the terms of a debenture.

Some unimpaired trade receivables are past their due date for payment as at 30 September 2018. The ageing of financial assets past their due date but not impaired is as follows:

	2018 £000	2017 £000
Not more than 3 months	260	256
More than 3 months but not more than 6 months	59	51
More than 6 months but not more than 1 year	87	50
More than 1 year	57	88
Total past due trade receivables	463	445
Trade receivables not yet past due	1,673	2,669
Total trade receivables	2,136	3,114

The aggregate amount of costs incurred plus recognised profits (less recognised losses) for all long-term contracts in progress at the balance sheet date was £47,763,000 (2017: £48,695,000). Work in progress comprises these aggregate costs less amounts billed on account of £37,344,000 (2017: £40,383,000). The net balance is analysed as follows:

	2018 £000	2017 £000
Contract assets	10,951	9,215
Contract liabilities (note 16)	(632)	(903)
	10,319	8,312

Amounts recoverable on contracts are not due for payment under the contractual terms between the Group and its customers. Hence they are not past due at the balance sheet date.

### 15. ASSETS HELD FOR SALE

Assets held for sale relates to the long leasehold property at Bath Street in Newcastle which as at 30 September 2018 was in the books of R Blakett Charlton Limited. The sale of this property was completed on 27 December 2018.

## 16. TRADE & OTHER PAYABLES

	2018 £000	2017 £000
Trade payables	6,342	4,186
Contract liabilities	632	903
Other tax and social security	1,206	1,030
Other payables	579	580
Accruals and deferred income	3,306	1,946
<b>Total trade and other payables</b>	<b>12,065</b>	<b>8,645</b>
Current tax payable	-	-
	<b>12,065</b>	<b>8,645</b>

The carrying amounts are considered not to be materially different from fair value.

## 17. BORROWINGS

	2018 £000	2017 £000
<b>Current:</b>		
Overdraft	140	197
Finance leases	69	69
	<b>209</b>	<b>266</b>
<b>Non-current:</b>		
Financial leases	185	254
Bank and other loans	5,240	1,715
	<b>5,425</b>	<b>1,969</b>

The bank and other loans are denominated in sterling and are secured by way of a debenture and a composite guarantee from each Group company. The interest rate is based on LIBOR and has averaged 4.70% (2017: 4.80%). The loans are repayable as follows:

	2018 £000	2017 £000
Less than one year	69	69
Between one and two years	69	70
Between two and five years	5,356	1,899
	<b>5,494</b>	<b>2,038</b>

HSBC Bank plc facilities provide for a £3,525,000 revolving credit facility which has been fully drawn, a £2,475,000 accordion facility (£nil drawn) and a £2,000,000 overdraft facility (£140,000 drawn as at 30 September 2018). The Group also has a term loan facility with funds managed by LOIM of £1,715,000. Neither loan requires amortisation and both expire in July 2021.

In January 2019 the Group entered into loan arrangements with funds managed by LOIM for £1,000,000 and Downing LLP for £1,000,000, both of these have expiry dates in October 2019.

The Group has not entered into any interest rate hedges during the course of the year and did not have any interest rate hedges in place at the year-end (2017: None).

## Notes to the Consolidated Financial Statements (cont.)

### 18. SHARE CAPITAL

On 5 July 2017, the Company issued 132,850,000 new ordinary shares of 0.01p at a price of 10p per share by way of a placing and debt conversion. Expenses associated with the placing, open offer and debt conversion amounted to £664,000 and were charged to the share premium account.

#### *Allotted, called up and fully paid:*

	2018 Number	£000	2017 Number	£000
At 30 September				
Ordinary shares of 0.01p each	332,900,684	33	332,900,684	33
Deferred shares of 24.99p each	49,077,469	12,264	49,077,469	12,264
	<b>381,978,153</b>	<b>12,297</b>	381,978,153	12,297

#### *Ordinary shares of 0.01 pence*

	2018 Number	£000	2017 Number	£000
At start of year	332,900,684	33	200,050,684	20
Placing and open offer	-	-	95,350,000	9
Debt conversion	-	-	37,500,000	4
At end of year	<b>332,900,684</b>	<b>33</b>	332,900,684	33

#### *Deferred shares of 24.99 pence*

	2018 Number	£000	2017 Number	£000
At start of year	49,077,469	12,264	49,077,469	12,264
Conversion	-	-	-	-
At end of year	<b>49,077,469</b>	<b>12,264</b>	49,077,469	12,264

The Deferred Shares do not entitle their holders to receive any dividend or other distribution. On a return of assets in a winding up, the holders of Deferred Shares are entitled to a repayment only after repayment of capital on the Ordinary Shares plus £10,000,000 per Ordinary Share. Holders of Deferred Shares do not have the right to receive notice of any General Meeting of the Company nor the right to attend, speak or vote at any such meeting.

### Share options

Share option scheme	Date of grant	Shares under option		Exercise price	Exercise dates:	
		2018	2017		Earliest	Latest
2007 PSP	1/10/2015	23,640,436	23,640,436	8.45p	1/10/2017	1/10/2027
2007 PSP	3/2/2016	-	3,000,000	9.30p	3/2/2018	3/2/2028
2007 DSOP Approved	29/9/2017	320,000	320,000	16.2p	29/9/2020	29/9/2027
2007 DSOP Un-approved	29/9/2017	1,680,000	1,680,000	16.2p	29/9/2020	29/9/2027

On 30 September 2015, the Company issued options of 18,510,959 shares to funds managed by LOIM. The options are exercisable at the option of either funds managed by LOIM or the Company subject to the holding of funds managed by LOIM or other related parties of LOIM not exceeding 29.9% of the issued ordinary share capital of the Company. The options were issued as part of a debt for equity conversion in September 2015.

## 19. COMMITMENTS

Capital commitments	2018 £000	2017 £000
Contracted	-	-

No provision has been made in the financial statements for capital commitments.

### Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018		2017	
	Land and buildings £000	Other assets £000	Land and buildings £000	Other assets £000
Within one year	631	126	658	201
Between two and five years	1,560	19	1,740	167
After more than five years	268	-	1,333	-
	<b>2,459</b>	<b>145</b>	<b>3,731</b>	<b>368</b>

Amounts due after more than five years includes leasehold ground rent on properties with an unexpired lease term currently of 53 years.

There was no sublease income during the year (2017: £nil). Operating lease agreements do not contain any contingent rent or other onerous clauses or financial restrictions.

