ENGINEERING INFRASTRUCTURE

FOR THE FUTURE

RENEW HOLDINGS PLC
INTERIM REPORT AND ACCOUNTS 2018

ENGINEERING INFRASTRUCTURE

FOR THE FUTURE

We provide essential engineering services to maintain and renew UK infrastructure networks.

Our multidisciplinary engineering services are delivered through our independently branded UK subsidiary businesses that support the day-to-day running of these infrastructure networks.

Find out more about us at renewholdings.com

Chairman's statement

I am pleased to announce that Renew has delivered another set of interim results in line with management expectations. The Group focuses on directly delivering essential works to critical infrastructure in regulated markets where works are funded through clients' operational expenditure budgets.

Results

Group adjusted[1] operating profit was £12.9m (2017: £12.9m) on revenue, including £0.9m (2017: £1.1m) from a joint venture, of £262.2m (2017: £281.8m). The Group's adjusted[1] operating margin, increased to 4.9% (2017: 4.6%). Adjusted[1] earnings per share was 16.2p (2017: 16.5p). Statutory profit before income tax was £2.0m (2017: £5.6m).

Engineering Services revenue was £221.8m (2017: £226.6m) with adjusted[1] operating profit increasing to £12.9m (2017: £12.7m) resulting in an improved operating margin of 5.8% (2017: 5.6%).

As announced in November 2017, Specialist Building revenue reduced to £40.5m (2017: £53.5m). Operating profit was £0.9m (2017: £1.2m), maintaining operating margin at 2.2% (2017: 2.2%). The Group remains focused on contract selectivity and risk management within the High Quality Residential market in London and the Home Counties.

Corporate activity

Since the period end, we were pleased to announce the £80m acquisition of QTS Group Limited ("QTS"), a direct delivery provider of specialist engineering services to the rail industry. These services include asset support, maintenance and renewals undertaken primarily through Network Rail's non-discretionary operational expenditure budget. QTS is a well-established brand in the UK Rail market where it has operated for over 25 years. The combined capabilities broaden the service offering of the enlarged Group and enable us to maximise the opportunities under Control Period 6 ("CP6") (2019–2024) where the increase in spending to £48bn will focus on operations, maintenance, support and renewals across the rail network.

The acquisition was part funded by a successful equity placing to raise gross proceeds of £45m, with the balance of the consideration (plus associated transaction costs) funded from new debt facilities, comprising a £35m four year term loan, £20m revolving capital facility and £10m overdraft facility, which together replaced all existing debt facilities.

On 5 February 2018, the Group announced the disposal of Forefront Group Limited ("Forefront"), its engineering services business focused on the gas infrastructure market.

Dividend

In line with its progressive policy, the Board is increasing the interim dividend by 11% to 3.33p (2017: 3.00p) per share which will be paid on 6 July 2018 to shareholders on the register at 1 June 2018.

Order book

The Group's order book at 31 March 2018 was £540m (2017: £517m). The Engineering Services order book grew 9% to £472m (2017: £435m). In Specialist Building, the order book was £68m (2017: £82m).

Cash

At 31 March 2018, the Group had a net debt of £2.5m (2017: £3.5m).

Board changes

I was delighted to succeed Roy Harrison as Chairman following his retirement at the conclusion of the AGM in January. I would like to thank Roy for the contribution he has made to the Group over the past 14 years. In November, the Group appointed Sean Wyndham-Quin as Group Finance Director.

Outlook

We focus on supporting the country's key infrastructure assets, providing essential engineering services through long-term framework positions. It remains the Group's strategy to develop its engineering services business both organically and through selective acquisitions.

The Board remains confident of delivering full year results in line with market expectations.

D M Forbes
Chairman
22 May 2018

1. Adjusted results are shown prior to impairment, amortisation and exceptional items (applies throughout the document whenever the term 'adjusted' is used).

A LEADING PROVIDER OF ENGINEERING SUPPORT SERVICES

Renew continues to expand its position as a leading provider of engineering support services to the UK's critical infrastructure assets in the Energy, Environmental and Infrastructure markets which have high barriers to entry.

