

## Disposal of RESL and Strategy Update

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

### Disposal of Redhall Engineering Solutions Limited ("RESL") to Cape plc and Strategy Update

Redhall Group plc (AIM: RHL), the specialist manufacturing and engineering services group, is pleased to announce progress in implementing its strategic plan and the disposal of RESL.

#### Highlights

- Disposal of engineering contracting subsidiary RESL to Cape plc for headline consideration of £6.0m
- Net debt reduction resulting from the sale of £5.0m after adjustments and transaction costs
- Continued focus on higher margin manufacturing capability particularly in nuclear and oil & gas markets
- Withdrawal from loss making site based nuclear contracting business
- Removal of the divisional management structure complete

#### Disposal of RESL

The Group has agreed to sell its subsidiary RESL to Cape plc for an enterprise value of £6.0m which will result in a net reduction in borrowings of £5.0m after adjustments and costs. The loss on disposal in respect of goodwill will be £5.2m. This disposal is a significant step in the Group's strategy to reduce its exposure to contracting, focusing the business on higher margin manufacturing activities and improving working capital.

RESL, which provides a wide range of engineering contracting services to process industries, contributed £30.1m of revenue to the Group and an operating loss after exceptional items of £0.49m in the year ended 30 September 2014.

#### Progress in implementing the Strategic Plan

In its strategy update of 4 December 2014, the Group announced that it would focus on its higher margin manufacturing and specialist services capabilities and would reduce the volume of low margin contracting operations. As part of this strategy, and in addition to the disposal of RESL detailed above, the Group has been successful in exiting (without terminating) a number of framework contracts in its site based nuclear contracting business. Today the Group announces that it will continue a controlled withdrawal from its site based nuclear contracting activities which made a loss of £3.53m after exceptional costs in the year ended 30 September 2014. As a result of this withdrawal the company expects to incur exceptional redundancy costs, closure costs and asset write offs of £2.2m in the year ending 30 September 2015. The cash impact of these exceptional costs is expected to be £0.6m. Consequently the Group anticipates that the total exceptional costs in the current year will be £3.6m before the loss on disposal of RESL.

It is expected that the move to withdraw from these activities will prevent the Group from incurring further losses in the site based nuclear contracting business. This business should also become cash generative over time, as it is anticipated that the release from working capital will exceed the cash costs of closure.

The technical and manufacturing capabilities within our site based nuclear contracting business, particularly relating to gloveboxes and specialist nuclear products will be combined with those of our manufacturing businesses. The Group remains fully committed to serving its nuclear clients with manufactured goods and products with the installation of these being undertaken by its manufacturing businesses.

#### Group Structure

We have completed the removal of our old divisional structure. Day to day management responsibility rests in the individual businesses with support from the Executive Directors. This has resulted in annual cost savings of £1.2m as well as improving communication and decision making. Going forward we will report in two business streams namely Manufacturing and Specialist Services.

Manufacturing consists of the design, manufacture, installation and commissioning of high integrity, specialist manufactured products such as fire and blast resistant doors, window and wall systems as well the specialist manufacture of containers, gloveboxes, racks and other bespoke goods. We deliver these principally into the nuclear and oil & gas markets through three manufacturing businesses: Booth Industries Limited, Jordan Manufacturing Limited and R. Blackett Charlton Limited, all of which carry strong brand identities.

Specialist Services consists of our activities in installation and maintenance of the telecommunications network infrastructure, design manufacture and installation of process lines in Food and Pharmaceutical markets and specialist surface finishings to the Astute class submarines. We deliver these services through Redhall Networks, Redhall Jex and Redhall Marine.

## Summary

For the Group, 2015 is a year of delivering the strategic plan, to focus on higher margin, high integrity manufacturing capabilities, to substantially reduce exposure to low margin or loss making contracting and to reduce gearing and reduce costs. The Group board believes that improvements in profitability will follow the delivery of this plan.

Results for the six months ended 31 March 2015 will be published on 11 June 2015.

**Phil Brierley, Redhall's Chief Executive, commented:** "We expected to substantially complete the implementation of our strategic plan by the end of our financial year. I am pleased that, with today's announcement, we can report that we are ahead of this target. The sale of RESL together with our withdrawal from our site based nuclear contracting activities will reduce risk and allow us to place more attention onto our high integrity and high margin manufacturing and specialist services capability particularly in the nuclear and oil & gas markets and importantly reduce our gearing. I am confident that this will deliver shareholder value in the longer term. We remain totally focused on delivering high quality products and services to our first class customer base."

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