## Notes to the Consolidated Financial Statements (cont.)

### 20. 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 2018 by an independent qualified actuary. The assumptions used were as follows:

#### Assumptions

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

	2018	2017
Discount rate	2.80%	2.80%
Retail Prices Index (RPI) inflation	3.10%	3.10%
Consumer Prices Index (CPI) inflation	2.00%	2.00%
Salary increases	n/a	n/a
Rate of increases to pensions in payment subject to inflationary increases:		
- RPI capped at 5% pa	2.10%	3.00%
- RPI capped at 2.5% pa	1.70%	2.30%
- CPI capped at 3% pa	1.80%	1.80%
- CPI capped at 5% pa with minimum 3% pa	3.20%	3.10%
Revaluation of deferred pensions (non-GMP)	2.00%	2.00%
Mortality basis pre and post retirement	120% S2PMA/S2PFA	130% S2PMA/S2PFA + 2 years
	CMI 2017 with a long term rate of improvement of 1% pa	CMI 2016 with a long term rate of improvement of 1% pa
	95% of maximum	95% of maximum
	80% for males	80% for males
	70% for females	70% for females
Allowance for cash commutation		
Proportion married		

Asset class	2018		2017	
	Market value £000	% of total scheme assets	Market value £000	% of total scheme assets
Equities	4,992	22%	12,763	56%
Diversified Growth Funds	8,917	40%	1,639	7%
Bonds	-	-	2,221	10%
Gilts	834	4%	3,234	14%
Liability Driven Investments	3,505	16%	1,003	4%
Multi-asset Credit	2,217	10%	-	-
Property	-	-	1,812	8%
Cash Fund	1,383	6%	-	-
Cash	447	2%	227	1%
<b>Total</b>	<b>22,295</b>	<b>100%</b>	<b>22,899</b>	<b>100%</b>
Actual return on assets over period	694		1,578	

## 20. RETIREMENT BENEFIT OBLIGATION (CONT.)

### Pension expense

Amounts recognised within administrative expenses within the income statement are:

	2018 £000	2017 £000
Charge for current service cost	-	-
Administration costs	(104)	(52)
	<b>(104)</b>	<b>(52)</b>

Following the 6 April 2015 valuation the Group 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 2018 were £223,000 (2017: £140,000).

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

	2018 £000	2017 £000
Return on assets recorded as interest*	464	390
Interest on pension scheme liabilities	(635)	(615)
Net financial expense	<b>(171)</b>	<b>(225)</b>

\*Includes £159,000 of pension administration expenses paid for by the Company (2017: £135,000).

### 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 £2,092,000 (2017: loss £1,395,000).

### Analysis of movement in retirement benefit obligation

	2018 £000	2017 £000
Retirement benefit obligation at start of the year	23,349	26,253
Current service cost	-	-
Interest cost on retirement benefit obligation	635	615
Contributions by employees	-	-
Benefits paid and transfers out	(1,417)	(1,224)
Past service credit	(232)	-
Actuarial (gains)/losses	768	2,295
Retirement benefit obligation at end of year	<b>23,103</b>	<b>23,349</b>

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

	2018 £000	2017 £000
Fair value at start of the year	22,899	22,457
Interest income	623	525
Actual return on assets less interest	71	1,053
Employer contributions	223	140
Member contributions	-	-
Benefits paid	(1,417)	(1,224)
Administration costs	(104)	(52)
Fair value at end of the year	<b>22,295</b>	<b>22,899</b>

## Notes to the Consolidated Financial Statements (cont.)

### 20. RETIREMENT BENEFIT OBLIGATION (CONT.)

#### 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	2018 Change in defined benefit obligation	Change in assumption	2017 Change in defined benefit obligation
Discount rate	+/- 0.5% pa	+ 7% / - 6%	+/- 0.5% pa	+ 7% / - 6%
RPI and CPI inflation	+/- 0.5% pa	+ 3% / - 2%	+/- 0.5% pa	+ 3% / - 2%
Future salary increases	n/a	n/a	n/a	n/a
Assumed life expectancy	+ 1 year	+ 4%	+ 1 year	+ 4%

#### GMP equalisation

Since the balance sheet date, the Lloyds GMP inequalities judgement was published on 26 October. This judgement is expected to have an impact on all pension schemes that were contracted-out of the State Second Pension (previously SERPS) between 17 May 1990 and 5 April 1997, including the Booths Industries Group Plc Staff Pension & Life Assurance Scheme.

The judgement may require the Trustees of the scheme to review certain members' pension benefits and make adjustments, including the possibility of back-payments in some cases. Whilst the amounts for individual members are likely to be small, the sum total of any new liabilities could be material.

This is a post-balance sheet event that we anticipate could therefore have an impact on our disclosed pension liabilities at future balance sheet dates. Any adjustments to liabilities may need to be charged to profit and loss in the future, although if this is appropriate we would expect this charge to be an exceptional item. In discussions with our actuarial advisors, an early indication of the potential quantum of any adjustment is around £0.2 million to £0.3 million.

#### 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 £411,000 (2017: £428,000).

### 21. CONTINGENT LIABILITIES

The contingent liability of the Group for bank guarantees at 30 September 2018 amounted to £nil (2017: £nil).

### 22. SHARE-BASED PAYMENTS

The Group has three share-based payment schemes for employee remuneration. Details of the schemes, under which options have been granted, are set out below.

#### a) Redhall Group plc 2007 Performance Share Plan

A discretionary long-term incentive plan comprising two parts. Part 1 enables options to be granted at no cost to participants, whilst Part 2 enables conditional shares to be awarded.

	2018		2017	
	Number	Weighted average vesting price - Pence	Number	Weighted average vesting price - Pence
Outstanding at 1 October	26,640,436	8.55	27,640,436	8.63
Vested	-	-	-	-
Lapsed	(3,000,000)	(9.30)	(1,000,000)	(10.77)
Outstanding at 30 September	23,640,436	8.45	26,640,436	8.55
Exercisable at 30 September	23,640,436	8.45	-	-

The outstanding options as at 1 October 2017 became exercisable.

## 22. SHARE-BASED PAYMENTS (CONT.)

### b) Redhall Group plc 2007 Discretionary Share Option Plan

A plan which allows for the grant, to selected employees of the Group, of rights to acquire ordinary shares in the Company. These options may be granted as tax favoured options under the HM Revenue & Customs ("HMRC") approved addendum to the plan, or as non-HMRC approved share options. The vesting period is three years.

Details of the share options outstanding during the year are:

#### Approved share options

	2018		2017	
	Number	Weighted average vesting price - Pence	Number	Weighted average vesting price - Pence
Outstanding at 1 October	320,000	16.2	45,400	66.0
Issued	-	-	320,000	16.2
Lapsed	-	-	(45,400)	(66.0)
Outstanding at 30 September	320,000	16.2	320,000	16.2
Exercisable at 30 September	-	-	-	-

No options were exercised during the period (2017: None). The options outstanding at 30 September 2018 had a weighted average remaining contractual life of 9.0 years.