Our work supports the daily operations of essential networks which include nuclear, rail and water infrastructure. Our directly employed, highly skilled teams deliver maintenance and renewals programmes to key infrastructure assets on these networks.

Corporate activity

On 9 May 2018, the Group announced the acquisition of QTS for a cash consideration of £80m. QTS is a provider of specialist services to the rail industry which include Civil Engineering, Geotechnical Services, Fencing and Devegetation. QTS is an excellent fit with Renew's established and proven strategy and has a longstanding relationship with Network Rail where they operate under long-term framework positions. This includes the recently awarded 10 regions on the five year Civils and Buildings Asset Management Frameworks. The additional services of QTS will broaden the opportunities available to Renew under CP6 (2019–2024) where Network Rail's significantly increased spending will focus on renewal and maintenance, our Group's key offering.

Headquartered in Drumclog, Scotland, QTS has eight operational bases across the UK. In the financial year ended 31 March 2018, over 90% of QTS' revenue was ultimately derived from Network Rail. The QTS brand will be retained and the business will operate as a standalone subsidiary, with Group oversight and support.

Exceptional items

In February, the Group announced its decision to exit the gas infrastructure market with the sale of subsidiary, Forefront. The sale allows management to focus on other opportunities that can deliver better value for shareholders. As a result of the disposal, the consolidated results of the Group will show a non-cash, balance sheet write-down of assets and intangible assets of approximately £9.9m which are shown as exceptional items in the Group's accounts. Renew bears no ongoing liability in respect of Forefront.

Engineering Services

Engineering Services revenue was in line with management expectations at £221.8m (2017: £226.6m). Adjusted[1] operating profit grew to £12.9m (2017: £12.7m).

The adjusted[1] operating margin increased to 5.8% (2017: 5.6%). In line with our strategy to focus on contract selectivity, we delivered improved margins across our Engineering Services sectors.

At 31 March 2018, the Engineering Services order book increased 9% to £472m (2017: £435m) with expected revenue for the year fully secured.

Energy

Our engineering services support the day-to-day operation and maintenance of assets in the nuclear, thermal, and renewable energy markets.

Operating at 9 of the Nuclear Decommissioning Authority's ("NDA") 17 nuclear licenced sites in the UK, the majority of our work is undertaken at the Sellafield Nuclear site in Cumbria. Sellafield is currently allocated around 74% of the NDA's £3bn annual expenditure representing the scale of the decommissioning challenge at the site.

As the largest mechanical and electrical contractor at Sellafield we are positioned across the site supporting both new and existing operational plant. Our work on Sellafield's long-term, high priority programmes includes those associated with waste treatment, reprocessing, decontamination, and decommissioning.

We continue to work on long-term frameworks at Sellafield which include the 10-year Decommissioning Delivery Partnership Framework, Magnox Swarf Storage Silo, Bulk Sludge Retrieval, Site Remediation & Decommissioning, the Bundling Spares Framework and the Tanks and Vessels Framework. Our work on these frameworks also positions the Group strongly for opportunities in the major projects programmes at the site.

During the period we also commenced a new area of work at BAE Systems in Barrow where we are providing engineering support to the Astute Class nuclear submarine programme.

We continue to provide long-term engineering maintenance at five of the UK's thermal power stations and have recently been awarded a number of work packages.

Environmental

We support a wide range of water infrastructure assets including both clean and waste water networks as well as undertaking flood alleviation and coastal protection schemes.

We continue our strong relationship with Wessex Water on the AMP 6 Civils & EMI Delivery Partners Framework and for Welsh Water on the Major Civils Framework and the Capital Delivery Alliance Civils contracts as well as the Pressurised Pipelines Framework which includes the Emergency Reactive framework. During March, our reactive maintenance services supported Welsh Water through major network disruption following a period of severe weather. Our direct resources responded very quickly to an urgent demand for an extensive leakage programme on the potable water network supplying the main conurbations of Wales.

We continue to develop our relationship with the Environment Agency following the award of the five year Flood and Coastal Risk Management Frameworks in the Agency's North, Central and South West Hubs in March. We were the only contractor to secure a position in all three areas. The frameworks will see us deliver a range of small scale civil engineering and maintenance works to protect and improve the environment with the overall Flood and Coastal Risk Management programme set to deliver around £160m of works nationally. We continue to operate as sole provider on the Northern Mechanical, Electrical, Instrumentation, Control, and Automation ("MEICA") Framework.

For the Canal and River Trust, we have completed the first year of the MEICA Framework where we provide maintenance, renewal, upgrade, and emergency repairs services to around 1,000 of the Trust's waterway assets in England and Wales. During the period, our work included the installation of a new winding mechanism at Bath Deep Lock on the Kennet and Avon Canal.

In land remediation, we have worked on several frameworks for SGN and National Grid to remediate former gas works sites. New clients include Leeds City Council where we have recently been awarded a contract to remediate three sites in the Holbeck development area.

Restoration activity and work associated with the Palace of Westminster, including work on the Courtyard Conservation Framework and the Cast Iron Roof Restoration Framework is progressing well. Our position at the site provides good visibility of future essential works and we are well placed for the major opportunities that will present themselves at this UNESCO World Heritage site.

Infrastructure

As a major provider of infrastructure services to Network Rail, we undertake a wide range of multi-disciplinary maintenance and renewals activities as well as providing a 24/7 emergency reactive service across the rail network.

The Government's announcement of increased rail funding for CP6 to £48bn will see Network Rail increase expenditure in operations, maintenance, support, and renewals by 25% compared to the previous Control Period (2014–2019). The focus on renewals and maintenance as key priorities means the Group is excellently positioned to benefit from this spending plan.

Following Network Rail's recent renewal of the 5-Year Civils and Buildings Asset Management Frameworks we successfully renewed all our existing frameworks as well as adding a number of new positions extending our reach into the South East. These contract awards are testament to the strength of the Group's relationship with Network Rail and our ability to respond at short notice across a range of assets on the national rail network.

In addition to our civils and building asset management works, we remain sole provider on seven Infrastructure Project frameworks over the current CP5 investment period where we deliver renewal schemes on a range of assets including bridges, viaducts, stations, and tunnels.

We continue to see increasing opportunities in the wider rail market through the collaboration of Amco and Giffen. During the period we were awarded significant refurbishment projects at Upminster and Ealing Common Depots for London Underground Limited and the construction of Robroyston Station for the ScotRail Alliance in Scotland. In addition, Amco Giffen has been appointed as a Strategic Partner by SPL Powerlines UK Limited on the Midland Mainline Electrification Programme following their acquisition of the Carillion share in the CPL Joint Venture.

In wireless telecoms, we continue to work for the UK's major cellular network operators and original equipment manufacturers on the 3G and 4G roll out programmes.

Specialist Building

As previously announced, revenue in Specialist Building reduced against the comparative period to £40.5m (2017: £53.5m), with an operating profit of £0.9m (2017: £1.2m). Operating profit margin was maintained at 2.2% (2017: 2.2%). The forward order book stood at £68m (2017: £82m) with expected revenue for the year fully secured.

The Group's Specialist Building operations focus on the High Quality Residential market in London and the Home Counties where we specialise in major structural engineering works.

Strategy

Renew is a leading provider of engineering support services to the UK's critical Energy, Environmental and Infrastructure markets, where ongoing engineering maintenance and renewals requirements provide long-term, sustainable opportunities.

It remains the Group's strategy to grow our Engineering Services business both organically and through selective, earnings enhancing acquisitions with a clear focus on non-discretionary operational expenditure.

Our acquisition of QTS builds on this established strategy and positions the Group well to maximise the opportunities available under CP6 where increased spending will focus on renewals and maintenance.