#### Non-approved share options

	2018		2017	
	Number	Weighted average vesting price - Pence	Number	Weighted average vesting price - Pence
Outstanding at 1 October	1,680,000	16.2	204,600	66.0
Issued	-	-	1,680,000	16.2
Lapsed	-	-	(204,600)	(66.0)
Outstanding at 30 September	1,680,000	16.2	1,680,000	16.2
Exercisable at 30 September	-	-	-	-

The options outstanding at 30 September 2018 had a weighted average remaining contractual life of 10.0 years.

### c) Fair value of share-based payments

The fair value of services received in return for share options granted in the year are measured by reference to the fair value of options granted. An award was made under the DSOP during the year. The estimate of the fair value received for the DSOP awards made during the year was calculated using a Black Scholes model adopting the following assumptions.

	2017	2016
	<b>DSOP Award</b>	<b>PSP Awards</b>
Fair value at measurement date	0.35p	1.6p
Share price at grant date	9.375p	5.5p – 6.375p
Vesting price	16.2p	8.45p – 10.8p
Expected volatility (based on historic volatility)	N/A	50%
Risk free interest rate	1.4%	0.54%
Dividend yield	0%	0%
Option life	3 years	2 years

The underlying expected share price volatility was determined by reference to historical data. The Company expects the volatility of its share price to reduce as it matures. The risk free rate was determined by the implied yield available on a zero coupon government bond at the date of grant. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions. In total a credit of £14,000 has been recognised in the consolidated income statement for 2018 which has been credited to other reserves (2017: £210,000).

## Notes to the Consolidated Financial Statements (cont.)

### 23. FINANCIAL INSTRUMENTS

The financial assets of the Group are categorised as follows:

<b>As at 30 September 2018</b>	<b>Loans and receivables £000</b>	<b>Non-financial assets £000</b>	<b>Assets held for sale £000</b>	<b>Balance sheet total £000</b>
Trade and other receivables	13,087	2,429	-	15,516
Other current assets	-	814	-	814
Cash and cash equivalents	-	-	-	-
Other non-financial assets	-	23,351	-	23,351
Assets held for sale	-	-	141	141
	<b>13,087</b>	<b>26,594</b>	<b>141</b>	<b>39,822</b>

  

<b>As at 30 September 2017</b>	<b>Loans and receivables £000</b>	<b>Non-financial assets £000</b>	<b>Assets held for sale £000</b>	<b>Balance sheet total £000</b>
Trade and other receivables	12,329	1,499	-	13,778
Other current assets	-	626	-	626
Cash and cash equivalents	2,370	-	-	2,370
Other non-financial assets	-	24,373	-	24,373
Assets held for sale	-	-	141	141
	<b>14,699</b>	<b>26,458</b>	<b>141</b>	<b>41,298</b>

The financial liabilities of the Group are categorised as follows:

<b>As at 30 September 2018</b>	<b>Other financial liabilities at amortised cost £000</b>	<b>Liabilities not within scope of IAS 39 £000</b>	<b>Balance sheet total £000</b>
Trade and other payables	11,009	1,206	12,215
Bank overdraft	140	-	140
Finance leases	254	-	254
Loan – non current	5,240	-	5,240
Other non-financial liabilities	-	808	808
	<b>16,643</b>	<b>2,014</b>	<b>18,657</b>

  

<b>As at 30 September 2017</b>	<b>Other financial liabilities at amortised cost £000</b>	<b>Liabilities not within scope of IAS 39 £000</b>	<b>Balance sheet total £000</b>
Trade and other payables	7,615	1,030	8,654
Bank overdraft	197	-	197
Finance leases	323	-	323
Loan – non current	1,715	-	1,715
Other non-financial liabilities	-	450	450
	<b>9,850</b>	<b>1,480</b>	<b>11,330</b>

## 24. RISK MANAGEMENT OBJECTIVES & POLICIES

The Group has some exposure to market risk, interest rate risk and limited exposure to currency risk, through its use of financial instruments which result from its operating and investing activities. The Group's risk management is coordinated centrally following guidelines laid down by the Board and is focused on controlling costs and securing cash flows in the short to medium term by minimising the exposure to adverse movements in the financial markets. All non-routine transactions require Board approval. The Group does not engage in speculative transactions on financial markets.

The most significant financial risks to which the Group is exposed and the manner in which they are managed are described below.

### Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern, whilst maximising the return to stakeholders through optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents, bank borrowings and equity attributable to holders of the parent, comprising issued share capital and reserves as disclosed in the Consolidated Statement of Changes in Equity. The Group's borrowings are subject to covenant tests on cash generation. Forecast and actual compliance with covenants is monitored on a regular basis and cash and borrowings balances are monitored on a daily basis. The Group is not subject to external imposed capital requirements, other than the minimum capital requirements and duties regarding reduction of capital, as imposed by the Companies Act 2006 for all public limited companies. The Board's dividend policy is to seek a minimum of three times cover on taxed earnings.

### Liquidity sensitivity

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities. Generally, management believes it is appropriate to have facilities and borrowings on a floating interest rate basis, although this is kept under review.

The objective is to maintain sufficient resource to meet the funding needs for the foreseeable future. The Group facilities were renewed in July 2017. At 30 September 2018 there was a bank loan facility of £3,525,000, an accordion facility of £2,475,000 and an overdraft and ancillaries facility of £2,000,000 of which £140,000 was drawn. The Group also had a term loan facility of £1,715,000 with funds managed by LOIM. In January 2019 the Group entered into loan arrangements with funds managed by LOIM for £1,000,000 and Downing LLP for £1,000,000, both of these have expiry dates in October 2019. On 7 November 2018 a temporary uplift of £1.2 million was granted by HSBC extending through to 31 January 2019.

The Group's financial liabilities have contractual maturities (including interest payments where applicable) which are summarised below:

As at 30 September 2018	Greater						Total £000
	0 – 60 days £000	61 days to 6 months £000	7 months to 12 months £000	13 months to 2 years £000	than 2 years up to 5 years £000	More than 5 years £000	
Trade and other payables	10,517	18	-	-	324	-	10,859
Finance leases	11	23	35	69	116	-	254
Loans	-	-	-	-	5,240	-	5,240
Bank overdraft	140	-	-	-	-	-	140
	10,668	41	35	69	5,680	-	16,493

As at 30 September 2017	Greater						Total £000
	0 – 60 days £000	61 days to 6 months £000	7 months to 12 months £000	13 months to 2 years £000	than 2 years up to 5 years £000	More than 5 years £000	
Trade and other payables	7,252	25	-	-	338	-	7,615
Finance leases	11	23	35	70	184	-	323
Loans	-	-	-	-	1,715	-	1,715
Bank overdraft	197	-	-	-	-	-	197
	7,460	48	35	70	2,237	-	9,850

### Interest rate sensitivity

Cash is held on treasury deposit and earns interest at variable rates. The revolving loan and overdraft facility bear interest that is variable and linked to LIBOR. No instruments have been entered into to mitigate interest rate risk, although this is kept under review. The interest rate is based on LIBOR and has averaged 4.70% (2017: 4.80%). If interest rates had differed by +/-1% from that actually experienced the impact on the interest charge and profit before tax for the year would have been +/- £103,000 (2017: +/-£132,000). Similarly, the impact on equity would have been +/- £83,000 (2017: +/-£106,000).