P Scott
Chief Executive
22 May 2018

Condensed consolidated income statement
for the six months ended 31 March 2018

	Note	**Before exceptional items and amortisation of intangible assets 2018 Unaudited £000**	**Exceptional items and amortisation of intangible assets (see Note 3) 2018 Unaudited £000**	Six months ended 31 March **2018 Unaudited £000**	2017* Unaudited (restated**) £000	Before exceptional items and amortisation of intangible assets 2017 Audited (restated**) £000	Exceptional items and amortisation of intangible assets (see Note 3) 2017 Audited (restated**) £000	Year ended 30 September 2017 Audited (restated**) £000
Revenue: Group including share of joint venture	2	**262,159**	**–**	**262,159**	281,785	545,932	–	545,932
Less share of joint venture's revenue		**(853)**	**–**	**(853)**	(1,130)	(2,239)	–	(2,239)
Group revenue from continuing activities	2	**261,306**	**–**	**261,306**	280,655	543,693	–	543,693
Cost of sales		**(230,674)**	**–**	**(230,674)**	(250,880)	(481,065)	–	(481,065)
Gross profit		**30,632**	**–**	**30,632**	29,775	62,628	–	62,628
Administrative expenses		**(17,827)**	**(10,475)**	**(28,302)**	(24,086)	(35,126)	(8,289)	(43,415)
Share of post-tax result of joint venture		**65**	**–**	**65**	81	166	–	166
Operating profit	2	**12,870**	**(10,475)**	**2,395**	5,770	27,668	(8,289)	19,379
Finance income		**1**	**–**	**1**	81	30	–	30
Finance costs		**(385)**	**–**	**(385)**	(210)	(528)	–	(528)
Other finance income – defined benefit pension schemes		**–**	**–**	**–**	–	197	–	197
Profit before income tax	2	**12,486**	**(10,475)**	**2,011**	5,641	27,367	(8,289)	19,078
Income tax expense	5	**(2,371)**	**105**	**(2,266)**	(2,231)	(4,838)	388	(4,450)
(Loss)/profit for the period from continuing activities		**10,115**	**(10,370)**	**(255)**	3,410	22,529	(7,901)	14,628
Loss for the period from discontinued operations	4	**(1,320)**	**–**	**(1,320)**	(655)	(2,201)	–	(2,201)
(Loss)/profit for the period attributable to equity holders of the parent company		**8,795**	**(10,370)**	**(1,575)**	2,755	20,328	(7,901)	12,427
Basic earnings per share from continuing activities	6	**16.16p**	**(16.57p)**	**(0.41p)**	5.47p	36.04p	(12.64p)	23.40p
Diluted earnings per share from continuing activities	6	**16.06p**	**(16.46p)**	**(0.40p)**	5.42p	35.81p	(12.56p)	23.25p
Basic earnings per share	6	**14.05p**	**(16.57p)**	**(2.52p)**	4.42p	32.52p	(12.64p)	19.88p
Diluted earnings per share	6	**13.96p**	**(16.46p)**	**(2.50p)**	4.38p	32.31p	(12.56p)	19.75p
Proposed dividend	7			**3.33p**	3.00p			9.00p

* Operating profit for the six months ended 31 March 2017 is stated after charging £6,009,000 of exceptional items and £1,140,000 of amortisation cost (see Note 3).

** The prior year comparatives have been restated following the reclassification of a discontinued business (see Note 4).

Condensed consolidated statement of comprehensive income
for the six months ended 31 March 2018

	Six months ended 31 March 2018 Unaudited £000	Six months ended 31 March 2017 Unaudited £000	Year ended 30 September 2017 Audited £000
(Loss)/profit for the period attributable to equity holders of the parent company	**(1,575)**	2,755	12,427
Items that will not be reclassified to profit or loss:			
Movement in actuarial valuation of the defined benefit pension schemes	**–**	–	(2,089)
Movement on deferred tax relating to the defined benefit pension schemes	**–**	–	806
Total items that will not be reclassified to profit or loss	**–**	–	(1,283)
Items that are or may be reclassified subsequently to profit or loss:			
Exchange movement in reserves	**(66)**	84	(42)
Total items that are or may be reclassified subsequently to profit or loss	**(66)**	84	(42)
Total comprehensive income for the period attributable to equity holders of the parent company	**(1,641)**	2,839	11,102

Condensed consolidated statement of changes in equity
for the six months ended 31 March 2018

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Cumulative translation adjustment £000	Share based payments reserve £000	Retained earnings £000	Total equity Unaudited £000
At 1 October 2016	6,232	8,481	3,896	1,347	571	366	20,893
Transfer from income statement for the period						2,755	2,755
Dividends paid						(3,349)	(3,349)
New shares issued	27	1,154					1,181
Recognition of share based payments					1		1
Exchange differences				84			84
At 31 March 2017	6,259	9,635	3,896	1,431	572	(228)	21,565
Transfer from income statement for the period						9,672	9,672
Dividends paid						(1,877)	(1,877)
Recognition of share based payments					108		108
Exchange differences				(126)			(126)
Actuarial movement recognised in the pension schemes						(2,089)	(2,089)
Movement on deferred tax relating to the pension schemes						806	806
At 30 September 2017	6,259	9,635	3,896	1,305	680	6,284	28,059
Transfer from income statement for the period						(1,575)	(1,575)
Dividends paid						(3,755)	(3,755)
Recognition of share based payments					(114)		(114)
Exchange differences				(66)			(66)
At 31 March 2018	**6,259**	**9,635**	**3,896**	**1,239**	**566**	**954**	**22,549**

Condensed consolidated balance sheet
at 31 March 2018

	31 March 2018 Unaudited £000	31 March 2017 Unaudited (restated*) £000	30 September 2017 Audited £000
Non-current assets			
Intangible assets – goodwill	**51,089**	58,505	57,982
– other	**2,127**	3,819	2,679
Property, plant and equipment	**11,951**	13,188	13,497
Investment in joint venture	**302**	152	237
Retirement benefit assets	**11,822**	9,834	9,692
Deferred tax assets	**1,935**	2,355	2,057
	79,226	87,853	86,144
Current assets			
Inventories	**4,543**	5,032	3,900
Assets held for resale	**1,500**	1,500	1,500
Trade and other receivables	**99,450**	92,821	115,598
Current tax assets	**—**	—	220
Cash and cash equivalents	**112**	2,671	6,967
	105,605	102,024	128,185
Total assets	**184,831**	189,877	214,329
Non-current liabilities			
Obligations under finance leases	**(2,344)**	(2,569)	(2,376)
Retirement benefit obligations	**(538)**	(1,918)	(760)
Deferred tax liabilities	**(4,543)**	(3,813)	(3,892)
Provisions	**(314)**	(312)	(314)
	(7,739)	(8,612)	(7,342)
Current liabilities			
Borrowings	**(2,578)**	(6,200)	(3,100)
Trade and other payables	**(148,929)**	(148,946)	(173,245)
Obligations under finance leases	**(2,206)**	(2,426)	(2,547)
Current tax liabilities	**(794)**	(1,908)	—
Provisions	**(36)**	(220)	(36)
	(154,543)	(159,700)	(178,928)
Total liabilities	**(162,282)**	(168,312)	(186,270)
Net assets	**22,549**	21,565	28,059
Share capital	**6,259**	6,259	6,259
Share premium account	**9,635**	9,635	9,635
Capital redemption reserve	**3,896**	3,896	3,896
Cumulative translation adjustment	**1,239**	1,431	1,305
Share based payments reserve	**566**	572	680
Retained earnings	**954**	(228)	6,284
Total equity	**22,549**	21,565	28,059

* details of restated comparative balance sheet as at 31 March 2017 are set out in Note 1(e).