## Notes to the Consolidated Financial Statements (cont.)

### 24. RISK MANAGEMENT OBJECTIVES & POLICIES (CONT.)

#### Foreign currency sensitivity

Currency options are used to provide protection against foreign exchange exposures, typically in relation to contract amounts receivable that are significant. Net monetary assets and liabilities of the Group that are not denominated in Sterling are as follows:

#### As at 30 September 2018

	US Dollar £000	Euro £000	Total £000
Financial assets	2	-	2
Financial liabilities	-	(63)	(63)
	2	(63)	(61)

#### As at 30 September 2017

	US Dollar £000	Euro £000	Total £000
Financial assets	12	661	673
Financial liabilities	-	(197)	(197)
	12	464	476

The Group had entered into time option contracts to hedge a total of 150,000 euro at 30 September 2018 (2017: 1,465,000 euro). Such financial derivatives are used only to manage risk and speculation is not permitted. The impact of movements in the Sterling exchange rate at the year-end is not material because the exposure to foreign currency is not significant.

#### Credit risk analysis

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised in the balance sheet and summarised below:

	2018 £000	2017 £000
Cash and cash equivalents	-	2,370
Trade receivables	2,136	3,114
Contract assets	10,951	9,215
Contract liabilities	(632)	(903)
	12,455	13,796

The Group monitors the credit risk of material customers and other counterparties and incorporates this information into its credit risk controls. Management considers that all of the financial assets noted above are of good credit quality, including those that are past their due date for payment (see note 14).

In respect of trade and other receivables and contract assets less contract liabilities, the Group is not exposed to any significant credit risk with any group of counterparties with similar characteristics. The Group does perform significant amounts of work for individual clients and does have significant amounts due to it in connection with those activities although these represent normal levels given the nature of work being performed. These balances individually represent less than 19% of the total amounts due. The amounts due are spread across a number of contracts and operating segments, and are with predominantly UK based clients that are all blue-chip companies with substantial resource or UK Government backed organisations. As such the Directors do not believe that they represent a significant credit risk to the Group, and based on historical information about customer default rates they consider the credit quality of trade receivables that are not past due or impaired to be good. The credit risk for liquid funds is considered to be negligible because the counterparty, HSBC Bank plc, is of good standing.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The fair value information for financial assets and financial liabilities not measured at fair value has not been provided as the carrying amount is considered a reasonable approximation of fair value. As no financial assets or liabilities are held at fair value, no disclosure of the fair value hierarchy is considered necessary.

## 25. RELATED PARTY TRANSACTIONS

In July 2017 the Group renewed its borrowing facilities including a term loan facility with funds managed by LOIM. In January 2019 the Group entered into loan arrangements with funds managed by LOIM for £1,000,000 and Downing LLP for £1,000,000, both of these have expiry dates in October 2019. Details of the facility are given in note 17.

The funds are major shareholders in the Group. The amount of interest payable under the facility in the year to 30 September 2018 amounted to £232,000 (2017: £232,000). There was a non-executive director's fee paid to LOIM (as disclosed in the Report of the Directors). Other than remuneration paid to key management (Note 3), there are no other transactions or balances that fall due for disclosure under IAS 24.

## 26. IMPACT OF THE ADOPTION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

### **Impact Areas**

Except for the adoption of IFRS 15, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 October 2017. As a result, the Group has changed its accounting policy for revenue recognition.

The Group has applied IFRS 15 using the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of equity at 1 October 2017. Therefore, the comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. The details of the significant changes and the quantitative impact of the changes are set out below:

Adjustment: Relates to the recognition of the impact on transition to IFRS 15 at 1 October 2017 of a (£3.9 million) adjustment to equity and Trade and other receivables (Contract Assets). The adjustment relates to the recognition of customer claims according to the Group's assessment of each contract's performance obligation to be delivered to its customers, this includes (£2.3 million) relating to now closed operations.

## Notes to the Consolidated Financial Statements (cont.)

### 26. IMPACT OF THE ADOPTION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT.)

#### Impact on transition at 1 October 2017

	As at 30 September 2017 £000	Adjustment £000	As at 1 October 2017 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2,488	-	2,488
Intangible assets	2,569	-	2,569
Purchased goodwill	18,305	-	18,305
Deferred tax asset	1,021	-	1,021
	<b>24,383</b>	-	<b>24,383</b>
<b>Current assets</b>			
Inventories	626	-	626
Trade and other receivables	13,778	(3,933)	9,845
Cash and cash equivalents and overdraft	2,370	-	2,370
Assets held for sale	141	-	141
	<b>16,915</b>	<b>(3,933)</b>	<b>12,982</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(8,645)	-	(8,645)
Borrowings and overdraft	(266)	-	(266)
Current tax payable	-	-	-
	<b>(8,911)</b>	-	<b>(8,911)</b>
<b>Non-current liabilities</b>			
Borrowings	(1,969)	-	(1,969)
Retirement benefit obligations	(450)	-	(450)
	<b>(2,419)</b>	-	<b>(2,419)</b>
<b>Net assets</b>	<b>29,968</b>	<b>(3,933)</b>	<b>26,035</b>
<b>Shareholders' equity</b>			
Share capital	12,297	-	12,297
Revaluation reserve	102	-	102
Other reserve	1,690	-	1,690
Retained earnings	15,879	(3,933)	11,946
<b>Total equity</b>	<b>29,968</b>	<b>(3,933)</b>	<b>26,035</b>

## 26. IMPACT OF THE ADOPTION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT.)

### Impact on transition at 1 October 2017

The following tables summarise the impacts of adopting IFRS 15 for the year ended 30 September 2018.