Condensed consolidated cashflow statement
for the six months ended 31 March 2018

	Six months ended 31 March 2018 Unaudited £000	Six months ended 31 March 2017 Unaudited (restated**) £000	Year ended 30 September 2017 Audited (restated**) £000
(Loss)/profit for the period from continuing operations	**(255)**	3,410	14,628
Share of post tax trading result of joint venture	**(65)**	(81)	(166)
Impairment and amortisation of intangible assets	**7,445**	6,940	8,080
Depreciation	**1,789**	1,860	3,675
Profit on sale of property, plant and equipment	**(156)**	(281)	(501)
Loss on disposal of subsidiary undertaking	**3,030**	—	—
Expense in respect of share option exercise	**—**	1,181	1,181
(Increase)/decrease in inventories	**(1,069)**	529	1,217
Decrease/(increase) in receivables	**12,787**	3,689	(22,875)
(Decrease)/increase in payables	**(20,429)**	(12,032)	14,842
Current and past service cost in respect of defined benefit pension scheme	**29**	29	60
Cash contribution to defined benefit pension schemes	**(2,352)**	(2,322)	(5,291)
(Credit)/expense in respect of share options	**(114)**	1	109
Finance income	**(1)**	(81)	(30)
Finance expense	**385**	210	331
Interest paid	**(385)**	(210)	(528)
Income taxes paid	**(479)**	—	(2,145)
Income tax expense	**2,266**	2,231	4,450
Net cash inflow from continuing operating activities	**2,426**	5,073	17,037
Net cash outflow from discontinued operating activities	**(3,606)**	(1,441)	(1,999)
Net cash (outflow)/inflow from operating activities	**(1,180)**	3,632	15,038
Investing activities			
Interest received	**1**	81	30
Proceeds on disposal of property, plant and equipment	**374**	334	663
Purchases of property, plant and equipment	**(284)**	(647)	(2,084)
Acquisition of subsidiaries net of cash acquired	**—**	(7,014)	(7,024)
Net cash inflow/(outflow) from continuing investing activities	**91**	(7,246)	(8,415)
Net cash (outflow)/inflow from discontinued investing activities	**(46)**	(4)	244
Net cash inflow/(outflow) from investing activities	**45**	(7,250)	(8,171)
Financing activities			
Dividends paid	**(3,755)**	(3,349)	(5,226)
Loan repayments	**(3,100)**	(3,100)	(6,200)
Repayment of obligations under finance leases	**(1,410)**	(1,284)	(2,471)
Net cash outflow from continuing financing activities	**(8,265)**	(7,733)	(13,897)
Net cash outflow from discontinued financing activities	**(25)**	(63)	(71)
Net cash outflow from financing activities	**(8,290)**	(7,796)	(13,968)
Net decrease in continuing cash and cash equivalents	**(5,748)**	(9,906)	(5,275)
Net decrease in discontinued cash and cash equivalents	**(3,677)**	(1,508)	(1,826)
Net decrease in cash and cash equivalents	**(9,425)**	(11,414)	(7,101)
Cash and cash equivalents at beginning of the period	**6,967**	14,084	14,084
Effect of foreign exchange rate changes on cash and cash equivalents	**(8)**	1	(16)
Cash and cash equivalents at end of the period	**(2,466)**	2,671	6,967
Bank balances and cash	**112**	2,671	6,967
Overdraft	**(2,578)**	—	—
	(2,466)	2,671	6,967

** The prior year comparatives have been restated following the reclassification of a discontinued business (see Note 4).

Notes to the condensed consolidated accounts

1 Basis of preparation

(a) The condensed consolidated interim financial report for the six months ended 31 March 2018 and the equivalent period in 2017 has not been audited or reviewed by the Group's auditor. It does not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. It has been prepared under the historical cost convention and on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The report does not comply with IAS34 "Interim Financial Reporting", which is not currently required to be applied for AIM companies and it was approved by the Directors on 22 May 2018.

(b) The accounts for the year ended 30 September 2017 were prepared under IFRS and have been delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498(2) or (3) of the Companies Act 2006. In this report, the comparative figures for the year ended 30 September 2017 have been audited. The comparative figures for the period ended 31 March 2017 are unaudited.

(c) For the year ending 30 September 2018, there are no new accounting standards, which have been adopted by the EU, applied and implemented for the condensed consolidated interim financial report. The accounting policies adopted in the preparation of the condensed consolidated interim financial report are consistent with those adopted in the Group's accounts for the year ended 30 September 2017.

(d) On 2 February 2018 Ferns Group Ltd acquired 100% of the ordinary share capital of Forefront Group Ltd, an Engineering Services subsidiary. Consequently Forefront Group Ltd has been treated as a discontinued business.

(e) The comparative balance sheet as at 31 March 2017 has been restated to reflect the prior year adjustment identified during the preparation of the financial statements for the year ended 30 September 2017. Deferred tax should have been charged at 35% on the Retirement Benefit Asset which resulted in an increase in the deferred tax liability of £1,309,000. The correction to the corporation tax creditor of £833,000 resulted in a net reduction in net assets of £476,000.

(f) The principal risks and uncertainties affecting the Group are unchanged from those set out in the Group's accounts for the year ended 30 September 2017. The Directors have reviewed financial forecasts and are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Group continues to adopt the going concern basis in preparing the condensed consolidated interim financial report.

This condensed consolidated interim financial report is being sent to all shareholders and is also available upon request from the Company Secretary, Renew Holdings plc, Yew Trees, Main Street North, Aberford, West Yorkshire LS25 3AA, or via the website www.renewholdings.com.

2 Segmental analysis

Operating segments have been identified based on the internal reporting information provided to the Group's Chief Operating Decision Maker. From such information, Engineering Services and Specialist Building have been determined to represent operating segments.

	Group including share of joint venture 2018 Unaudited £000	**Less share of joint venture 2018 Unaudited £000**	Group revenue from continuing activities Six months ended 31 March **2018 Unaudited £000**	Group revenue from continuing activities Six months ended 31 March 2017* Unaudited (restated) £000	Group including share of joint venture 2017 Audited (restated) £000	Less share of joint venture 2017 Audited £000	Group revenue from continuing activities Year ended 30 September 2017 Audited (restated) £000
Revenue is analysed as follows:							
Engineering Services	**221,768**	**(853)**	**220,915**	225,514	437,517	(2,239)	435,278
Specialist Building	**40,500**	**—**	**40,500**	53,573	106,834	—	106,834
Inter segment revenue	**(144)**	**—**	**(144)**	(399)	(921)	—	(921)
Segment revenue	**262,124**	**(853)**	**261,271**	278,688	543,430	(2,239)	541,191
Central activities	**35**	**—**	**35**	1,967	2,502	—	2,502
Group revenue from continuing operations	**262,159**	**(853)**	**261,306**	280,655	545,932	(2,239)	543,693

* Revenue for the six months ended 31 March 2017 is stated after eliminating £1,130,000 of joint venture income.

	Before exceptional items and amortisation of intangible assets 2018 Unaudited £000	**Exceptional items and amortisation of intangible assets 2018 Unaudited £000**	Six months ended 31 March **2018 Unaudited £000**	Six months ended 31 March 2017* Unaudited (restated) £000	Before exceptional items and amortisation of intangible assets 2017 Audited (restated) £000	Exceptional items and amortisation of intangible assets 2017 Audited (restated) £000	Year ended 30 September 2017 Audited (restated) £000
Analysis of operating profit							
Engineering Services	**12,891**	**(10,475)**	**2,416**	5,598	27,255	(8,289)	18,966
Specialist Building	**935**	**—**	**935**	1,158	2,418	—	2,418
Segment operating profit	**13,826**	**(10,475)**	**3,351**	6,756	29,673	(8,289)	21,384
Central activities	**(956)**	**—**	**(956)**	(986)	(2,005)	—	(2,005)
Operating profit	**12,870**	**(10,475)**	**2,395**	5,770	27,668	(8,289)	19,379
Net financing expense	**(384)**	**—**	**(384)**	(129)	(301)	—	(301)
Profit before income tax	**12,486**	**(10,475)**	**2,011**	5,641	27,367	(8,289)	19,078

* Operating profit for the six months ended 31 March 2017 is stated after charging £6,009,000 of exceptional items and £1,140,000 of amortisation cost (see Note 3).

Notes to the condensed consolidated accounts continued

3 Exceptional items and amortisation of intangible assets

	Six months ended 31 March 2018 Unaudited £000	2017 Unaudited £000	Year ended 30 September 2017 Audited (restated) £000
Acquisition costs in respect of Giffen Holdings Ltd.	**—**	209	209
Loss on disposal	**3,030**	—	—
Impairment of goodwill	**6,893**	5,800	5,800
Total charges arising from exceptional items	**9,923**	6,009	6,009
Amortisation of intangible assets	**552**	1,140	2,280
	10,475	7,149	8,289

The sale of Forefront Group incurred a loss on disposal of £3,030,000, and resulted in a £6,893,000 write-off of goodwill attributable to that subsidiary undertaking.