#### a) Consolidated Income Statement

	As Reported		Balances without Adoption of IFRS 15
	Year to 30 September 2018 £000	Adjustment £000	Year to 30 September 2018 £000
<b>Revenue</b>	37,761	(461)	37,300
Cost of sales	(29,956)	-	(29,956)
<b>Gross profit</b>	7,805	(461)	7,344
Administrative expenses	(9,100)	-	(9,100)
Other expenses	(2,473)	-	(2,473)
<b>Operating profit/(loss)</b>	(3,768)	(461)	(4,229)
Continuing businesses	1,053	(461)	592
Central costs	(2,273)	-	(2,273)
<b>Adjusted operating profit/(loss)</b>	(1,220)	(461)	(1,681)
Amortisation of acquired intangible assets	(2,742)	-	(2,742)
IFRS 2 (credit)/charge	194	-	194
<b>Operating profit/(loss)</b>	(3,768)	(461)	(4,229)
Financial expenses	(646)	-	(646)
<b>Loss before tax from continuing operations</b>	(4,414)	(461)	(4,875)
Tax credit	299	-	299
<b>Loss on continuing operations</b>	(4,115)	(461)	(4,576)
Loss on discontinued operations net of tax	-	-	-
<b>Loss attributable to equity holders of the Parent Company</b>	(4,115)	(461)	(4,576)

#### b) Consolidated Statement of Comprehensive Income

	As Reported		Balances without Adoption of IFRS 15
	Year to 30 September 2018 £000	Adjustment £000	Year to 30 September 2018 £000
<b>Loss for the year</b>	(4,115)	(461)	(4,576)
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement of defined benefit liability	(697)	-	(697)
Tax on actuarial gain	118	-	118
<b>Other comprehensive income for the year net of tax</b>	(579)	-	(579)
<b>Total comprehensive income attributable to equity holders of the Parent Company</b>	(4,694)	(461)	(5,155)

## Notes to the Consolidated Financial Statements (cont.)

### 26. IMPACT OF THE ADOPTION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT.)

#### c) Consolidated Balance Sheet

	As Reported As at 30 September 2018 £000	Adjustment £000	Balances without Adoption of IFRS 15 As at 30 September 2018 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3,140	-	3,140
Intangible assets	2,841	-	2,841
Purchased goodwill	15,832	-	15,832
Deferred tax asset	1,320	-	1,320
	<b>23,133</b>	<b>-</b>	<b>23,133</b>
<b>Current assets</b>			
Inventories	814	-	814
Trade and other receivables	15,516	3,472	18,988
Cash and cash equivalents and overdraft	-	-	-
Assets held for sale	141	-	141
	<b>16,471</b>	<b>3,472</b>	<b>19,943</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(12,065)	-	(12,065)
Borrowings and overdraft	(209)	-	(209)
Current tax payable	-	-	-
	<b>(12,274)</b>	<b>-</b>	<b>(12,274)</b>
<b>Non-current liabilities</b>			
Borrowings	(5,425)	-	(5,425)
Retirement benefit obligations	(808)	-	(808)
	<b>(6,233)</b>	<b>-</b>	<b>(6,233)</b>
<b>Net assets</b>	<b>21,097</b>	<b>3,472</b>	<b>24,569</b>
<b>Shareholders' equity</b>			
Share capital	12,297	-	12,297
Revaluation reserve	102	-	102
Other reserve	1,446	-	1,446
Retained earnings	7,252	3,472	10,724
<b>Total equity</b>	<b>21,097</b>	<b>3,472</b>	<b>24,569</b>

## 26. IMPACT OF THE ADOPTION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT.)

### d) Consolidated Cash Flow Statement

	As Reported As at 30 September 2018 £000	Adjustment £000	Balances without Adoption of IFRS 15 As at 30 September 2018 £000
<b>Cash flows from operating activities</b>			
Loss after taxation	(4,115)	(461)	(4,576)
Adjustments for:			
Depreciation	351	-	351
Amortisation of intangible assets	524	-	524
Impairment losses on intangible assets and goodwill	2,473	-	2,473
Difference between pension charge and cash contributions	(119)	-	(119)
Loss on disposal of property, plant and equipment	(20)	-	(20)
Share-based payments charge	(15)	-	(15)
Financial income	-	-	-
Financial expenses	146	-	146
Deferred tax credit	(299)	-	(299)
(Increase)/decrease in trade and other receivables	(5,670)	(461)	(5,209)
Decrease/(increase) in inventories	(188)	-	(188)
Decrease in trade and other payables	3,420	-	3,420
<b>Cash absorbed by operations</b>	<b>(3,512)</b>	<b>-</b>	<b>(3,512)</b>
Interest paid	(475)	-	(475)
<b>Net cash absorbed by operating activities</b>	<b>(3,987)</b>	<b>-</b>	<b>(3,987)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(1,193)	-	(1,193)
Purchase of intangible assets	(589)	-	(589)
Proceeds from disposal of fixed assets	-	-	-
Proceeds from disposal of assets held for sale	-	-	-
<b>Net cash used in investing activities</b>	<b>(1,782)</b>	<b>-</b>	<b>(1,782)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital (net of costs incurred)	-	-	-
Finance lease borrowing	25	-	25
Repayment of finance leases	(94)	-	(94)
Proceeds from borrowing	3,525	-	3,525
Repayment of facility	-	-	-
Repayment of long-term borrowing	-	-	-
<b>Net cash generated by financing activities</b>	<b>3,456</b>	<b>-</b>	<b>3,456</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,313)</b>	<b>-</b>	<b>(2,313)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,173</b>	<b>-</b>	<b>2,173</b>
<b>Cash and cash equivalents at end of year</b>	<b>(140)</b>	<b>-</b>	<b>(140)</b>



# Redhall Group plc

## PARENT COMPANY FINANCIAL STATEMENTS

# Statement of Company Accounting Policies

## BASIS OF PREPARATION

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; As the consolidated financial statements of Redhall Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:
  - Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

A summary of the material Company accounting policies, which have remained unchanged, are set out below.

## TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, with the exception of freehold land and buildings which are stated at valuation, less accumulated depreciation.

Depreciation of tangible fixed assets is provided so as to write off the cost or valuation less estimated residual value of each asset over its expected useful life at the following annual rates:

Freehold buildings	2%
Machinery, equipment and vehicles:	
Furniture, fixtures and fittings	10% to 20%
Computers, and electronic equipment	10% to 20%
Motor vehicles	25%

No depreciation is provided in respect of freehold land.

## INVESTMENTS

Investments held as fixed assets are stated at cost less provision for any impairment in value.

## DEFERRED TAXATION

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## LEASES

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

## PENSIONS

### *Defined benefit scheme*

Pension costs are recognised in the financial statements in accordance with the requirements of IAS 19. The Company participates in a defined benefit pension scheme, the Booth Industries Group PLC Staff Pension and Life Assurance Scheme.

Another group company (Booth Industries Limited) is the sponsor and as such the Company accounts for the scheme as a defined contribution scheme. Details of the Group's pension schemes are disclosed in note 20 of the consolidated financial statements.

## SHARE-BASED PAYMENT

### *Equity-settled share-based payment*

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 October 2006 are recognised in the financial statements. All goods and services received in exchange for the grant of any share-based payment are measured

at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to "other reserve".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options the proceeds received, net of attributable transaction costs, are credited to share capital and, where appropriate, share premium.