As a consequence of the disposal, the 30 September 2017 £657,000 exceptional redundancy and restructuring cost has been reclassified and is now included within the respective comparative loss for the period from discontinued operations.

4 Loss for the period from discontinued operations

	Six months ended 31 March 2018 Unaudited £000	2017 Unaudited (restated) £000	Year ended 30 September 2017 Audited (restated) £000
Revenue	**3,850**	8,896	15,032
Expenses	**(5,170)**	(9,710)	(17,808)
Loss before income tax	**(1,320)**	(814)	(2,776)
Income tax credit – benefit of tax losses	**—**	159	575
Loss for the period from discontinued operations	**(1,320)**	(655)	(2,201)

On 2 February 2018 Ferns Group Ltd acquired 100% of the ordinary share capital of Forefront Group Ltd, an Engineering Services subsidiary. The trading result for this cash generating unit has therefore been included within the loss for the period from discontinued operations and the comparative figures have been reclassified accordingly.

5 Income tax expense

	Six months ended 31 March 2018 Unaudited £000	2017 Unaudited (restated) £000	Year ended 30 September 2017 Audited (restated) £000
Current tax:			
UK corporation tax on (loss)/profit for the period	**(1,493)**	(1,673)	(3,294)
Adjustments in respect of previous periods	**—**	—	825
Total current tax	**(1,493)**	(1,673)	(2,469)
Deferred tax	**(773)**	(558)	(1,981)
Income tax expense	**(2,266)**	(2,231)	(4,450)

6 Earnings per share

	Six months ended 31 March						Year ended 30 September		
	2018			2017			2017		
	Unaudited			Unaudited			Audited		
	Earnings	**EPS**	**DEPS**	Earnings (restated)	EPS (restated)	DEPS (restated)	Earnings (restated)	EPS (restated)	DEPS (restated)
	£000	**Pence**	**Pence**	£000	Pence	Pence	£000	Pence	Pence
Earnings before exceptional items and amortisation	**10,115**	**16.16**	**16.06**	10,316	16.54	16.41	22,529	36.04	35.81
Exceptional items and amortisation	**(10,370)**	**(16.57)**	**(16.46)**	(6,906)	(11.07)	(10.99)	(7,901)	(12.64)	(12.56)
Basic earnings per share – continuing activities	**(255)**	**(0.41)**	**(0.40)**	3,410	5.47	5.42	14,628	23.40	23.25
Loss for the period from discontinued operations	**(1,320)**	**(2.11)**	**(2.10)**	(655)	(1.05)	(1.04)	(2,201)	(3.52)	(3.50)
Basic earnings per share	**(1,575)**	**(2.52)**	**(2.50)**	2,755	4.42	4.38	12,427	19.88	19.75
Weighted average number of shares		**62,592**	**62,983**		62,376	62,860		62,514	62,917

The dilutive effect of share options is to increase the number of shares by 391,000 (March 2017: 484,000; September 2017: 403,000) and reduce basic earnings per share by (0.02)p (March 2017: 0.04p; September 2017: 0.13p).

7 Dividends

The proposed interim dividend is 3.33p per share (2017: 3.00p). This will be paid out of the Company's available distributable reserves to shareholders on the register on 1 June 2018, payable on 6 July 2018. In accordance with IAS 1, dividends are recorded only when paid and are shown as a movement in equity rather than as a charge in the income statement.

8 Acquisition of subsidiary

On 9 May 2018 the Company announced that it had agreed to acquire the entire issued share capital of QTS Group Limited, a leading specialist independent rail contractor based in Scotland, for a cash consideration of £80m. The acquisition was funded by a placement of 12,676,056 new ordinary shares raising £45m, and a four year loan of £35m provided by HSBC Bank plc. Further information on the acquisition will be included in the Annual Report and Accounts for the year ending 30 September 2018.

Directors, officers and advisors

Directors

D M Forbes	(Non-executive Chairman)
P Scott	(Chief Executive)
J Bishop FCA	(Independent non-executive)
D Brown	(Independent non-executive)
A Liebenberg	(Director)
S Wyndham-Quin CA	(Group Finance Director)

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