Provision is made for employer National Insurance contributions on options granted under unapproved share option schemes over the period from the date of grant to the first date upon which the option could be exercised.

## **DIVIDENDS**

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders.

## **CLASSIFICATION OF FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY**

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

## **Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

### **Trade and other debtors**

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

### **Trade and other creditors**

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

## **Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

## **INVESTMENT IMPAIRMENT REVIEW**

An impairment review of investments was carried out as at the year-end resulting in an impairment of £7.1 million to £21.2 million (2017: £28.3 million) carried in the balance sheet. Details of the calculations and assumptions used for the impairment review are shown in Note 2.

## Company Balance Sheet

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Investment properties	2	585	585
Tangible assets	3	39	82
Investments in subsidiary undertakings	4	21,218	28,311
		<b>21,842</b>	<b>28,978</b>
<b>Current assets</b>			
Debtors – amounts due within one year	5	778	724
Debtors – amounts due after more than one year	5	25,028	25,254
Cash at bank		2,729	1,364
		<b>28,535</b>	<b>27,342</b>
<b>Creditors – amounts falling due within one year</b>	6	<b>(841)</b>	<b>(1,242)</b>
<b>Net current assets</b>		<b>27,694</b>	<b>26,100</b>
<b>Total assets less current liabilities</b>		<b>49,536</b>	<b>55,078</b>
<b>Creditors – amounts falling due after more than one year</b>	6	<b>(26,887)</b>	<b>(23,362)</b>
<b>Net assets</b>		<b>22,649</b>	<b>31,716</b>
<b>Capital and reserves</b>			
Called-up share capital	8	12,297	12,297
Share premium account		-	-
Merger reserve		-	-
Other reserve		1,446	1,690
Revaluation reserve		102	102
Profit and loss account		8,804	17,627
<b>Shareholders' funds</b>		<b>22,649</b>	<b>31,716</b>

The financial statements were approved by the Board on 31 January 2019 and signed on its behalf by:

**R D Haworth**

Interim Chief Executive Officer

**S P Comer**

Chief Financial Officer

Company Registration Number - 263995

The accompanying notes form part of these financial statements.

## Company 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 2016	12,284	28,326	12,679	102	1,389	(32,973)	21,807
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	20,610	34,951
Loss for the year	-	-	-	-	-	(3,170)	(3,170)
Movement between reserves	-	-	-	-	(252)	252	-
Other comprehensive income for the year	-	-	-	-	-	(65)	(65)
Total comprehensive income for the year	-	-	-	-	(252)	(2,983)	(3,235)
At 30 September 2017	12,297	-	-	102	1,690	17,627	31,716
Employee share-based compensation - current year	-	-	-	-	37	-	37
- prior year amounts realised	-	-	-	-	(52)	-	(52)
Employee share-based compensation - deferred tax	-	-	-	-	(229)	-	(229)
Transactions with owners	12,297	-	-	102	1,446	17,627	31,472
Loss for the year	-	-	-	-	-	(2,880)	(2,880)
Impairment of investment in subsidiary undertakings	-	-	-	-	-	(7,093)	(7,093)
Movement between reserves	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	1,150	1,150
Total comprehensive income for the year	-	-	-	-	-	(8,823)	(8,823)
<b>At 30 September 2018</b>	<b>12,297</b>	<b>-</b>	<b>-</b>	<b>102</b>	<b>1,446</b>	<b>8,804</b>	<b>22,649</b>

Other reserves comprise share based compensation £406,000 (2017: £420,000), equity reserve relating to the grant of options on conversion of debt during 2016 £925,000 (2017: £925,000) deferred tax of £113,000 and other reserves of £2,000 (2017: £2,000).

# Notes to the Company Financial Statements

## 1. DIRECTORS' EMOLUMENTS

	2018 £000	2017 £000
Emoluments for services as Directors	1,090	601
Social security costs	134	77
Pension contributions	60	51
	<b>1,284</b>	<b>729</b>

The emoluments of the highest paid Director were £424,000 (2017: £251,000) and contributions to his pension arrangement were £nil (2017: £27,000). Further details of Directors' emoluments as required by AIM Rule 19 are set out in the Report of the Directors.

### *Directors' pension benefits*

The Company paid contributions of £60,000 (2017: £51,000) in total into the personal pension plans of three (2017: three) Directors for the year ended 30 September 2018.

## 2. INVESTMENT PROPERTIES

	Investment property £000	Total £000
<b>Investment property</b>		
<b>Cost or Valuation</b>		
At 1 October 2016	585	585
Additions	-	-
<b>At 1 October 2017</b>	<b>585</b>	<b>585</b>
Additions	-	-
<b>At 30 September 2018</b>	<b>585</b>	<b>585</b>
<b>Depreciation</b>		
At 1 October 2016	-	-
Charge for the year	-	-
At 1 October 2017	-	-
Charge for the year	-	-
Transfers from Group Companies	-	-
<b>At 30 September 2018</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>		
<b>At 30 September 2018</b>	<b>585</b>	<b>585</b>
At 30 September 2017	585	585
At 30 September 2016	585	585

The investment property consists of land and buildings at Nelson Street, Bolton which is used by Booth Industries Limited, a wholly owned subsidiary company.

The investment property was revalued on a formal basis as at 30 September 2012 on an existing use basis. The valuation was conducted by Joseph Jackson & Sons, Chartered Surveyors. The valuation was undertaken in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors in the United Kingdom. The Directors consider the valuation performed reflects an appropriate fair value at 30 September 2017.

The Company's investment properties are pledged as security to the Group's lenders under the terms of a debenture.

### 3. FIXED ASSETS

	Machinery, equipment and vehicles £000	Total £000
<b>Tangible fixed assets</b>		
<b>Cost</b>		
At 1 October 2016	402	402
Additions	28	28
Disposals	(103)	(103)
At 1 October 2017	327	327
Additions	17	17
Disposals	-	-
<b>At 30 September 2018</b>	<b>344</b>	<b>344</b>
<b>Depreciation</b>		
At 1 October 2016	(300)	(300)
Charge for the year	(48)	(48)
Disposals	103	103
At 1 October 2017	(245)	(245)
Charge for the year	(60)	(60)
Disposals	-	-
<b>At 30 September 2018</b>	<b>(305)</b>	<b>(305)</b>
<b>Net book value</b>		
<b>At 30 September 2018</b>	<b>39</b>	<b>39</b>
At 30 September 2017	82	82
At 30 September 2016	102	102

## Notes to the Company Financial Statements (cont.)

### 4. INVESTMENTS IN GROUP UNDERTAKINGS

Ordinary shares held by the Company in wholly owned unlisted subsidiaries:

£000

#### Cost

At 1 October 2016	34,504
At 1 October 2017	38,680
Additions	-
Impairment	(7,093)
<b>At 30 September 2018</b>	<b>31,587</b>

#### Provision

At 1 October 2016	(10,369)
At 1 October 2017	(10,369)
<b>At 30 September 2018</b>	<b>(10,369)</b>

<b>Net book value at 30 September 2018</b>	<b>21,218</b>
Net book value at 30 September 2017	28,311
Net book value at 30 September 2016	24,135

#### Impairment review process

The Group tests investment valuations annually for impairment, or more frequently if there are indications that an impairment may have occurred. The recoverable amount of each investment is based on their values in use. The key assumptions for the value in use calculations are the same as for the consolidated company. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money for the Group. Other assumptions reflect external data where appropriate and management's best estimates. The values in use are calculated by reference to discounted cash flows based upon the following year's budget and after this period, growth for the purpose of this exercise was assumed to continue at no more than 2.0% pa, which is in line with longer term rates of inflation.

The results of all subsidiaries are included in the consolidated results for the year. The wholly owned subsidiary companies which, in the opinion of the Directors, principally affected the amount of the results or net assets of the Group are set out below. A full list of all related undertakings is included in note 12.

Redhall Nuclear Limited	Engineering and other services to the nuclear industry
Redhall Marine Limited	Provision of products and services principally to the marine industry
Redhall Jex Limited	Engineering design, fabrication, installation, relocation and maintenance of process plant
Redhall Networks Limited	Engineering maintenance services
Booth Industries Limited	Specialist door manufacture
Jordan Manufacturing Limited	Specialist engineering fabrication
R Blckett Charlton Limited	Fabrication and erection of specialist pipework and the provision of engineering services

Those subsidiaries are registered in England and operate principally within the United Kingdom.

### 5. DEBTORS

	2018 £000	2017 £000
Trade debtors	-	-
Amounts owed by subsidiary undertakings	400	385
Other debtors	24	6
Prepayments and accrued income	354	333
<b>Debtors – amounts due within one year</b>	<b>778</b>	<b>724</b>
Deferred tax	186	412
Amounts owed by subsidiary undertakings with no fixed repayment date	24,842	24,842
<b>Debtors – amounts due after more than one year</b>	<b>25,028</b>	<b>25,254</b>

Amounts owed by subsidiary undertakings are not due within one year, but are repayable on demand thereafter.

## 6. CREDITORS

	2018 £000	2017 £000
<b>(a) Amounts falling due within one year:</b>		
Trade creditors	289	418
Amounts owed to subsidiary undertakings	3	72
Other creditors including taxation and social security	213	12
Accruals and deferred income	336	740
Bank overdraft	-	-
	<b>841</b>	<b>1,242</b>
<b>(b) Amounts falling due after more than one year:</b>		
Amounts owed to subsidiary undertakings	21,647	21,647
Deferred tax	-	-
Loans	5,240	1,715
	<b>26,887</b>	<b>23,362</b>

The bank loan is denominated in sterling and is secured by way of a debenture and a composite guarantee from each Group company.

Amounts owed to subsidiary undertakings are not due within one year, but are repayable on demand thereafter.

## 7. DEFERRED TAX

The deferred tax asset included in the balance sheet is as follows:

	2018 £000	2017 £000
Accelerated capital allowances	4	(5)
Short term timing differences	182	417
Deferred tax asset/(liability) (Note 5)	<b>186</b>	<b>412</b>

## Notes to the Company Financial Statements (cont.)

### 8. CALLED-UP SHARE CAPITAL

On 5 July 2017, the Company issued 132,850,000 new ordinary shares of 0.01p at a price of 10p per share by way of a placing and debt conversion. Expenses associated with the placing, open offer and debt conversion amounted to £664,000 and were charged to the share premium account.

#### *Allotted, called up and fully paid:*

	2018 Number	£000	2017 Number	£000
At 30 September				
Ordinary shares of 0.01p each	332,900,684	33	332,900,684	33
Deferred shares of 24.99p each	49,077,469	12,264	49,077,469	12,264
	<b>381,978,153</b>	<b>12,297</b>	381,978,153	12,297

#### *Ordinary shares of 0.01 pence*

	2018 Number	£000	2017 Number	£000
At start of year	332,900,684	33	200,050,684	20
Placing and open offer	-	-	95,350,000	9
Debt conversion	-	-	37,500,000	4
At end of year	<b>332,900,684</b>	<b>33</b>	332,900,684	33

#### *Deferred shares of 24.99 pence*

	2018 Number	£000	2017 Number	£000
At start of year	49,077,469	12,264	49,077,469	12,264
Conversion	-	-	-	-
At end of year	<b>49,077,469</b>	<b>12,264</b>	49,077,469	12,264

The Deferred Shares do not entitle their holders to receive any dividend or other distribution. On a return of assets in a winding up, the holders of Deferred Shares are entitled to a repayment only after repayment of capital on the Ordinary Shares plus £10,000,000 per Ordinary Share. Holders of Deferred Shares do not have the right to receive notice of any General Meeting of the Company nor the right to attend, speak or vote at any such meeting.

## 9. FINANCIAL COMMITMENTS

At 30 September 2018 the Company was committed to making the following payments under non-cancellable operating leases.

	Land and buildings		Other	
	30 September 2018 £000	30 September 2017 £000	30 September 2018 £000	30 September 2017 £000
Operating leases which expire:				
Within one year	8	46	27	43
Between two and five years	-	8	8	32
	<b>8</b>	<b>54</b>	<b>35</b>	<b>75</b>

## 10. CONTINGENT LIABILITIES

The Company and certain subsidiaries have given parental and subsidiary guarantees in support of the loan facilities of which £5,240,000 was utilised as at 30 September 2018. The maximum amount which could be utilised as at 30 September 2018 was £9,715,000.

## 11. SHARE-BASED PAYMENTS

The Company has established share option schemes which entitle employees, including Directors, to purchase shares in the Company. Details of these schemes are set out in note 22 to the consolidated financial statements.

## Notes to the Company Financial Statements (cont.)

### 12. RELATED UNDERTAKINGS

The related undertakings of Redhall Group plc are listed below. All of these entities are 100% owned (ordinary share capital) with the exception of ACPP Redhall Limited which is 50% owned (and is dormant); and are all incorporated in the UK except where noted below.

#### Company Name

Booth Industries Limited\*

Redhall Networks Limited\*

Jordan Nuclear Limited

Redhall Nuclear Limited

Redhall Marine Limited

Steels Engineering Services Limited

Jordan Manufacturing Limited\*

Redhall Jex Limited\*

R Blackett Charlton Limited

Jordan Engineering Services Limited

Chieftain Group Limited

CHB Holdings Limited

Jordan Division Limited

CHB-Jordan Limited

R Blackett Charlton Workshop Services Limited

Jordan Projects Limited

CHB-Jordan Engineering Limited

Chieftain Power Services Limited

Chieftain Insulation Limited

Redhall Engineering Limited

Booth Engineering Limited

Scotwide Antenna Systems Limited

Redhall Energy Limited

Cellular Rigging Installations Limited

John Booth & Sons (Bolton) Limited

John Booth Metal Treatment Limited

Redhall Manufacturing Limited

Booth Industries Group Limited

Steel Group Limited

Steels Engineering and Design Limited

Jordan Engineering UK Limited

CHB Engineering Services Limited

Redhall Trustees Limited

Kleenco Industrial Services Limited

ACPP Redhall Limited – 50% joint venture (non-trading)

R Blackett Charlton (Ireland) Limited – Registered in Ireland

\*Principal operating subsidiaries

The registered office of each subsidiary is Unit 3, Calder Close, Wakefield, WF4 3BA, except for R Blackett Charlton (Ireland) Limited which is 10, Earlsfort Terrace, Dublin 2 and ACPP Redhall Limited which is 14, Millbrook Road, Stover Trading Estate, Yate, Bristol, BS37 5JW.

# Notice of Annual General Meeting

Notice is hereby given that the 87th Annual General Meeting of Redhall Group plc will be held at the offices of Squire Patton Boggs, solicitors, 7, Devonshire Square, London, EC2M 4YH on 6 March 2019 at 12.00 noon for the following purposes:

## Resolution 1:

To receive and adopt the financial statements for the year ended 30 September 2018 and the reports of the Directors and auditor thereon.

## Resolution 2:

To re-elect R D Haworth as a Director.

## Resolution 3:

To re-elect S P Comer as a Director.

## Resolution 4:

To re-elect M J Everett as a Director.

## Resolution 5:

To re-elect J M Oatley as a Director.

## Resolution 6:

To re-elect J D Brooke as a Director.

## Resolution 7:

To reappoint the auditor, KPMG LLP and to authorise the Directors to fix their remuneration.

## Special Business

To consider as special business and, if thought fit, to pass the following resolutions of which number 8 will be proposed as an Ordinary Resolution and numbers 9 and 10 as Special Resolutions.

## Resolution 8:

That, in substitution for any such existing authority, the Directors of the Company be and they are hereby authorised pursuant to section 551 of the Companies Act 2006 ("the Act") generally and unconditionally to exercise each and every power of the Company to allot shares in the Company up to a maximum amount in nominal value of £11,096, such authority to expire on 1 May 2020 or on the conclusion of the next Annual General Meeting of the Company after the meeting at which this resolution is passed, whichever is the earlier, and that the Company be and is hereby authorised to make before the authority conferred by this resolution has expired one or more offers or agreements which would or might require shares in the Company to be allotted after this authority has expired and the Directors be and they are hereby permitted to allot shares in the Company after the authority conferred by this resolution has expired in pursuance of each and every such offer or agreement made by the Company.

## Resolution 9:

That the Directors of the Company be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by Resolution 8 above as if section 561 (1) of the Act did not apply to any such allotments, provided that such power shall be limited to:

- (a) the allotment of equity securities in connection with any rights issue or similar offer in favour of the holders of any equity securities where the equity securities respectively attributable to the interest of all the holders of equity securities are proportionate (as nearly as may be) to the respective numbers

of equity securities held by them subject to such exclusions or arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements otherwise arising or legal or practical problems under the laws or regulations of any territory regulatory body or stock exchange; and

- (b) the allotment of equity securities which are or are to be wholly paid up in cash (otherwise than as mentioned in sub-paragraph (a) of this Resolution 9), provided that the maximum nominal value of equity securities so allotted does not exceed in aggregate £1,664; and so that such power shall expire on 1 May 2020 or on the conclusion of the next Annual General Meeting of the Company after the meeting at which this resolution is passed, whichever is the earlier, save that the Company may make any offer or agreement before the expiry of this power which would or might require equity securities to be allotted pursuant thereto after the expiry date and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired.

## Resolution 10:

That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 693 of the Act) of Ordinary Shares provided that:

- (a) the maximum number of Ordinary Shares to be purchased is 33,290,068 being 10% of the issued share capital of the Company;
- (b) the minimum price which may be paid for Ordinary Shares is 0.01 pence per Ordinary Share exclusive of expenses;
- (c) the maximum price (excluding expenses) which may be paid for each Ordinary Share is the higher of:
  - (i) 105 per cent of the average market value of an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days prior to the day the purchase is made; and
  - (ii) the value of an Ordinary Share calculated on the basis of the higher of the price quoted for:
    - a. the last independent trade of; and
    - b. the highest current independent bid for;any number of the Company's Ordinary Shares on the trading venue where the purchase is carried out;
- (d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 12 months from the passing of this resolution if earlier; and
- (e) the Company may make a contract to purchase Ordinary Shares under the authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract.

By Order of the Board

## S P Comer

Secretary  
Unit 3, Calder Close  
Wakefield  
WF4 3BA  
31 January 2019

# Notice of Annual General Meeting (cont.)

## NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

### 1. Entitlement to attend and vote

Only those members registered on the Company's register at:

- 6:00pm on 4 March 2019; or
- if this meeting is adjourned, at 6:00pm two days before the rearranged meeting,

shall be entitled to attend and vote at the meeting.

### 2. Issued Shares and Voting Rights

As at close of business on 30 January 2019, the Company's issued share capital comprised 332,900,684 ordinary shares of 0.01 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights of the Company as at close of business on 30 January 2019 is 332,900,684.

### 3. Proxies

To be valid, the proxy form must be completed, signed and returned so as to reach Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, B62 8HD by no later than 48 hours before the time for holding the AGM or any adjourned meeting.

You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares.

To appoint more than one proxy you may photocopy the form or contact the Company's Registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, B62 8HD. Multiple proxies must be returned together in the same envelope.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Neville Registrars (CREST Participant ID: 7RA11), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will

therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.

### 4. Communication

Members who wish to communicate with the Company in relation to the meeting should contact the Company Secretary in writing at the registered office of the Company. No other methods of communication will be accepted.

### 5. Adoption of Financial Reporting Standard IFRS 15

In the current year the Group adopted IFRS 15 Revenue from Contract with Customers, the impact is shown in Note 26.

Novatech Matt is produced in a mill that is certified to ISO14001 environmental management standard. It is a mixed sourced product made with pulp derived from well managed forests and other controlled sources. It is bleached using a combination of Elemental Chlorine Free (ECF) and Totally Chlorine Free (TCF) processes and is fully recyclable.

# Redhall Group plc

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